

# SUSTAINABLE NORTHWEST

Audited Financial Statements

For the Year Ended December 31, 2021



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Sustainable Northwest

### Opinion

We have audited the accompanying financial statements of Sustainable Northwest (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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, except for not consolidating the wholly-owned subsidiary, Sustainable Woods Distribution, Inc., the financial statements referred to above present fairly, in all material respects, the financial position of Sustainable Northwest as of December 31, 2021, 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 Qualified Opinion

The accompanying financial statements do not include financial information of the wholly-owned subsidiary, Sustainable Northwest Wood Distribution Center, Inc. Consolidation of this entity is required by accounting principles generally accepted in the United States of America. If consolidated, assets would have increased by \$906,000, liabilities increased by \$656,000, net assets increased by \$250,000, revenues increased by \$5,619,000 and expenses increased by \$5,369,000 (amounts approximate).

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 Sustainable Northwest 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 Sustainable Northwest'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, including omissions, 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 Sustainable Northwest'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 Sustainable Northwest'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 Sustainable Northwest 2020 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated May 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobz, P.C.*

Portland, Oregon  
May 19, 2022

SUSTAINABLE NORTHWEST  
STATEMENT OF FINANCIAL POSITION  
December 31, 2021  
(With comparative totals for 2020)

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,879,657	\$ 1,011,296
Certificates of deposit	2,005,633	1,304,247
Accounts receivable	350,535	195,169
Contributions and grants receivable	348,000	1,599,736
Prepaid expenses and other assets	18,796	21,977
Investment in subsidiary	800,000	800,000
Property and equipment, net	23,303	31,193
 TOTAL ASSETS	 \$ 5,425,924	 \$ 4,963,618
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 105,860	\$ 40,057
Accrued personnel expenses	78,358	76,861
Deferred revenue	100,000	-
Total liabilities	284,218	116,918
Net assets:		
Without donor restrictions:		
Undesignated	2,222,256	1,582,282
Net property and equipment	23,303	31,193
Without donor restrictions	2,245,559	1,613,475
With donor restrictions	2,896,147	3,233,225
Total net assets	5,141,706	4,846,700
 TOTAL LIABILITIES AND NET ASSETS	 \$ 5,425,924	 \$ 4,963,618

See notes to financial statements.

**SUSTAINABLE NORTHWEST**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2021  
(With comparative totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and revenue:</b>				
Contributions	\$ 501,280	\$ 947,893	\$ 1,449,173	\$ 3,612,712
Government grants	895,547	-	895,547	440,001
Contracts	270,810	-	270,810	214,356
Paycheck Protection Program loan	-	-	-	258,761
Program services	218,011	-	218,011	326,353
Special events	7,453	-	7,453	4,458
Interest and dividend income	80,550	-	80,550	30,733
Other income	3,184	-	3,184	7,081
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,284,971	(1,284,971)	-	-
Total support and revenue	3,261,806	(337,078)	2,924,728	4,894,455
<b>Expenses:</b>				
Program services	1,981,166	-	1,981,166	1,590,348
Management and general	476,635	-	476,635	438,519
Fundraising	171,921	-	171,921	172,446
Total expenses	2,629,722	-	2,629,722	2,201,313
Change in net assets	632,084	(337,078)	295,006	2,693,142
<b>Net assets:</b>				
Beginning of year	1,613,475	3,233,225	4,846,700	2,153,558
End of year	\$ 2,245,559	\$ 2,896,147	\$ 5,141,706	\$ 4,846,700

See notes to financial statements.

SUSTAINABLE NORTHWEST  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2021  
(With comparative totals for 2020)

Program Services

	Forests	Water	Energy	Range-lands	Markets	Total Program Services	Management and General	Fundraising	2021 Total	2020 Total
Personnel expenses	\$ 680,783	\$ 178,766	\$ 107,773	\$ 28,276	\$ 212,554	\$ 1,208,152	\$ 321,365	\$ 124,605	\$ 1,654,122	\$ 1,414,226
Consultants and contractors	191,732	188,443	65,221	84,867	115,871	646,134	46,437	21,156	713,727	592,544
Travel	18,717	233	3,910	2,427	12,884	38,171	1,041	1,234	40,446	18,349
Rent	29,816	7,170	5,468	1,892	9,610	53,956	12,149	8,758	74,863	68,785
Telephone and internet	100	6	-	-	-	106	24,589	1,279	25,974	19,913
Meetings and workshops	874	372	777	-	-	2,023	1,444	40	3,507	5,572
Meals and networking	3,637	1,055	1,269	539	5,023	11,523	7,938	1,600	21,061	8,095
Office expense	180	222	429	-	1,057	1,888	14,115	5,861	21,864	14,110
Insurance	-	-	-	-	-	-	7,490	-	7,490	8,109
Equipment and field supplies	510	36	442	45	80	1,113	6,627	40	7,780	6,386
Licenses and fees	2,930	590	995	5,147	2,962	12,624	19,707	6,277	38,608	30,040
Professional training	1,000	545	1,332	-	1,175	4,052	1,748	908	6,708	-
Miscellaneous	-	805	29	500	90	1,424	4,095	163	5,682	8,983
Depreciation	-	-	-	-	-	-	7,890	-	7,890	6,201
Total expenses	<u>\$ 930,279</u>	<u>\$ 378,243</u>	<u>\$ 187,645</u>	<u>\$ 123,693</u>	<u>\$ 361,306</u>	<u>1,981,166</u>	<u>\$ 476,635</u>	<u>\$ 171,921</u>	<u>\$ 2,629,722</u>	<u>\$ 2,201,313</u>

See notes to financial statements.

SUSTAINABLE NORTHWEST  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2021  
(With comparative totals for 2020)

	2021	2020
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 295,006	\$ 2,693,142
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	7,890	6,201
(Increase) decrease in:		
Accounts receivable	(155,366)	(16,225)
Contributions and grants receivable	1,251,736	(1,038,236)
Prepaid expenses and other assets	3,181	(2,459)
Increase (decrease) in:		
Accounts payable	65,803	(94,541)
Accrued personnel expenses	1,497	(2,286)
Deferred revenue	100,000	-
Net cash flows from operating activities	1,569,747	1,545,596
<b>Cash flows from investing activities:</b>		
Additions to certificates of deposit	(701,386)	(1,304,247)
Purchase of property and equipment	-	(8,331)
Net cash flows from investing activities	(701,386)	(1,312,578)
Net change in cash and cash equivalents	868,361	233,018
Cash and cash equivalents - beginning of year	1,011,296	778,278
Cash and cash equivalents - end of year	\$ 1,879,657	\$ 1,011,296

See notes to financial statements.

SUSTAINABLE NORTHWEST  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

1. DESCRIPTION OF ORGANIZATION

Sustainable Northwest (the Organization) brings people, ideas, and innovation together so that nature, local economies, and rural communities can thrive. The Organization works to restore forests, rivers, and rangelands for healthier habitat and clean air and water. Bringing people together to find common ground heals the land and rebuilds rural economies.

Sustainable Northwest is an expert in facilitation, conflict resolution, and negotiation of multi-party agreements. The Organization crafts state and federal policy solutions that balance environmental and community needs and lends expertise in science, law, energy, and other technical knowledge, while mentoring local leaders to incite real, systemic change.

Sustainable Northwest collaborates with local people in rural communities across the Pacific Northwest to find long-term solutions for restoring ecosystems and creating jobs through improved land management practices and investments in new, green economies. Through collaboration, the Organization bridges rural and urban interests, encourages entrepreneurship, and builds trust in sustainable natural resource management and utilization in the western United States.

A summary of the Organization's programs is as follows:

Forests

Decades of fire suppression and litigation over logging have left degraded forests and dying towns. There is an urgent need to increase the pace and scale of restoration projects, and create jobs that make our forests resilient to the increasing threat of abnormal wildfire, insects, and disease. Sustainable Northwest has changed the conversation to "jobs for the environment" by bringing people together to create durable solutions that restore our Northwest forests.

- More large-scale restoration for healthier ecosystems, wildlife habitat, and forests that are resilient to the effects of climate change.
- Local and sustainable wood and biomass energy products.
- Clean, healthy, and abundant forest ecosystems for wildlife habitat and public enjoyment.
- Long-term, sustainable natural resource use for stable community economies with secure living wage jobs for rural people.



SUSTAINABLE NORTHWEST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

1. DESCRIPTION OF ORGANIZATION, Continued

Water

The competing needs of our cities, agriculture, fish, and energy production have led to water scarcity and pollution in the Pacific Northwest. Efforts to address water challenges in rural areas are often hampered by planning, financial, and social barriers. Historically, the response has been conflict, litigation, and emergency assistance. This has left our water-dependent ecosystems and communities imperiled.

- Enough clean water and habitat to support healthy populations of salmon and other native aquatic species.
- More basin-scale watershed restoration.
- Stable, sustainable water supply for cities and water-reliant livelihoods.
- Secure living wage jobs for rural people.

Energy

Implementation of local energy systems in rural areas is often hampered by the lack of coordinated planning, technical assistance, and financial and social barriers. With our on-the-ground partners and community leaders, Sustainable Northwest is developing lasting solutions through a collaborative community-based approach.

- Affordable access to local renewable energy.
- More energy efficient infrastructure.
- Stable and affordable power.
- Secure living wage jobs for rural people.

Rangelands

Decades of fire suppression have allowed Western Juniper to overtake rangelands, using precious water, and destroying habitat for sage grouse and other wildlife. By sustainably harvesting Western Juniper we are restoring rangelands to their natural state, and returning more water and a healthy wildlife habitat to the high desert.

- A balanced rangeland ecosystem with improved grazing conditions, increased water supplies, decreased wildfire risk, and restored habitat for sensitive wildlife like sage-grouse.
- Secure living wage jobs for rural people.
- New economic opportunities for sustainable wood products sourced from rangelands.

Markets

Sustainable Northwest believes that market based approaches are one of the most effective and long lasting strategies for restoring our environment and rural economies. For 10 years we have helped wood products businesses by providing them with access to a Forest Stewardship Council (FSC) group chain of custody certification program. The group certification program makes obtaining FSC certification easier for members by reducing their certification cost and staff time, and providing technical support.

SUSTAINABLE NORTHWEST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements only include the financial activity of Sustainable Northwest. Financial information of Sustainable Northwest Wood Distribution Center, Inc., a wholly-owned for-profit corporation, is not included.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Accounts receivable more than ninety days past due total approximately \$55,500 and \$27,000 at December 31, 2021 and 2020, respectively.

Investment in Subsidiary

Investment in the Organization's wholly-owned subsidiary is accounted for using the cost method.

SUSTAINABLE NORTHWEST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions and Grants Receivable

Contributions and grants receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years, if material to the financial statements, are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Contributions receivable are written off when deemed uncollectible.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,500 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 10 years for most furniture and equipment. Leasehold improvements are capitalized and depreciated over the estimated useful life of the improvement or the lease term, whichever is less.

Revenue Recognition

The Organization recognizes revenue as follows:

**Contributions:** Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

**Government Grants:** Government grants are conditioned upon certain performance requirements or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as advance on government grants on the statement of financial position.

**Contracts and Program Services:** Revenue from contracts with customers and fee for service arrangements is recognized when any performance obligations have been met. Funds received in advance for these services are reflected as deferred revenue on the statement of financial position.

SUSTAINABLE NORTHWEST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

**Special Events:** The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The portion of sponsorship revenue that relates to commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

**Paycheck Protection Program Loan:** The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The loan may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. In 2020, the Organization received a PPP loan and received notification of forgiveness of the loan and accrued interest and recognized \$258,761 as revenue.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates personnel expenses and rent according to estimates of time and effort.

Income Tax Status

Sustainable Northwest is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUSTAINABLE NORTHWEST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events

The Organization has evaluated all subsequent events through May 19, 2022, the date the financial statements were available to be issued.

Summarized Financial Information for 2020

The financial information as of December 31, 2020 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Future Accounting Standard

Effective for financial statements for the year ending December 31, 2022, the Organization expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes may require certain retrospective adjustments. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets of the Organization consist of the following at December 31, 2021 and December 31, 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,879,657	\$ 1,011,296
Certificates of deposit	2,005,633	1,304,247
Accounts receivable	350,535	195,169
Contributions and grants receivable	<u>348,000</u>	<u>1,599,736</u>
	4,583,825	4,110,448
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	<u>2,896,147</u>	<u>3,233,225</u>
Financial assets available for general expenditure	<u>\$ 1,687,678</u>	<u>\$ 877,223</u>

**SUSTAINABLE NORTHWEST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
December 31, 2021

**3. AVAILABLE RESOURCES AND LIQUIDITY, Continued**

The Organization also has a \$200,000 line of credit available to meet general expenditure needs. See Note 7.

**4. CONTRIBUTIONS AND GRANTS RECEIVABLE**

Contributions and grants receivable represent unconditional promises to give and are expected to be received as follows:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 348,000	\$ 1,549,736
Within two to five years	-	50,000
Total contributions and grants receivable	<u>\$ 348,000</u>	<u>\$ 1,599,736</u>

The Organization was also awarded a 3-year grant of \$488,500 (\$338,000 conditioned on filling a director position and \$150,500 conditioned on raising matching funds). Amounts will be recognized as revenue upon satisfaction of the conditions.

**5. INVESTMENT IN SUBSIDIARY**

Investment in subsidiary of \$800,000 represents the Organization's equity ownership in Sustainable Northwest Wood Distribution Center, Inc., the Organization's wholly-owned subsidiary.

The financial statements do not include the activity or disclose financial information of Sustainable Northwest Wood Distribution Center, Inc. Accounting principles generally accepted in the United States of America require consolidation if there is a controlling financial interest; or if not consolidated, require disclosure of summarized financial information for those entities. Summarized financial information for Sustainable Northwest Wood Distribution Center, Inc. is as follows:

	<u>2021</u>	<u>2020</u>
Assets	\$ 1,705,877	\$ 1,367,380
Liabilities	655,588	603,022
Equity	1,050,289	764,358
Revenues	5,693,945	3,356,057
Costs of good sold	4,167,374	2,306,906
Operating expenses, net	1,166,083	976,058
Net income	360,488	73,093

**SUSTAINABLE NORTHWEST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2021**

**5. INVESTMENT IN SUBSIDIARY, Continued**

Throughout the year, normal operating activities occur between these entities which generate revenues, expenses, receivables, and payables. The Organization received dividend distributions of approximately \$75,000 and \$30,000 in 2021 and 2020, respectively.

**6. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2021 and 2020:

	2021	2020
Furniture and equipment	\$ 56,276	\$ 56,277
Leasehold improvements	9,913	9,913
Total property and equipment	66,189	66,190
Less accumulated depreciation	42,886	34,997
Property and equipment, net	\$ 23,303	\$ 31,193

**7. LINE OF CREDIT**

The Organization has a \$200,000 stand-alone revolving line of credit with a financial institution. Interest on the line is payable monthly on outstanding advances at the prime rate plus 1%, not falling below 4% (4.25% at December 31, 2021 and 3.25% at December 31, 2020). The line matures October 2022 and is secured by all assets of the Organization. There were no outstanding advances on the line at December 31, 2021 and 2020.

**8. LEASE COMMITMENTS**

The Organization leases administrative space under an operating lease agreement that expires February 2023. Rent expense for the lease totaled approximately \$74,900 and \$68,800 for 2021 and 2020, respectively.

Future minimum lease commitments are as follows:

Year ending December 31, 2022	\$ 70,200
2023	12,000
Total	\$ 82,200

**SUSTAINABLE NORTHWEST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2021**

**9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following expiring restrictions at December 31, 2021 and 2020:

	2021	2020
Klamath Basin (Water)	\$ 201,697	\$ 281,265
Oregon coastal community initiative (Forest)	50,000	117,183
Wildfire and forest resiliency (Forest)	2,146,708	2,475,111
Future of Collaboration (Forest)	-	162,000
John Day (Water)	90,833	125,833
Green market (Markets)	225,000	48,333
Renewable tribal energy	128,000	-
Other program restrictions	53,909	23,500
Total net assets with donor restrictions	\$ 2,896,147	\$ 3,233,225

**10. REVENUE FROM CONTRACTS WITH CUSTOMERS**

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in contract assets from billed accounts receivable or unbilled accounts receivable and contract liabilities, including deferred revenue on the statement of financial position.

- Revenue from fee for service work is recognized over time as work is completed and the performance obligations are met.
- Revenue from certification fees and other services is recognized at a point in time when the performance obligations are satisfied based on providing the certification.
- Revenue from events is recognized at a point in time when the event occurs.



**SUSTAINABLE NORTHWEST**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2021**

**10. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued**

The following table shows the Organization's revenue disaggregated according to the timing of the transfer of goods or services:

	<u>2021</u>	<u>2020</u>
Program Services:		
Certifications (point in time)	\$ 196,613	\$ 179,620
Sales (point in time)	21,398	146,733
Contract Services:		
Fee for service (over time)	270,810	194,356
Other services (point in time)	-	20,000
Event revenue (point in time)	<u>7,453</u>	<u>4,458</u>
	<u>\$ 496,274</u>	<u>\$ 545,167</u>

The following table provides information about significant changes in the contract assets and liabilities:

	As of December 31,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contract Assets:			
Program and fee receivables (over time)	\$ 350,535	\$ 194,497	\$ 159,711
Other receivables	<u>-</u>	<u>672</u>	<u>19,233</u>
Total contract assets	<u>\$ 350,535</u>	<u>\$ 195,169</u>	<u>\$ 178,944</u>
Contract Liabilities:			
Advances-fee for service (over time)	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>
Total contract liabilities	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>

**11. RETIREMENT PLAN**

The Organization provides all employees who have more than six months of service with a tax-sheltered annuity plan as described under Section 403(b) of the Internal Revenue Code. The Organization is required to contribute 5% of qualified salaries. Contributions by the Organization for 2021 and 2020 totaled approximately \$58,200 and \$49,800, respectively.

SUSTAINABLE NORTHWEST  
NOTES TO FINANCIAL STATEMENTS, Continued  
December 31, 2021

12. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$1,384,100 and \$1,844,100 as of December 31, 2021 and 2020, respectively.

The Organization is also the guarantor on Sustainable Northwest Wood Distribution Center, Inc.'s \$425,000 line of credit.

Credit risk for contributions receivable is concentrated in that 36% of the total balance is from two organizations at December 31, 2021 (87% from three organizations at December 31, 2020). Revenues were concentrated with 54% coming from one foundation in 2020. In addition, substantially all of the balances are receivable from organizations and individuals located within the same geographic region.

13. CONTINGENCY

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. Management believes that no significant amounts received or receivable will be required to be returned in the future.

14. COMMITMENTS

The Organization entered into contractual agreements with contractors during 2021 to provide restoration services. The commitment remaining under the contractual agreements is approximately \$1,088,000 as of December 31, 2021.