

THE CONSERVATION ALLIANCE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

THE CONSERVATION ALLIANCE

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YEAR ENDED DECEMBER 31, 2018

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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, 2018, and the related statements of activities 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.

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, 2018, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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
June 28, 2019

FINANCIAL STATEMENTS

THE CONSERVATION ALLIANCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current assets

Cash \$ 2,029,207

Total current assets 2,029,207

Investments

4,363,035

***Office equipment (net of
accumulated depreciation)***

6,317

Total assets \$ 6,398,559

LIABILITIES

Deferred revenue

\$ 200,000

Total liabilities 200,000

NET POSITION

Without restrictions 1,557,873

Without restrictions - office equipment 6,317

Total without restrictions 1,564,190

With restrictions 4,634,369

Total net position 6,198,559

Total liabilities and net position \$ 6,398,559

The accompanying notes are an integral part
of the financial statements

THE CONSERVATION ALLIANCE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	<u>Without</u> <u>Restrictions</u>	<u>With</u> <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Memberships	\$	\$ 1,819,691	\$ 1,819,691
Donations	107,103	100,400	207,503
Special events - net of related expenses in the amount of \$76,010	83,422		83,422
Grants	325,995		325,995
Investment earnings	13,916	(251,584)	(237,668)
Reimbursements and other revenue	196,854		196,854
Net assets released from temporary restrictions	1,900,000	(1,900,000)	
Net assets released from endowment earnings restrictions	<u>150,000</u>	<u>(150,000)</u>	
<i>Total support and revenue</i>	<u>2,777,290</u>	<u>(381,493)</u>	<u>2,395,797</u>
EXPENSES			
Program services	2,238,917		2,238,917
Management and general	169,455		169,455
Fundraising	<u>56,489</u>		<u>56,489</u>
<i>Total expenses</i>	<u>2,464,861</u>		<u>2,464,861</u>
CHANGE IN NET ASSETS	312,429	(381,493)	(69,064)
NET POSITION - beginning of year	<u>1,251,761</u>	<u>5,015,862</u>	<u>6,267,623</u>
NET POSITION - end of year	<u>\$ 1,564,190</u>	<u>\$ 4,634,369</u>	<u>\$ 6,198,559</u>

The accompanying notes are an integral part
of the financial statements

THE CONSERVATION ALLIANCE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net position \$ (69,064)

Adjustments to reconcile increase in
net assets to net cash provided by
operating activities:

Depreciation expense 895

Net cash provided by operating activities (68,169)

CASH FLOWS FROM INVESTING ACTIVITIES

Net acquisition of investments (1,265)

Net increase in deferred revenue (100,000)

Net cash provided by investing activities (101,265)

NET INCREASE IN CASH (169,434)

CASH - beginning of year 2,198,641

CASH - end of year \$ 2,029,207

The accompanying notes are an integral part
of the financial statements

THE CONSERVATION ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 two classes of net position: Net position without restrictions and net position with restrictions. Revenue with restrictions that are met in the year of receipt is recorded as without restrictions.

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 without restrictions or with restrictions are recorded depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in net position without or with restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted assets are reclassified to without restrictions and reported in the statement of activities as net position released from restriction. Releases totaled \$2,050,000 for the year ended December 31, 2018.

Subsequent Events

Subsequent events have been evaluated through June 28, 2019, which is the date the financial statements were issued.

THE CONSERVATION ALLIANCE
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

**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 \$895 for the year ended December 31, 2018.

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:

Net Position Without Restrictions

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 net position without restrictions.

Net Position With Restrictions

These funds are used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes or the passage of time. Additionally, 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 net position with restrictions. Endowment contributions are also included in net position with restrictions. These include trust funds held by other trustees where the principal is restricted in perpetuity.

THE CONSERVATION ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 - SUMMARY OF CASH

Cash consisted of the following at December 31, 2018:

Money market checking	\$ <u>2,029,207</u>
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NOTE 5 - INVESTMENTS

Investments as of December 31, 2018, are summarized as follows:

	Cost	Fair Value
Certificate of deposit	\$ 200,000	\$ 200,000
Mutual funds	4,029,276	4,163,035
	\$ 4,229,276	\$ 4,363,035

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, 2018 is as follows:

Equipment	\$ 16,763
Less accumulated depreciation	(10,446)
	\$ 6,317

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.

THE CONSERVATION ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 – NET POSITION WITH RESTRICTIONS

Net Position With Restrictions includes cash and investments in the amount of \$962,816 which are restricted by donors subject to expenditure for specific purposes. Additionally, Net Position With Restrictions includes cash and investments in the amount of \$3,671,553 which are restricted in perpetuity.

NOTE 9 – 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, 2018, The Conservation Alliance contributed \$16,877 to the plan.

NOTE 10 – 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 11 – 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, 2018 and it has no tax positions for which it estimates a significant change over the next twelve months.

THE CONSERVATION ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 12 – 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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ 200,000	\$	\$	\$ 200,000
Mutual Funds	<u>4,163,035</u>	<u> </u>	<u> </u>	<u>4,163,035</u>
Total fair value	<u>\$ 4,363,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,363,035</u>

SUPPLEMENTAL INFORMATION

THE CONSERVATION ALLIANCE
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 1,900,000			\$ 1,900,000
Salaries	186,807	93,403	31,135	311,345
Employee health benefits	17,195	8,598	2,866	28,659
Pension plan	10,126	5,063	1,688	16,877
Payroll taxes	15,967	7,984	2,661	26,612
Office expenses	6,451	3,225	1,075	10,751
Occupancy	14,665	7,332	2,444	24,441
Travel	28,167	14,083	4,695	46,945
Contract services	13,407	6,703	2,235	22,345
Insurance	3,385	1,692	564	5,641
Outreach	16,042	8,020	2,674	26,736
Printing and publications	5,505	2,752	918	9,175
Telephone	2,741	1,371	457	4,569
Communications and marketing	17,922	8,961	2,987	29,870
Total expenses before depreciation	2,238,380	169,187	56,399	2,463,966
Depreciation	537	268	90	895
Total expenses	\$ 2,238,917	\$ 169,455	\$ 56,489	\$ 2,464,861