

WILD SALMON CENTER

**Audited
Financial Statements**

**For the Years Ended
December 31, 2005 and 2004**

WILD SALMON CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2005 and 2004

	2005	2004
ASSETS		
Cash and cash equivalents	\$ 1,989,593	\$ 1,365,603
Accounts receivable, net of allowance for uncollectible accounts of \$26,887 for 2005	91,219	191,306
Pledges receivable	162,663	100,000
Prepaid expenses, deposits, and supplies	33,433	15,562
Refundable advance	-	150,000
Property and equipment, net	820,595	542,175
Land held for preservation	936,241	936,241
 TOTAL ASSETS	 \$ 4,033,744	 \$ 3,300,887
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 232,071	\$ 222,333
Notes payable	93,169	331,374
 Total liabilities	 325,240	 553,707
Net assets:		
Unrestricted:		
Undesignated	105,258	2,586
Land, property and equipment, net	990,374	793,580
Board designated	400,000	222,881
Total unrestricted	1,495,632	1,019,047
Temporarily restricted:		
Time and purpose restricted	1,446,409	1,252,304
Restricted property and equipment, net	766,463	475,829
Total temporarily restricted	2,212,872	1,728,133
 Total net assets	 3,708,504	 2,747,180
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,033,744	 \$ 3,300,887

See notes to financial statements.

WILD SALMON CENTER
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2005 and 2004

	2005			2004		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Grants and contributions	\$ 1,521,289	\$ 3,933,589	\$ 5,454,878	\$ 684,155	\$ 4,441,010	\$ 5,125,165
Program revenue	442,442	-	442,442	425,391	-	425,391
Donated materials and services	6,528	22,361	28,889	33,851	36,411	70,262
Interest income	12,207	-	12,207	3,523	-	3,523
Other income	12,071	-	12,071	7,915	-	7,915
Net assets released from restrictions:						
Satisfaction of program restrictions	<u>3,471,211</u>	<u>(3,471,211)</u>	<u>-</u>	<u>3,518,045</u>	<u>(3,518,045)</u>	<u>-</u>
Total revenue	<u>5,465,748</u>	<u>484,739</u>	<u>5,950,487</u>	<u>4,672,880</u>	<u>959,376</u>	<u>5,632,256</u>
Expenses:						
Program services:						
Cascadia Salmon Biodiversity Program	1,071,968	-	1,071,968	564,685	-	564,685
Kamchatka Salmon Biodiversity Program	1,961,898	-	1,961,898	1,660,140	-	1,660,140
State of the Salmon Program	754,617	-	754,617	574,313	-	574,313
Russian Far East Salmon Biodiversity Program	401,914	-	401,914	271,369	-	271,369
Tillamook Rainforest Coalition	-	-	-	697,974	-	697,974
Total program services	<u>4,190,397</u>	<u>-</u>	<u>4,190,397</u>	<u>3,768,481</u>	<u>-</u>	<u>3,768,481</u>
General and administrative	433,082	-	433,082	759,346	-	759,346
Development and fundraising	<u>365,684</u>	<u>-</u>	<u>365,684</u>	<u>179,877</u>	<u>-</u>	<u>179,877</u>
Total expenses	<u>4,989,163</u>	<u>-</u>	<u>4,989,163</u>	<u>4,707,704</u>	<u>-</u>	<u>4,707,704</u>
Income (loss) from operating activities	476,585	484,739	961,324	(34,824)	959,376	924,552
Contributions for purchase of land	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,625</u>	<u>-</u>	<u>750,625</u>
Change in net assets	476,585	484,739	961,324	715,801	959,376	1,675,177
Net assets:						
Beginning of year	<u>1,019,047</u>	<u>1,728,133</u>	<u>2,747,180</u>	<u>303,246</u>	<u>768,757</u>	<u>1,072,003</u>
End of year	<u>\$ 1,495,632</u>	<u>\$ 2,212,872</u>	<u>\$ 3,708,504</u>	<u>\$ 1,019,047</u>	<u>\$ 1,728,133</u>	<u>\$ 2,747,180</u>

See notes to financial statements.

WILD SALMON CENTER
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from grants, contracts, and contributions	\$ 6,084,744	\$ 5,725,706
Other cash receipts	11,621	7,915
Interest received	12,207	3,523
Cash paid to employees and suppliers	(4,782,561)	(4,499,091)
Cash paid for interest	<u>(16,887)</u>	<u>(6,685)</u>
Net cash provided by operating activities	<u>1,309,124</u>	<u>1,231,368</u>
 Cash flows from investing activities:		
Proceeds from sale of property	1,850	-
Additions to land, property and equipment	<u>(448,779)</u>	<u>(1,330,589)</u>
Net cash used in investing activities	<u>(446,929)</u>	<u>(1,330,589)</u>
 Cash flows from financing activities:		
Contributions restricted for purchase of land	-	750,625
Proceeds from long-term debt	-	359,007
Principal payments on long-term debt	<u>(238,205)</u>	<u>(27,633)</u>
Net cash provided by (used in) financing activities	<u>(238,205)</u>	<u>1,081,999</u>
 Net increase in cash and cash equivalents	623,990	982,778
 Cash and cash equivalents - beginning of year	<u>1,365,603</u>	<u>382,825</u>
 Cash and cash equivalents - end of year	<u>\$ 1,989,593</u>	<u>\$ 1,365,603</u>
 Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 961,324	\$ 1,675,177
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	150,007	94,321
Loss on disposition of property and equipment	18,502	-
Contributions restricted for purchase of land	-	(750,625)
(Increase) decrease in:		
Accounts and grants receivable	37,424	175,150
Prepaid expenses, deposits, and supplies	132,129	(1,978)
Increase in:		
Accounts payable and accrued expenses	<u>9,738</u>	<u>39,323</u>
Net cash provided by operating activities	<u>\$ 1,309,124</u>	<u>\$ 1,231,368</u>

See notes to financial statements.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Wild Salmon Center, founded in 1992, is an incorporated association whose mission is to identify, understand and protect the best wild salmon ecosystems of the Pacific Rim. The Organization devises and implements practical strategies, based on the best science, to protect forever these extraordinary places and their biodiversity. The Organization's Board of Directors and staff include experts in salmon management and conservation from Canada, Russia and the United States. The Organization receives support primarily from various public and private foundations. Support to the Organization from one private foundation approximated 47% for 2005 and 40% for 2004. This private foundation has pledged future support totaling \$2.3 million through 2006, subject to performance requirements.

The Organization's primary programs include:

- **Cascadia Salmon Biodiversity Program:** An effort to create a system of sanctuaries for native salmon and steelhead in the United States Pacific Northwest, focusing on the most productive and species-rich salmon ecosystems in Oregon and Washington.
- **Kamchatka Salmon Biodiversity Program:** A joint effort of the Russian government and Wild Salmon Center to support the conservation, study and economic development of salmon, trout, and steelhead on Russia's Kamchatka peninsula.
- **State of the Salmon Program:** The State of the Salmon program is a cooperatively organized source of information and knowledge on North Pacific salmon – an integrated resource that will foster collaborative policy progress toward a future in which wild salmon, and all life that depends on them, prosper. A joint program of Wild Salmon Center and Ecotrust, the State of the Salmon also supports the IUCN/World Conservation Union Salmonid Specialist Group.
- **Russian Far East Salmon Biodiversity Program:** A collaboration with scientists and policy experts across the Russian Far East to develop conservation strategies and action plans to protect the most species-rich, healthy and unique salmon watersheds in the Russian Far East.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Organization, Continued

- **Tillamook Rainforest Coalition:** Tillamook Rainforest Coalition is a group of more than 130 small businesses, angler, commercial fishing, conservation, and landowner groups concerned about the fate of the Tillamook and Clatsop State Forests. Founding organizations are Wild Salmon Center, Audubon Society of Portland, Coast Range Association, National Wildlife Federation, Sierra Club, and Trout Unlimited.

Basis of Presentation

The Organization reports 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 represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The Organization had only unrestricted and temporarily restricted net assets at December 31, 2005 and 2004.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less, at the time of purchase, to be cash equivalents.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to the change in net assets and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment

Additions to property and equipment with values exceeding \$500 are capitalized. Property and equipment are carried at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Grants and Contributions

Grants and other contributions of cash and other assets are reported as unrestricted support unless they are received with donor restrictions that limit their use. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Materials and Services

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an integral part of the Organization's activities.

The Organization reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. For 2005, donated professional services for legal and accounting approximating \$2,400 were charged to general and administrative expenses. For 2004, donated professional services provided in connection with the purchase of land approximating \$28,700 were capitalized.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Materials and Services, Continued

The Organization regularly receives contributed services from a variety of volunteers who assist the Organization in its programs and events. The value of such services has not been recognized in the accompanying financial statements since the criteria for recording these contributed services have not been met.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Wild Salmon Center is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). For 2004, the Organization was subject to excise taxes for excess lobbying expenses approximating \$32,700. The Organization is not a private foundation.

Use of Estimates

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

2. PLEDGES RECEIVABLE

Pledges receivable at December 31, 2005 and 2004 include unconditional foundation grants, which are expected to be received within one year. Conditional multi-year grants contingent on performance and matching requirements approximate \$2,588,000 at December 31, 2005 and accordingly, are not reported in the financial statements.

Subsequent to year end, the Organization was notified of a conditional promise to give of \$500,000. The terms of the agreement require that the Organization, in consultation with the donor, use the funds to acquire and manage land in specified watersheds in Northwest Oregon.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2005 and 2004

3. REFUNDABLE ADVANCE

In August 2001, the Organization advanced \$150,000 to River Network toward their purchase of the Schmidt Bar Tract. The advance was repaid on February 8, 2005.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2005	2004
Land	\$ -	\$ 11,900
Office furniture and equipment	61,503	49,071
Computer equipment	179,683	130,244
Leasehold improvements	30,546	2,775
Biostations	390,524	141,507
Expedition equipment	484,970	397,933
Display equipment	4,483	4,483
	1,151,709	737,913
Less accumulated depreciation	331,114	195,738
Net property and equipment	\$ 820,595	\$ 542,175

5. LAND HELD FOR PRESERVATION

During 2004, the Organization acquired 255 acres of land along Elk Creek in Clallam County, Washington. The land is subject to restrictive covenants which require that it be used only for salmon recovery and conservation purposes.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2005 and 2004

6. NOTES PAYABLE

Notes payable at December 31, 2005 and 2004 consist of the following:

	2005	2004
Note payable to The Conservation Fund; principal and interest at 6.25% was repaid on December 22, 2005; unsecured.	\$ -	\$ 181,507
Note payable to The Conservation Fund; the note plus interest at 6.25% was repaid on February 3, 2005; unsecured.	-	27,500
Note payable to founder and board member in connection with deferred compensation agreement; payable in annual installments of \$33,798 including interest at 3.76% through December 31, 2008; unsecured. Interest is adjusted annually to the applicable federal rates.	93,169	122,367
Total notes payable	\$ 93,169	\$ 331,374
Current portion	\$ 29,587	\$ 238,204
Long-term portion	63,582	93,170
	\$ 93,169	\$ 331,374

Current maturities of long-term debt are as follows:

December 31, 2006	\$ 29,587
2007	30,924
2008	32,658
	\$ 93,169

Interest expense totaled \$16,887 for 2005 and \$6,685 for 2004.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2005 and 2004

7. BOARD DESIGNATED NET ASSETS

Unrestricted net assets totaling \$275,000 have been designated as the "Opportunity Fund." The purpose of the Opportunity Fund is to provide available funds for special projects. During 2003, the Organization was authorized to use designated funds totaling \$52,119 to cover operating deficits of Cascadia Salmon Biodiversity Program and Tillamook Rainforest Coalition. The intention of the Organization is to restore the Opportunity Fund back to the original \$275,000 with future program surpluses. The fund was restored in February 2005.

During 2005, the Board of Directors established an Operating Reserve Fund. The purpose of this fund is to set aside funds as a contingency reserve for potential future operating shortfalls. During 2005 the Board designated \$125,000 for this account. No funds from the Operating Reserve fund were used by the Organization during 2005

A summary of Board designated net assets are as follows:

	2005	2004
Opportunity Fund	\$ 275,000	\$ 222,881
Operating Reserve Fund	125,000	-
Total Board designated net assets	\$ 400,000	\$ 222,881

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2005 and 2004

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted to the following programs:

	2005	2004
Kamchatka Salmon Biodiversity Program	\$ 1,518,757	\$ 1,437,287
State of the Salmon Program	481,860	-
Russian Far East Salmon Biodiversity Program	-	185,264
Cascadia South Salmon Biodiversity Program	-	74,375
Cascadia North Salmon Biodiversity Program	212,255	31,207
Total temporarily restricted net assets	\$ 2,212,872	\$ 1,728,133

9. RELATED PARTY TRANSACTIONS

The Organization has contracts with two organizations in which a board member serves on both the Wild Salmon Center board and the contracting organization's board. The Organization paid contract services approximating \$260,000 to these two organizations during 2005 and \$140,000 during 2004.

As disclosed in Note 6, the Organization has a note payable to the founder and current board member in connection with a deferred compensation agreement. The Organization also paid this board member salary and benefits approximating \$55,000 during 2005 and \$53,500 during 2004. In addition, in 2004, the Organization made a \$50,000 grant to a nonprofit organization in which this board member is the executive director. This same nonprofit organization also has an amount payable to the Organization totaling \$53,774 at December 31, 2005 and 2004. An allowance of \$26,887 has been reserved against the amount due at December 31, 2005.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2005 and 2004

10. EMPLOYEE BENEFIT PLANS

The Organization has defined contribution salary deferral plans (401k and 403(b)) covering all full-time employees based in the United States. Under the plans, these employees are eligible to contribute to one of the plans after six months of employment. Employees can contribute up to seven percent of their pre-tax earnings each period and the Organization will match employee contributions up to seven percent. Plan contributions during 2005 and 2004 were \$73,256 and \$53,982, respectively.

11. LEASE COMMITMENTS

The Organization leases its Portland office facilities under a lease expiring October 31, 2007 and its Seattle office facilities under a lease expiring February 28, 2006. The Portland lease can be terminated without penalty with four months notification. The Organization entered into a lease agreement for facilities in Port Angeles, Washington. The lease is for a 12-month period beginning November 2005. The Organization also leases a copier under an operating lease expiring in July 2009. Total lease expense under these agreements approximated \$81,000 and \$73,000 for 2005 and 2004, respectively.

Future minimum lease payments under non-cancelable leases total \$13,000 for the year ending December 2006 through 2009.

12. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization's cash accounts are maintained in various financial institutions. The balances with each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At times, these balances may exceed the insured limit. Uninsured balances approximate \$2,065,000 and \$1,259,000 at December 31, 2005 and 2004, respectively.