

NOOKSACK SALMON ENHANCEMENT ASSOCIATION

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2020

(With Comparative Totals for December 31, 2019)

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	7-14



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

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, 2020 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, 2020 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

The financial statements of Nooksack Salmon Enhancement Association as of December 31, 2019, were audited by other accountants whose report dated June 25, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

North Star Tax & Accounting

North Star Tax & Accounting
Snohomish, Washington
October 4, 2021

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION

December 31, 2020

(With Comparative Totals for December 31, 2019)

ASSETS	2020	2019
Current assets		
Cash and cash equivalents	\$ 173,228	\$ 71,398
NWSRF investments	2,630,654	2,534,945
EW investments	40,359	-
Grants Receivable	273,356	159,477
Inventory	11,000	11,000
Total current assets	3,128,597	2,776,820
Fixed assets		
Land	122,253	122,253
Building and improvements	1,099,929	1,096,386
Furniture and equipment	43,520	65,219
Vehicles	119,137	119,137
	1,384,839	1,402,995
Less depreciation and amortization	(276,647)	(261,678)
Total fixed assets	1,108,192	1,141,317
Beneficial interest in assets held by Community Foundation		
	177,134	162,203
Total assets	\$ 4,413,923	\$ 4,080,340
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 97,450	\$ 58,991
Accrued vacation payable	27,843	17,686
Deferred revenue	260,884	89,116
Line of credit	-	100
SBA PPP Loan	96,498	-
Total current liabilities	482,675	165,893
Total liabilities	482,675	165,893
Net assets		
Net assets without donor restrictions	1,123,459	1,141,387
Net assets with donor restrictions	2,807,789	2,773,060
Total net assets	3,931,248	3,914,447
Total liabilities and net assets	\$ 4,413,923	\$ 4,080,340

The accompanying notes are an integral part of these financial statements

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020
(With Comparative Totals for December 31, 2019)

	2020					2019				
	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	\$ 178,625	\$ 79,838	\$ 350	\$ 80,188	\$ 258,813	\$ 153,159	\$ 144,133	\$ 103,050	\$ 247,183	\$ 400,342
In-kind contributions	-	-	-	-	-	12,369	-	-	-	12,369
Total support	<u>178,625</u>	<u>79,838</u>	<u>350</u>	<u>80,188</u>	<u>258,813</u>	<u>165,528</u>	<u>144,133</u>	<u>103,050</u>	<u>247,183</u>	<u>412,711</u>
Revenue										
Government grants	-	975,809	-	975,809	975,809	-	855,972	-	855,972	855,972
Private grants	-	175,236	-	175,236	175,236	-	242,067	-	242,067	242,067
Investment income, net	313	57,376	-	57,376	57,689	864	114,615	-	114,615	115,479
Unrealized gain(loss) on investments	-	136,929	-	136,929	136,929	-	252,005	-	252,005	252,005
Other income	19,860	-	-	-	19,860	39,116	-	-	-	39,116
Total revenue	<u>20,173</u>	<u>1,345,350</u>	<u>-</u>	<u>1,345,350</u>	<u>1,365,523</u>	<u>39,980</u>	<u>1,464,659</u>	<u>-</u>	<u>1,464,659</u>	<u>1,504,639</u>
Total support and revenue	<u>198,798</u>	<u>1,425,188</u>	<u>350</u>	<u>1,425,538</u>	<u>1,624,336</u>	<u>205,508</u>	<u>1,608,792</u>	<u>103,050</u>	<u>1,711,842</u>	<u>1,917,350</u>
Net assets released from restrictions										
Satisfaction of restrictions	1,390,809	(1,390,809)	-	(1,390,809)	-	1,175,278	(1,175,278)	-	(1,175,278)	-
Total revenue and net assets released	1,589,607	34,379	350	34,729	1,624,336	1,380,786	433,514	103,050	536,564	1,917,350
Functional expenses										
Program services	1,328,522	-	-	-	1,328,522	1,299,108	-	-	-	1,299,108
Administration	263,601	-	-	-	263,601	226,966	-	-	-	226,966
Fundraising	15,412	-	-	-	15,412	33,620	-	-	-	33,620
Total functional expenses	<u>1,607,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,607,535</u>	<u>1,559,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,559,694</u>
Change in net assets	(17,928)	34,379	350	34,729	16,801	(178,908)	433,514	103,050	536,564	357,656
Net assets, beginning of year	<u>1,141,387</u>	<u>1,290,696</u>	<u>1,482,364</u>	<u>2,773,060</u>	<u>3,914,447</u>	<u>1,320,295</u>	<u>857,182</u>	<u>1,379,314</u>	<u>2,236,496</u>	<u>3,556,791</u>
Net assets, end of year	<u>\$ 1,123,459</u>	<u>\$1,325,075</u>	<u>\$1,482,714</u>	<u>\$2,807,789</u>	<u>\$ 3,931,248</u>	<u>\$ 1,141,387</u>	<u>\$ 1,290,696</u>	<u>\$ 1,482,364</u>	<u>\$ 2,773,060</u>	<u>\$ 3,914,447</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, 2020
(With Comparative Totals for December 31, 2019)

	2020				2019			
	Program	Administration	Fundraising	Total Expense	Program	Administration	Fundraising	Total Expense
Salaries, benefits and taxes	\$ 466,367	\$ 162,404	\$ 6,351	\$ 635,122	\$ 419,093	\$ 172,087	\$ 10,436	\$ 601,616
Program and project	716,199	10,646	1,163	728,008	713,598	6,989	3,886	724,473
Nursery	26,254	-	-	26,254	18,298	-	-	18,298
Facilities	34,543	17,089	1,971	53,603	50,702	13,430	2,565	66,697
Vehicles and equipment	20,224	19,426	-	39,650	30,516	10,120	-	40,636
Professional services	10,080	1,320	600	12,000	8,828	1,086	586	10,500
Copy and printing	925	1,803	22	2,750	13,092	(9,260)	-	3,832
Dues and subscriptions	10,121	5,313	268	15,702	3,819	5,137	2,936	11,892
Supplies	-	-	2,675	2,675	1,374	54	5,216	6,644
Event expenses	1,489	(630)	-	859	9,683	-	6,094	15,777
Interest and finance charges	-	2,500	-	2,500	1	107	-	108
Insurance	20,826	10,084	1,255	32,165	3,725	2,159	226	6,110
Technology	10,634	11,355	-	21,989	13,508	1,524	157	15,189
Office supplies	962	2,947	-	3,909	1,267	3,615	-	4,882
Postage	1,180	669	-	1,849	620	216	112	948
Telecommunication	4,804	9,315	-	14,119	5,602	6,792	-	12,394
Bank service charges	16	572	1,083	1,671	-	790	1,170	1,960
Other	3,898	560	24	4,482	5,382	4,107	236	9,725
Endowment expense	-	8,228	-	8,228	-	8,013	-	8,013
Total functional expenses	<u>\$ 1,328,522</u>	<u>\$ 263,601</u>	<u>\$ 15,412</u>	<u>\$ 1,607,535</u>	<u>\$ 1,299,108</u>	<u>\$ 226,966</u>	<u>\$ 33,620</u>	<u>\$ 1,559,694</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, 2020
(With Comparative Totals for December 31, 2019)

	2020	2019
Cash flows from operating activities		
Changes in net assets	\$ 16,801	\$ 357,656
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	36,668	35,969
Unrealized (gains) losses on investments	(136,929)	(252,005)
Changes in operating assets and liabilities		
(Increase) decrease in grants receivable	(113,879)	(83,673)
(Increase) decrease in inventory	-	1,221
Increase (decrease) in accounts payable	38,459	28,121
Increase (decrease) in accrued vacation payable	10,157	(1,318)
Increase (decrease) in deferred revenue	171,768	13,179
Increase (decrease) in loan payable	96,498	-
Net cash provided (used) from operating activities	119,543	99,150
Cash flows from investing activities		
Purchase of fixed assets	(3,543)	(30,209)
Proceeds and purchases of investments net	(105,499)	(254,887)
Beneficial interest in assets held in Community Foundation	14,931	22,795
Net cash provided (used) from investing activities	(94,111)	(262,301)
Cash flows from financing activities		
SBA PPP loan proceeds	96,498	-
Additions and payments on short term borrowings	(100)	100
Net cash provided (used) from financing activities	96,398	100
Net increase (decrease) in cash and cash equivalents	121,830	(163,051)
Cash and cash equivalents, beginning of year	51,398	214,449
Cash and cash equivalents, end of year	\$ 173,228	\$ 51,398

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, 2020

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, 2020, NSEA completed 32 new projects including the removal of eight fish passage barriers which opened 12.5 miles of habitat. NSEA also improved 9,600 feet of streambank riparian habitat through the removal of invasive vegetation and the planting of 13,466 native trees and shrubs. In addition to new restoration projects, 118 previously implemented projects covering 178,845 feet were monitored and maintained.

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 2020, 3,522 hours were donated by 787 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 2020, 22 dedicated interns supported NSEA’s programs while gaining valuable jobskills.

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, 2020

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.

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, 2020

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, 2020, 2019, 2018, and 2017, respectively. Tax years subject to audit by the State of Washington are December 31, 2020, 2019, 2018, 2017, 2016, 2015, and 2014, 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, 2019.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made – In June 2019, 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, 2020

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

Subsequent events – Management has evaluated subsequent events through October 4, 2021 the date the financial statements were available to be issued.

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, 2020, 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, 2020, NSEA’s cash balances at investment firms were \$40,556. At December 31, 2019, NSEA’s cash balances at investment firms were \$9,495.

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	\$ 173,229
Grants receivable	273,356
Inventory	11,000
Endowment spending	<u>-</u>
<i>Financial assets available for general expenditure</i>	<u><u>\$ 457,585</u></u>

NOTE 5 – LINE OF CREDIT

During the year ended December 31, 2020, 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, 2020 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, 2020 was \$12,795. Total pension contribution for the year ended December 31, 2019 was \$12,456.

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, 2020, NSEA did not have in-kind income. During the year ended December 31, 2019 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 2020, there were 3,522 hours donated by volunteers. In 2019, there were 11,474 hours donated by volunteers.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 8 – INVESTMENTS AND FAIR VALUE MEASUREMENT

At December 31, 2020, NWSRF investments consisted of the following:

	<u>Cost</u>	<u>Unrealized Gains(Losses)</u>	<u>Fair Value</u>
Cash	\$ 40,556	\$ -	\$ 40,556
Fixed income	140,643	(2,111)	138,532
Equities	2,004,086	447,482	2,451,568
<i>Total NWSRF Investments</i>	<u>\$2,185,284</u>	<u>\$ 445,371</u>	<u>\$2,630,655</u>

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

	<u>Cost</u>	<u>Unrealized Gains(Losses)</u>	<u>Fair Value</u>
Cash	\$ 9,495	\$ -	\$ 9,495
Fixed income	155,599	(2,362)	153,237
Equities	2,086,391	285,822	2,372,213
<i>Total NWSRF Investments</i>	<u>\$2,251,485</u>	<u>\$ 283,460</u>	<u>\$2,534,945</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, 2020</u>	<u>December 31, 2019</u>
Beneficial interest, beginning of year balance	\$ 162,203	\$ 139,408
Interest and dividends	3,419	3,568
Unrealized and realized gains(losses)	19,836	27,291
Management fees	(2,334)	(2,274)
Distributions	(5,990)	(5,790)
<i>Beneficial interest, end of year balance</i>	<u>\$ 177,134</u>	<u>\$ 162,203</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Funds restricted for Habitat Restoration	\$ 1,418	\$ 4,473
Funds restricted for Education	18,394	25,286
Funds restricted for Stewardship	10,000	22,000
Funds restricted for Monitoring	11,484	162
Funds restricted for Operations	8,281	23,991
NWSRF restricted earnings	1,275,498	1,214,784
<i>Temporarily restricted net assets</i>	<u>\$ 1,325,075</u>	<u>\$ 1,290,696</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
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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

Permanently restricted net assets are as follows:

	December 31, 2020	December 31, 2019
NWSRF Endowment	\$ 1,482,714	\$ 1,482,364
<i>Permanently restricted net assets</i>	\$ 1,482,714	\$ 1,482,364
<i>Net assets with donor restrictions</i>	\$ 2,807,789	\$ 2,773,060

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, 2019. 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, 2020

NOTE 11 – **ENDOWMENT** – (continued)

Changes in endowment net assets as of December 31, 2020:

	Net Assets	Net Assets With Donor Restrictions		Total
	Without Donor Restrictions	Temporarily Restricted	Permanently Restricted	
Beginning endowment net assets	\$ -	\$ 1,214,784	\$ 1,482,364	\$ 2,697,148
Endowment investment return				
Interest and dividends	-	25,842	31,534	57,376
Realized & unrealized gain or loss	-	61,672	75,257	136,929
Underwater restricted funds	-	-	-	-
Total endowment investment return	-	87,514	106,791	194,305
Contributions	-	-	350	350
Appropriation of endowment for				
Expenditure	-	92,402	(176,416)	(84,014)
Transfer to/from quasi endowment	-	(69,625)	69,625	-
Ending net assets	<u>\$ -</u>	<u>\$ 1,325,075</u>	<u>\$ 1,482,714</u>	<u>\$ 2,807,789</u>

Reconciliation of endowment net assets to total net assets at December 31, 2020:

	Net Assets	Net Assets With Donor Restrictions		Total
	Without Donor Restrictions	Temporarily Restricted	Permanently Restricted	
Endowment net assets	\$ -	\$ -	\$ 1,482,714	\$ 1,482,714
Non-Endowed net assets	-	1,325,075	-	1,325,075
Total Net Assets	<u>\$ -</u>	<u>\$ 1,325,075</u>	<u>\$ 1,482,714</u>	<u>\$ 2,807,789</u>

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

	Net Assets	Net Assets With Donor Restrictions		Total
	Without Donor Restrictions	Temporarily Restricted	Permanently Restricted	
Beginning endowment net assets	\$ -	\$ 853,737	\$ 1,379,314	\$ 2,233,051
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, 2019:

	Net Assets	Net Assets With Donor Restrictions		Total
	Without Donor Restrictions	Temporarily Restricted	Permanently Restricted	
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>

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 12 – SUBSEQUENT EVENTS

Coronavirus (Covid-19) Pandemic – On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates.

Short-term and long-term potential impacts to the Organization 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 Organization as of the date of issuance of the financial statements. The Organization has not included any contingencies in the financial statements specific to the coronavirus pandemic.

Commitment – On April 22, 2020, the Association applied for and was granted \$96,474 of Paycheck Protection Program funds to assist with the program and operations of the Association. 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. On January 22, 2021, the Association met the forgiveness criteria, and the full amount of the loan was forgiven.