THE CONSERVATION ALLIANCE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

THE CONSERVATION ALLIANCE

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YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Conservation Alliance
Bend, Oregon

We have audited the accompanying financial statements of The Conservation Alliance (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Conservation Alliance as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was performed for the purpose of forming an opinion on the basic financial statements of The Conservation Alliance taken as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

By: Stuart D. Katter, CPA – a partner
July 16, 2018

FINANCIAL STATEMENTS

THE CONSERVATION ALLIANCE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS	
Current assets	
Cash	$ 2,198,641
Total current assets	2,198,641
Investments	4,361,770
Office equipment (net of accumulated depreciation)	7,212
Total assets	$ 6,567,623
LIABILITIES	
Deferred revenue	$ 300,000
Total liabilities	300,000
NET ASSETS	
Unrestricted	1,244,549
Invested in equipment	7,212
Total unrestricted	1,251,761
Temporarily restricted	1,344,709
Permanently restricted	3,671,153
Total net assets	6,267,623
Total liabilities and net assets	$ 6,567,623

The accompanying notes are an integral part
of the financial statements

THE CONSERVATION ALLIANCE

STATEMENT OF ACTIVITIES AND NET ASSETS

YEAR ENDED DECEMBER 31, 2017

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
SUPPORT AND REVENUE				
Memberships	$	$ 1,645,202	$	$ 1,645,202
Donations	145,255		50,000	195,255
Special events - net of related expenses in the amount of $53,997	38,012			38,012
Grants	400,242			400,242
Investment earnings	5,041	511,546		516,587
Reimbursements and other revenue	238,751			238,751
Net assets released from temporary restrictions	1,826,000	(1,826,000)		
Net assets released from endowment earnings restrictions	150,000	(150,000)		
Total support and revenue	2,803,301	180,748	50,000	3,034,049
EXPENSES				
Program services	2,098,129			2,098,129
Management and general	121,264			121,264
Fundraising	64,227			64,227
Total expenses	2,283,620			2,283,620
CHANGE IN NET ASSETS	519,681	180,748	50,000	750,429
NET ASSETS - beginning of year	732,080	1,163,961	3,621,153	5,517,194
NET ASSETS - end of year	$ 1,251,761	$ 1,344,709	$ 3,671,153	$ 6,267,623

The accompanying notes are an integral part
of the financial statements

THE CONSERVATION ALLIANCE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	750,429
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense		699
Net cash provided by operating activities		751,128
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisition of office equipment		(3,915)
Net acquisition of investments		(209,098)
Net increase in deferred revenue		300,000
Net cash provided by investing activities		86,987
NET INCREASE IN CASH		838,115
CASH - beginning of year		1,360,526
CASH - end of year	$	2,198,641

The accompanying notes are an integral part
of the financial statements

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Conservation Alliance is a not-for-profit organization located in Bend, Oregon that was established by outdoor businesses to help protect and conserve threatened wild places for their habitat and recreational values. The Conservation Alliance is a group of outdoor industry companies that disburses its collective annual membership dues to grassroots environmental organizations. The Conservation Alliance was founded in 1989 by companies who shared the goal of increasing the outdoor industry support for conservation efforts. Presently, there are over 150 member companies.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, Financial Statements of Not-For-Profit Organizations. Under the Statements of Financial Accounting Standards, The Conservation Alliance is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Revenue with restrictions that are met in the year of receipt is recorded as unrestricted.

Income Taxes

The financial statements do not reflect the effects of income taxes. The Conservation Alliance is a not-for-profit corporation which has been granted tax exempt status under code section 501(c)(3). In addition, The Conservation Alliance has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

Support and Revenue

Grants and contributions received as well as collectible unconditional promises to give are recognized in the period received. Grants and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Releases totaled $1,976,000 for the year ended December 31, 2017.

Subsequent Events

Subsequent events have been evaluated through July 16, 2018, which is the date the financial statements were issued.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment

Equipment is stated at historical cost, or if donated, at the estimated fair value at the date of donation. Equipment in excess of $500 is capitalized and is depreciated over an estimated useful life of three to seven years using the straight-line method of depreciation. Depreciation expense amounted to $699 for the year ended December 31, 2017.

Functional Allocation of Expenses

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject The Conservation Alliance to a concentration of credit risk consist principally of cash and investments. The Organization maintains its cash balances at Federal Deposit Insurance Corporation (FDIC) insured institutions with maximum coverage of $250,000 and invests in brokerage accounts that are not insured by the FDIC.

NOTE 3 - FUND STRUCTURE

A brief description of the various funds used by The Conservation Alliance in accounting for their activities is as follows:

Unrestricted Funds

These funds account for unrestricted contributions and provide for administration and operation of The Conservation Alliance. Equipment acquisitions, including the recording of their cost and depreciation are also included in the unrestricted funds.

Temporarily Restricted Funds

These funds are used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes.

Permanently Restricted Funds

These funds account for the collection and disbursement of restricted contributions of which the income portion is, if not specifically required to be added to the capital, transferred to the temporarily restricted or unrestricted funds. Permanently restricted funds also include trust funds held by other trustees where the principal is restricted in perpetuity.

NOTE 4 - SUMMARY OF CASH

Cash consisted of the following at December 31, 2017:

Money market checking	$ 2,198,641

NOTE 5 - INVESTMENTS

Investments as of December 31, 2017, are summarized as follows:

	Cost	Fair Value
Certificate of deposit	$ 300,000	$ 300,000
Mutual funds	4,028,876	4,061,770
	$ 4,328,876	$ 4,361,770

The Conservation Alliance invests its endowment funds in mutual funds and a money market through a brokerage account. The Board of Directors has established an investment committee to manage the investments. The investments are marketable securities are considered to be level one investments with readily determinable fair values and are reported at fair value in the Statement of Financial Position. Unrealized gains and losses are included in the changes in net assets.

NOTE 6 - EQUIPMENT

Equipment as of December 31, 2017 is as follows:

Equipment	$ 16,763
Less accumulated depreciation	(9,551)
	$ 7,212

NOTE 7 - IN-KIND DONATIONS

Donated services are recognized as contributions in accordance with Statements of Financial Accounting Standards, Accounting for Contributions Received and Contributions Made, if the services; a) create or enhance nonfinancial needs or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by The Conservation Alliance.

No amounts have been reflected in the financial statements for donated services. The Conservation Alliance generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist The Conservation Alliance with specific programs, fund-raising activities and various committee assignments. The services provided by these volunteers are not recognized as contributions in the financial statements since the recognition criteria under Statements of Financial Accounting Standards.

NOTE 8 – TEMPORAIRILY RESTRICTED NET ASSETS

The Conservation Alliance collects dues from its members that are restricted to grants to grassroots environmental organizations. The Conservation Alliance solicits membership fees based on the promise to award grants to other organizations. When grants are made to other organizations, the net assets are released from temporarily restricted net assets.

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

The Conservation Alliance began a campaign to establish an Endowment Program. The endowment funds will be permanently restricted with excess earnings expended for The Conservation Alliance's operating expenses. The Conservation Alliance's goal is to achieve an endowment of $3.5 million. As of December 31, 2017, $3,671,153 has been received and recorded as Permanently Restricted Net Assets.

NOTE 10 – EMPLOYEE BENEFIT PLAN

The Conservation Alliance has established a defined contribution employee benefit plan covering all eligible employees. In accordance with the plan, The Conservation Alliance matches employee contributions to the plan up to 5% of the employee's eligible salary. For the year ended December 31, 2017, The Conservation Alliance contributed $15,714 to the plan.

NOTE 11 – RISK MANAGEMENT

The Conservation Alliance is exposed to various risk of loss related to torts; theft of, damage to, destruction of assets; errors and omissions and natural disasters. The Conservation Alliance obtained commercial insurance to cover this risk.

NOTE 12 – INCOME TAXES AND UNCERTAIN TAX POSITIONS

The Conservation Alliance will recognize in the financial statements the benefit of the tax position when it believes that the tax position will more likely than not be sustained in an audit based on the technical merits of the position. For an exempt organization, uncertain tax positions could result from unrelated business income activities or actions that jeopardize its status as tax-exempt, such as political activities, substantial lobbying expenditures or excessive unrelated business activities. The Conservation Alliance has concluded that it had no unrecognized income tax liability as of December 31, 2017 and it has no tax positions for which it estimates a significant change over the next twelve months.

NOTE 13 – FAIR VALUE MEASUREMENTS

Financial Accounting Standards established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the established framework are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

- Level 2 – Inputs to the valuation methodology include;

  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

  If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value of measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual Funds: Valued at unadjusted quoted prices in active markets for identical assets.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although The Conservation Alliance believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, assets at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Certificate of deposit	$ 300,000	$	$	$ 300,000
Mutual Funds	4,061,770			4,061,770
Total fair value	$ 4,361,770	$ -	$ -	$ 4,361,770

SUPPLEMENTAL INFORMATION

THE CONSERVATION ALLIANCE

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services	*Management and General*	*Fundraising*	*Total*
EXPENSES				
Grants	$ 1,826,000			$ 1,826,000
Salaries	163,601	67,003	46,137	276,741
Employee health benefits	20,521	10,260	3,420	34,201
Pension plan	9,428	4,714	1,572	15,714
Payroll taxes	13,970	6,985	2,328	23,283
Office expenses	5,345	2,672	891	8,908
Occupancy	12,877	6,439	2,146	21,462
Travel	19,718	9,859	3,287	32,864
Contract services	3,597	1,798	600	5,995
Insurance	1,123	561	187	1,871
Outreach	7,879	3,939	1,313	13,131
Printing and publications	2,374	1,186	396	3,956
Telephone	2,530	1,265	422	4,217
Website and annual report	8,747	4,373	1,458	14,578
Total expenses before depreciation	2,097,710	121,054	64,157	2,282,921
Depreciation	419	210	70	699
Total expenses	$ 2,098,129	$ 121,264	$ 64,227	$ 2,283,620