

# **Conservation Northwest**

## **FINANCIAL STATEMENTS**

**March 31, 2017 and 2016**

**With Auditors' Independent Report Thereon**

**Conservation Northwest**  
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March 31, 2017 and 2016

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# Sanders & Sanders

CERTIFIED PUBLIC ACCOUNTANTS

*A Professional Service Corporation*

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Conservation Northwest  
Seattle, 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, 2017, and 2016, 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.

### **Auditors' 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, 2017, and 2016, 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.



July 14, 2017

**Conservation Northwest**  
**Statements of Financial Position**  
**March 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,089,900	\$ 1,069,812
Pledges receivable	- -	8,888
Grants receivable	155,087	228,669
Prepaid expenses	26,892	27,667
Inventory	20,876	21,350
Donated IRAs receivable		120,524
Other current assets	1,282	6,648
Total current assets	1,294,037	1,483,558
Noncurrent assets		
Property and equipment	29,929	15,240
Land	127,409	127,409
Mineral rights	1	1
Total noncurrent assets	157,339	142,650
Total assets	\$ 1,451,376	\$ 1,626,208
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accrued expenses	\$ 73,767	\$ 81,213
Total current liabilities	73,767	81,213
Total liabilities	73,767	81,213
<b>Net Assets</b>		
Unrestricted:		
Unrestricted	737,812	898,188
Board designated	420,121	367,355
Total unrestricted	1,157,933	1,265,543
Temporarily restricted	219,676	279,452
Total net assets	1,377,609	1,544,995
Total liabilities and net assets	\$ 1,451,376	\$ 1,626,208

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

**Conservation Northwest**  
**Statements of Activities**  
**For the Years Ended March 31, 2017 and 2016**

	2017			2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue:</b>						
Contributions and donations	\$ 1,348,608	\$ 609,437	\$ 1,958,045	\$ 1,340,718	\$ 859,444	\$ 2,200,162
Other revenue	38,871		38,871	35,781		35,781
Interest and dividends	720		720	617		617
Net assets released from restriction	669,213	(669,213)	-	1,037,551	(1,037,551)	-
<b>Total revenue</b>	<b>2,057,412</b>	<b>(59,776)</b>	<b>1,997,636</b>	<b>2,414,667</b>	<b>(178,107)</b>	<b>2,236,560</b>
 <b>Expenses:</b>						
Program expenses	1,613,320		1,613,320	1,636,179		1,636,179
Administrative expenses	152,289		152,289	131,192		131,192
Fundraising expenses	399,413		399,413	348,932		348,932
<b>Total expenses</b>	<b>2,165,022</b>	<b>-</b>	<b>2,165,022</b>	<b>2,116,303</b>	<b>-</b>	<b>2,116,303</b>
Increase (decrease) in net assets	(107,610)	(59,776)	(167,386)	298,364	(178,107)	120,257
Net assets at beginning of year	1,265,543	279,452	1,544,995	967,179	457,559	1,424,738
<b>Net assets at end of year</b>	<b>\$ 1,157,933</b>	<b>\$ 219,676</b>	<b>\$ 1,377,609</b>	<b>\$ 1,265,543</b>	<b>\$ 279,452</b>	<b>\$ 1,544,995</b>

**Conservation Northwest  
Statements of Cash Flows  
For the Years Ended March 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (167,386)	\$ 120,257
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	8,604	7,900
Allowance for doubtful accounts	(1,826)	(1,826)
Pledges receivable	8,888	69,599
Grants receivable	72,300	59,180
Prepaid expenses	775	4,554
Donated IRAs receivable	120,524	(120,524)
Other receivables	7,122	672
Accrued expenses	<u>(7,446)</u>	<u>(10,097)</u>
Net cash provided (used) by operating activities	43,381	129,715
<b>Cash Flows From Investing Activities</b>		
Purchases of equipment - net of dispositions	<u>(23,293)</u>	<u>(1,769)</u>
Net cash provided (used) by investing activities	(23,293)	(1,769)
<b>Net Increase in Cash and Cash Equivalents</b>	20,088	127,946
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,069,812</u>	<u>941,866</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,089,900</u>	<u>\$ 1,069,812</u>

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

**Conservation Northwest**  
**Statements of Functional Expenses**  
**For the Years Ended March 31, 2017 and 2016**

<b><u>2017</u></b>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Staff salaries/Benefits	\$ 651,308	\$ 85,104	\$ 240,466	\$ 976,878
Contractors and professional services	536,318	23,925	60,318	620,561
Sponsorships and grants	194,297			194,297
Rent	86,183	13,960	14,710	114,853
Information and technology	43,188	185	2,493	45,866
Supplies	8,774	953	35,151	44,878
Travel and entertainment	42,006	(12,955)	1,602	30,653
Printing	16,594	426	13,605	30,625
Postage and shipping	9,878	158	12,145	22,181
Other expenses	10,261	6,536	13,402	30,199
Furniture and equipment	4,232	9,532	3,940	17,704
Phone and communication	10,281	4,657	1,581	16,519
Insurance		11,204		11,204
Depreciation		8,604		8,604
	<b>\$ 1,613,320</b>	<b>\$ 152,289</b>	<b>\$ 399,413</b>	<b>\$ 2,165,022</b>
<b><u>2016</u></b>	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Staff salaries/Benefits	\$ 614,108	\$ 78,478	\$ 227,452	\$ 920,038
Contractors and professional services	473,478	17,135	4,246	494,859
Sponsorships and grants	334,254			334,254
Other expenses	12,531	1,757	80,825	95,113
Rent	55,227	10,139	16,141	81,507
Supplies	37,304	15,782	12,562	65,648
Travel and entertainment	55,246	(10,293)	2,325	47,278
Information and technology	43,751	48	2,780	46,579
Printing	10,280	(355)	2,601	12,526
Insurance		10,601		10,601
Depreciation		7,900		7,900
	<b>\$ 1,636,179</b>	<b>\$ 131,192</b>	<b>\$ 348,932</b>	<b>\$ 2,116,303</b>

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, 2017 and 2016**

**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 2015-2016 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

C 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 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, 2017, and 2016, 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 Donation 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, 2017, or 2016. Conservation Northwest inherited two IRA accounts during the year ending March 31, 2016. Donated IRAs were valued at \$120,524 on March 31, 2016. The investments were sold and distributions received in April 2016.

**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, 2017, or 2016.

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 2013.

#### Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled \$3,956, and \$3,842, for the year ended March 31, 2017, and March 31, 2016, respectively.

#### Subsequent Events

Management has evaluated subsequent events through July 14, 2017, the date the financial statements were available to be issued.

### **NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at March 31, 2017, and March 31, 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Checking and money market accounts	\$ 1,089,745	\$ 1,066,628
Deposits and petty cash on hand	<u>155</u>	<u>3,184</u>
Total cash and cash equivalents	<u>\$ 1,089,900</u>	<u>\$ 1,069,812</u>

### **NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment at March 31, 2017, and March 31, 2016, consisted of the following components:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 92,574	\$ 91,143
Leasehold improvements	4,586	4,586
Automobiles	<u>68,868</u>	<u>47,006</u>
Total	166,028	142,735
Less – accumulated depreciation	<u>(136,099)</u>	<u>(127,495)</u>
Net property and equipment	<u>\$ 29,929</u>	<u>\$ 15,240</u>

Depreciation expenses totaled \$8,604, and \$7,900, for the years ended March 31, 2017 and March 31, 2016, 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, 2017, and March 31, 2016, 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, 2017, and March 31, 2016, follow:

	<u>2017</u>	<u>2016</u>
Board designated net assets:		
Board designated reserve funds	\$ 420,121	\$ 367,355
Total board designated net assets	<u>\$ 420,121</u>	<u>\$ 367,355</u>
Temporarily restricted net assets:		
The Cascades Conservation Partnership and I-90 Wildlife Bridges Coalition activities	\$ 54,186	\$ 69,400
Other Conservation Northwest programs	<u>165,490</u>	<u>210,052</u>
Total temporarily restricted net assets	<u>\$ 219,676</u>	<u>\$ 279,452</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 2019, and December 2019. Conservation Northwest also leases communications and office equipment under agreements expiring in February 2018, and May 2018. At March 31, 2017, the organization had committed to the following future minimum lease payments:

For the years ending March 31:

2018	\$ 84,211
2019	\$ 66,337

**NOTE 8 – EMPLOYEE BENEFITS**

Conservation Northwest provides group health insurance coverage for qualified staff. The cost of Conservations Northwest's group health, vision and dental insurance coverage was \$61,163 for the year ending March 31, 2017, and \$60,504 for the year ending March 31, 2016.

Conservation Northwest provides a long-term disability insurance benefit for qualified staff. The cost for this benefit was \$6,275 for the year ending March 31, 2017, and \$5,193 for the year ending March 31, 2016.

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 \$18,328 for the year ending March 31, 2017, and \$18,744 for the year ending March 31, 2016.

#### **NOTE 9 - IN KIND CONTRIBUTIONS AND CONTRIBUTED SERVICES**

The following in kind contributions and contributed services were received in fiscal years ending March 31, 2017, and 2016, and have been recorded in the financial records:

	<u>2017</u>	<u>2016</u>
Goods (primarily for auction)	\$ 63,000	\$ 47,469
Professional services	2,607	
Supplies	<u>_____</u>	<u>1,400</u>
Total	<u>\$ 65,607</u>	<u>\$ 48,869</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 fair 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 had level 1 donated IRA receivables assets valued at \$120,524, at March 31, 2016, and no level 1 liabilities at March 31, 2017, or 2016.

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; or 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, 2017, and 2016 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, 2017, and 2016, Conservation Northwest had mineral rights assets reported with level 3 fair values of \$1, and no level 1 liabilities at March 31, 2017, or 2016.