



WILD SALMON CENTER

**Audited Consolidated
Financial Statements**

**For the Years Ended
December 31, 2014 and 2013**



MCDONALD JACOBS
ACCOUNTANTS & CONSULTANTS



INDEPENDENT AUDITOR'S REPORT

Mark A. Clift, CPA
Shareholder

To the Board of Directors
Wild Salmon Center

Karin S. Wandtke, CPA
Shareholder

We have audited the accompanying consolidated financial statements of Wild Salmon Center (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Sang Ahn, CPA
Shareholder

Gerard DeBlois Jr., 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.

Mary Strasdin, CPA
Shareholder

Jill Oswald
Shareholder

Anthony Almer, CPA
Principal

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Tyee Carr, CPA
Principal

Jake Jacobs, CPA
of counsel

Susan J. Marks, CPA
of counsel

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.

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, 2014 and 2013, and changes in its 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 Jacobson, P.C.

Portland, Oregon
April 2, 2015

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,585,588	\$ 3,316,336
Accounts receivable	123,370	14,152
Pledges receivable, current portion	1,585,201	1,308,787
Prepaid expenses, deposits, and supplies	<u>122,345</u>	<u>79,984</u>
Total current assets	6,416,504	4,719,259
Pledges, net	1,636,256	202,921
Property and equipment, net	<u>46,936</u>	<u>24,084</u>
TOTAL ASSETS	<u>\$ 8,099,696</u>	<u>\$ 4,946,264</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 192,230</u>	<u>\$ 282,786</u>
Total liabilities	<u>192,230</u>	<u>282,786</u>
Net assets:		
Unrestricted:		
Undesignated	3,364,612	958,599
Property and equipment, net	46,936	20,542
Board designated	<u>775,000</u>	<u>775,000</u>
Total unrestricted	<u>4,186,548</u>	<u>1,754,141</u>
Temporarily restricted:		
Time and purpose restricted	3,720,918	2,905,795
Restricted property and equipment, net	<u>-</u>	<u>3,542</u>
Total temporarily restricted	<u>3,720,918</u>	<u>2,909,337</u>
Total net assets	<u>7,907,466</u>	<u>4,663,478</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,099,696</u>	<u>\$ 4,946,264</u>

See notes to consolidated financial statements.

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2014 and 2013

	2014		2013	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Revenue and support:				
Grants and contributions	\$ 3,153,213	\$ 6,001,896	\$ 9,155,109	\$ 3,398,201
Program revenue	21,625	158,363	179,988	81,533
Donated materials and services	7,830	14,072	21,902	12,409
Interest income	2,832	-	2,832	4,304
Other income	2,680	-	2,680	5,157
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	5,362,750	(5,362,750)	-	(3,846,986)
Total revenue and support	<u>8,550,930</u>	<u>811,581</u>	<u>9,362,511</u>	<u>(1,484,889)</u>
Expenses:				
Program services:				
North America Program	2,213,441	-	2,213,441	1,113,548
Western Pacific Network	1,004,619	-	1,004,619	1,014,584
Sustainable Fisheries and Markets	1,404,059	-	1,404,059	601,850
Science	87,859	-	87,859	819,063
Communications and other programs	420,014	-	420,014	197,904
Total program services	<u>5,129,992</u>	<u>-</u>	<u>5,129,992</u>	<u>3,746,949</u>
General and administrative	455,551	-	455,551	554,885
Development and fundraising	532,980	-	532,980	517,783
Total expenses	<u>6,118,523</u>	<u>-</u>	<u>6,118,523</u>	<u>4,819,617</u>
Change in net assets	2,432,407	811,581	3,243,988	(1,318,013)
Net assets:				
Beginning of year	<u>1,754,141</u>	<u>2,909,337</u>	<u>4,663,478</u>	<u>4,394,226</u>
End of year	<u>\$ 4,186,548</u>	<u>\$ 3,720,918</u>	<u>\$ 7,907,466</u>	<u>\$ 2,909,337</u>
			<u>\$ 1,754,141</u>	<u>\$ 4,663,478</u>

See notes to consolidated financial statements.

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from grants, contracts, and contributions	\$ 7,445,360	\$ 3,506,474
Other cash receipts	73,450	76,253
Interest received	2,832	4,304
Cash paid to employees and suppliers	<u>(6,209,709)</u>	<u>(4,761,992)</u>
Net cash provided by (used in) operating activities	<u>1,311,933</u>	<u>(1,174,961)</u>
Cash flows from investing activities:		
Additions to property and equipment	<u>(42,681)</u>	<u>-</u>
Net cash used in investing activities	<u>(42,681)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,269,252	(1,174,961)
Cash and cash equivalents - beginning of year	<u>3,316,336</u>	<u>4,491,297</u>
Cash and cash equivalents - end of year	<u>\$ 4,585,588</u>	<u>\$ 3,316,336</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 3,243,988	\$ (1,318,013)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	19,829	25,377
(Increase) decrease in:		
Accounts and pledges receivable	(1,818,967)	97,836
Prepaid expenses, deposits, and supplies	(42,361)	27,824
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(90,556)</u>	<u>(7,985)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,311,933</u>	<u>\$ (1,174,961)</u>

See notes to consolidated financial statements.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

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. The mission of Wild Salmon Center is to promote the conservation and sustainable use of wild salmon ecosystems across the Pacific Rim. We identify science-based solutions to sustain wild salmonids and the human communities and livelihoods that depend on them. 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 California, Oregon, Washington, and Alaska as well as British Columbia, Canada. Through 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 conserving ecosystems in Bristol Bay (Alaska), the Skeena River (British Columbia), and Tillamook (Oregon). In addition to place-based activities, the North America Program leads a public-private partnership conceived to accelerate the protection and restoration of salmon strongholds: the best remaining wild salmon ecosystems in North America.

Western Pacific Network: The Western Pacific Program is working to ensure effective long-term protection of a network of salmon strongholds in Russia. This program conducts conservation activities in Kamchatka, Sakhalin Island, and in the Khabarovsk region in the Russian Far East. To accomplish this goal, WSC has developed proactive models of cooperation to achieve significant conservation gains on local, regional, and national scales. At the local level, watershed councils empower communities to protect and steward 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 the initiative to safeguard the economic and ecological importance of salmon runs by prioritizing some of its most significant salmon rivers and creating new protected areas to help safeguard watersheds for the long-term.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2014 and 2013

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

The Organization, Continued

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 and provides a road map to fishery improvements. 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, especially in the Russian Far East.

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, 2014 and 2013

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, 2014 and 2013, 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 \$1,500 in 2014 and were charged to general and administrative expenses. Donated services approximated \$1,310 in 2013 and were charged to program.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2014 and 2013

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.

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 Organization follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

The Organizations' information returns for years ended December 31, 2010 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.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2014 and 2013

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

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.

Subsequent Events

The Organization has evaluated all subsequent events through April 2, 2015, 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. This includes a reclassification in release of net assets as of December 31, 2012 totaling \$219,064 which increased the beginning temporarily restricted net assets and decreased unrestricted net assets for 2013. There is no effect on the operating results for 2014 or 2013 as a result of the reclassification.

2. PLEDGES RECEIVABLE

Pledges receivable at December 31, 2014 and 2013 are unsecured and due as follows:

	2014	2013
Due within one year	\$ 1,585,201	\$ 1,308,787
Due in two to five years	1,718,069	212,588
Total pledges receivable	3,303,270	1,521,375
Less discount for long-term pledges	81,813	9,667
Net pledges receivable	<u>\$ 3,221,457</u>	<u>\$ 1,511,708</u>
Current	\$ 1,585,201	\$ 1,308,787
Long-term	<u>1,636,256</u>	<u>202,921</u>
Net pledges receivable	<u>\$ 3,221,457</u>	<u>\$ 1,511,708</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, 2014 and 2013

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013 consist of the following:

	2014	2013
Furniture	\$ 140,081	\$ 137,381
Office equipment	62,986	61,171
Computer equipment	157,618	136,765
Leashold improvements	67,545	50,232
Expedition equipment	5,977	5,977
Software	167,409	167,409
	601,616	558,935
Less accumulated depreciation	554,680	534,851
Property and equipment, net	\$ 46,936	\$ 24,084

4. BOARD DESIGNATED NET ASSETS

Board designated net assets are held as an operating reserve and totaled \$775,000 at December 31, 2014 and 2013.

5. TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
North America Program	\$ 1,108,960	\$ 804,545
Western Pacific Network	1,306,947	1,033,959
Sustainable Fisheries and Markets	453,964	900,833
Communication	70,073	170,000
Salmon Science	779,872	-
Other	1,102	-
Total temporarily restricted net assets	\$ 3,720,918	\$ 2,909,337

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2014 and 2013

6. SPECIAL EVENT

The Organization held a special event in 2014. All revenues and expenses are recorded in the statement of activities as follows:

Reported with contributions:	
Ticket sales	\$ 63,745
Other contributions	119,200
Net auction proceeds	75,450
Reported with program revenue:	
Ticket sales	21,625
Event expenses reported in fundraising:	
Grants to other organization	(21,000)
Event expenses	<u>(57,431)</u>
Net proceeds from special event	<u>\$ 201,589</u>

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 2014 and 2013 totaled \$126,966 and \$129,934, respectively.

8. LINE OF CREDIT

The Organization has a \$500,000 line of credit with Wells Fargo Bank. Interest payments are to be made monthly on the outstanding balance at a floating rate equal to 1.00% over the bank prime rate or the floor rate of 5.00%, whichever is greater (5.00% as of December 31, 2014). The line of credit is secured by all supplies, receivables and equipment of the Organization. Line will mature on June 1, 2015. There were no advances on the line at December 31, 2014 and 2013.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2014 and 2013

9. 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 at various times through 2018 with current monthly rent totaling \$1,725.

Beginning July 1, 2014, the Organization entered into a lease expiring September 2017 for office space for use by the Sustainable Fisheries and Markets program. Effective January 1, 2015, the program became a separate organization and the newly established organization assumed the lease (Note 11).

Total rent expense approximated \$154,300 for 2014 and \$134,000 for 2013.

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

Year ending December 31, 2015	\$ 144,900
2016	93,200
2017	13,500
2018	<u>7,400</u>
Total	<u>\$ 259,000</u>

10. 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 \$3,976,000 and \$2,807,000 at December 31, 2014 and 2013, respectively.

Credit risk for pledges receivable is concentrated in that 65% of the balance at December 31, 2014 is receivable from one organization and 78% of the balance at December 31, 2013 is receivable from three organizations. In addition, one grantor provided approximately 62% of the Organization's support for 2014 and two grantors provided approximately 30% of the Organization's support for 2013.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2014 and 2013

11. SUBSEQUENT EVENT

In early 2015 the Organization spun off its Sustainable Fisheries and Markets program and created a new independent non-profit organization called Ocean Outcomes.