

WILD SALMON CENTER

**Audited Consolidated
Financial Statements**

**For the Years Ended
December 31, 2011 and 2010**



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
Wild Salmon Center
Portland, Oregon

We have audited the accompanying consolidated statements of financial position of Wild Salmon Center (a nonprofit organization) as of December 31, 2011 and 2010, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2011 and 2010, and the 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 Jacobs, P.C.

April 6, 2012

Strength in Numbers

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WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 3,824,993	\$ 3,368,953
Investments	-	25,263
Accounts receivable	2,156	2,812
Pledges receivable, net	4,181,016	796,983
Prepaid expenses, deposits, and supplies	145,245	262,450
Property and equipment, net	<u>58,975</u>	<u>109,487</u>
 TOTAL ASSETS	 <u><u>\$ 8,212,385</u></u>	 <u><u>\$ 4,565,948</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 219,160	\$ 276,330
Note payable	<u>-</u>	<u>31,886</u>
Total liabilities	<u>219,160</u>	<u>308,216</u>
Net assets:		
Unrestricted:		
Undesignated	1,021,600	878,445
Property and equipment, net	49,944	64,673
Board designated	<u>775,000</u>	<u>775,000</u>
Total unrestricted	<u>1,846,544</u>	<u>1,718,118</u>
Temporarily restricted:		
Time and purpose restricted	6,137,650	2,526,686
Restricted property and equipment, net	<u>9,031</u>	<u>12,928</u>
Total temporarily restricted	<u>6,146,681</u>	<u>2,539,614</u>
 Total net assets	 <u><u>7,993,225</u></u>	 <u><u>4,257,732</u></u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 8,212,385</u></u>	 <u><u>\$ 4,565,948</u></u>

See notes to consolidated financial statements.

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Grants and contributions	\$ 1,292,541	\$ 7,752,862	\$ 9,045,403	\$ 761,020	\$ 4,277,738	\$ 5,038,758
Program revenue	-	59,987	59,987	-	80,351	80,351
Donated materials and services	4,834	5,205	10,039	34,874	115,506	150,380
Interest income	9,091	6	9,097	10,070	10,018	20,088
Net realized/unrealized gains (losses)	(317)	117	(200)	(48)	(1,323)	(1,371)
Other income	4,286	-	4,286	6,777	-	6,777
Net assets released from restrictions:						
Satisfaction of purpose and time restrictions	4,211,110	(4,211,110)	-	5,513,781	(5,513,781)	-
Total revenue and support	<u>5,521,545</u>	<u>3,607,067</u>	<u>9,128,612</u>	<u>6,326,474</u>	<u>(1,031,491)</u>	<u>5,294,983</u>
Expenses:						
Program services:						
North America Program	792,953	-	792,953	1,381,740	-	1,381,740
Western Pacific Network	2,179,591	-	2,179,591	2,825,642	-	2,825,642
Sustainable Fisheries and Markets	634,926	-	634,926	572,019	-	572,019
State of the Salmon	771,924	-	771,924	600,446	-	600,446
Total program services	<u>4,379,394</u>	<u>-</u>	<u>4,379,394</u>	<u>5,379,847</u>	<u>-</u>	<u>5,379,847</u>
General and administrative	454,085	-	454,085	449,866	-	449,866
Development and fundraising	559,640	-	559,640	570,195	-	570,195
Total expenses	<u>5,393,119</u>	<u>-</u>	<u>5,393,119</u>	<u>6,399,908</u>	<u>-</u>	<u>6,399,908</u>
Change in net assets	128,426	3,607,067	3,735,493	(73,434)	(1,031,491)	(1,104,925)
Net assets:						
Beginning of year	<u>1,718,118</u>	<u>2,539,614</u>	<u>4,257,732</u>	<u>1,791,552</u>	<u>3,571,105</u>	<u>5,362,657</u>
End of year	<u>\$ 1,846,544</u>	<u>\$ 6,146,681</u>	<u>\$ 7,993,225</u>	<u>\$ 1,718,118</u>	<u>\$ 2,539,614</u>	<u>\$ 4,257,732</u>

See notes to consolidated financial statements.

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from grants, contracts, and contributions	\$ 5,661,370	\$ 5,557,137
Other cash receipts	64,929	88,221
Interest received	9,097	20,088
Cash paid to employees and suppliers	(5,259,052)	(6,332,806)
Cash paid for interest	(727)	(2,697)
Net cash provided by (used in) operating activities	<u>475,617</u>	<u>(670,057)</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	25,063	305,433
Purchases of investments	-	(22,692)
Additions to property and equipment	(12,754)	(34,575)
Net cash provided by investing activities	<u>12,309</u>	<u>248,166</u>
Cash flows from financing activities:		
Principal payments on note payable	(31,886)	(36,512)
Net cash used in financing activities	<u>(31,886)</u>	<u>(36,512)</u>
Net increase (decrease) in cash and cash equivalents	456,040	(458,403)
Cash and cash equivalents - beginning of year	<u>3,368,953</u>	<u>3,827,356</u>
Cash and cash equivalents - end of year	<u>\$ 3,824,993</u>	<u>\$ 3,368,953</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 3,735,493	\$ (1,104,925)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	63,266	79,856
Loss on sale and disposition of property and equipment	-	1,404
Net realized/unrealized loss on investments	200	1,371
(Increase) decrease in:		
Accounts and pledges receivable	(3,383,377)	519,472
Prepaid expenses, deposits, and supplies	117,205	(208,250)
Increase (decrease) in:		
Accounts payable and accrued expenses	(57,170)	43,758
Deferred revenue	-	(2,743)
Net cash provided by (used in) operating activities	<u>\$ 475,617</u>	<u>\$ (670,057)</u>

See notes to consolidated financial statements.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010

1. NATURE OF ORGANIZATION AND 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 public and private foundations. Three grantors provided approximately 69% of WSC's support for 2011 and two grantors provided approximately 57% of WSC's support for 2010.

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's leads the development of the North America Salmon Stronghold Partnership (NASSP). Designed as a complement to ongoing investments in salmon recovery, NASSP is 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, 2011 and 2010

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

Organization, Continued

Western Pacific Network: The Western Pacific Program is working to ensure effective long-term protection of network of salmon strongholds in Russia. This program conducts conservation activities in Kamchatka, on Sakhalin Island, in the Russian Far East, and Japan. To accomplish our goal, we have developed proactive models of international cooperation to achieve significant conservation gains at 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, we 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. For those Pacific salmon fisheries not yet certified, we provide 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 sustainable sourced over illegal and unsustainable sourced salmon. Investing in additional verification and enforcement measures such as independent observers and anti-poaching brigades is another important component of swaying the tide of illegal, unreported, or unregulated (IUU) fisheries that are the paramount threat to wild salmon fisheries in Russia. With our partners, including the Sustainable Fisheries Partnership, World Wildlife Fund, Marine Stewardship Council, and major seafood buyers and retailers, we are catalyzing much needed change in the seafood industry.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2011 and 2010

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

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.

Investments

Investments in marketable securities are stated at fair market value.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2011 and 2010

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, 2011 and 2010, all amounts were deemed collectible, therefore there is no allowance.

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 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 professional services approximating \$7,200 and \$138,000 were charged to program expenses for the years ended December 31, 2011 and 2010, respectively.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2011 and 2010

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 financial statements since the criteria for recording these contributed services have not been met, totaled approximately 1,132 and 1,440 hours in 2011 and 2010, respectively.

Functional 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 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, 2007 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 financial statements in conformity with 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 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, 2011 and 2010

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

Subsequent Events

The Organization has evaluated all subsequent events through April 6, 2012, the date the financial statements were available to be issued.

2. INVESTMENTS

Investments at December 31, 2010 consisted of municipal bonds and were carried at fair value. All investments were liquidated as of December 31, 2011.

3. PLEDGES RECEIVABLE

Pledges receivable at December 31, 2011 and 2010 are unsecured and due as follows:

	<u>2011</u>	<u>2010</u>
Due within one year	\$ 3,183,783	\$ 739,843
Due in two to five years	<u>1,047,093</u>	<u>60,000</u>
	4,230,876	799,843
Less discount on long-term pledges	<u>49,860</u>	<u>2,860</u>
Net pledges receivable	\$ <u>4,181,016</u>	\$ <u>796,983</u>

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

Conditional multi-year grants contingent on performance and matching requirements total \$1,294,000 at December 31, 2011, and accordingly, are not reported in the consolidated financial statements. The grants will be recorded as revenue when the conditions have been substantially met.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2011 and 2010

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Office furniture and equipment	\$ 180,457	\$ 177,703
Computer equipment	317,058	322,333
Leasehold improvements	50,232	50,232
Expedition equipment	<u>5,977</u>	<u>5,977</u>
	553,724	556,245
Less accumulated depreciation	<u>494,749</u>	<u>446,758</u>
Net property and equipment	<u>\$ 58,975</u>	<u>\$ 109,487</u>

5. NOTE PAYABLE

Note payable at December 31, 2010 consisted of a note payable to a financial institution in monthly installments of \$3,273 including interest at 5.25%, through November 2011; secured by furniture and equipment with a balance of \$31,886. The note was paid in full as of December 31, 2011.

6. CONDITIONAL GRANTS PAYABLE

WSC has conditional multi-year sub-grants contingent on performance and other requirements. Future obligations under these grant agreements approximated \$123,600 at December 31, 2011, and accordingly, are not reported in the consolidated financial statements. The obligation will be recorded when the conditions have been substantially met.

7. BOARD DESIGNATED NET ASSETS

Board designated net assets are held as an Operating Reserve Fund and totaled \$775,000 at December 31, 2011 and 2010.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2011 and 2010

8. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
North America Program	\$ 619,947	\$ 294,597
Western Pacific Network	2,293,694	1,178,114
Sustainable Fisheries and Markets	936,735	428,713
Conservation Science	<u>2,296,305</u>	<u>638,190</u>
Total temporarily restricted net assets	\$ <u>6,146,681</u>	\$ <u>2,539,614</u>

9. RELATED PARTY TRANSACTIONS

The Organization has a contract with one organization in which a Board member serves on both WSC's Board and the contracting organization's Board. In addition, WSC also has a contract with a company that sub-grants to an organization that is managed by an employee's son. The Organization had contract service expenses to these entities totaling \$30,000 and \$87,200 (\$19,000 payable at December 31, 2010) during 2011 and 2010, respectively. Also, WSC purchased approximately \$4,000 and \$9,900 of equipment from a company owned by an employee during 2011 and 2010, respectively. Additionally, amounts totaling \$11,500 and \$11,400 for consulting fees were paid to a Board member during both 2011 and 2010, respectively.

10. 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. The Organization's contributions to the plans during 2011 and 2010 totaled \$116,033 and \$102,428, respectively.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2011 and 2010

11. 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 \$9,564 and is subject to an annual rate increase equal to the Consumer Price Index. Beginning October 1, 2010, Suite 290 continued to be leased on a month-to-month basis. The Organization also leases various office equipment under operating leases expiring between 2012 and 2017. The Organization also leases additional space and equipment on a month-to-month basis and under short-term leases.

Total rent expense approximated \$129,000 and \$135,000 for 2011 and 2010, respectively.

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

Years ending December 31, 2012	\$	127,700
2013		124,400
2014		124,000
2015		123,800
Thereafter		<u>78,300</u>
	\$	<u>578,200</u>

12. 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 \$2,500,000 and \$2,200,000 at December 31, 2011 and 2010, respectively.

Credit risk for pledges receivable is concentrated in that 52% of the balance at December 31, 2011 is receivable from two organizations and 70% of the balance at December 31, 2010 is receivable from four organizations. In addition, the majority of the balances are receivable from organizations and individuals located within the same geographic region and are unsecured.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2011 and 2010

13. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at December 31, 2011 and 2010 are as follows:

	<u>Fair value</u>	<u>Level 1</u>
<u>December 31, 2011:</u>		
Municipal bonds	\$ -	\$ -
<u>December 31, 2010:</u>		
Municipal bonds	25,263	25,263

The fair value of municipal bonds was determined by reference to quoted market prices and other relevant information generated by market transactions. During the year ended December 31, 2011, the municipal bonds were liquidated.