

NOOKSACK SALMON ENHANCEMENT ASSOCIATION

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2022

(With Comparative Totals for December 31, 2021)

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expense	5
Statement of Cash Flows	6
Notes to Financial Statements	7



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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, 2022 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, 2022 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, 2021 financial statements, and our report dated October 10, 2022, 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, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

North Star Tax & Accounting
Snohomish, Washington
October 24, 2023

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
December 31, 2022
(With Comparative Totals for December 31, 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 288,718	\$ 436,780
NWSRF investments	2,689,359	2,995,238
EW investments	1,586	1,586
Grants receivable	330,752	213,980
Inventory	11,000	11,000
Total current assets	3,321,415	3,658,584
Fixed assets		
Land	122,253	122,253
Buildings and improvements	1,108,159	1,103,436
Furniture and equipment	37,466	43,520
Vehicles	182,276	156,276
	1,450,154	1,425,485
Less depreciation and amortization	(359,162)	(299,970)
Total fixed assets	1,090,992	1,125,515
Beneficial interest in assets held by Community Foundation		
	153,036	191,415
Total assets	\$ 4,565,443	\$ 4,975,514
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 83,459	\$ 72,133
Accrued vacation payable	23,301	23,558
Deferred revenue	55,672	209,240
Line of credit	85,080	-
Total current liabilities	247,512	304,931
Total liabilities	247,512	304,931
Net assets		
Net assets without donor restrictions	1,475,535	1,483,929
Net assets with donor restrictions	2,842,396	3,186,654
Total net assets	4,317,931	4,670,583
Total liabilities and net assets	\$ 4,565,443	\$ 4,975,514

See accompanying notes to the financial statements.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022
(With Comparative Totals for December 31, 2021)

	2022					2021				
	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	\$ 322,910	\$ 81,958	\$ 107,960	\$ 189,918	\$ 512,828	\$ 324,763	\$ 176,900	\$ 105,000	\$ 281,900	\$ 606,663
In-kind contributions	-	29,749	-	29,749	29,749	-	-	-	-	-
Total support	322,910	111,707	107,960	219,667	542,577	324,763	176,900	105,000	281,900	606,663
Revenue										
Government grants	-	1,059,028	-	1,059,028	1,059,028	107,476	1,185,636	-	1,185,636	1,293,112
Private grants	-	646,198	-	646,198	646,198	-	353,845	-	353,845	353,845
Investment income, net	502	129,118	-	129,118	129,620	298	112,273	-	112,273	112,571
Unrealized gain (loss) on investments	-	(460,282)	-	(460,282)	(460,282)	-	257,738	-	257,738	257,738
PPP loan forgiveness	-	-	-	-	-	96,498	-	-	-	96,498
Employee Retention Tax Credit	182,527	-	-	-	182,527	-	-	-	-	-
Other income	59,848	-	-	-	59,848	8,451	-	-	-	8,451
Total revenue	242,877	1,374,062	-	1,374,062	1,616,939	212,723	1,909,492	-	1,909,492	2,122,215
Total support and revenue	565,787	1,485,769	107,960	1,593,729	2,159,516	537,486	2,086,392	105,000	2,191,392	2,728,878
Net assets released from restrictions										
Satisfaction of restrictions	1,937,987	(1,937,987)	-	(1,937,987)	-	1,812,527	(1,812,527)	-	(1,812,527)	-
Total revenue and nets assets released	2,503,774	(452,218)	107,960	(344,258)	2,159,516	2,350,013	273,865	105,000	378,865	2,728,878
Functional expenses										
Program services	2,050,815	-	-	-	2,050,815	1,692,287	-	-	-	1,692,287
Administration	435,861	-	-	-	435,861	291,535	-	-	-	291,535
Fundraising	25,492	-	-	-	25,492	15,878	-	-	-	15,878
Total functional expenses	2,512,168	-	-	-	2,512,168	1,999,700	-	-	-	1,999,700
Change in net assets	(8,394)	(452,218)	107,960	(344,258)	(352,652)	350,313	273,865	105,000	378,865	729,178
Net assets, beginning of year	1,483,929	1,598,940	1,587,714	3,186,654	4,670,583	1,133,616	1,325,075	1,482,714	2,807,789	3,941,405
Net assets, end of year	1,475,535	1,146,722	1,695,674	2,842,396	4,317,931	\$ 1,483,929	\$ 1,598,940	\$ 1,587,714	\$ 3,186,654	\$ 4,670,583

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022
(With Comparative Totals for December 31, 2021)

	2022				2021			
	Program	Administration	Fundraising	Total Expense	Program	Administration	Fundraising	Total Expense
Salaries, benefits and taxes	\$ 693,183	\$ 269,231	\$ 15,123	\$ 977,537	\$ 623,784	\$ 146,925	\$ 7,611	\$ 778,320
Program and project	1,195,347	18,771	1,804	1,215,922	970,101	22,172	4,407	996,680
Nursery	36,259	47	-	36,306	23,830	23	-	23,853
Facilities	3,419	68,323	-	71,742	11,180	35,319	457	46,956
Vehicles and equipment	40,757	9,793	37	50,587	11,081	13,576	-	24,657
Professional services	-	12,000	-	12,000	-	12,000	-	12,000
Copying and printing	11,170	388	51	11,609	2,641	2,739	288	5,668
Dues and subscriptions	8,431	7,422	468	16,321	10,183	5,103	509	15,795
Supplies	1,990	-	6,356	8,346	799	100	1,941	2,840
Event expenses	8,333	2,270	420	11,023	2,085	-	-	2,085
Interest and finance charges	-	2,022	-	2,022	-	-	-	-
Insurance	26,791	6,673	661	34,125	19,697	9,577	-	29,274
Technology	7,676	14,915	-	22,591	5,947	18,765	-	24,712
Office supplies	2,095	3,716	-	5,811	1,843	1,414	-	3,257
Postage	892	18	48	958	635	734	-	1,369
Telecommunication	420	6,649	-	7,069	511	9,204	-	9,715
Advertising	9,069	288	-	9,357	5,783	-	-	5,783
Bank service charges	40	252	524	816	1,278	586	645	2,509
Other	4,943	1,121	-	6,064	909	2,120	20	3,049
Endowment expense	-	11,962	-	11,962	-	11,178	-	11,178
Total functional expenses	\$ 2,050,815	\$ 435,861	\$ 25,492	\$ 2,512,168	\$ 1,692,287	\$ 291,535	\$ 15,878	\$ 1,999,700

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022
(With Comparative Totals for December 31, 2021)

	2022	2021
Cash flows from operating activities		
Changes in net assets	\$ (352,652)	\$ 729,178
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	65,247	23,323
Unrealized (gains) losses on investments	460,282	(257,738)
Changes in operating assets and liabilities		
(Increase) decrease in grants receivable	(116,772)	59,376
Increase (decrease) in accounts payable	11,326	(25,317)
Increase (decrease) in accrued vacation payable	(257)	5,872
Increase (decrease) in deferred revenue	(153,568)	(51,644)
Increase (decrease) in loan payable	85,080	(96,498)
Net cash provided by (used in) operating activities	(1,314)	386,552
Cash flows from investing activities		
Payment for purchase of fixed assets	(30,724)	(40,645)
Proceeds and purchases of investments, net	(77,645)	(96,636)
Beneficial interest in assets held by Community Foundation	(38,379)	14,281
Net cash provided by (used in) investing activities	(146,748)	(123,000)
Net increase (decrease) in cash and cash equivalents	(148,062)	263,552
Cash and cash equivalents, beginning of year	\$ 436,780	\$ 173,228
Cash and cash equivalents, end of year	\$ 288,718	\$ 436,780

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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. Restoration of salmon habitat is a core focus of NSEA's mission.

- For the year ended December 31, 2022, NSEA completed several new projects including sixty large woody debris projects and the removal of fourteen fish passage barriers which improved access to 26.5 miles of upstream habitat. NSEA also improved 7,100 feet of streambank riparian habitat at 57 different sites through the removal of invasive vegetation and the planting of over 41,000 native trees and shrubs. In addition to new restoration projects, 83 past sites along over 36,000 feet of streambank were monitored and maintained.

Education and Stewardship: NSEA provides science education and stewardship opportunities for community members of all ages. During 2022 NSEA was able to slowly increase education, outreach and stewardship programming while continuing to operate safely under pandemic health guidelines.

- NSEA staff worked to educate and engage more than 1,600 fourth grade students throughout Whatcom County in the "Students for Salmon" program. Students removed over 5,500 pounds of invasive vegetation and planted 232 native trees and shrubs along fifteen streams. This flagship program, started in 2000, provides each class with a classroom presentation and, in 2022, facilitated 81 field trips to study stream ecology. Additionally, NSEA instructors lead classes through stewardship activities which often include restoration projects. NSEA partnered with several other local nonprofit organizations to lead 49 educators in teacher training through the ten-hour Clime Time program. Camp Keystone celebrated its second year in 2022 and saw the familiar faces of returning campers while also meeting campers and families new to NSEA.
- Community volunteers are central to NSEA's mission of involving our community in salmon recovery. In 2022, 4,500 hours were donated by 1,527 community volunteers to restore about 3.2 miles of riparian habitat along 18 different creeks at 41 community work parties. Volunteers planted over 3,700 native trees and shrubs and removed 98 cubic yards of invasive vegetation.
- 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 2022, 31 dedicated interns supported NSEA's programs while gaining valuable job skills.
- Summer and fall of 2022 brought increased opportunities for NSEA staff and interns to do outreach: NSEA's summer River Stewards program led guided river walks along the Nooksack River and hosted outreach events for over 2,100 individuals. During the fall, we hosted ten salmon sighting events along several creeks, engaging over 500 people. These events provided an opportunity for community members to learn about salmon, salmon habitat, and how we, as individuals and as a community, can support salmon recovery.

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:

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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.

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.

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 the amount of \$1,000 or more 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 5 to 39 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 and are reported as investment income, net of expenses. Changes in market value result in unrealized gains and losses and are reported separately from investment income.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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 using 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, 2022, 2021, 2020, and 2019, respectively. Tax years subject to audit by the State of Washington are December 31, 2022, 2021, 2020, 2019, 2018, 2017, and 2016, 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.

Recent accounting pronouncements adopted – In February 2016 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of recognition in the statement of activities. NSEA adopted the standard on January 1, 2022, but did not identify any material leases subject to Topic 842.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU improves transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. NSEA adopted ASU 2020-07 during the year ended December 31, 2022. The adoption of the standard had no impact on NSEA's financial statements for the year ended December 31, 2022.

Subsequent events – Management has evaluated subsequent events through October 24, 2023 the date the financial statements were available to be issued.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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, 2022, there were no uninsured cash balances, and at December 31, 2021, the uninsured balance was approximately \$183,100. 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, 2022, NSEA’s cash balances at investment firms totaled \$91,648, and at December 31, 2021, they were \$55,298.

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:

	2022	2021
Financial Assets at Year End		
Cash and cash equivalents	\$ 288,718	\$ 173,228
NWSRF investments	2,689,359	2,995,238
EW investments	1,586	1,586
Grants receivable	330,752	213,980
Beneficial interest in assets held by Community Foundation	<u>153,036</u>	<u>191,415</u>
Total Financial Assets	3,463,451	3,575,447
Less Amounts Unavailable for General Expenditures Within One Year Due To		
Contractual or Donor Imposed		
Restrictions by donors for a specific time or purpose	2,842,396	3,186,654
Investments held in trust	<u>153,036</u>	<u>191,415</u>
Financial Assets Available to Meet Cash Needs or General Expenditures Within One Year	<u>\$ 468,019</u>	<u>\$ 197,378</u>

NOTE 5 – LINE OF CREDIT

During the year ended December 31, 2022, NSEA had a \$150,000 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, 2022 was 8.25%. NSEA had no balance on the line of credit as of December 31, 2021.

NOTE 6 – PENSION PLAN

NSEA has a defined contribution plan (the Plan) covering all employees who meet the eligibility requirements. NSEA contributes to the Plan each year matching up to 3% of all eligible participants’ compensation. Total pension contribution for the year ended December 31, 2022 was \$16,045. Total pension contribution for the year ended December 31, 2021 was \$14,538.

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, 2022, NSEA received a donation of stock valued at \$29,749. This is recorded as a separate line in the statement of activities. During the year ended December 31, 2021, NSEA did not have in-kind income.

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 2022, there were 5,497 hours donated by volunteers. In 2021, there were 13,600 hours donated by volunteers. The decrease in volunteers was the result of NSEA starting to pay student interns during 2022.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 8 – INVESTMENTS AND FAIR VALUE MEASUREMENT

At December 31, 2022, NWSRF investments consisted of the following:

	<u>Cost</u>	<u>Unrealized Gains(Losses)</u>	<u>Fair Value</u>
Cash	\$ 91,648	\$ -	\$ 91,648
Fixed income	152,185	(11,030)	141,155
Equities	<u>2,367,362</u>	<u>89,194</u>	<u>2,456,556</u>
<i>Total NWSRF Investments</i>	<u>\$ 2,611,195</u>	<u>\$ 78,164</u>	<u>\$ 2,689,359</u>

At December 31, 2021, NWSRF investments consisted of the following:

	<u>Cost</u>	<u>Unrealized Gains(Losses)</u>	<u>Fair Value</u>
Cash	\$ 55,298	\$ -	\$ 55,298
Fixed income	149,015	(2,643)	146,372
Equities	<u>2,283,172</u>	<u>510,396</u>	<u>2,793,568</u>
<i>Total NWSRF Investments</i>	<u>\$ 2,487,485</u>	<u>\$ 507,753</u>	<u>\$ 2,995,238</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, 2022</u>	<u>December 31, 2021</u>
Beneficial interest, beginning of year balance	\$ 191,415	\$ 177,134
Interest and dividends	3,236	3,754
Unrealized and realized gains(losses)	(32,665)	22,394
Management fees	(2,413)	(2,740)
Distributions	<u>(6,537)</u>	<u>(9,127)</u>
<i>Beneficial interest, end of year balance</i>	<u>\$ 153,036</u>	<u>\$ 191,415</u>

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Funds restricted for Habitat Restoration	\$ 25,000	\$ 57,031
Funds restricted for Education	106,234	60,134
Funds restricted for Stewardship	-	10,000
Funds restricted for Monitoring	6,686	19,331
Funds restricted for Operations	22,481	5,452
NWSRF restricted earnings	986,321	1,446,992
<i>Temporarily restricted net assets</i>	<u>\$ 1,146,722</u>	<u>\$ 1,598,940</u>

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

Permanently restricted net assets are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
NWSRF Endowment	\$ 1,695,674	\$ 1,587,714
<i>Permanently restricted net assets</i>	<u>\$ 1,695,674</u>	<u>\$ 1,587,714</u>
<i>Net assets with donor restrictions</i>	<u>\$ 2,842,396</u>	<u>\$ 3,186,654</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, 2022 and 2021. 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 would be classified as an increase in unrestricted net assets.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 11 – **ENDOWMENT** – (continued)

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 – The distribution rate is calculated in July using the twelve-quarter trailing average working backward from June 30 balance each year. This NSEA IPS policy limits the range of annual distributions between 2% -4% of the twelve-quarter trailing average. The Board, at its sole independent discretion, may increase or decrease the distribution rate by 1% under exceptional circumstances. The Board will establish the annual distribution rate at the July Board meeting. The annual distributions from the NWSRF, if any, will be paid in twelve equal monthly payments the following year.

Changes in endowment net assets as of December 31, 2022:

	Net Assets	Net Assets With Donor Restrictions		Total
	Without Donor Restrictions	Temporarily Restricted	Permanently Restricted	
Beginning endowment net assets	\$ -	\$ 1,598,940	\$ 1,587,714	\$ 3,186,654
Endowment investment return				
Interest and dividends	-	129,620	-	129,620
Realized and unrealized gain or loss	-	(460,282)	-	(460,282)
Underwater restricted funds	-	-	-	-
Total endowment investment return	-	1,268,278	1,587,714	2,855,992
Contributions	-	111,707	107,960	219,667
Appropriation of endowment for				
Expenditure	-	(233,263)	-	(233,263)
Transfer to/from quasi endowment	-	-	-	-
Ending net assets	\$ -	\$ 1,146,722	\$ 1,695,674	\$ 2,842,396

Reconciliation of endowment net assets to total net assets at December 31, 2022:

	Net Assets	Net Assets With Donor Restrictions		Total
	Without Donor Restrictions	Temporarily Restricted	Permanently Restricted	
Endowment net asset	\$ -	\$ -	\$ 1,695,674	\$ 1,695,674
Non-endowed net assets	-	1,146,722	-	1,146,722
Total Net Assets	\$ -	\$ 1,146,722	\$ 1,695,674	\$ 2,842,396

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 11 – **ENDOWMENT** – (continued)

Changes in endowment net assets as of December 31, 2021:

	Net Assets Without Donor Restrictions	<u>Net Assets With Donor Restrictions</u>		Total
		Temporarily Restricted	Permanently Restricted	
Beginning endowment net assets	\$ -	\$ 1,325,075	\$ 1,482,714	\$ 2,807,789
Endowment investment return				
Interest and dividends	-	53,125	59,446	112,571
Realized & unrealized gain or loss	-	121,634	136,104	257,738
Underwater restricted funds	-	-	-	-
Total endowment investment return	-	174,759	195,550	370,309
Contributions	-	-	105,000	105,000
Appropriation of endowment for				
Expenditure	-	170,618	(267,062)	(96,444)
Transfer to/from quasi endowment	-	(71,512)	71,512	-
Ending net assets	<u>\$ -</u>	<u>\$ 1,598,940</u>	<u>\$ 1,587,714</u>	<u>\$ 3,186,654</u>

Reconciliation of endowment net assets to total net assets at December 31, 2021:

	Net Assets Without Donor Restrictions	<u>Net Assets With Donor Restrictions</u>		Total
		Temporarily Restricted	Permanently Restricted	
Endowment net assets	\$ -	\$ -	\$ 1,587,714	\$ 1,587,714
Non-Endowed net assets	-	1,598,940	-	1,598,940
Total Net Assets	<u>\$ -</u>	<u>\$ 1,598,940</u>	<u>\$ 1,587,714</u>	<u>\$ 3,186,654</u>



2120 Bickford Ave, Snohomish, WA 98290
Office – 425.379.8085 | Fax – 425.332.7106 | www.northstartaxes.com

October 24, 2023

Board of Directors
Nooksack Salmon Enhancement Association
3057 E. Bakerview Rd
Bellingham, WA 98226

We have audited the financial statements of Nooksack Salmon Enhancement Association for the year ended December 31, 2022, and we will issue our report thereon dated October 18, 2023. Professional standards require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Nooksack Salmon Enhancement Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allocation between program and administration categories on the Statement of Functional Expenses is based on the detailed class coding in the organization's accounting records. We evaluated the methods, assumptions, and data used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Liquidity in Note 4 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management believes that the costs of recording the organization's copier lease as prescribed in GAAP outweigh the benefits to reporting as the lease and related disclosures are immaterial.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 18, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our evaluation of internal control we noted that the organization's size limits the ability to have full segregation of duties in the design and implementation of the organizations internal control. We suggest management and the Board continue to evaluate the risks presented by these limitations and implement mitigating controls as appropriate.

Other Matters

This information is intended solely for the use of the Board of Directors of Nooksack Salmon Enhancement Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

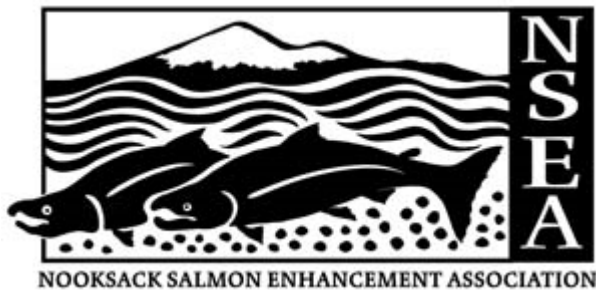
North Star Tax & Accounting

Client: NOOKSACK SALMON ENHANCEMENT ASSOCIATION
Engagement: 2022 AUDIT
Current Period: 12/31/2022
Workpaper: AJE: Adjusting Journal Entries

Account	Description	Debit	Credit	Net Income Effect
AJE01				
Adjust fixed assets and depreciation.				
62795	Building Depreciation	24,123.44	0.00	
62890	Vehicle & Equip Depreciation	17,800.00	0.00	
16030	Furniture and Equipment	0.00	27,753.15	
16999	Accum Depreciation	0.00	824.61	
32000	Unrestricted Net Assets	0.00	13,344.79	
16020	Building and Improvements	0.00	0.89	
Total		<u>41,923.44</u>	<u>41,923.44</u>	<u>(41,923.44)</u>
AJE02				
Adjust net assets per workpaper.				
31300	Perm. Restricted Net Assets	0.00	214,899.27	
31500	Temp. Restricted Net Assets	0.00	95,770.20	
32000	Unrestricted Net Assets	310,669.47	0.00	
Total		<u>310,669.47</u>	<u>310,669.47</u>	<u>0.00</u>
AJE03				
Adjust accrued vacation payable to actual.				
24200	Accrued Vacation	257.80	0.00	
66000	Salaries, benefits, & taxes	0.00	257.80	
Total		<u>257.80</u>	<u>257.80</u>	<u>257.80</u>
GRAND TOTAL		<u>352,850.71</u>	<u>352,850.71</u>	<u>(41,665.64)</u>

Nooksack Salmon Enhancement Association
December 31, 2022
Passed Adjusting Journal Entries

				<u>Income Effect</u>			<u>Net Assets Effect</u>			<u>Prior period effect</u>		
				<u>Increase</u>	<u>Decrease</u>	<u>Cumulative Increase (decrease)</u>	<u>Increase</u>	<u>Decrease</u>	<u>Cumulative Increase (decrease)</u>	<u>Increase</u>	<u>Decrease</u>	<u>Cumulative</u>
	K = Known											
	L = Likely											
		<u>Description</u>	<u>Debit</u>	<u>Credit</u>								
1	L	Operating checking	13,627.16	-	-	-	13,627.16	-	-	-	-	-
		Undeposited Funds	-	13,627.16	-	-	-	13,627.16	-	-	-	-
		To adjust undeposited funds to the amount able to be verified.										
2	K	Leased equipment	7,466.81	-	-	-	7,466.81	-	-	-	-	-
		Lease liability	-	7,466.81	-	-	-	7,466.81	-	-	-	-
		To record copier lease in compliance with ASC 842.										
3	K	Credit card payable	8,715.03	-	-	-	8,715.03	-	-	-	-	-
		Expense	-	8,715.03	8,715.03	-	-	-	8,715.03	-	-	-
		To adjust credit card payable to actual.										
4	K	Expense	25,982.70	-	-	25,982.70	-	-	-	-	-	-
		Accounts payable	-	25,982.70	-	-	-	25,982.70	(17,267.67)	-	-	-
		To adjust account payable to actual as of 12/31/22.										



October 18, 2023

North Star Tax & Accounting
2120 Bickford Ave
Snohomish, WA 98290

This representation letter is provided in connection with your audit of the financial statements of Nooksack Salmon Enhancement Association which comprise the statements of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 18, 2023:

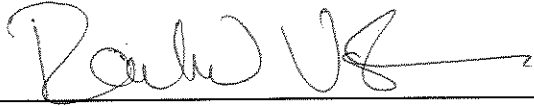
Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 18, 2023, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. There are no uncorrected financial statement misstatements that are material, either individually or in the aggregate, to the financial statements taken as a whole. We are in agreement with the adjusting journal entries you have recommended, and they have been (or will be) posted to the association's accounts.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. We have complied with all contractual agreements, grants, and donor restrictions.
10. We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
11. We have accurately presented the association's position regarding taxation and tax-exempt status.
12. The bases used for allocation of functional expenses are reasonable and appropriate.
13. We have included in the financial statements all assets and liabilities under the association's control.
14. We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
15. Reclassifications between net asset classes are proper.
16. Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.
17. We have reviewed long-lived assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.
18. The association has satisfactory title to all owned assets, and there are no liens or encumbrances on such long-lived assets; nor has the association pledged any long-lived assets as collateral.
19. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.
20. We believe the lease of office equipment included in the listing of uncorrected misstatements is immaterial and the accounting and disclosure required by ASC 842 would not make a material difference to the financial statement presentation.
21. Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

Information Provided

22. We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the association from whom you determined it necessary to obtain audit evidence.
23. All transactions have been recorded in the accounting records and are reflected in the financial statements.
24. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
25. We have provided to you our analysis of the association's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
26. We have no knowledge of any fraud or suspected fraud that affects the association and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.
27. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the association's financial statements communicated by employees, former employees, analysts, regulators, or others.
28. We have no knowledge of any noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements.
29. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
30. We have disclosed to you the identities of the association's related parties and all the related party relationships and transactions of which we are aware.

A handwritten signature in black ink, appearing to read "Rachel Vasak", with a long horizontal stroke extending to the right.

Rachel Vasak, Executive Director

A handwritten signature in black ink, appearing to read "Kate Underwood", with a long horizontal stroke extending to the right.

Kate Underwood, Finance Manager