

**CONSERVATION NORTHWEST**

FINANCIAL REPORT

MARCH 31, 2019

## C O N T E N T S

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1 and 2</b>
<b>FINANCIAL STATEMENTS</b>	
STATEMENTS OF FINANCIAL POSITION .....	3
STATEMENTS OF ACTIVITIES.....	4
STATEMENTS OF FUNCTIONAL EXPENSES.....	5
STATEMENTS OF CASH FLOWS .....	6
NOTES TO FINANCIAL STATEMENTS .....	7 - 11

## **INDEPENDENT AUDITORS' 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, 2019, 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; 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 audits in accordance with auditing standards generally accepted in the United States. 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, 2019, 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.

**Prior Year Financial Statements**

The financial statements of the Organization as of March 31, 2018, were audited by other auditors whose report dated November 13, 2018, expressed an unmodified opinion on those statements.

*Peterson Sullivan LLP.*

December 9, 2019

## CONSERVATION NORTHWEST

### STATEMENTS OF FINANCIAL POSITION

March 31, 2019 and 2018

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	\$ 873,443	\$ 532,330
Certificates of deposit	423,889	421,291
Grants receivable	40,328	
Prepaid expenses	31,853	34,926
Other current assets		20,818
Total current assets	1,369,513	1,009,365
Property and Equipment, net	21,753	29,907
Land		127,409
Mineral Rights	1	1
Other Assets	2,900	3,148
Total assets	<u>\$ 1,394,167</u>	<u>\$ 1,169,830</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 69,167	\$ 17,420
Accrued expenses	39,621	16,674
Total current liabilities	108,788	34,094
Net Assets		
Net assets without donor restrictions		
Net assets without Board designations	742,210	703,197
Net assets with Board designations	453,907	421,291
Total net assets without donor restrictions	1,196,117	1,124,488
Net assets with donor restrictions	89,262	11,248
Total net assets	<u>1,285,379</u>	<u>1,135,736</u>
Total liabilities and net assets	<u>\$ 1,394,167</u>	<u>\$ 1,169,830</u>

See Notes to Financial Statements

## CONSERVATION NORTHWEST

### STATEMENTS OF ACTIVITIES

For the Years Ended March 31, 2019 and 2018

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue and Support</b>						
Contributions and bequests	\$ 1,044,677	\$ 78,014	\$ 1,122,691	\$ 887,151	\$ 11,248	\$ 898,399
Grants	1,011,263		1,011,263	783,200		783,200
Special events	376,091		376,091	245,880		245,880
Less: direct benefit to donor	(119,370)		(119,370)	(128,041)		(128,041)
Investment income, net	6,109		6,109	2,626		2,626
Other income	28,085		28,085	27,481		27,481
Net assets released from restrictions				219,676	(219,676)	
<b>Total revenue and support</b>	<b>2,346,855</b>	<b>78,014</b>	<b>2,424,869</b>	<b>2,037,973</b>	<b>(208,428)</b>	<b>1,829,545</b>
<b>Expenses</b>						
Program services	1,596,903		1,596,903	1,584,999		1,584,999
Management and general	253,615		253,615	182,202		182,202
Fundraising	297,299		297,299	304,217		304,217
<b>Total expenses</b>	<b>2,147,817</b>		<b>2,147,817</b>	<b>2,071,418</b>		<b>2,071,418</b>
Change in net assets before loss on impairment	199,038	78,014	277,052	(33,445)	(208,428)	(241,873)
Loss on impairment	(127,409)		(127,409)			
<b>Change in net assets</b>	<b>71,629</b>	<b>78,014</b>	<b>149,643</b>	<b>(33,445)</b>	<b>(208,428)</b>	<b>(241,873)</b>
Net Assets, beginning of year	1,124,488	11,248	1,135,736	1,157,933	219,676	1,377,609
Net Assets, end of year	<u>\$ 1,196,117</u>	<u>\$ 89,262</u>	<u>\$ 1,285,379</u>	<u>\$ 1,124,488</u>	<u>\$ 11,248</u>	<u>\$ 1,135,736</u>

See Notes to Financial Statements

## CONSERVATION NORTHWEST

### STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended March 31, 2019 and 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 787,384	\$ 132,691	\$ 300,201	\$ 1,220,276	\$ 734,918	\$ 84,760	\$ 309,975	\$ 1,129,653
Contractors and professional services	462,060	20,652	64,668	547,380	455,947	18,625	59,017	533,589
Sponsorships and grants	133,340			133,340	169,995			169,995
Rent	30,224	47,243	13,676	91,143	41,257	42,902	12,202	96,361
Travel and entertainment	56,662	(3,419)	3,614	56,857	45,518	(5,417)	2,271	42,372
Information and technology	51,112	2,172	2,983	56,267	42,994	5,848	2,535	51,377
Promotion and advertising	8,365	20,621	3,409	32,395	3,020		35	3,055
Supplies	25,972	724	526	27,222	33,617	2,951	355	36,923
Banking and credit card processing fees	110	1,502	19,392	21,004	15	682	13,124	13,821
Printing	14,709	341	1,845	16,895	11,055	4	13,297	24,356
Postage and shipping	12,574	581	2,314	15,469	362	642	10,627	11,631
Insurance	88	12,659		12,747	5,472	2,146	2,158	9,776
Depreciation	5,247	9,199		14,446		7,341		7,341
Other expenses	9,056	8,649	4,041	21,746	40,829	21,718	6,662	69,209
<b>Total expenses</b>	<b>1,596,903</b>	<b>253,615</b>	<b>416,669</b>	<b>2,267,187</b>	<b>1,584,999</b>	<b>182,202</b>	<b>432,258</b>	<b>2,199,459</b>
Less: direct benefit to donors			(119,370)	(119,370)			(128,041)	(128,041)
<b>Total expenses included in the expense section on the statements of activities</b>	<b><u>\$ 1,596,903</u></b>	<b><u>\$ 253,615</u></b>	<b><u>\$ 297,299</u></b>	<b><u>\$ 2,147,817</u></b>	<b><u>\$ 1,584,999</u></b>	<b><u>\$ 182,202</u></b>	<b><u>\$ 304,217</u></b>	<b><u>\$ 2,071,418</u></b>

See Notes to Financial Statements

## CONSERVATION NORTHWEST

### STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 149,643	\$ (241,873)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	14,446	7,341
Loss on impairment	127,409	
Changes in operating assets and liabilities		
Grants receivable	(40,328)	154,827
Prepaid expenses	3,073	(8,034)
Other current assets	20,818	318
Other assets	248	(1,866)
Accounts payable	51,747	(16,526)
Accrued expenses	22,947	(23,147)
	<u>350,003</u>	<u>(128,960)</u>
Net cash flows from operating activities	350,003	(128,960)
Cash Flows from Investing Activities		
Purchases of property and equipment	(6,292)	(7,319)
Purchases of certificates of deposit	(173,186)	(421,291)
Proceeds from sales of certificates of deposit	170,588	
	<u>(8,890)</u>	<u>(428,610)</u>
Net cash flows from investing activities	(8,890)	(428,610)
<b>Change in cash and cash equivalents</b>	<b>341,113</b>	<b>(557,570)</b>
Cash and Cash Equivalents, beginning of year	<u>532,330</u>	<u>1,089,900</u>
Cash and Cash Equivalents, end of year	<u>\$ 873,443</u>	<u>\$ 532,330</u>

See Notes to Financial Statements



## NOTES TO FINANCIAL STATEMENTS

### **Note 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 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 cost. Rent and depreciation expense is allocated based on square footage of the related building. All other expenses are allocated based on direct costs.

### **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 \$453,907 and \$421,291 at March 31, 2019 and 2018, respectively.

### **Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes at March 31:

	<u>2019</u>	<u>2018</u>
Underpass capital campaign	\$ 52,964	\$ -
Columbia Highlands	25,000	
Poaching reward fund	<u>11,298</u>	<u>11,248</u>
Total property and equipment, net	<u>\$ 89,262</u>	<u>\$ 11,248</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. The Organization holds 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, 2019 or 2018.

### **Property and Equipment**

Property and equipment is 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, 2019 and 2018.

## **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, 2018.

### **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.

### **Special Events Revenue**

Special events revenue is recognized when the event occurs.

## **Reclassifications**

Certain amounts from the March 31, 2018, financial statements have been reclassified to conform to the current-year presentation.

## **Subsequent Events**

The Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was December 9, 2019.

## **Note 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 at March 31:

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash and cash equivalents	\$ 873,443	\$ 532,330
Certificates of deposit	423,889	421,291
Grants receivable	40,328	
	<u>1,337,660</u>	<u>953,621</u>
Less: donor restrictions	(89,262)	(11,248)
Less: Board designations	<u>(453,907)</u>	<u>(421,291)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 794,491</u>	<u>\$ 521,082</u>

### **Note 3. Property and Equipment**

Property and equipment are as follows at March 31:

	<u>2019</u>	<u>2018</u>
Automobiles	\$ 68,868	\$ 68,868
Furniture and equipment	34,058	95,157
Leasehold improvements		4,586
	<u>102,926</u>	<u>168,611</u>
Less: accumulated depreciation	<u>(81,173)</u>	<u>(138,704)</u>
Total property and equipment, net	<u>\$ 21,753</u>	<u>\$ 29,907</u>

### **Note 4. Land**

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, 2018.

In March 2019, the Organization entered into a purchase and sale agreement to purchase 1,478 acres of real property located in Okanogan County, Washington, with the intent to sell the property to a land trust whose mission aligns with the Organization. The sale closed in June 2019 with a purchase price of \$1,075,000, which the Organization financed with a \$600,000 loan from a bank (paid off in full in October 2019). The Organization paid the remaining purchase price of \$475,000 with cash on hand.

In September 2019, the Organization sold its ownership in most of the property, selling a conservation easement on 1,400 acres for \$139,804 and then selling the encumbered acreage for \$900,000. The Organization retains ownership of 78 acres, unencumbered.

#### **Note 5. Leases**

The Organization leases office space in Seattle under a noncancelable lease agreement that expires on December 31, 2019. 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 as follows for the years ending March 31:

2020	\$	26,343
2021		1,143
2022		1,143
2023		1,143
2024		286
		<hr/>
	\$	<u>30,058</u>

Rent expense under all leases was \$91,143 and \$96,361 for the years ended March 31, 2019 and 2018, respectively.