

WILD SALMON CENTER

**Audited Consolidated
Financial Statements**

**For the Years Ended
December 31, 2013 and 2012**



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA
Shareholder

To the Board of Directors
Wild Salmon Center

Susan J. Marks, CPA
Shareholder

We have audited the accompanying consolidated financial statements of Wild Salmon Center (a nonprofit corporation), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Mark A. Clift, CPA
Shareholder

Karin S. Wandtke, CPA
Shareholder

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., CPA
Shareholder

Mary Strasdin, CPA
Shareholder

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Jill Oswald
Shareholder

Anthony Almer, CPA
Principal

Tyee Carr, CPA
Principal

Dennis C. Johnson, CPA
of counsel

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wild Salmon Center as of December 31, 2013, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of Wild Salmon Center for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on February 22, 2013.

McDonald Jacoby, P.C.

Portland, Oregon
March 17, 2014

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 3,316,336 | \$ 4,491,297 |
| Accounts receivable | 14,152 | 3,715 |
| Pledges receivable, net | 1,511,708 | 1,619,981 |
| Prepaid expenses, deposits, and supplies | 79,984 | 107,808 |
| Property and equipment, net | <u>24,084</u> | <u>49,461</u> |
| TOTAL ASSETS | <u>\$ 4,946,264</u> | <u>\$ 6,272,262</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ <u>282,786</u> | \$ <u>290,771</u> |
| Total liabilities | <u>282,786</u> | <u>290,771</u> |
| Net assets: | | |
| Unrestricted: | | |
| Undesignated | 1,177,663 | 989,041 |
| Property and equipment, net | 20,542 | 42,288 |
| Board designated | <u>775,000</u> | <u>775,000</u> |
| Total unrestricted | <u>1,973,205</u> | <u>1,806,329</u> |
| Temporarily restricted: | | |
| Time and purpose restricted | 2,686,731 | 4,167,989 |
| Restricted property and equipment, net | <u>3,542</u> | <u>7,173</u> |
| Total temporarily restricted | <u>2,690,273</u> | <u>4,175,162</u> |
| Total net assets | <u>4,663,478</u> | <u>5,981,491</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 4,946,264</u> | <u>\$ 6,272,262</u> |

See notes to consolidated financial statements.

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2013 and 2012

| | 2013 | | | 2012 | | | |
|---|---------------------|------------------------|---------------------|---------------------|------------------------|---------------------|-------|
| | Unrestricted | Temporarily Restricted | | Unrestricted | Temporarily Restricted | | Total |
| | | Total | Restricted | | Total | Restricted | |
| Revenue and support: | | | | | | | |
| Grants and contributions | \$ 1,128,609 | \$ 2,269,592 | \$ 3,398,201 | \$ 1,056,291 | \$ 1,968,389 | \$ 3,024,680 | |
| Program revenue | - | 81,533 | 81,533 | - | 93,731 | 93,731 | |
| Donated materials and services | 1,437 | 10,972 | 12,409 | 21,758 | 21,167 | 42,925 | |
| Interest income | 4,304 | - | 4,304 | 7,719 | - | 7,719 | |
| Other income | 5,157 | - | 5,157 | 835 | - | 835 | |
| Net assets released from restrictions: | | | | | | | |
| Satisfaction of purpose and time restrictions | 3,846,986 | (3,846,986) | - | 4,054,806 | (4,054,806) | - | |
| Total revenue and support | <u>4,986,493</u> | <u>(1,484,889)</u> | <u>3,501,604</u> | <u>5,141,409</u> | <u>(1,971,519)</u> | <u>3,169,890</u> | |
| Expenses: | | | | | | | |
| Program services: | | | | | | | |
| North America Program | 1,177,977 | - | 1,177,977 | 998,262 | - | 998,262 | |
| Western Pacific Network | 1,061,810 | - | 1,061,810 | 1,505,237 | - | 1,505,237 | |
| Sustainable Fisheries and Markets | 637,020 | - | 637,020 | 696,274 | - | 696,274 | |
| State of the Salmon | 870,142 | - | 870,142 | 950,584 | - | 950,584 | |
| Total program services | 3,746,949 | - | 3,746,949 | 4,150,357 | - | 4,150,357 | |
| General and administrative | 554,885 | - | 554,885 | 514,789 | - | 514,789 | |
| Development and fundraising | 517,783 | - | 517,783 | 516,478 | - | 516,478 | |
| Total expenses | <u>4,819,617</u> | <u>-</u> | <u>4,819,617</u> | <u>5,181,624</u> | <u>-</u> | <u>5,181,624</u> | |
| Change in net assets | 166,876 | (1,484,889) | (1,318,013) | (40,215) | (1,971,519) | (2,011,734) | |
| Net assets: | | | | | | | |
| Beginning of year | <u>1,806,329</u> | <u>4,175,162</u> | <u>5,981,491</u> | <u>1,846,544</u> | <u>6,146,681</u> | <u>7,993,225</u> | |
| End of year | <u>\$ 1,973,205</u> | <u>\$ 2,690,273</u> | <u>\$ 4,663,478</u> | <u>\$ 1,806,329</u> | <u>\$ 4,175,162</u> | <u>\$ 5,981,491</u> | |

See notes to consolidated financial statements.

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|-----------------------|---------------------|
| Cash flows from operating activities: | | |
| Cash received from grants, contracts, and contributions | \$ 3,506,474 | \$ 5,585,715 |
| Other cash receipts | 76,253 | 96,018 |
| Interest received | 4,304 | 7,719 |
| Cash paid to employees and suppliers | <u>(4,761,992)</u> | <u>(5,000,427)</u> |
| Net cash provided by (used in) operating activities | <u>(1,174,961)</u> | <u>689,025</u> |
| Cash flows from investing activities: | | |
| Additions to property and equipment | <u>-</u> | <u>(22,721)</u> |
| Net cash used in investing activities | <u>-</u> | <u>(22,721)</u> |
| | | |
| Net increase (decrease) in cash and cash equivalents | (1,174,961) | 666,304 |
| | | |
| Cash and cash equivalents - beginning of year | <u>4,491,297</u> | <u>3,824,993</u> |
| | | |
| Cash and cash equivalents - end of year | <u>\$ 3,316,336</u> | <u>\$ 4,491,297</u> |
| | | |
| Reconciliation of change in net assets to net cash provided by (used in) operating activities: | | |
| Change in net assets | \$ (1,318,013) | \$ (2,011,734) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 25,377 | 32,235 |
| (Increase) decrease in: | | |
| Accounts and pledges receivable | 97,836 | 2,559,476 |
| Prepaid expenses, deposits, and supplies | 27,824 | 37,437 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | <u>(7,985)</u> | <u>71,611</u> |
| | | |
| Net cash provided by (used in) operating activities | <u>\$ (1,174,961)</u> | <u>\$ 689,025</u> |

See notes to consolidated financial statements.

**WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012**

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 public and private foundations.

The Organization's primary programs include:

North America Program: The North America Program conducts conservation activities in the states of Oregon, Washington, and Alaska while cultivating partnerships in California, Idaho, and British Columbia, Canada. Through extensive collaboration with public and private partners, the Program focuses on building and leading diverse coalitions to ensure the long-term abundance, viability, and diversity of North America's strongest remaining salmon populations. Projects range from leadership on community-based conservation in the Olympic Peninsula (Washington) to actively opposing threats posed by resource extraction activities in the Bristol Bay (Alaska) and Tillamook (Oregon) strongholds. In addition to these place-based activities, the North America Program leads the development of the North America Salmon Stronghold Partnership (NASSP), a public-private partnership conceived to accelerate the protection and restoration of the best remaining North America salmon ecosystems. Among its major initiatives is the introduction of The Pacific Salmon Stronghold Conservation Act which will establish a new, proactive U.S. policy recognizing the need for conservation of salmon strongholds.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2013 and 2012

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Organization, Continued

Western Pacific Network: The Western Pacific Network Program is working to ensure effective long-term protection of a network of salmon strongholds in Russia. This program conducts conservation activities in Kamchatka, on Sakhalin Island, and in the Khabarovsk province in the Russian Far East. To accomplish this goal, WSC has developed proactive models of international cooperation to achieve significant conservation gains on local, regional, and global scales. At the local level, watershed councils empower communities to protect and manage salmon rivers in their area. By coordinating councils across multiple basins and ecoregions, WSC can also accomplish larger conservation goals. At the federal level, the Russian government has taken initiative to safeguard the economic and ecological importance of salmon by prioritizing its most significant salmon rivers and creating new federally protected zones. Internationally, WSC is working with leading U.S. and Russian environmental specialists to increase the visibility of salmon conservation and to strengthen collaboration between the federal government and civil societies of the two nations. As one of the few non-native NGOs working in the Russian Far East, WSC is in a unique position to help protect some of Russia's most pristine and unique places while they are still relatively intact.

Sustainable Fisheries and Markets: The Sustainable Fisheries and Markets Program combines WSC's technical, scientific, and collaborative strengths with the power of the global marketplace to leverage improvements in wild salmon fishery management - ultimately ensuring a sustainable supply of third-party certified seafood. To achieve this, WSC tracks the health, status and trends of wild salmon populations to best inform fishery management practices. For those Pacific salmon fisheries not yet certified, WSC provides a road map to certification and related fishery improvements via technical, scientific, and logistical assistance. WSC also assists with the development of a legal and sustainable supply chain of Pacific salmon by implementing traceability systems that help the market distinguish and prioritize legal and sustainably-sourced over illegal and unsustainably-sourced salmon. Investing in additional verification and enforcement measures such as independent observers and anti-poaching brigades is another important component of reducing illegal, unreported, or unregulated (IUU) fisheries that are the paramount threat to wild salmon fisheries in Russia.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2013 and 2012

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Organization, Continued

State of the Salmon: State of the Salmon tracks the health, status and trends of wild salmon populations, and informs salmon management and conservation improvements across the Pacific Rim. It is dedicated to evaluating status and conservation challenges of wild North Pacific salmon across the six nations that comprise their entire range. A key vision of the program has been to create international forums where salmon managers, scientists, and conservationists from watersheds across the Pacific Rim can learn from each other's successes and failures and work together to accelerate the adoption of science-based standards for wild salmon conservation. State of the Salmon also partners with international organizations to promote the adoption of practices for fisheries harvest and hatchery operations to ensure the sustainability of wild salmon populations.

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Consolidated Financial Presentation

The consolidated financial statements include the accounts of Wild Salmon Center and North Pacific Salmon Trust, a nonprofit organization established to facilitate one of WSC's programs (collectively, the Organization). All inter-organization transactions and balances have been eliminated.

Cash and Cash Equivalents

For the purposes of the statements 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.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2013 and 2012

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accounts and Pledges Receivable

Accounts and pledges 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 the receivable. At December 31, 2013 and 2012, management believes that all amounts are collectible; therefore no allowance has been recorded.

Property and Equipment

Additions to property and equipment with values exceeding \$1,500 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 statements of activities as net assets released from restrictions.

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. Donated services approximating \$1,310 and \$28,440 were charged to program expenses for the years ended December 31, 2013 and 2012, respectively.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2013 and 2012

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Materials and Services, Continued

Many of the Organization's daily operation are staffed by volunteers. These volunteer services, which have not been recognized in the accompanying consolidated financial statements since the criteria for recording these contributed services have not been met, totaled approximately 1,151 and 1,232 hours in 2013 and 2012, respectively.

Allocation of Expenses

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

Income Taxes

Wild Salmon Center and North Pacific Salmon Trust are exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and applicable state law. There is no provision for income taxes in the accompanying consolidated financial statements as the Organizations have no activities subject to unrelated business income tax. The Organizations are not private foundations.

The Organizations' information returns for years ended December 31, 2009 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Self-Funded Unemployment Insurance

The Organization is self-insured for unemployment and makes periodic payments to a trust company in an amount equal to estimated future claims. Deposits to the trust are recorded as prepaid expenses and are reduced by claims outstanding at year end.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2013 and 2012

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events

Subsequent to year end, management of the Organization determined that due to changes in programming activities, restrictions on a grant received may not be fully satisfied as originally intended. Management estimates the amount that may not be fully satisfied to be approximately \$93,000. Management is working with the donor to determine if the funds can be utilized for other programs.

The Organization has evaluated all subsequent events through March 17, 2014, the date the consolidated financial statements were available to be issued.

Reclassifications

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements.

2. PLEDGES RECEIVABLE

Pledges receivable at December 31, 2013 and 2012 are unsecured and due as follows:

| | <u>2013</u> | <u>2012</u> |
|-------------------------------------|---------------------|---------------------|
| Due within one year | \$ 1,308,787 | \$ 1,581,886 |
| Due in two to five years | 212,588 | 40,000 |
| Total pledges receivable | <u>1,521,375</u> | <u>1,621,886</u> |
| Less discount for long-term pledges | <u>9,667</u> | <u>1,905</u> |
| Net pledges receivable | <u>\$ 1,511,708</u> | <u>\$ 1,619,981</u> |

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

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2013 and 2012

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 and 2012 consist of the following:

| | <u>2013</u> | <u>2012</u> |
|-------------------------------|------------------|------------------|
| Furniture | \$ 137,381 | \$ 137,381 |
| Office equipment | 61,171 | 61,171 |
| Computer equipment | 136,765 | 154,275 |
| Leashold improvements | 50,232 | 50,232 |
| Expedition equipment | 5,977 | 5,977 |
| Software | <u>167,409</u> | <u>167,409</u> |
| | 558,935 | 576,445 |
| Less accumulated depreciation | <u>534,851</u> | <u>526,984</u> |
| Property and equipment, net | <u>\$ 24,084</u> | <u>\$ 49,461</u> |

4. BOARD DESIGNATED NET ASSETS

Board designated net assets are held as an Operating Reserve Fund and totaled \$775,000 at December 31, 2013 and 2012.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, including time restricted pledges, are restricted to the following activities:

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| North America Program | \$ 645,801 | \$ 643,743 |
| Western Pacific Network | 1,033,959 | 1,714,507 |
| Sustainable Fisheries and Markets | 394,617 | 464,997 |
| Communication | 170,000 | - |
| Conservation Science | <u>445,896</u> | <u>1,351,915</u> |
| Total temporarily restricted net assets | <u>\$ 2,690,273</u> | <u>\$ 4,175,162</u> |

6. RELATED PARTY TRANSACTIONS

A board member was paid for consulting fees in 2012 which totaled \$12,000. No consulting fees were paid to this board member in 2013.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2013 and 2012

7. EMPLOYEE BENEFIT PLANS

The Organization has defined contribution salary deferral plans (401(k) and 403(b)) covering all eligible 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. The Organization's contributions to the plans during 2013 and 2012 totaled \$129,934 and \$124,948, respectively.

8. LEASE COMMITMENTS

The Organization leases its Portland office facilities under an agreement expiring July 31, 2016. Monthly base rent for the main office area, Suite 300, is currently \$10,354 and is subject to an annual rate increase equal to the Consumer Price Index. The Organization also leases various office equipment under operating leases expiring between 2014 and 2018 with current monthly rent totaling \$1,725.

Total rent expense approximated \$134,000 for 2013 and 2012.

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

| | |
|-------------------------------|-------------------|
| Year ending December 31, 2014 | \$ 147,000 |
| 2015 | 144,300 |
| 2016 | 92,600 |
| 2017 | 13,300 |
| 2018 | <u>7,400</u> |
| Total | <u>\$ 404,600</u> |

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2013 and 2012

9. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances in excess of insured limits were approximately \$2,807,000 and \$2,262,000 at December 31, 2013 and 2012, respectively.

Credit risk for pledges receivable is concentrated in that 78% of the balance at December 31, 2013 is receivable from three organizations and 43% of the balance at December 31, 2012 is receivable from one organization. In addition, two grantors provided approximately 30% of the Organization's support for 2013 and four grantors provided approximately 28% of the Organization's support for 2012.