

WILD SALMON CENTER

**Audited Consolidated
Financial Statements**

**For the Years Ended
December 31, 2007 and 2006**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wild Salmon Center
Portland, Oregon

We have audited the accompanying consolidated statements of financial position of Wild Salmon Center as of December 31, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Wild Salmon Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wild Salmon Center as of December 31, 2007 and 2006, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McDonald Jacobs, P.C.

March 26, 2008

Strength in Numbers

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WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 1,763,239	\$ 3,979,565
Accounts receivable, net of allowance for uncollectible accounts of \$53,774 for 2007 and 2006	18,629	14,205
Pledges receivable, net	1,396,536	995,670
Prepaid expenses, deposits, and supplies	164,500	78,181
Property and equipment, net	276,409	993,946
Land held for preservation	<u>936,241</u>	<u>936,241</u>
 TOTAL ASSETS	 <u>\$ 4,555,554</u>	 <u>\$ 6,997,808</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 184,216	\$ 342,328
Notes payable	<u>196,400</u>	<u>250,997</u>
Total liabilities	<u>380,616</u>	<u>593,325</u>
Net assets:		
Unrestricted:		
Undesignated	215,620	150,316
Land, property and equipment, net	1,019,030	1,000,923
Board designated	<u>775,000</u>	<u>500,000</u>
Total unrestricted	<u>2,009,650</u>	<u>1,651,239</u>
Temporarily restricted:		
Time and purpose restricted	2,102,402	3,981,807
Restricted property and equipment, net	<u>62,886</u>	<u>771,437</u>
Total temporarily restricted	<u>2,165,288</u>	<u>4,753,244</u>
 Total net assets	 <u>4,174,938</u>	 <u>6,404,483</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,555,554</u>	 <u>\$ 6,997,808</u>

See notes to consolidated financial statements.

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2007 and 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Grants and contributions	\$ 1,407,177	\$ 2,606,565	\$ 4,013,742	\$ 1,708,933	\$ 5,958,103	\$ 7,667,036
Program revenue	48,417	-	48,417	75,451	-	75,451
Donated materials and services	71,126	77,650	148,776	50,255	-	50,255
Investment income	113,912	-	113,912	54,555	-	54,555
Other income	26,977	-	26,977	22,969	-	22,969
Net assets released from restrictions:						
Satisfaction of purpose restrictions	4,681,798	(4,681,798)	-	3,417,731	(3,417,731)	-
Total revenue	<u>6,349,407</u>	<u>(1,997,583)</u>	<u>4,351,824</u>	<u>5,329,894</u>	<u>2,540,372</u>	<u>7,870,266</u>
Expenses:						
Program services:						
North America Program	960,071	-	960,071	638,654	-	638,654
Kamchatka Salmon Biodiversity Program	2,407,987	-	2,407,987	2,356,463	-	2,356,463
State of the Salmon Program	399,533	-	399,533	515,538	-	515,538
Russian Far East Salmon Biodiversity Program	810,413	-	810,413	644,257	-	644,257
Principles of Salmon Conservation	220,675	-	220,675	-	-	-
Japan Salmon Biodiversity Program	54,641	-	54,641	22,511	-	22,511
Total program services	4,853,320	-	4,853,320	4,177,423	-	4,177,423
General and administrative	644,175	-	644,175	495,697	-	495,697
Development and fundraising	493,501	-	493,501	501,167	-	501,167
Total expenses	<u>5,990,996</u>	<u>-</u>	<u>5,990,996</u>	<u>5,174,287</u>	<u>-</u>	<u>5,174,287</u>
Change in net assets from operations	358,411	(1,997,583)	(1,639,172)	155,607	2,540,372	2,695,979
Separation of WFBF (see Note 12)	-	(590,373)	(590,373)	-	-	-
Change in net assets	358,411	(2,587,956)	(2,229,545)	155,607	2,540,372	2,695,979
Net assets:						
Beginning of year	<u>1,651,239</u>	<u>4,753,244</u>	<u>6,404,483</u>	<u>1,495,632</u>	<u>2,212,872</u>	<u>3,708,504</u>
End of year	<u>\$ 2,009,650</u>	<u>\$ 2,165,288</u>	<u>\$ 4,174,938</u>	<u>\$ 1,651,239</u>	<u>\$ 4,753,244</u>	<u>\$ 6,404,483</u>

See notes to consolidated financial statements.

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from grants, contracts, and contributions	\$ 3,608,452	\$ 6,959,607
Other cash receipts	75,394	22,969
Interest received	113,912	54,555
Cash paid to employees and suppliers	(5,891,004)	(4,836,915)
Cash paid for interest	<u>(15,624)</u>	<u>(4,900)</u>
Net cash provided by (used in) operating activities	<u>(2,108,870)</u>	<u>2,195,316</u>
 Cash flows from investing activities:		
Proceeds from sale of property	-	2,000
Additions to property and equipment	<u>(52,859)</u>	<u>(365,172)</u>
Net cash used in investing activities	<u>(52,859)</u>	<u>(363,172)</u>
 Cash flows from financing activities:		
Proceeds from long-term debt	-	160,000
Principal payments on long-term debt	<u>(54,597)</u>	<u>(2,172)</u>
Net cash provided by (used in) financing activities	<u>(54,597)</u>	<u>157,828</u>
 Net increase (decrease) in cash and cash equivalents	(2,216,326)	1,989,972
 Cash and cash equivalents - beginning of year	<u>3,979,565</u>	<u>1,989,593</u>
 Cash and cash equivalents - end of year	<u>\$ 1,763,239</u>	<u>\$ 3,979,565</u>
 Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (2,229,545)	\$ 2,695,979
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	211,131	183,334
In-kind donations of property and equipment	(32,866)	-
Allowance for uncollectible accounts	-	26,887
Loss on sale and disposition of property and equipment	1,758	6,487
Separation of WFBF	590,373	-
Increase in:		
Accounts and grants receivable	(405,290)	(782,880)
Prepaid expenses, deposits, and supplies	(86,319)	(44,748)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(158,112)</u>	<u>110,257</u>
Net cash provided by (used in) operating activities	<u>\$ (2,108,870)</u>	<u>\$ 2,195,316</u>

See notes to consolidated financial statements.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Wild Salmon Center (the Organization or WSC), founded in 1992, is an incorporated association whose mission is to identify, understand and protect the best wild salmon ecosystems of the Pacific Rim. The Organization devises and implements practical strategies, based on the best science, to protect forever these extraordinary places and their biodiversity. The Organization's board of directors and staff include experts in salmon management and conservation from Russia and the United States. The Organization receives support primarily from various public and private foundations. Support to the Organization from one private foundation approximated 17% for 2007 and 56% for 2006.

The Organization's primary programs include:

- **North America Program:** An effort to create a network of protected wild salmon rivers along the Pacific Rim, focusing on the most productive and species-rich salmon ecosystems from Alaska to California. This network of salmon strongholds is achieved through non-regulatory, incentive-driven strategies.
- **Kamchatka Salmon Biodiversity Program:** A joint effort with Russian and international partners to secure Russia's Kamchatka Peninsula as a global stronghold for wild salmon ecosystems by creating a network of protected areas on the most important salmon, trout, and steelhead rivers.
- **State of the Salmon Program:** A joint program of Wild Salmon Center and Ecotrust, State of the Salmon provides scientific and technical support for developing new salmon conservation policies and management practices. The program works to create a seamless portrait of salmon status in watersheds throughout the North Pacific. The consortium's goal is to help national, regional and local natural resource managers make informed decisions to benefit wild salmon.
- **Russian Far East Salmon Biodiversity Program:** A collaboration with diverse partner groups to identify conservation strategies that protect wild salmon habitat as the region develops its other natural resources – oil and gas, minerals and forests. The program also develops partnerships to protect the most species-rich, healthy and unique salmon watersheds in the region.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

- **Principles of Salmon Conservation Program:** This program is working to establish priority setting of salmon stronghold rivers which will drive agenda setting for NGOs, governmental bodies and scientific institutions. The program uses the best science available to set regional prioritizations and to assist in river basin analysis. The program is also building Wild Salmon management goals and principals, and establishing standards for adoption by governments, regional governmental entities and NGOs which will be sufficient to ensure the long term abundance, diversity and sustainability of wild Pacific salmon. The program seeks to establish broad stakeholder support for these principals.
- **The Japan Salmon Biodiversity Program:** The principal activities of the Program are establishment and long-term protection for habitat in Japan, and the empowerment of local stakeholders in Japan so that these stakeholders can be effective in their conservation efforts.

Consolidated Financial Presentation

During 2007, a separate nonprofit organization was established to facilitate one of WSC programs. The consolidated financial statements include the accounts of Wild Salmon Center and North Pacific Salmon Trust. All inter-organization transactions and balances as of December 31, 2007 have been eliminated.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The Organization had only unrestricted and temporarily restricted net assets at December 31, 2007 and 2006.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less, at the time of purchase, to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to the change in net assets and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment

Additions to property and equipment with values exceeding \$500 are capitalized. Property and equipment are carried at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Grants and Contributions

Grants and other contributions of cash and other assets are reported as unrestricted support unless they are received with donor restrictions that limit their use. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Materials and Services

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an integral part of the Organization's activities.

The Organization reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. For 2007, donated services approximating \$58,000 were charged to program expenses. For 2006, donated professional services for legal and accounting approximating \$1,200 were charged to general and administrative expenses.

Many of the Organization's daily operation are staffed by volunteers. These volunteer services, which have not been recognized in the accompanying financial statements since the criteria for recording these contributed services have not been met, totaled approximately 613 hours in 2007

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Wild Salmon Center is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). The Organization is not a private foundation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2007 and 2006

2. PLEDGES RECEIVABLE

Pledges receivable at December 31, 2007 and 2006 are unsecured and due as follows:

	2007	2006
Due within one year	\$ 1,206,060	\$ 676,670
Due in two to five years	200,000	335,000
	1,406,060	1,011,670
Less discount on long-term pledges	9,524	16,000
	\$ 1,396,536	\$ 995,670

Long-term pledges are discounted to present value at a rate of 5%.

Conditional multi-year grants contingent on performance and matching requirements approximate \$1,779,000 at December 31, 2007 and accordingly, are not reported in the financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2007 and 2006 consist of the following:

	2007	2006
Office furniture and equipment	\$ 161,509	\$ 167,230
Computer equipment	275,807	217,576
Leasehold improvements	39,723	62,304
Biostations	-	474,166
Expedition equipment	5,977	537,363
Display equipment	-	4,483
	483,016	1,463,122
Less accumulated depreciation	206,607	469,176
	\$ 276,409	\$ 993,946

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2007 and 2006

4. LAND HELD FOR PRESERVATION

During 2004, the Organization acquired 255 acres of land along Elk Creek in Clallam County, Washington. The land is carried at cost and is subject to restrictive covenants which require that it be used only for salmon recovery and conservation purposes.

5. NOTES PAYABLE

Notes payable at December 31, 2007 and 2006 consist of the following:

	2007	2006
Note payable to Wells Fargo Bank in monthly installments of \$3,273 including interest at 8.25%, through November 2011; secured by furniture and equipment.	\$ 130,734	\$ 157,828
 Note payable to founder and board member in connection with deferred compensation agreement; payable in annual installments of \$33,798 including interest at 3.76% through December 31, 2008; unsecured. Interest is adjusted annually to the applicable federal rates. The payments due in 2007 and 2006 were made in January 2008 and 2007, respectively, at the request of the note issuer.	 65,666	 93,169
Total notes payable	\$ 196,400	\$ 250,997
Current portion	\$ 95,087	\$ 87,607
Long-term portion	101,313	163,390
	\$ 196,400	\$ 250,997

Current maturities of long-term debt are as follows:

December 31, 2008	\$ 95,087
2009	32,009
2010	34,791
2011	34,513
	\$ 196,400

Interest expense totaled \$15,624 for 2007 and \$4,900 for 2006.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2007 and 2006

6. BOARD DESIGNATED NET ASSETS

Unrestricted net assets totaling \$275,000 have been designated as the "Opportunity Fund." The purpose of the Opportunity Fund is to provide available funds for special projects. During 2005, the board of directors established an Operating Reserve Fund and designated \$125,000 to the fund. The purpose of this fund is to set aside funds as a contingency reserve for potential future operating shortfalls. The board designated an additional \$100,000 to the fund during 2006, and an additional \$275,000 to the fund during 2007.

A summary of board designated net assets are as follows:

	<u>2007</u>	<u>2006</u>
Opportunity Fund	\$ 275,000	\$ 275,000
Operating Reserve Fund	<u>500,000</u>	<u>225,000</u>
Total board designated net assets	<u>\$ 775,000</u>	<u>\$ 500,000</u>

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted to the following programs:

	<u>2007</u>	<u>2006</u>
Kamchatka Salmon Biodiversity Program	\$ 947,297	\$ 3,566,401
Russian Far East Program	400,000	-
State of the Salmon Program	136,476	208,758
Communications	125,000	174,400
North America Program	473,481	803,685
Principles of Salmon Conservation	<u>83,034</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 2,165,288</u>	<u>\$ 4,753,244</u>

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2007 and 2006

8. RELATED PARTY TRANSACTIONS

The Organization has contracts with two organizations in which a board member serves on both the Wild Salmon Center board and the contracting organization's board. The Organization paid contract services approximating \$95,000 to these two organizations during 2007 and \$241,000 during 2006. Additionally, amounts totaling approximately \$35,500 for consulting fees were paid to a board member.

As disclosed in Note 5, the Organization has a note payable to the founder and current board member in connection with a deferred compensation agreement. The Organization paid this board member salary and benefits approximating \$33,800 during 2007 and \$49,000 during 2006. The board member is also the executive director of an organization which owes the Organization \$53,774 at December 31, 2007 and 2006. The amount owing has been fully reserved.

9. EMPLOYEE BENEFIT PLANS

The Organization has defined contribution salary deferral plans (401(k) and 403(b)) covering all full-time employees based in the United States. Under the plans, these employees are eligible to contribute to one of the plans after six months of employment. Employees may contribute up to the statutory limit of their pre-tax earnings each period and the Organization will match employee contributions up to seven percent. Plan contributions during 2007 and 2006 were \$92,785 and \$81,887, respectively.

10. LEASE COMMITMENTS

During 2006, the Organization relocated its Portland office facilities to a larger space in the same building. The current operating lease expires July 31, 2011. Monthly rent is \$8,740 and is subject to an annual rate increase equal to the Consumer Price Index.

The Organization leased its Seattle and Port Angeles, Washington office facilities under leases that expired in 2006 and 2007. The Organization also leases two copiers under operating leases expiring in July 2009 and February 2011. Total lease expense approximated \$141,000 and \$152,000 for 2007 and 2006, respectively.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2007 and 2006

10. LEASE COMMITMENTS, Continued

Future minimum lease payments under non-cancelable leases are as follows:

Years ending December 31, 2008	\$	109,704
2009		109,704
2010		108,756
2011		107,808
2012		<u>61,912</u>
	\$	<u>497,884</u>

11. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization's cash accounts are maintained in various financial institutions. The balances with each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Uninsured balances approximate \$1,689,000 and \$3,883,000 at December 31, 2007 and 2006, respectively.

12. SEPARATION OF WILD FISHES AND BIODIVERSITY FOUNDATION

In December 2007, a nonprofit organization, Wild Fishes and Biodiversity Foundation (WFBF) established a board and activities separate from WSC. Prior to the separation of the entity, all activities were included in the programs of WSC. As of the date of separation, WSC granted assets with a net book value of approximately \$590,000 to WFBF.