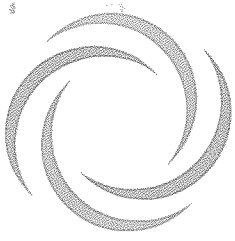


CONSERVATION NORTHWEST

FINANCIAL STATEMENTS

March 31, 2011 and 2010



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Conservation Northwest

We have audited the accompanying statements of financial position of Conservation Northwest as of March 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Conservation Northwest as of March 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.

CURNOW & CURNOW, PLLC

Curnow + Curnow

Bellingham, WA
January 17, 2012

CONSERVATION NORTHWEST

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and cash equivalents	\$ 515,732	\$ 705,495
Pledges receivable, net.....	337,658	92,682
Grants receivable	24,655	52,732
Prepaid expenses	29,441	12,150
Inventory	24,172	10,687
Other current assets	3,345	988
Total current assets.....	<u>935,003</u>	<u>874,734</u>
Property and Equipment:		
Fixed assets, net.....	60,588	59,585
Land	126,619	126,313
Total property and equipment	<u>187,207</u>	<u>185,898</u>
Other Assets:		
Deposits	153,000	3,000
Pledges receivable, net.....	51,060	3,000
Total other assets.....	<u>204,060</u>	<u>3,000</u>
Total assets	<u>\$ 1,326,270</u>	<u>\$ 1,063,632</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 52,963	\$ 70,822
Current portion of note payable	7,827	7,827
Total current liabilities	60,790	78,649
Other Liabilities:		
Note payable, net of current portion.....	1,305	9,132
Total liabilities.....	<u>62,095</u>	<u>87,781</u>
Net assets:		
Unrestricted:		
Board designated reserve fund	123,403	254,123
Undesignated	989,440	513,490
Total unrestricted	1,112,843	767,613
Temporarily restricted	151,332	208,238
Total net assets.....	<u>1,264,175</u>	<u>975,851</u>
Total liabilities and net assets.....	<u>\$ 1,326,270</u>	<u>\$ 1,063,632</u>

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

CONSERVATION NORTHWEST
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 288,325	\$ 93,546
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,786	15,620
Allowance for doubtful accounts	1,068	(30,185)
Cash provided (used) by changes in operating assets and liabilities:		
Pledges receivable	(297,104)	34,660
Other receivables	25,719	(5,949)
Land acquired for donation	(305)	(283)
Other current assets	(30,775)	8,515
Accounts payable and accrued liabilities	(17,861)	22,060
Net cash provided by operating activities	<u>(10,147)</u>	<u>137,984</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposit on mineral rights	(150,000)	
Purchases of property and equipment	<u>(21,789)</u>	<u>(56,340)</u>
Net cash provided by investing activities	<u>(171,789)</u>	<u>(56,340)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds		23,483
Debt payments	<u>(7,827)</u>	<u>(6,524)</u>
Net cash flows from financing activities	<u>(7,827)</u>	<u>16,959</u>
INCREASE (DECREASE) IN CASH	(189,763)	98,603
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>705,495</u>	<u>606,892</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 515,732</u>	<u>\$ 705,495</u>

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

CONSERVATION NORTHWEST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011 and 2010

1. Nature of Activities and Summary of Significant Accounting Policies:
 - a. 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.
 - b. 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 BC Rockies. The Organization works strategically with communities to find innovative solutions grounded in science to benefit both wildlife and people. The Old Growth & Community program focuses on protecting and restoring public lands, working with state and federal land agencies, community members, and scientists to advance forest restoration and sustainable recreation opportunities that can create high-skill, high-wage jobs. The Wildlife and Habitat program works with land managers and local interests to promote practices that benefit threatened wildlife such as grizzly bear, gray wolf, Canada lynx, mountain caribou, salmon and trout.

Primary 2011 areas of interest were:

- Promoting the Columbia Highlands Initiative, a collaborative effort working with local communities, timber interests, recreation groups and land managers to protect northeast Washington's heritage by creating over 200,000 acres of wilderness, restoring forests and supporting rural economies;
 - Finishing the connectivity of wildlife habitat in the Central Cascades started by the Cascades Conservation Partnership by establishing safe passage for wildlife over Interstate 90 (The I-90 Wildlife Bridges Coalition); and
 - Protecting Washington's endangered wildlife by upholding existing protection laws, working with land managers on critical habitat designations, promoting projects such as the Citizen Monitoring Project that detect the presence of rare mammals by placing remote cameras in the back country, working specifically on gray wolf and grizzly bear recovery strategies in Washington state, and completing our third year of reintroducing the Pacific Fisher back to its native habitat in the Olympics.
- c. Coalitions Administered by Conservation Northwest - We formed the coalition called The Cascades Conservation Partnership (2000-2004) to purchase private forestland in Washington's central Cascades for transfer to the US Forest Service for protecting old-growth forests, connecting a wildlife habitat and saving trails.

CONSERVATION NORTHWEST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2011 and 2010

In 2005, Conservation Northwest started administering the I-90 Wildlife Bridges Coalition (under the umbrella of Cascades Conservation Partnership) to address the remaining barrier to connectivity in the Central Cascades by advocating safe wildlife passage over Interstate 90 between Hyak and Easton.

- d. 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.
- e. Financial Statement Presentation - According to FASB Accounting Standards Codification (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, 2011 and 2010 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.

The Organization reports restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

- f. Basis of Accounting - Conservation Northwest uses the accrual basis of accounting.
- g. 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 the reported amounts of assets, liabilities, revenue and expenses during the reporting period. Actual results could differ from those estimates.

CONSERVATION NORTHWEST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011 and 2010**

- h. Investment and Stock Liquidation - The Organization has a policy to liquidate stock donations as soon as possible after receipt. In accordance with FASB ASC 958, stocks held at year-end are reported at their fair market value.
- i. Inventory – Inventory consists of marketing and promotional items intended for giveaway to thank donors and increase public awareness. Inventory items are recorded at cost.
- j. 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.
- k. Unconditional promises to give – Unconditional promises to give contributions by donors are recognized as revenue when the underlying promises are received by the Organization.
- l. Donated Non-Cash Assets and Services – Contributions of non-cash assets are recorded as revenue at their estimated fair market value at the date of donation. Donated services are recognized if the services: 1) create or enhance non-financial assets or 2) require specialized skills, are performed by people with those skills, and would otherwise need to be purchased by the Organization.
- m. Tax Exempt Status - Under Internal Revenue Code section 501(c)(3), the Organization's excess support and revenues over expenses are tax exempt.
- n. Advertising - Advertising costs are expensed as incurred. Advertising expense totaled \$6,117 and \$2,981 for the years ended March 31, 2011 and 2010, respectively.

2. Cash and Cash Equivalents:

Cash and cash equivalents at March 31, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Checking and money market accounts.....	\$ 514,383	\$ 702,042
Deposit on hand.....	<u>1,349</u>	<u>3,453</u>
Total cash and cash equivalents.....	<u>\$ 515,732</u>	<u>\$ 705,495</u>

3. Pledges Receivable:

Pledges receivable at March 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Pledges receivable-collectible in less than one year	\$ 345,558	\$ 99,514
Pledges receivable-collectible after one year	51,060	
Allowance for uncollectible pledges	<u>(7,900)</u>	<u>(6,832)</u>
Total pledges receivable, net	<u>\$ 388,718</u>	<u>\$ 92,682</u>

CONSERVATION NORTHWEST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011 and 2010

4. Property and Equipment:

Property and equipment at March 31, 2011 and 2010, consisted of the following components:

	<u>2011</u>	<u>2010</u>
Furniture and equipment.....	\$ 96,455	\$ 81,548
Leasehold improvements.....	4,586	4,586
Automobiles.....	<u>50,006</u>	<u>50,006</u>
Total.....	151,047	136,140
Less: accumulated depreciation.....	<u>(90,459)</u>	<u>(76,555)</u>
Net fixed assets.....	<u>\$ 60,588</u>	<u>\$ 59,585</u>

Depreciation expense totaled \$20,786 and \$15,620 for the years ended March 31, 2011 and 2010, respectively.

5. Land:

Land has been acquired as part of the commitment to the Cascade Conservation Partnership for transfer to the United States Forest Service for permanent environmental protection. 100 acres of land (former mining property) is still owned by the Organization at March 31, 2011. The land is recorded at a cost of \$126,619.

6. Deposits:

On July 28, 2010 the Organization entered into a contract for the option to purchase and subsequently retire subsurface mineral rights on a 2,200 acre property between Republic, WA and Sherman Pass, WA. As of March 31, 2011, \$150,000 has been paid toward the purchase with future payments scheduled as follows:

May 6, 2011.....	\$100,000
November 29, 2011.....	\$208,600
November 30, 2012.....	\$175,000

7. Restrictions on Net Assets:

Restrictions on net assets at March 31, 2011 and 2010 follow:

	<u>2011</u>	<u>2010</u>
Temporarily restricted net assets		
The Cascades Conservation Partnership and I-90 Wildlife Bridges Coalition activities.....	\$ 70,021	\$ 70,112
Conservation Northwest core activities.....	<u>81,311</u>	<u>138,126</u>
Total temporarily restricted net assets.....	<u>\$ 151,332</u>	<u>\$ 208,238</u>

CONSERVATION NORTHWEST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011 and 2010

8. Leases:

Conservation Northwest rents office space in Bellingham, Seattle, and Spokane Washington on leases expiring between April 2011 and February 2013. At March 31, 2011, the Organization had committed to the following future minimum lease payments:

For the years ending March 31:

2012.....	\$ 42,092
2013.....	\$ 37,142

9. Notes Payable:

Note payable, Toyota Financial Services, payable \$652.29 per month, 0% interest; due May 11, 2012; secured by vehicle \$ 9,132 \$ 16,959

Less portion due within one year (7,827) (7,827)
Amount due after one year \$ 1,305 \$ 9,132

10. Retirement Plan:

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. The total matching contribution amounted to \$21,136 and \$20,185 for the years ending March 31, 2011 and 2010, respectively.

11. Subsequent Events:

On November 30, 2011 the Organization renegotiated the contract for the option to purchase and subsequently retire subsurface mineral rights on property located between Republic, WA and Sherman Pass, WA. The Organization purchased a conservation easement and retired mineral rights on 303 acres for \$400,000, of which \$150,000 had been paid as a deposit during the year ended March 31, 2011. The Organization also deposited \$50,000 for an option to purchase an additional easement on 200 acres which is expected to close in November of 2012 for a total purchase price of \$225,000.