NOOKSACK SALMON ENHANCEMENT ASSOCIATION

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2023
(With Comparative Totals for December 31, 2022)

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Nooksack Salmon Enhancement Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nooksack Salmon Enhancement Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nooksack Salmon Enhancement Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if

there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nooksack Salmon Enhancement Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nooksack Salmon Enhancement Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Nooksack Salmon Enhancement Association’s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, 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 16, 2024

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF FINANCIAL POSITION
December 31, 2023
(With Comparative Totals for December 31, 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 216,773	$ 288,718
NWSRF investments	3,732,884	2,689,359
EW investments	1,586	1,586
Grants receivable	396,760	330,752
Inventory	11,000	11,000
Total current assets	4,359,003	3,321,415
Fixed assets		
Land	122,253	122,253
Buildings and improvements	1,131,889	1,108,159
Furniture and equipment	37,466	37,466
Vehicles	182,276	182,276
	1,473,884	1,450,154
Less depreciation and amortization	(405,978)	(359,162)
Total fixed assets	1,067,906	1,090,992
Beneficial interest in assets held by Community Foundation	177,716	153,036
Total assets	$ 5,604,625	$ 4,565,443
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 86,998	$ 83,459
Accrued vacation payable	28,596	23,301
Deferred revenue	200,583	55,672
Line of credit	140,785	85,080
Total current liabilities	456,962	247,512
Total liabilities	456,962	247,512
Net assets		
Net assets without donor restrictions	1,359,687	1,475,535
Net assets with donor restrictions	3,787,976	2,842,396
Total net assets	5,147,663	4,317,931
Total liabilities and net assets	$ 5,604,625	$ 4,565,443

See accompanying notes to the financial statements.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023
(With Comparative Totals for December 31, 2022)

	2023					2022				
	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	$ 302,624	$ 85,050	$ 105,250	$ 190,300	$ 492,924	$ 322,910	$ 81,958	$ 107,960	$ 189,918	$ 512,828
In-kind contributions	-	1,321	752,346	753,667	753,667	-	29,749	-	29,749	29,749
Total support	302,624	86,371	857,596	943,967	1,246,591	322,910	111,707	107,960	219,667	542,577
Revenue										
Government grants	-	1,204,707	-	1,204,707	1,204,707	-	1,059,028	-	1,059,028	1,059,028
Private grants	-	357,122	-	357,122	357,122	-	646,198	-	646,198	646,198
Investment income, net	1,307	274,738	-	274,738	276,045	502	129,118	-	129,118	129,620
Unrealized gain (loss) on investments	-	57,131	-	57,131	57,131	-	(460,282)	-	(460,282)	(460,282)
Employee Retention Tax Credit	-	-	-	-	-	182,527	-	-	-	182,527
Other income	73,236	-	-	-	73,236	59,848	-	-	-	59,848
Total revenue	74,543	1,893,698	-	1,893,698	1,968,241	242,877	1,374,062	-	1,374,062	1,616,939
Total support and revenue	377,167	1,980,069	857,596	2,837,665	3,214,832	565,787	1,485,769	107,960	1,593,729	2,159,516
Net assets released from restrictions										
Satisfaction of restrictions	1,892,085	(1,892,085)	-	(1,892,085)	-	1,937,987	(1,937,987)	-	(1,937,987)	-
Total revenue and nets assets released	2,269,252	87,984	857,596	945,580	3,214,832	2,503,774	(452,218)	107,960	(344,258)	2,159,516
Functional expenses										
Program services	1,777,076	-	-	-	1,777,076	2,050,815	-	-	-	2,050,815
Administration	587,307	-	-	-	587,307	435,861	-	-	-	435,861
Fundraising	20,717	-	-	-	20,717	25,492	-	-	-	25,492
Total functional expenses	2,385,100	-	-	-	2,385,100	2,512,168	-	-	-	2,512,168
Change in net assets	(115,848)	87,984	857,596	945,580	829,732	(8,394)	(452,218)	107,960	(344,258)	(352,652)
Net assets, beginning 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
Net assets, end of year	$ 1,359,687	$ 1,234,706	$ 2,553,270	$ 3,787,976	$ 5,147,663	$ 1,475,535	$ 1,146,722	$ 1,695,674	$ 2,842,396	$ 4,317,931

See accompanying notes to the financial statements.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023
(With Comparative Totals for December 31, 2022)

	2023				2022			
	Program	Administration	Fundraising	Total Expense	Program	Administration	Fundraising	Total Expense
Salaries, benefits and taxes	$ 1,025,863	$ 349,405	$ 8,315	$ 1,383,583	$ 693,183	$ 269,231	$ 15,123	$ 977,537
Program and project	642,118	16,258	1,945	660,321	1,195,347	18,771	1,804	1,215,922
Nursery	29,078	-	-	29,078	36,259	47	-	36,306
Facilities	3,339	53,919	-	57,258	3,419	68,323	-	71,742
Vehicles and equipment	37,994	21,417	-	59,411	40,757	9,793	37	50,587
Professional services	-	26,244	-	26,244	-	12,000	-	12,000
Copying and printing	9,158	5,610	20	14,788	11,170	388	51	11,609
Dues and subscriptions	13,212	11,956	2,522	27,690	8,431	7,422	468	16,321
Supplies	1,133	343	7,356	8,832	1,990	-	6,356	8,346
Event expenses	6,508	1,198	175	7,881	8,333	2,270	420	11,023
Interest and finance charges	-	2,573	-	2,573	-	2,022	-	2,022
Insurance	315	46,073	-	46,388	26,791	6,673	661	34,125
Technology	-	18,921	-	18,921	7,676	14,915	-	22,591
Office supplies	552	6,544	-	7,096	2,095	3,716	-	5,811
Postage	1,057	1,090	-	2,147	892	18	48	958
Telecommunication	440	8,172	-	8,612	420	6,649	-	7,069
Advertising	2,850	-	-	2,850	9,069	288	-	9,357
Bank service charges	2,710	1,456	384	4,550	40	252	524	816
Other	749	6,839	-	7,588	4,943	1,121	-	6,064
Endowment expense	-	9,289	-	9,289	-	11,962	-	11,962
Total functional expenses	$ 1,777,076	$ 587,307	$ 20,717	$ 2,385,100	$ 2,050,815	$ 435,861	$ 25,492	$ 2,512,168

See accompanying notes to the financial statements.

NOOKSACK SALMON ENHANCEMENT ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023
(With Comparative Totals for December 31, 2022)

	2023	2022
Cash flows from operating activities		
Changes in net assets	$ 829,732	$ (352,652)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	46,816	65,247
Unrealized (gains) losses on investments	(57,131)	460,282
Changes in operating assets and liabilities		
Increase in grants receivable	(66,008)	(116,772)
Increase in accounts payable	3,539	11,326
Increase (decrease) in accrued vacation payable	5,295	(257)
Increase (decrease) in deferred revenue	144,911	(153,568)
Increase in loan payable	55,705	85,080
Net cash provided by (used in) operating activities	962,859	(1,314)
Cash flows from investing activities		
Payment for purchase of fixed assets	(23,730)	(30,724)
Proceeds and purchases of investments, net	(1,035,754)	(77,645)
Beneficial interest in assets held by Community Foundation	24,680	(38,379)
Net cash provided by (used in) investing activities	(1,034,804)	(146,748)
Net increase (decrease) in cash and cash equivalents	(71,945)	(148,062)
Cash and cash equivalents, beginning of year	$ 288,718	$ 436,780
Cash and cash equivalents, end of year	$ 216,773	$ 288,718

See accompanying notes to the financial statements.

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, 2023, NSEA completed several new projects including nine large woody debris projects and the removal of five fish passage barriers which improved access to 2.4 miles of upstream habitat. NSEA also improved streambank riparian through the removal of invasive vegetation and the planting of over 33,545 native trees and shrubs. In addition to new restoration projects, 79 past sites were monitored and maintained.

Education and Stewardship: NSEA provides science education and stewardship opportunities for community members of all ages. During 2023 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 1,811 fourth 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, in 2023, facilitated 80 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 121 educators in teacher training through the ten-hour Clime Time program. Camp Keystone celebrated its third year in 2023 with 126 camp participants over ten weeks of summer camp.

- Community volunteers are central to NSEA's mission of involving our community in salmon recovery. In 2023, 4,533 hours were donated by 1,511 community volunteers to restore about 21.75 acres of 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 2023, 45 dedicated interns supported NSEA's programs while gaining valuable job skills.

- Summer and fall of 2023 brough 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. During the fall, we hosted ten salmon sighting events along several creeks, engaging over 500 people. These events provided an opportunity for 2,992 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:

> *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.

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, 2023, 2022, 2021, and 2020, respectively. Tax years subject to audit by the State of Washington are December 31, 2023, 2022, 2021, 2020, 2019, 2018, and 2017, 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.

Subsequent events – Management has evaluated subsequent events through October 16, 2024, the date the financial statements were available to be issued.

Classification changes – Certain items in the 2022 financial statements have been reclassified to conform with the current year presentation. These reclassifications had no net effects on the financial statements.

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. There were no uninsured cash balances at December 31, 2023 or at December 31, 2022. 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, 2023, NSEA's cash balances at investment firms totaled $76,408, and at December 31, 2022, they were $91,648.

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:

	2023	2022
Financial Assets at Year-End		
Cash and cash equivalents	$ 216,773	$ 288,718
NWSRF investments	3,732,884	2,689,359
EW investments	1,586	1,586
Grants receivable	396,760	330,752
Beneficial interest in assets held by Community Foundation	177,716	153,036
Total Financial Assets	4,525,719	3,463,451
Less Amounts Unavailable for General Expenditures Within One Year Due To Contractual or Donor Imposed		
Restrictions by donors for a specific time or purpose	3,787,976	2,842,396
Investments held in trust	177,716	153,036
Financial Assets Available to Meet Cash Needs or General Expenditures Within One Year	**$560,027**	**$468,019**

NOTE 5 – **LINE OF CREDIT**

During the year ended December 31, 2023, 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 was 10.00% at December 31, 2023 and 8.25% at December 31, 2022.

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 was $25,333 and $16,045 for the years ended December 31, 2023 and 2022, respectively.

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. NSEA received donations of stock valued at $753,667 and $29,749 for the years ended December 31, 2023 and 2022, respectively. These are recorded as in-kind contributions in the statement of activities.

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. Hours donated by volunteers totaled 4,533 and 5,497 in 2023 and 2022, respectively.

NOTE 8 – **INVESTMENTS AND FAIR VALUE MEASUREMENT**

At December 31, 2023, NWSRF investments consisted of the following:

	Cost	Unrealized Gains(Losses)	Fair Value
Cash	$ 76,408	$ -	$ 76,408
Fixed income	-	-	-
Equities	3,543,168	113,308	3,656,476
Total NWSRF Investments	$ 3,619,576	$ 113,308	$ 3,732,884

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

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

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.

	December 31, 2023	December 31, 2022
Beneficial interest, beginning of year balance	$ 153,036	$ 191,415
Gift income	5,250	-
Interest and dividends	6,444	3,236
Unrealized and realized gains(losses)	21,987	(32,665)
Management fees	(2,418)	(2,413)
Distributions	(6,583)	(6,537)
Beneficial interest, end of year balance	$ 177,716	$ 153,036

NOTE 10 – **NET ASSETS WITH DONOR RESTRICTIONS**

Temporarily restricted net assets are as follows:

	December 31, 2023	December 31, 2022
Funds restricted for Habitat Restoration	$ 42,443	$ 25,000
Funds restricted for Education	11,981	106,234
Funds restricted for Camp Keystone	45,485	-
Funds restricted for Monitoring	-	6,686
Funds restricted for Operations	501	22,481
NWSRF restricted earnings	1,134,296	986,321
Temporarily restricted net assets	$ 1,234,706	$ 1,146,722

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:

	December 31, 2023	December 31, 2022
NWSRF Endowment	$ 2,553,270	$ 1,695,674
Permanently restricted net assets	$ 2,553,270	$ 1,695,674
Net assets with donor restrictions	$ 3,787,976	$ 2,842,396

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, 2023 and 2022. 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.

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, 2023:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Beginning endowment net assets	$ -	$ 1,146,722	$ 1,695,674	$ 2,842,396
Endowment investment return				
Interest and dividends	-	274,738	-	274,738
Realized and unrealized gain or loss	-	57,131	-	57,131
Underwater restricted funds	-		-	-
Total endowment investment return	-	1,478,591	1,695,674	3,174,265
Contributions	-	86,371	857,596	943,967
Appropriation for endowment for Expenditure	-	(330,256)		(330,256)
Transfer to/from quasi endowment	-	-	-	-
Ending net assets	$ -	$ 1,234,706	$ 2,553,270	$ 3,787,976

Reconciliation of endowment net assets to total net assets at December 31, 2023:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions: Temporarily Restricted	Net Assets With Donor Restrictions: Permanently Restricted	Total
Endowment net assets	$ -	$ -	$ 2,553,270	$ 2,553,270
Non-endowed net assets	-	1,234,706	-	1,234,706
Total net assets	$ -	$ 1,234,706	$ 2,553,270	$ 3,787,976

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions: Temporarily Restricted	Net Assets With Donor Restrictions: Permanently Restricted	Total
Beginning endowment net assets	$ -	$ 1,598,940	$ 1,587,714	$ 3,186,654
Endowment investment return				
Interest and dividends	-	129,118	-	129,118
Realized and unrealized gain or loss	-	(460,282)	-	(460,282)
Underwater restricted funds	-	-	-	-
Total endowment investment return	-	1,267,776	1,587,714	2,855,490
Contributions	-	111,707	107,960	219,667
Appropriation for endowment for Expenditure	-	(232,761)	-	(232,761)
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 Without Donor Restrictions	Net Assets With Donor Restrictions: Temporarily Restricted	Net Assets With Donor Restrictions: Permanently Restricted	Total
Endowment net assets	$ -	$ -	$ 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

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October 16, 2024

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, 2023, and we will issue our report thereon dated October 16, 2024. 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 2023. 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 16, 2024.

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

North Star Tax & Accounting