

NOOKSACK SALMON ENHANCEMENT ASSOCIATION

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2019

(With Comparative Totals for December 31, 2018)

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nooksack Salmon Enhancement Association
Bellingham, Washington

We have audited the accompanying statement of financial position of Nooksack Salmon Enhancement Association (a nonprofit corporation) as of December 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

These financial statements are the responsibility of the Association's management. Management is responsible for the fair presentation and preparation 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 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 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 Nooksack Salmon Enhancement Association as of December 31, 2019 and the changes in net assets, functional expenses, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Nooksack Salmon Enhancement Association's December 31, 2018 financial statements and our report dated May 29, 2019 expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Thomson & Company PLLC

Bellingham, Washington
June 25, 2020

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
December 31, 2019
(With Comparative Totals for December 31, 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 71,398	\$ 214,449
NWSRF investments	2,534,945	2,093,643
Grants receivable	159,477	75,804
Pledges receivable	-	-
Inventory	11,000	12,221
Total current assets	2,776,820	2,396,117
Fixed assets		
Land	122,253	122,253
Building and improvements	1,096,386	1,095,194
Furniture and equipment	65,219	65,219
Vehicles	119,137	90,120
	1,402,995	1,372,786
Less depreciation and amortization	(261,678)	(225,709)
Total fixed assets	1,141,317	1,147,077
Beneficial interest in assets held by Community Foundation	162,203	139,408
Total assets	\$ 4,080,340	\$ 3,682,602
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 58,991	\$ 30,870
Accrued vacation payable	17,686	19,004
Deferred revenue	89,116	75,937
Line of credit	100	-
Total current liabilities	165,893	125,811
Total liabilities	165,893	125,811
Net assets		
Net assets without donor restrictions	1,141,387	1,320,295
Net assets with donor restrictions	2,773,060	2,236,496
Total net assets	3,914,447	3,556,791
Total liabilities and net assets	\$ 4,080,340	\$ 3,682,602

The accompanying notes are an integral part of these financial statements

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019
(With Comparative Totals for December 31, 2018)

	2019					2018				
	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions			Net Assets Total	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions			Net Assets Total
		Temporarily Restricted	Permanently Restricted	Total		Temporarily Restricted	Permanently Restricted	Total		
Support										
Contributions	\$ 153,159	\$ 144,133	\$ 103,050	\$ 247,183	\$ 400,342	\$ 135,479	\$ 113,007	\$ 120,000	\$ 233,007	\$ 368,486
In-kind contributions	12,369	-	-	-	12,369	8,731	-	-	-	8,731
Total support	165,528	144,133	103,050	247,183	412,711	144,210	113,007	120,000	233,007	377,217
Revenue										
Government grants	-	855,972	-	855,972	855,972	-	872,393	-	872,393	872,393
Private grants	-	242,067	-	242,067	242,067	-	288,824	-	288,824	288,824
Investment income, net	864	114,615	-	114,615	115,479	543	85,459	-	85,459	86,002
Unrealized gain(loss) on investments	-	252,005	-	252,005	252,005	-	(249,155)	-	(249,155)	(249,155)
Other income	39,116	-	-	-	39,116	25,980	-	-	-	25,980
Total revenue	39,980	1,464,659	-	1,464,659	1,504,639	26,523	997,521	-	997,521	1,024,044
Total support and revenue	205,508	1,608,792	103,050	1,711,842	1,917,350	170,733	1,110,528	120,000	1,230,528	1,401,261
Net assets released from restrictions										
Satisfaction of restrictions	1,175,278	(1,175,278)	-	(1,175,278)	-	1,488,652	(1,488,652)	-	(1,488,652)	-
Total revenue and net assets released	1,380,786	433,514	103,050	536,564	1,917,350	1,659,385	(378,124)	120,000	(258,124)	1,401,261
Functional expenses										
Program services	1,299,108	-	-	-	1,299,108	1,363,934	-	-	-	1,363,934
Administration	226,966	-	-	-	226,966	168,094	-	-	-	168,094
Fundraising	33,620	-	-	-	33,620	28,562	-	-	-	28,562
Total functional expenses	1,559,694	-	-	-	1,559,694	1,560,590	-	-	-	1,560,590
Change in net assets	(178,908)	433,514	103,050	536,564	357,656	98,795	(378,124)	120,000	(258,124)	(159,329)
Net assets, beginning of year, restated	1,320,295	857,182	1,379,314	2,236,496	3,556,791	1,221,500	1,235,306	1,259,314	2,494,620	3,716,120
		<u>\$ 1,290,696</u>	<u>\$ 1,482,364</u>				<u>\$ 857,182</u>	<u>\$ 1,379,314</u>		
Net assets, end of year	<u>\$ 1,141,387</u>			<u>\$ 2,773,060</u>	<u>\$ 3,914,447</u>	<u>\$ 1,320,295</u>			<u>\$ 2,236,496</u>	<u>\$ 3,556,791</u>

The accompanying notes are an integral part of these financial statements

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019
(With Comparative Totals for December 31, 2018)

	2019				2018			
	Program	Administration	Fundraising	Total Expense	Program	Administration	Fundraising	Total Expense
Salaries, benefits and taxes	\$ 419,093	\$ 172,087	10,436.00	\$ 601,616	\$ 373,056	\$ 73,676	\$ 7,516	\$ 454,248
Program and project	713,598	6,989	3,886	724,473	875,300	10,956	3,757	890,013
Nursery	18,298	-	-	18,298	14,658	-	-	14,658
Facilities	50,702	13,430	2,565	66,697	4,927	57,030	82	62,039
Vehicles and equipment	30,516	10,120	-	40,636	27,778	18,013	-	45,791
Professional services	8,828	1,086	586	10,500	-	10,500	-	10,500
Copy and printing	13,092	(9,260)	-	3,832	226	3,122	-	3,348
Dues and subscriptions	3,819	5,137	2,936	11,892	3,987	3,707	1,246	8,940
Supplies	1,374	54	5,216	6,644	314	-	6,214	6,528
Event expenses	9,683	-	6,094	15,777	4,655	-	7,100	11,755
Interest and finance charges	1	107	-	108	72	3,047	-	3,119
Insurance	3,725	2,159	226	6,110	-	2,811	-	2,811
Technology	13,508	1,524	157	15,189	13,764	358	-	14,122
Office supplies	1,267	3,615	-	4,882	1,033	3,442	155	4,630
Postage	620	216	112	948	478	357	6	841
Telecommunication	5,602	6,792	-	12,394	5,141	5,185	58	10,384
Bank service charges	-	790	1,170	1,960	6	29	994	1,029
Other	5,382	4,107	236	9,725	4,004	3,532	359	7,895
Endowment expense	-	8,013	-	8,013	-	7,939	-	7,939
Total functional expenses	<u>\$ 1,299,108</u>	<u>\$ 226,966</u>	<u>\$ 33,620</u>	<u>\$ 1,559,694</u>	<u>\$ 1,329,399</u>	<u>\$ 203,704</u>	<u>\$ 27,487</u>	<u>\$ 1,560,590</u>

The accompanying notes are an integral part of these financial statements

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(With Comparative Totals for December 31, 2018)

	2019	2018
Cash flows from operating activities		
Changes in net assets	\$ 357,656	\$ (159,329)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	35,969	39,619
Unrealized (gains) losses on investments	(252,005)	249,155
Changes in operating assets and liabilities		
(Increase) decrease in grants receivable	(83,673)	158,599
(Increase) decrease in pledges receivable	-	50
(Increase) decrease in inventory	1,221	7,779
Increase (decrease) in accounts payable	28,121	(16,240)
Increase (decrease) in accrued vacation payable	(1,318)	5,617
Increase (decrease) in deferred revenue	13,179	(29,069)
Net cash provided (used) from operating activities	99,150	256,181
 Cash flows from investing activities		
Purchase of fixed assets	(30,209)	(6,086)
Proceeds and purchases of investments net	(254,887)	17,933
Beneficial interest in assets held in Community Foundation	22,795	(15,462)
Net cash provided (used) from investing activities	(262,301)	(3,615)
 Cash flows from financing activities		
Additions and payments on short term borrowings	100	(126,393)
Net cash provided (used) from financing activities	100	(126,393)
 Net increase (decrease) in cash and cash equivalents	(163,051)	126,173
 Cash and cash equivalents, beginning of year	214,449	88,276
 Cash and cash equivalents, end of year	\$ 51,398	\$ 214,449

The accompanying notes are an integral part of these financial statements

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1 – ORGANIZATION AND OPERATIONS

The Nooksack Salmon Enhancement Association (NSEA) is a community-based nonprofit organization that *strives to recover salmon by engaging our community in restoration, education and stewardship*. NSEA is one of fourteen Regional Fisheries Enhancement Groups in Washington State and, since 1990, has been part of statewide effort to educate and involve the public in community-based salmon recovery activities. NSEA works cooperatively with landowners, agencies, tribes, businesses, service organizations, schools, and volunteers. NSEA works year-round to accomplish project management, habitat restoration, education, volunteer coordination, community outreach, scientific monitoring, and assessment. NSEA is governed by a volunteer board of directors, and work is led by a team of staff who work to engage community volunteers.

Habitat Restoration and Monitoring: Stream habitat restoration projects have a strong foundation in scientific methodology and are planned and implemented with many cooperative public, private, tribal, and business partners. Projects include fish passage barrier removal, in-stream habitat restoration work, large woody debris placement, livestock exclusion, riparian planting and maintenance and monitoring.

- For the year ended December 31, 2018, NSEA removed 19 fish passage barriers opening 9.4 miles of habitat. Projects included 14,755 feet of streambank riparian habitat improved through the removal of invasive vegetation and the planting of 13,406 native trees and shrubs. In addition to new restoration projects, 31 previously implemented projects covering 17,600 feet were monitored and maintained. Habitat restoration projects are accomplished by NSEA staff, WA Conservation Corps crew, contractors and volunteers.

Education and Stewardship: NSEA provides science education and stewardship opportunities for Elementary School students as well as programing for the entire community.

- NSEA staff worked to educate and engage 1,737 4th grade students throughout Whatcom County in the “Students for Salmon” program. This flagship program, started in 2000, provides each class with a classroom presentation and facilitated field trips to study stream ecology. Additionally, NSEA instructors lead classes through stewardship activities which often include restoration projects.
- NSEA staff hosted more than 90 presentations and outreach events to the 4,543 individuals from the community, church, school, and business groups. Community volunteers are central to the mission of involving the community in salmon recovery. In 2019, 11,474 hours were donated by 1,962 community volunteers to restore riparian habitat.
- Interns and students from Western Washington University, Bellingham Technical College, Whatcom Community College, and Northwest Indian College provide critical support to NSEA’s programs including education, monitoring and stewardship. In 2019, 32 dedicated interns supported NSEA’s programs while gaining valuable job skills.

Northwest Salmon Recovery Fund (NWSRF): The NWSRF was established in 1994 as an endowment, the purpose of which was to sustain the staff, operations, and mission of NSEA in perpetuity. The bylaws require that all permanently restricted funds remain fully invested. See Notes 9, 10 and 11.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. These financial statements reflect all significant receivables, payables and other liabilities. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of grantor/donor imposed restrictions. Accordingly, net assets of NSEA and changes therein are classified and reported as follows:

Net assets without donor restrictions are not subject to grantor/donor-imposed stipulations and are available for operations. Unrestricted net assets also include those assets that are board-designated for a particular purpose. Since the board has authority to revoke their decision at any time, these assets are not subject to the same restrictions as those from grantors/donors.

Net assets with donor restrictions are subject to grantor/donor-imposed stipulations that may be met, either by actions of NSEA, the occurrence of certain events, or the passage of time, or are subject to donor-imposed stipulations to be maintained permanently by NSEA. See Note 10.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –(continued)

Basis of presentation-continued

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor-imposed stipulation or by law. When a restriction expires or the terms of the donation have been satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Prior year comparative information and reclassification – These financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NSEA’s financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Cash and cash equivalents – Cash consists of cash held in a checking and savings accounts. For purposes of the statement of cash flows, NSEA considers all short term, highly liquid unrestricted investments with an original maturity of three months or less to the cash equivalents.

Contributions– Contributions are recognized as revenues in the period received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that restrict the use of the support. When a donor imposed 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.

Promises to give – Unconditional promises to give are recognized as contributions revenue in the period the pledge is made and as assets, decreases of liabilities, or expenses depending upon the form of benefits received. Conditional pledges and grants are recognized when the conditions on which they depend are substantially met and become unconditional. Promises to give expected to be collected in future years are recorded at the present value of estimated future cash flows using a rate of return commensurate with the expected risk and term of the promises to give. Based upon experience NSEA expects to fully collect the promises to give.

Grants receivable – Grants receivable are stated at the amount management expects to collect from outstanding balances. Significant portions are from governmental agencies. Management believes these accounts are collectible in full and has not established a valuation allowance account.

Deferred revenue – NSEA has deferred revenue in the form of grants received, but not yet expended.

Cost reimbursement contracts – Revenues under state and federal government cost-reimbursement type contracts are recognized based on billings submitted for reimbursement and are subject to audit and retroactive adjustments may be made by the funding agencies.

Inventory – Inventory consists large woody debris, root wads from trees purchased from clearing sites. Inventories valued stated at the lower of cost, or market and can be retained years before used. The debris is used as restoration site material to restore natural fish habitats, as needed.

Fixed assets, and depreciation – Building, furniture, equipment and vehicles are carried at cost, or if donated, at the estimated fair market value at the date of donation. Acquisitions in excess of \$1,000 are capitalized. Expenditures for maintenance and repairs are charged against operations; renewals and betterments that materially extend the life of the assets are capitalized. Gains or losses on dispositions are included in operations in the year of disposal. Depreciation is computed using a straight-line method over the estimated economic useful lives of the assets. Lives range from 7 to 31 years.

Investments – NSEA participates in a variety of publicly traded investments. These investments include money market funds, bonds and equity securities. Fair value is determined from readily available quoted market sources where available. Realized gains and losses from the sale of investments are computed based on the difference between the proceeds received and the carrying value. Unrealized gains and losses are reported as investment income.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –(continued)

Fair Value Measurement – In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for fair value measurements. Fair value is defined 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 measurements are as follows: Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities. Level 2: Fair values are based on observable inputs that include: quoted market prices for 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. 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. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Functional allocation of expenses – The costs of providing the 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. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities, vehicle and equipment, nursery and supplies, copy and printing, dues and subscriptions, technology, telephone and internet, program and project expenses, and salaries, benefits and taxes.

Leases – Leases meeting certain criteria are considered capital leases and the related assets and lease obligations are recorded at their present value in the financial statements. Other leases not meeting such criteria are operating leases and the related rentals are charged to expense as incurred.

Federal income tax status – NSEA is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax on earnings associated with its exempt purpose. Unrelated business income is taxed at regular corporate rates. NSEA had no unrelated business income. At the year ended December 31, 2010, NSEA adopted guidance in FASB ASC 740-10, regarding the reporting of uncertainty in income taxes. The implementation of FASB ASC 740-10 had no impact on NSEA's statement of financial position or statement of activities. NSEA does not believe its financial statements reflect any uncertain tax positions. NSEA's accounting policy requires recording a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. NSEA continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings in determining transactions to be recognized in the financial statements. Tax years subject to audit by the Internal Revenue Service are December 31, 2019, 2018, 2017, and 2016, respectively. Tax years subject to audit by the State of Washington are December 31, 2019, 2018, 2017, 2016, 2015, 2014, and 2013, respectively.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Standards update – The following Accounting Standards were implemented during 2019:

Revenue Recognition Standard - In May, 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to. This standard may have an impact on the timing of when an entity recognizes certain revenue. The ASU is effective for nonpublic companies for years beginning after December 15, 2018.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made – In June, 2018 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08. The ASU clarifies the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. There was no material impact on the financial statements after the adoption of this Standard.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 3 – CONCENTRATIONS

NSEA maintains cash balances in one financial institution located in Bellingham, Washington. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019, there were no uninsured cash balances. NSEA maintains money market accounts at investment firms that are not insured by FDIC but are covered by Securities Investor Protector Corporation (SIPC). At December 31, 2019, NSEA's cash balances at investment firms were \$9,495. At December 31, 2018, NSEA's cash balances at investment firms were \$74,951.

NOTE 4 – LIQUIDITY

Financial assets available for general expenditure that is without donor or other restrictions limiting their use within one year of the balance sheet date comprise the following:

Cash & cash equivalents	\$ 71,398
Grants receivable	159,477
Inventory	12,221
Endowment spending	-
<i>Financial assets available for general expenditure</i>	<u>\$ 243,096</u>

NOTE 5 – LINE OF CREDIT

During the year ended December 31, 2019, NSEA had a \$300,000 line of credit. This renewable agreement is secured by NSEA's assets and expires on October 21, 2024. The rate on this line of credit at December 31, 2019 was 6.25%.

NOTE 6 – PENSION PLAN

NSEA has a defined contribution plan (the Plan) covering all employees who meet the eligibility requirements. NSEA makes a contribution to the Plan each year matching up to 3% of all eligible participants' compensation. Total pension contribution for the year ended December 31, 2019 was \$12,456. Total pension contribution for the year ended December 31, 2018 was \$9,630.

NOTE 7 – DONATED ASSETS AND SERVICES

Noncash donations such as office space, inventory, and material hauling, and donated marketable securities are recorded at their estimated fair values at the date of donation. Donated services are recorded in compliance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, at their estimated fair market value at the date of receipt. During the year ended December 31, 2019 the \$12,369 of in-kind income consisted of \$737 in operating supplies, \$1,811 in program supplies, and \$9,821 in fundraising expense. During the year ended December 31, 2018 the \$8,731 of in-kind income consisted of \$6,217 in fixed assets, \$657 in operating supplies, \$938 in program supplies, and \$919 in fundraising expense.

Many individuals volunteer their time and perform a variety of tasks that assist NSEA in program services. These services do not meet the criteria for recognition as contributed services and no amounts have been reflected in the accompanying financial statements for those volunteer hours. These volunteer hours do have a value which can be used as in-kind match for grant funding. In 2019, there were 11,474 hours donated by volunteers. In 2018, there were 11,377 hours donated by volunteers.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 8 – INVESTMENTS AND FAIR VALUE MEASUREMENT

At December 31, 2019, NWSRF investments consisted of the following:

	Cost	Unrealized Gains(Losses)	Fair Value
Cash	\$ 9,495	\$ -	\$ 9,495
Fixed income	155,599	(2,362)	153,237
Equities	<u>2,086,391</u>	<u>285,822</u>	<u>2,372,213</u>
<i>Total NWSRF Investments</i>	<u>\$ 2,251,486</u>	<u>\$ 283,460</u>	<u>\$ 2,534,945</u>

At December 31, 2018, NWSRF and other investments consisted of the following:

	Cost	Unrealized Gains(Losses)	Fair Value
Cash	\$ 74,951	\$ -	\$ 74,951
Fixed income	155,599	(5,710)	149,889
Equities	<u>1,745,639</u>	<u>123,164</u>	<u>1,868,803</u>
<i>Total NWSRF Investments</i>	<u>\$ 1,976,189</u>	<u>\$ 117,454</u>	<u>\$ 2,093,643</u>

NOTE 9 – BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

Investments held in the investment pool, the Nooksack Salmon Enhancement Endowment, are part of the total NWSRF Endowment fund and are managed by Whatcom Community Foundation (the Foundation). The Foundation was established in 1996 and since its formation has managed funds for many not-for-profit organizations in the Whatcom County area. Realized and unrealized gains and losses from securities in the investment pool are allocated to the individual accounts based on the relationship of the fair value of each account to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts. The Foundation's assets are principally in trusts from which income is distributed to the participating organizations. The Foundation guarantees a minimum 5% return on invested assets for the first year. Thereafter, invested assets may earn a higher rate of return and all earnings in excess of 5% are reinvested in the trusts.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Beneficial interest, beginning of year balance	\$ 139,408	\$ 154,870
Interest and dividends	3,568	3,520
Unrealized and realized gains(losses)	27,291	(11,090)
Management fees	(2,274)	(2,234)
Distributions	<u>(5,790)</u>	<u>(5,658)</u>
<i>Beneficial interest, end of year balance</i>	<u>\$ 162,203</u>	<u>\$ 139,408</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Funds restricted for Habitat Restoration	\$ 4,473	\$ 493
Funds restricted for Education	25,286	2,000
Funds restricted for Stewardship	22,000	-
Funds restricted for Monitoring	162	952
Funds restricted for Operations	23,991	-
NWSRF restricted earnings	<u>1,214,784</u>	<u>853,737</u>
<i>Temporarily restricted net assets</i>	<u>\$ 1,290,696</u>	<u>\$ 857,182</u>

Donor restricted contributions are those contributions where the restriction by the donor has not been met or the time has not yet expired.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
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For the Year Ended December 31, 2019

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS –(continued)

Permanently restricted net assets are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
NWSRF Endowment	\$ 1,482,364	\$ 1,379,314
<i>Permanently restricted net assets</i>	<u>\$ 1,482,364</u>	<u>\$ 1,379,314</u>
 <i>Net assets with donor restrictions</i>	 <u>\$ 2,773,060</u>	 <u>\$ 2,236,496</u>

The earnings from these funds may be spent on stream restoration, public education or any other board approved activity including the salmon enhancement activities of other individuals or organizations.

NOTE 11 – ENDOWMENT

NSEA’s NWSRF endowment consists of 1 endowment fund established generally for stream restoration, public education or any other board approved activity including the salmon enhancement activities of other individuals or organizations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law-The Board of Directors of NSEA has interpreted the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation the NSEA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NSEA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, NSEA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds (1) general economic conditions, (2) the possible effect of inflation and deflation, (3) the expected total return from income and the appreciation of investments, (4) other resources of NSEA, and (5) NSEA’s investment policies.

Funds with Deficiencies-From time to time, the fair value of assets associated with the donor restricted endowment fund may fall below the level that the donor or UPMIFA requires NSEA to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$0 as of December 31, 2018. These deficiencies generally result from unfavorable market fluctuations. Subsequent gains that restore the fair value of the assets of the endowment funds to the required level will be classified as an increase in unrestricted net assets.

Return Objectives, Risk Parameters and Strategies-NSEA has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a long-term rate of growth sufficient to offset normal inflation, administrative fees and management fees (if any), plus reasonable, regular distributions within prudent risk constraints. Endowment assets are invested in a well-diversified asset mix, which includes equity, fixed income securities, and cash equivalents. Investment risk is measured in terms of the total endowment; investment assets and allocation between asset classes and strategies are managed to not expose the endowment to unacceptable levels of risk.

Spending Policy-According to the NSEA by-laws, the board may approve one or more distributions from the temporarily restricted portion of the NWSRF to support operations. The total distributions cannot exceed 2/3 of the previous years’ earnings.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 11 – **ENDOWMENT**-(continued)

Changes in endowment net assets as of December 31, 2019:

	Net Assets Without Donor <u>Restrictions</u>	<u>Net Assets With Donor Restrictions</u>		<u>Total</u>
		Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	
Beginning endowment net assets	\$ -	\$ 853,737	\$ 1,379,314	\$ 2,271,462
Endowment investment return				
Interest and dividends	-	43,819	70,795	114,615
Realized & unrealized gain or loss	-	96,346	155,659	252,005
Underwater restricted funds	-	-	-	-
Total endowment investment return	-	140,166	226,454	366,620
Contributions	-	-	103,050	103,050
Appropriation of endowment for Expenditure	-	220,881	(226,454)	(5,573)
Transfer to/from quasi endowment	-	-	-	-
Ending net assets	<u>\$ -</u>	<u>\$ 1,214,784</u>	<u>\$ 1,482,364</u>	<u>\$ 2,697,148</u>

Reconciliation of endowment net assets to total net assets at December 31, 2017:

	Net Assets Without Donor <u>Restrictions</u>	<u>Net Assets With Donor Restrictions</u>		<u>Total</u>
		Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	
Endowment net assets	\$ -	\$ -	\$ 1,482,364	\$ 1,482,364
Non-Endowed net assets	-	1,214,784	-	1,214,784
Total Net Assets	<u>\$ -</u>	<u>\$ 1,214,784</u>	<u>\$ 1,482,364</u>	<u>\$ 2,697,148</u>

Changes in endowment net assets as of December 31, 2018:

	Net Assets Without Donor <u>Restrictions</u>	<u>Net Assets With Donor Restrictions</u>		<u>Total</u>
		Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	
Beginning endowment net assets	\$ -	\$ 1,230,364	\$ 1,259,314	\$ 2,271,462
Endowment investment return				
Interest and dividends	-	42,233	43,226	85,459
Realized & unrealized gain or loss	-	(123,132)	(126,029)	(249,161)
Underwater restricted funds	-	(82,803)	82,803	-
Total endowment investment return	-	(163,702)	-	(163,702)
Contributions	-	-	120,000	120,000
Appropriation of endowment for Expenditure	-	(212,925)	-	(212,925)
Transfer to/from quasi endowment	-	-	-	-
Ending net assets	<u>\$ -</u>	<u>\$ 853,737</u>	<u>\$ 1,379,314</u>	<u>\$ 2,233,051</u>

Reconciliation of endowment net assets to total net assets at December 31, 2018:

	Net Assets Without Donor <u>Restrictions</u>	<u>Net Assets With Donor Restrictions</u>		<u>Total</u>
		Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	
Endowment net assets	\$ -	\$ -	\$ 1,379,314	\$ 1,379,314
Non-Endowed net assets	-	853,737	-	853,737
Total Net Assets	<u>\$ -</u>	<u>\$ 853,737</u>	<u>\$ 1,379,314</u>	<u>\$ 2,233,051</u>

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 25, 2020, the date the financial statements were available to be issued.

Coronavirus (Covid-19) Pandemic - In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread worldwide and is impacting the State of Washington, where the Association operates.

On February 29, 2020 the Governor of the State of Washington declared a State of Emergency. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. On March 13, 2020, the President of the United States declared a national emergency. Finally, on March 23, 2020, the Governor of the State of Washington issued “Stay at Home, Stay Healthy” order for all Washington residents to stay at home to combat the spread of the COVID-19 virus. This order allows certain essential business to continue to maintain their operations during this time. The Association’s business is not included in the definition of essential businesses but has been able to maintain some of its operations through the coronavirus pandemic.

The Association closed the office on March 16, 2020 and set most staff up to work remote from home. This has involved changes to roles and responsibilities for some staff members. NSEA’s work to get plantings completed by field crew members has been allowed to continue while workers follow CDC guidelines

Short-term and long-term potential impacts to the Association have not been determined, but may include access to labor, materials and capital, or even its ability to operate by matter of law. Management’s knowledge and awareness of the situation is changing on a daily basis and the financial statements do not reflect any negative outcome or impairment, as management has not been able to determine any such outcome or impairment to the Association as of the date of issuance of the financial statements. The financial statements of the Association are based on contracted revenues, donations, and memberships, among many other estimates. The Association has not assessed any impact to its financial statements, nor determined any change in budgeted amounts as a result of the pandemic. The Association has not included any contingencies in the financial statements specific to the coronavirus pandemic.

Commitment – The Association applied for and was granted Paycheck Protection Program Funds to assist with the program and operations of the Association during 2020. These funds are considered a long term loan, and will be reclassified to income if the Association meets certain criteria to have the loan forgiven.