

Conservation Northwest

FINANCIAL STATEMENTS

March 31, 2015 and 2014

With Auditors' Independent Report Thereon

Conservation Northwest

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Sanders & Sanders Sanders

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Service Corporation

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Conservation Northwest
Bellingham, Washington

We have audited the accompanying financial statements of Conservation Northwest, (a nonprofit organization) which comprise the statements of financial position as of March 31, 2015, and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Conservation Northwest, as of March 31, 2015, and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



June 16, 2015

**Conservation Northwest
Statements of Financial Position
March 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 941,866	\$ 718,633
Pledges receivable	76,661	112,210
Grants receivable	289,009	121,567
Prepaid expenses	32,221	31,133
Inventory	23,272	21,380
Other current assets	4,237	7,318
Total current assets	1,367,266	1,012,241
Noncurrent assets		
Property and equipment	21,372	34,177
Land	127,409	127,409
Mineral rights	1	1
Total noncurrent assets	148,782	161,587
Total assets	\$ 1,516,048	\$ 1,173,828
Liabilities and Net Assets		
Current liabilities		
Accrued expenses	\$ 91,310	\$ 52,636
Total current liabilities	91,310	52,636
Total liabilities	91,310	52,636
Net Assets		
Unrestricted:		
Unrestricted	688,870	526,635
Board designated	278,309	248,287
Total unrestricted	967,179	774,922
Temporarily restricted	457,559	346,270
Total net assets	1,424,738	1,121,192
Total liabilities and net assets	\$ 1,516,048	\$ 1,173,828

The accompanying notes are an integral part of these financial statements.

**Conservation Northwest
Statements of Activities
For the Years Ended March 31, 2015 and 2014**

	2015			2014		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:						
Contributions and donations	\$ 1,190,976	\$ 985,969	\$ 2,176,945	\$ 1,029,511	\$ 1,047,601	\$ 2,077,112
Other revenue	17,394	17,394	17,394	11,587	11,587	11,587
Interest and dividends	367	367	367	215	215	215
Net assets released from restriction	874,680	(874,680)	-00	1,001,938	(1,001,938)	-00
Total revenue	<u>2,083,417</u>	<u>111,289</u>	<u>2,194,706</u>	<u>2,043,251</u>	<u>45,663</u>	<u>2,088,914</u>
Expenses:						
Program expenses	1,408,850		1,408,850	1,625,126		1,625,126
Administrative expenses	140,594		140,594	147,414		147,414
Fundraising expenses	341,716		341,716	336,239		336,239
Total expenses	<u>1,891,160</u>	<u>-00</u>	<u>1,891,160</u>	<u>2,108,779</u>	<u>-00</u>	<u>2,108,779</u>
Increase (decrease) in net assets	192,257	111,289	303,546	(65,528)	45,663	(19,865)
Net assets at beginning of year	774,922	346,270	1,121,192	840,450	300,607	1,141,057
Net assets at end of year	<u>\$ 967,179</u>	<u>\$ 457,559</u>	<u>\$ 1,424,738</u>	<u>\$ 774,922</u>	<u>\$ 346,270</u>	<u>\$ 1,121,192</u>

The accompanying notes are an integral part of these financial statements.

**Conservation Northwest
Statements of Cash Flows
For the Years Ended March 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 303,546	\$ (19,865)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	16,786	18,991
Allowance for doubtful accounts	(169)	4,394
Pledges receivable	35,718	6,782
Grants receivable	(167,739)	(97,333)
Prepaid expenses	(1,088)	(18,610)
Other current assets	1,486	(5,149)
Accrued expenses	38,674	(10,701)
Net cash provided (used) by operating activities	227,214	(121,491)
Cash Flows From Investing Activities		
Conservation easements		253,935
Purchases of equipment - net of dispositions	(3,981)	(14,687)
Net cash provided (used) by investing activities	(3,981)	239,248
Cash Flows From Financing Activities		
Loan proceeds		
Principal payment note payable		(175,000)
Net cash provided (used) by financing activities	-00	(175,000)
Net Increase in Cash and Cash Equivalents	223,233	(57,243)
Cash and Cash Equivalents at Beginning of Year	718,633	775,876
Cash and Cash Equivalents at End of Year	\$ 941,866	\$ 718,633

The accompanying notes are an integral part of these financial statements.

**CONSERVATION NORTHWEST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2015 and 2014**

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Conservation Northwest is a not-for-profit corporation organized under the laws of the State of Washington in 1990, governed by a volunteer board of directors.

Nature of Activities

Since 1989 Conservation Northwest has worked to protect and connect old-growth forests and other wild areas from the Washington Coast to the British Columbia Rocky Mountains for the benefit of both people and wildlife. Today Conservation Northwest is working to ensure the region is wild enough to support wildlife, from wolves to grizzly bears to mountain caribou. Conservation Northwest works with local communities on forest restoration, wilderness protection, creating sustainable timber jobs, and wilderness protection. The organization works to help ensure safe passage for wildlife, including those moving north and south in the Cascades and across the Canadian border, and east and west between the Cascades and Selkirks of the Rockies.

Conservation Northwest's strategic plans for the next five years are focused on restoring habitat links that keep the North Cascades, Central Cascades, Rocky Mountains, and British Columbia Coast and Chilcotin Ranges connected as a functional wildlands, providing habitat for many rare and imperiled wildlife species. In 2014-2015 Conservation Northwest engaged in activities that worked toward the following conservation goals:

- Protecting and restoring forest habitat
- Helping endangered wildlife recover
- Connecting wildlife habitats
- Building community support for wildlife conservation

Coalitions Administered by Conservation Northwest:

The Cascades Conservation Partnership (2000-2004), was formed to purchase private forestland in Washington's Central Cascades for transfer to the US Forest Service for protecting old-growth forests, connecting wildlife habitat, and saving trails.

In 2005, Conservation Northwest started administering the I-90 Wildlife Bridges Coalition (under the umbrella of The Cascades Conservation Partnership) to address the remaining barrier to connected wildlife habitat in the Central Cascades by advocating safe passage over Interstate 90 between Hyak and Easton. Conservation Northwest also administers the Pacific Wolf Coalition and Cascadia Partner Forum.

Primary Sources of Support

Primary sources of revenue are private membership gifts and private major donor gifts, membership activities, corporate matching gifts, and foundation grants.

Financial Statement Presentation

Conservation Northwest follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. Under ASC 958, the organization is required to report 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: Net assets that are not restricted by donor stipulation.

Temporarily Restricted Net Assets: Net assets that arise from contributions and grants whose use by the organization is limited by donor imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations.

Permanently Restricted Net Assets: Net assets that result from contributions whose use by the organization is permanently restricted by donor imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the organization. At March 31, 2015, and 2014, the organization had no net assets with permanent restrictions.

The organization reports gifts of property, goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Basis of Accounting

Conservation Northwest uses the accrual basis of accounting.

Use of Estimates

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

Investment and Stock Liquidation

The organization has a policy to liquidate stock donations as soon as possible after receipt. Stocks held at year-end are reported at their fair market value. There were no stock donations held at March 31, 2015, or 2014.

Property and Equipment

Property and equipment are carried at cost or market value at the time of donation. Depreciation is provided using the straight-line method over the estimated useful life of the assets.

Donated Services

Donated services are accounted for using the criteria set forth in ASC 958 *Not-for-Profit Entities*.

Federal Income Tax

Conservation Northwest is exempt from federal income tax on increases in net assets derived from activities related to the organization's tax-exempt purpose under Internal Revenue Code Section 501(c)(3). The organization is subject to taxation on unrelated business income.

The organization has adopted the recognition requirement for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustment that would result in a material adverse effect on the organization's financial condition, results of operation or cash flows. Accordingly, no reserve or related accruals for interest and penalties for uncertain income tax positions has been recorded at March 31, 2015, or 2014.

The organization is subject to routine income tax audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The organization believes that it is no longer subject to income tax examination for years prior to 2011.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled \$3,181, and \$3,870, for the year ended March 31, 2015, and March 31, 2014, respectively.

Subsequent Events

Management has evaluated subsequent events through June 16, 2015, the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2015, and March 31, 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Checking and money market accounts	\$ 933,943	\$ 713,596
Deposits and petty cash on hand	<u>7,923</u>	<u>5,037</u>
Total cash and cash equivalents	<u>\$ 941,866</u>	<u>\$ 718,633</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2015, and March 31, 2014, consisted of the following components:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 92,463	\$ 94,698
Leasehold improvements	4,586	4,586
Automobiles	<u>47,006</u>	<u>47,006</u>
Total	<u>144,055</u>	<u>146,290</u>
Less – accumulated depreciation	<u>(122,683)</u>	<u>(112,113)</u>
Net property and equipment	<u>\$ 21,372</u>	<u>\$ 34,177</u>

Depreciation expenses totaled \$16,786, and \$18,991, for the years ended March 31, 2015 and March 31, 2014, respectively.

NOTE 4 – LAND

Land has been acquired as part of the commitment to The Cascade Conservation Partnership for transfer to the U.S. Forest Service for permanent environmental protection. The cost of the one hundred acres of former mining property land, not transferred as of March 31, 2015, and March 31, 2014, totaled \$127,409.

NOTE 5 – MINERAL RIGHTS AND CONSERVATION EASEMENT

The campaign to acquire and subsequently transfer conservation easements to the Okanogan Land Trust was completed by November 30, 2013. Conservation Northwest retains title to the mineral rights, but has no intention of ever exercising or selling them and has therefore recorded them on the statement of financial position with a token value of \$1.

NOTE 6 – RESTRICTIONS ON NET ASSETS

Restrictions on net assets at March 31, 2015, and March 31, 2014, follow:

	<u>2015</u>	<u>2014</u>
Temporarily restricted net assets:		
The Cascades Conservation Partnership and		
I-90 Wildlife Bridges Coalition activities	\$ 82,543	\$ 91,440
Other Conservation Northwest programs	<u>375,016</u>	<u>254,830</u>
Total temporarily restricted net assets	<u>\$ 457,559</u>	<u>\$ 346,270</u>

Temporarily restricted net assets are recorded as released from restriction when expenditures are incurred that advance the restricted purpose.

NOTE 7 – LEASES

Conservation Northwest rents office space in Bellingham and Seattle on leases expiring between February 2016, and December 2016. Conservation Northwest also leases communications and office equipment under agreements expiring in February 2018, and May 2018. At March 31, 2015, the organization had committed to the following future minimum lease payments:

For the years ending March 31:

2016	\$69,766
2017	\$ 6,953
2018	\$ 6,678
2019	\$ 129

NOTE 8 – EMPLOYEE BENEFITS

Conservation Northwest maintains a Simple IRA plan for the benefit of employees. Under the plan eligible employees may voluntarily contribute to individual retirement accounts. The organization matches the voluntary contribution to a maximum of three percent of the employee's annual gross wages. Total matching contributions amounted to \$19,315 for the year ending March 31, 2015, and \$20,616 for the year ending March 31, 2014.

Conservation Northwest provides healthcare benefits for its participating full time employees with a combination of group health insurance and an additional benefit wages plan. The cost of healthcare benefits were \$76,103, and \$67,144, for the years ending March 31, 2015, and March 31, 2014, respectively.

Conservation Northwest continues to provide dental coverage under a group dental insurance policy for qualified full time staff, as well as a long-term disability insurance benefit. The combined cost for these benefits was \$12,858 for the year ending March 31, 2015 and \$12,725 for the year ending March 31, 2014.

NOTE 9 - IN KIND CONTRIBUTIONS AND CONTRIBUTED SERVICES

The following in kind contributions and contributed services were received in fiscal years 2015, and 2014, and have been recorded in the financial records:

	<u>2015</u>	<u>2014</u>
Goods for auction	\$ 47,516	\$ 74,628
Land		69,513
Supplies	<u>3,204</u>	<u>861</u>
Total	<u>\$ 50,720</u>	<u>\$ 145,002</u>

NOTE 12 - FAIR VALUE MEASUREMENT

In accordance with Accounting Standards Codification (ACS) 820, a three-tiered hierarchy of input levels is used for fair value measurements of financial assets and financial liabilities, and for value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. ACS 820 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurement are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities. Conservation Northwest has no level 1 assets and liabilities at March 31, 2015, or 2014.

Level 2: Fair values are based on observable inputs that include: quoted market prices of similar assets or liabilities; quoted market prices that are not in an active market; of other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets. At March 31, 2015, and 2014 Conservation Northwest has no level 2 assets or liabilities.

Level 3: Fair values are calculated by the use of pricing models and or discounted cash flow methodologies; and may require significant management judgment or estimation. Those methodologies may result in a significant portion of the fair value being derived from unobservable data. At March 31, 2015, and 2014, Conservation Northwest had mineral rights assets reported with level 3 fair values of \$1.