



# Conservation Northwest

## Financial Statements

Years Ended March 31, 2020 and 2019

# **Conservation Northwest**

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Financial Statements  
Years Ended March 31, 2020 and 2019

# Conservation Northwest

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## **Independent Auditor's Report**

To the Board of Directors  
Conservation Northwest  
Seattle, Washington

We have audited the accompanying financial statements of Conservation Northwest (the "Organization"), which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 control relevant to the preparation and fair presentation of 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 from 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 auditor's 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 auditor considers 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 the Organization as of March 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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***Other Matter - Prior-Period Financial Statements***

The financial statements of Conservation Northwest as of and for the year ended March 31, 2019, were audited by Peterson Sullivan LLP (“PS”), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated December 9, 2019.

*BDO USA, LLP*  
October 29, 2020

## Financial Statements

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**Conservation Northwest**  
**Statements of Financial Position**

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<i>March 31,</i>	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 879,200	\$ 873,443
Certificates of deposit	430,363	423,889
Grants receivable	43,506	40,328
Prepaid expenses	62,000	31,853
<b>Total Current Assets</b>	<b>1,415,069</b>	<b>1,369,513</b>
Property and equipment, net	10,246	21,753
Mineral rights	1	1
Other assets	2,900	2,900
<b>Total Assets</b>	<b>\$ 1,428,216</b>	<b>\$ 1,394,167</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 81,306	\$ 69,167
Accrued expenses	38,278	39,621
Refundable advances	30,399	-
<b>Total Current Liabilities</b>	<b>149,983</b>	<b>108,788</b>
<b>Net Assets</b>		
Net assets without donor restrictions		
Net assets without Board designations	552,571	742,210
Net assets with Board designations	460,451	453,907
Total net assets without donor restrictions	1,013,022	1,196,117
Net assets with donor restrictions	265,211	89,262
<b>Total Net Assets</b>	<b>1,278,233</b>	<b>1,285,379</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,428,216</b>	<b>\$ 1,394,167</b>

*See accompanying notes to financial statements.*

## Conservation Northwest

### Statements of Activities

Years Ended March 31,	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue and Support</b>						
Contributions and bequests	\$ 1,176,576	\$ 47,638	\$ 1,224,214	\$ 1,044,677	\$ 78,014	\$ 1,122,691
Grants	898,665	206,275	1,104,940	1,011,263	-	1,011,263
Special events	239,765	-	239,765	376,091	-	376,091
Less: direct benefit to donor	(87,983)	-	(87,983)	(119,370)	-	(119,370)
Investment income, net	10,536	-	10,536	6,109	-	6,109
Other income	15,176	-	15,176	28,085	-	28,085
Net assets released from restrictions	77,964	(77,964)	-	-	-	-
<b>Total Revenue and Support</b>	<b>2,330,699</b>	<b>175,949</b>	<b>2,506,648</b>	<b>2,346,855</b>	<b>78,014</b>	<b>2,424,869</b>
<b>Expenses</b>						
Program services	1,919,463	-	1,919,463	1,596,903	-	1,596,903
Management and general	247,239	-	247,239	253,615	-	253,615
Fundraising	347,092	-	347,092	297,299	-	297,299
<b>Total Expenses</b>	<b>2,513,794</b>	<b>-</b>	<b>2,513,794</b>	<b>2,147,817</b>	<b>-</b>	<b>2,147,817</b>
<b>Change in Net Assets before</b>						
Loss on Impairment	(183,095)	175,949	(7,146)	199,038	78,014	277,052
Loss on impairment	-	-	-	(127,409)	-	(127,409)
<b>Change in Net Assets</b>	<b>(183,095)</b>	<b>175,949</b>	<b>(7,146)</b>	<b>71,629</b>	<b>78,014</b>	<b>149,643</b>
<b>Net Assets, beginning of year</b>	<b>1,196,117</b>	<b>89,262</b>	<b>1,285,379</b>	<b>1,124,488</b>	<b>11,248</b>	<b>1,135,736</b>
<b>Net Assets, end of year</b>	<b>\$ 1,013,022</b>	<b>\$ 265,211</b>	<b>\$ 1,278,233</b>	<b>\$ 1,196,117</b>	<b>\$ 89,262</b>	<b>\$ 1,285,379</b>

*See accompanying notes to financial statements.*



## Conservation Northwest

### Statements of Functional Expenses

Years Ended March 31,	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 822,440	\$ 156,765	\$ 270,571	\$ 1,249,776	\$ 787,384	\$ 132,691	\$ 300,201	\$ 1,220,276
Contractors and professional services	678,273	41,677	77,940	797,890	462,060	20,652	64,668	547,380
Sponsorships and grants	198,679	-	535	199,214	133,340	-	-	133,340
Rent	33,331	6,061	10,683	50,075	30,224	47,243	13,676	91,143
Travel and entertainment	45,783	-	4,290	50,073	56,662	(3,419)	3,614	56,857
Information and technology	51,609	129	2,592	54,330	51,112	2,172	2,983	56,267
Promotion and advertising	5,603	345	10,323	16,271	8,365	20,621	3,409	32,395
Supplies	16,856	2,830	569	20,255	25,972	724	526	27,222
Banking and credit card processing fees	6,116	1,003	16,234	23,353	110	1,502	19,392	21,004
Printing	1,290	2,313	18,852	22,455	14,709	341	1,845	16,895
Postage and shipping	451	1,416	17,372	19,239	12,574	581	2,314	15,469
Insurance	-	11,504	-	11,504	88	12,659	-	12,747
Depreciation	-	9,154	-	9,154	5,247	9,199	-	14,446
Other expenses	59,032	14,042	5,114	78,188	9,056	8,649	4,041	21,746
<b>Total Expenses</b>	<b>1,919,463</b>	<b>247,239</b>	<b>435,075</b>	<b>2,601,777</b>	<b>1,596,903</b>	<b>253,615</b>	<b>416,669</b>	<b>2,267,187</b>
Less: Direct benefit to donors	-	-	(87,983)	(87,983)	-	-	(119,370)	(119,370)
<b>Total Expenses Included in the Expense</b>								
Section on the Statements of Activities	\$ 1,919,463	\$ 247,239	\$ 347,092	\$ 2,513,794	\$ 1,596,903	\$ 253,615	\$ 297,299	\$ 2,147,817

*See accompanying notes to financial statements.*

# Conservation Northwest

## Statements of Cash Flows

<i>Years Ended March 31,</i>	2020	2019
<b>Cash Flows Provided by Operating Activities</b>		
Change in net assets	\$ (7,146)	\$ 149,643
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	9,154	14,446
Gain on sales of property and equipment	(9,702)	-
Loss on impairment	-	127,409
Changes in operating assets and liabilities		
Grants receivable	(3,178)	(40,328)
Prepaid expenses	(30,147)	3,073
Other current assets	-	20,818
Other assets	-	248
Accounts payable	12,139	51,747
Accrued expenses	(1,343)	22,947
Refundable advances	30,399	-
<b>Net Cash Flows Provided by Operating Activities</b>	<b>176</b>	<b>350,003</b>
<b>Cash Flows Provided by (Used in) Investing Activities</b>		
Purchases of property and equipment	(478,195)	(6,292)
Proceeds from sales of property and equipment	490,250	-
Purchases of certificates of deposit	(6,474)	(173,186)
Proceeds from sales of certificates of deposit	-	170,588
<b>Net Cash Flows Provided by (Used in) Investing Activities</b>	<b>5,581</b>	<b>(8,890)</b>
<b>Change in Cash and Cash Equivalents</b>	<b>5,757</b>	<b>341,113</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>873,443</b>	<b>532,330</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 879,200</b>	<b>\$ 873,443</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Land purchase financed by loan payable	\$ 600,000	\$ -
Proceeds from land sale used to pay off loan payable	\$ 600,000	\$ -

*See accompanying notes to financial statements.*

# Conservation Northwest

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies

#### *Organization*

Since 1989, Conservation Northwest (the “Organization”) 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, the Organization is working to ensure the region is wild enough to support wildlife, from wolves to grizzly bears to mountain caribou. The Organization works with local communities on forest restoration, wilderness protection, creating sustainable timber jobs, and wilderness protection. The Organization also works to help ensure safe passage for wildlife, including those moving north and south in the Cascades and Selkirks of the Rockies.

The Organization’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 functional wildlands, providing habitat for many rare and imperiled wildlife species. The Organization engages 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

#### *Financial Statement Presentation*

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and without donor restrictions. Contributions that are received are recorded based on the existence and/or nature of any donor restrictions. The Organization has elected to show contributions with donor restrictions, whose restrictions are met in the same reporting period, as contributions without donor restrictions.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### *Functional Allocation of Expenses*

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses and contractors and professional services are allocated based on personnel timesheets. Rent and depreciation expense is allocated based on square footage of the related building. All other expenses are allocated based on direct costs.

# Conservation Northwest

## Notes to Financial Statements

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**Board-Designated Net Assets**

Certain net assets without donor restrictions have been designated by the Board of Directors as a reserve fund. Board-designated net assets for the reserve fund amounted to \$460,451 and \$453,907 at March 31, 2020 and 2019, respectively.

**Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes:

<u>March 31,</u>	<u>2020</u>	<u>2019</u>
Connecting habitat - Coast to Cascades Wildlands and wildlife in Washington's North Cascades ecosystem	\$ 57,647	\$ -
Underpass capital campaign	50,462	-
Restoring native wildlife - wolverines	32,812	52,964
Protecting core habitat - forest field	28,500	-
Connecting habitat - working for wildlife	21,982	-
Connecting habitat - Sagelands heritage Administration	20,000	-
Connecting habitat - Central Cascades watershed	15,000	-
Poaching reward fund	15,000	-
Restoring native wildlife - wildlife monitoring	12,079	-
Protecting core habitat - Columbia Highlands	11,298	11,298
	431	-
	-	25,000
	<u>\$ 265,211</u>	<u>\$ 89,262</u>

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At times, the Organization may hold cash and cash equivalents in excess of federally insured limits.

**Certificates of Deposit**

Certificates of deposit are stated at cost plus accrued interest.

**Grants Receivable**

Grants receivable are stated at net realizable value, which is the amount management expects to collect from outstanding balances. Subsequent to initial measurement, management provides for probable uncollectible amounts by setting up a valuation allowance based on historical collection rates. The Organization charges off receivables to the allowance when management determines that a receivable is not collectible. Management determined that no allowance against receivables were necessary at March 31, 2020 or 2019.

# Conservation Northwest

## Notes to Financial Statements

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### ***Property and Equipment***

Property and equipment are recorded at cost, if purchased, or at fair value at the date of receipt, if donated. All purchases greater than \$5,000 with a useful life of one year or longer are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Useful lives range between three and five years.

### ***Mineral Rights***

The Organization retains title to subsurface mineral rights on properties that are under conservation easements that were transferred to the Okanogan Land Trust in 2013. The Organization has no intention of ever exercising or selling these mineral rights and has therefore recorded them on the statements of financial position with a value of \$1 for both the years ended March 31, 2020 and 2019.

### ***Income Taxes***

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

### ***Revenue and Support***

#### **Contributions**

Contributions are generally recognized when the pledge is made or when the cash is received. Contributions from one donor represented 13% of total revenue and support for the year ended March 31, 2019. There were no individual donors with contributions over 10% during the year ended March 31, 2020.

#### **Bequests Revenue**

Bequests are recognized when the Organization is informed that they will receive a bequest and the amount to be received is known by the Organization, which is typically after the death of the donor and the will has cleared probate.

#### **Grants Revenue**

Support from contracts and grants is recognized when certain conditions have been satisfied or for cost reimbursable contracts, when eligible costs are incurred. Refundable advances represent grant funds received before applicable conditions have been satisfied. Remaining conditional grant balances at March 31, 2020 and 2019, are not material to the financial statements.

#### **Special Events Revenue**

Special events revenue is recognized when the event occurs.

#### ***Subsequent Events***

The Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was October 29, 2020. See Note 6.

# Conservation Northwest

## Notes to Financial Statements

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### 2. Liquidity and Availability of Resources

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various cash equivalents, including money market fund accounts and certificates of deposit.

The Organization's financial assets available for general expenditure within one year are as follows:

<i>March 31,</i>	2020	2019
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 879,200	\$ 873,443
Certificates of deposit	430,363	423,889
Grants receivable	43,506	40,328
<b>Total Financial Assets</b>	<b>1,353,069</b>	<b>1,337,660</b>
Less: Donor restrictions	(265,211)	(89,262)
Less: Board designations	(460,451)	(453,907)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures within One Year</b>	<b>\$ 627,407</b>	<b>\$ 794,491</b>

### 3. Property and Equipment

Property and equipment are as follows:

<i>March 31,</i>	2020	2019
Automobiles	\$ 45,345	\$ 68,868
Furniture and equipment	34,058	34,058
	<b>79,403</b>	<b>102,926</b>
Less: Accumulated depreciation	(69,157)	(81,173)
<b>Total Property and Equipment, net</b>	<b>\$ 10,246</b>	<b>\$ 21,753</b>

During the year ended March 31, 2019, management determined that land with a carrying value of \$127,409 could not be sold to an organization with a similar mission. The Organization would still be willing to donate the land to an organization with a similar mission but is currently unable to identify an interested party. As a result, the Organization recognized an impairment loss of \$127,409 during the year ended March 31, 2019. There were no such losses during the year ended March 31, 2020.

In June 2019 the Organization purchased 1,478 acres of real property located in Okanogan County, Washington for a price of \$1,075,000, which the Organization financed with a \$600,000 loan from a bank. The Organization paid the remaining purchase price of \$475,000 with cash on hand.

# Conservation Northwest

## Notes to Financial Statements

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During the year ended March 31, 2020, the Organization sold its ownership in the property, selling a conservation easement on 1,400 acres for \$139,804, the encumbered acreage for \$900,000 (\$600,000 of which paid off the loan described above), and the remaining 78 unencumbered acres for \$46,800.

### 5. Leases

The Organization leases office space in Seattle under a noncancelable lease agreement that expired on December 31, 2019. This lease is month-to-month until a new lease agreement is executed. The Organization also leases office space in Bellingham and Twisp, Washington, under month-to-month lease agreements. In addition, the Organization also leases a copier under a noncancelable lease agreement that expires in June 2023. Future minimum payments under these leases are not material to the financial statements.

Rent expense under all leases was \$50,075 and \$91,143 for the years ended March 31, 2020 and 2019, respectively.

### 6. Subsequent Events

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Although the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Organization’s results of future operations, financial position, and liquidity in fiscal year 2021.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

# Conservation Northwest

## Notes to Financial Statements

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It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. In April 2020, the Organization was awarded a \$214,000 SBA Paycheck Protection Program loan, which is forgivable if the Organization complies with the provisions of the SBA Paycheck Protection Program. The Organization expects to qualify for at least a portion of the loan to be forgiven.

The Organization will continue to examine the impact that the CARES Act may have on its business. Currently, the Organization is unable to determine the impact that the CARES Act will have on its financial condition, results of operation, or liquidity.