

WILDEARTH GUARDIANS

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2011

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

WILDEARTH GUARDIANS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

CONTENTS

| | <u>Page</u> |
|----------------------------------|-------------|
| Independent Auditors' Report | 1 |
| Financial Statements | |
| Statement of Financial Position | 2 |
| Statement of Activities | 3 |
| Statement of Cash Flows | 4 |
| Notes to Financial Statements | 5 |
| Supplementary Information | |
| Statement of Functional Expenses | 17 |

Taylor, Roth and Company, PLLC

Certified Public Accountants

working exclusively with nonprofit organizations

March 21, 2012

Independent Auditors' Report

Board of Directors
WildEarth Guardians
Santa Fe, New Mexico

We have audited the accompanying statement of financial position of **WildEarth Guardians**, a New Mexico nonprofit corporation, as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of WildEarth Guardians' management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended December 31, 2010 is presented for comparative purposes only and was extracted from the financial statements presented by net asset class for that year, on which an unqualified opinion dated February 25, 2011 was expressed.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WildEarth Guardians as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Taylor, Roth and Company PLLC
TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WILDEARTH GUARDIANS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

| | <u>2011</u> | <u>2010</u> (restated) |
|--|---------------------|---------------------------|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 139,363 | \$ 236,365 |
| Cash and cash equivalents - fiscal agent | 270,093 | 269,213 |
| Cash and cash equivalents - temporarily restricted | 261,984 | 218,140 |
| Accounts receivable | 189,989 | 9,989 |
| Grants and contracts receivable | 29,794 | 59,695 |
| Grants and contracts receivable - temporarily restricted | 10,000 | 56,400 |
| Prepaid expenses | 15,700 | 97,182 |
| Inventory (Note 2) | 120,295 | - |
| Donated lease receivable - temporarily restricted (Note 3) | 97,937 | - |
| Investments (Note 4) | 95,641 | 104,236 |
| Net property and equipment (Note 5) | 24,219 | 49,867 |
| Beneficial interest in assets held by others - unrestricted (Note 6) | 230,006 | 234,906 |
| Beneficial interest in assets held by others - permanently restricted (Note 6) | 217,137 | 223,314 |
| Total assets | <u>\$ 1,702,158</u> | <u>\$ 1,559,307</u> |
| <u>Liabilities and net assets</u> | | |
| <u>Liabilities</u> | | |
| Accounts payable | \$ 61,421 | \$ 17,404 |
| Payroll accruals | 16,725 | 31,789 |
| Fiscal agent (Note 8) | 270,093 | 269,213 |
| Notes payable (Note 9) | 8,350 | 13,715 |
| Commitments and contingencies (Note 10) | | |
| Total liabilities | <u>356,589</u> | <u>332,121</u> |
| <u>Net assets</u> | | |
| <u>Unrestricted</u> | | |
| Operating (Note 13) | 512,636 | 458,274 |
| Net investment in property and equipment | 15,869 | 36,152 |
| Board-designated endowment (Notes 6 and 15) | 230,006 | 234,906 |
| Temporarily restricted (Notes 11 and 13) | 369,921 | 274,540 |
| Permanently restricted (Notes 6, 12, and 15) | 217,137 | 223,314 |
| Total net assets | <u>1,345,569</u> | <u>1,227,186</u> |
| Total liabilities and net assets | <u>\$ 1,702,158</u> | <u>\$ 1,559,307</u> |

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

| | 2011 | | | 2010 (restated) | |
|---------------------------------------|-------------------|---------------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| <u>Revenue and other support</u> | | | | | |
| Individual donations | \$ 453,188 | \$ 38,388 | \$ - | \$ 491,576 | \$ 490,160 |
| Government grants and contracts | 480,383 | - | - | 480,383 | 487,748 |
| Grants | 151,580 | 318,350 | - | 469,930 | 455,869 |
| Reimbursed expenses | 310,975 | - | - | 310,975 | 163,036 |
| Special events | 91,559 | - | - | 91,559 | 108,432 |
| Less: Direct expenses for events | (67,385) | - | - | (67,385) | (65,738) |
| Investment income(loss) | (4,765) | - | (6,177) | (10,942) | 32,351 |
| Other revenue | 4,872 | - | - | 4,872 | 3,842 |
| In-kind (Note 16) | 43,308 | 105,924 | - | 149,232 | - |
| Net assets released from restrictions | 325,881 | (325,881) | - | - | - |
| Total revenue and other support | <u>1,789,596</u> | <u>136,781</u> | <u>(6,177)</u> | <u>1,920,200</u> | <u>1,675,700</u> |
| <u>Expense</u> | | | | | |
| Program services | | | | | |
| Restoration | 531,268 | - | - | 531,268 | 459,586 |
| Wildlife | 470,466 | - | - | 470,466 | 420,759 |
| Climate and energy | 226,343 | - | - | 226,343 | 122,697 |
| Wild places | 129,985 | - | - | 129,985 | 166,626 |
| Publications and outreach | 102,950 | - | - | 102,950 | 88,129 |
| Events | 52,989 | - | - | 52,989 | 52,394 |
| Water | 42,229 | - | - | 42,229 | 11,139 |
| Total program services | <u>1,556,230</u> | <u>-</u> | <u>-</u> | <u>1,556,230</u> | <u>1,321,330</u> |
| Supporting services | | | | | |
| Management and general | 87,291 | - | - | 87,291 | 90,341 |
| Fund-raising | 158,296 | - | - | 158,296 | 136,286 |
| Total expense | <u>1,801,817</u> | <u>-</u> | <u>-</u> | <u>1,801,817</u> | <u>1,547,957</u> |
| Change in net assets | (12,221) | 136,781 | (6,177) | 118,383 | 127,743 |
| Net assets, beginning of year | <u>770,732</u> | <u>233,140</u> | <u>223,314</u> | <u>1,227,186</u> | <u>1,099,443</u> |
| Net assets, end of year | <u>\$ 758,511</u> | <u>\$ 369,921</u> | <u>\$ 217,137</u> | <u>\$ 1,345,569</u> | <u>\$ 1,227,186</u> |

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

| | 2011 | 2010 (restated) |
|---|------------|--------------------|
| <u>Cash flows from operating activities</u> | | |
| Change in net assets | \$ 118,383 | \$ 127,743 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities | | |
| Net (gains)losses on investments | 608 | (448) |
| Net (gains)losses on assets held by others | 11,077 | (30,660) |
| Donated securities | (16,951) | (11,412) |
| Donated rent | (97,937) | - |
| Losses on dispositions of property and equipment | 8,834 | - |
| Depreciation expense | 9,763 | 10,244 |
| <u>Changes in operating assets and liabilities</u> | | |
| (Increase)decrease in accounts receivable | (180,000) | (9,989) |
| (Increase)decrease in grants and contracts receivable | 50,301 | (95,386) |
| (Increase)decrease in prepaid expense | 81,482 | (19,044) |
| (Increase)decrease in inventory | (120,295) | - |
| (Increase)decrease in promises to give | 26,000 | - |
| Increase(decrease) in accounts payable | 44,017 | (23,045) |
| Increase(decrease) in payroll accruals | (15,064) | 4,013 |
| Increase(decrease) in fiscal agent | 880 | 269,213 |
| Net cash provided(used) by operating activities | (78,902) | 221,229 |
| <u>Cash flows from investing activities</u> | | |
| Purchases of investments | (410,000) | (610,000) |
| Sales of investments | 435,000 | 730,000 |
| Interest income reinvested | (62) | (405) |
| Proceeds from property and equipment dispositions | 11,469 | - |
| (Purchases) of property and equipment | (4,418) | (3,105) |
| Net cash provided(used) by investing activities | 31,989 | 116,490 |
| <u>Cash flows from financing activities</u> | | |
| (Repayments) on lines of credit | - | (43,123) |
| (Repayments) on notes payable | (5,365) | (10,067) |
| Net cash provided(used) by financing activities | (5,365) | (53,190) |
| Net change in cash | (52,278) | 284,529 |
| Cash and cash equivalents, beginning of year | 723,718 | 439,189 |
| Cash and cash equivalents, end of year | \$ 671,440 | \$ 723,718 |
| Supplemental disclosure of information: | | |
| Cash paid during the period for interest | \$ 649 | \$ 948 |

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - NATURE OF ACTIVITIES

WildEarth Guardians (the Organization) is a New Mexico nonprofit corporation, incorporated in 1992, that seeks to protect and restore wildlife, wild rivers, and wild places in the American West through fundamental reform of public policies and practices. They operate the following major programs:

Restoration – restoring native streamside forests, improving native wildlife habitat, enhancing the health and beauty of the arid southwest’s arteries of life.

Wildlife – preventing extinction and promoting recovery of imperiled native plants and animals in the West.

Climate and Energy – addressing the climate crisis by challenging fossil fuel extraction and use, promoting energy efficiency, and promoting appropriate sustainable energy.

Wild Places - halting logging projects; working against overgrazing on public lands; protecting national grasslands and prairies; and analyzing fire policy and management practices.

Publications and Outreach – publishing and distributing newsletters, an organization brochure, and an annual report.

Events – various events designed to engage the community in WildEarth Guardians’ programs.

Water – focus on advocating for clean, free-flowing rivers across the West including defending the Rio Grande’s right to its own waters.

The Organization is supported primarily by government grants and contracts, individual donations, and foundation grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

4. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a provision for bad debt expense. No provision was deemed necessary at December 31, 2011.

6. Promises to Give

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

7. Inventory

Inventory is valued at the lower of cost or market and consists of a published book.

8. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for furniture and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

9. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor 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.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

10. Shipping and Handling Costs

Shipping and handling charges are included in revenues, and the related costs are charged to various programs and activities on a functional basis in the Statement of Activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

11. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. Fair Value Measurements

The Organization follows the provisions of the *Fair Value Measurements and Disclosures* Topic of FASB ASC, which require use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

13. Income Taxes

WildEarth Guardians has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

14. Functional Reporting of Expenses

For the year ended December 31, 2011, the costs of providing the various 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.

15. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010 from which the summarized information was derived.

16. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. Individual donations of \$11,412 have been reclassified from Grants revenue on the Statement of Activities. Dues and subscriptions expense of \$2,350 has been reclassified from "All other" expenses on the Statement of Functional Expenses. Research expenses of \$3,265 have been reclassified to "All other" expenses on the Statement of Functional Expenses.

17. Subsequent Events

Management has evaluated subsequent events through March 21, 2012, the date the financial statements were available to be issued.

NOTE 3 - DONATED LEASE RECEIVABLE

The Organization leases office space in Santa Fe from an unrelated party for \$1 per year. The lease is for the period of October 15, 2011 to October 15, 2014. The estimated value of the lease is \$38,336 per year. The unconditional promise to give consists of the following:

| <u>Description</u> | <u>Amount</u> |
|----------------------------------|------------------|
| Receivable in less than one year | \$ 38,336 |
| Receivable in one to three years | <u>68,685</u> |
| Total | 107,021 |
| Less: discount to present value | <u>(9,084)</u> |
| Net promises to give | <u>\$ 97,937</u> |

Unconditional promises to give are discounted at 6 percent.

NOTE 4 - INVESTMENTS

At year-end, the market value of investments approximated cost and consisted of money market funds in the amount of \$95,641.

Investment income for the year consisted of the following:

| <u>Description</u> | <u>Amount</u> |
|--|--------------------|
| Realized and unrealized gain(loss) - unrestricted investments | \$ (5,041) |
| Realized and unrealized gain(loss) - permanently restricted portion of endowment | (6,177) |
| Dividends and interest income | <u>276</u> |
| Total investment gains(losses) | <u>\$ (10,942)</u> |

The investments are Level 1 investments in the fair value hierarchy.

The Organization adopted the *Fair Value Measurements and Disclosures* Topic of FASB ASC which requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. The standard establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

NOTE 4 - INVESTMENTS (concluded)

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 include mutual funds, listed equities, listed derivatives, cash, and cash equivalents. The Organization has investments in money market funds in this category.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives. The Organization does not have any investments in this category.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt. The Organization does not have any investments in this category.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The carrying amounts reported in the statement of financial position for cash and cash equivalents, accounts payable, and accrued liabilities approximate fair values.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| <u>Description</u> | <u>Amount</u> |
|--------------------------------|------------------|
| Vehicles | \$ 31,496 |
| Office furniture and equipment | 18,182 |
| River restoration equipment | <u>4,934</u> |
| Total | 54,612 |
| Less: accumulated depreciation | <u>30,393</u> |
| Net property and equipment | <u>\$ 24,219</u> |

Depreciation expense for the year was \$9,763.

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

For purposes of endowment, the Organization has placed funds on deposit with three different community foundations, with the majority being held by the New Mexico Community Foundation. The unrestricted portion of the New Mexico Community Foundation, the Albuquerque Community Foundation, and Santa Fe Community Foundation money is a quasi-endowment, over which the Board of Directors has ultimate authority.

The permanently restricted portion of the New Mexico Community Foundation and Santa Fe Community Foundation money is a permanent endowment, to be held in perpetuity by the community foundation, with only an income component available to the Organization each year.

The investments are shown at market value at December 31, 2011.

Changes in the board-designated endowment assets held with the New Mexico Community Foundation, the Albuquerque Community Foundation, and the Santa Fe Community Foundation for the year ended December 31, 2011 are as follows:

| <u>Board-designated endowment</u> | <u>Amount</u> |
|---|-------------------|
| Unrealized gain(loss) | \$ (4,291) |
| Investment income | 163 |
| Management fees | (150) |
| Assessment for community support | <u>(196)</u> |
| Total investment return | (4,474) |
| Appropriation of assets for expenditure | <u>(426)</u> |
| Net change in beneficial interest | (4,900) |
| Balance, beginning of year | <u>234,906</u> |
| Balance, end of year | <u>\$ 230,006</u> |

Changes in the permanently restricted endowment assets held with the New Mexico Community Foundation and the Santa Fe Community Foundation for the year ended December 31, 2011 are as follows:

| <u>Permanently restricted endowment</u> | <u>Amount</u> |
|---|-------------------|
| Unrealized gain(loss) | \$ (6,173) |
| Assessment for community support | <u>(2)</u> |
| Total investment return | (6,175) |
| Appropriation of assets for expenditure | <u>(2)</u> |
| Net change in beneficial interest | (6,177) |
| Balance, beginning of year | <u>223,314</u> |
| Balance, end of year | <u>\$ 217,137</u> |

NOTE 7 - CONDITIONAL GRANT

In addition to grants reflected on the statement of activities and changes in net assets for the year ended December 31, 2011, the Organization has been awarded a grant in the amount of \$85,000 per year for 2010 to 2012. Funding for 2010 and 2011 was received and recorded as temporarily restricted grant revenue. The funding for 2012 is dependent upon a successful review of the previous year's work. This portion of the foundation grant will not be recorded as revenue until the conditions are met.

NOTE 8 - FISCAL AGENT

WildEarth Guardians and other environmental groups collectively won a case in 2005 to protect the silvery minnow habitat in the Rio Grande River. The settlement agreement required payment of \$225,000 from the Albuquerque Bernalillo County Water Utility Authority and \$25,000 from the environmental groups, collectively, to be put into an escrow account. The escrow agreement was for the period of January 18, 2007-2012. The funds held in escrow are to be used to purchase water rights. If the funds aren't used, they may be returned to the contributing parties. The parties are negotiating an extension of the agreement. The Organization is the fiscal agent of the funds. Cash and cash equivalents – fiscal agent cash includes the escrow funds of \$270,093 at December 31, 2011.

NOTE 9 - NOTES PAYABLE

Notes payable at December 31, 2011 consist of the following:

| <u>Description</u> | <u>Amount</u> |
|---|-----------------|
| Local Bank: Original amount \$15,480, dated January 9, 2009; maturity date January 9, 2014; monthly P & I payments of \$297.45 beginning February 9, 2009; interest rate of 5.750%; secured by 2004 Dodge Ram 3500 pickup | \$ 3,024 |
| Local Bank: Original amount \$10,600, dated April 1, 2009; maturity date April 1, 2014; monthly P & I payments of \$203.72 beginning May 1, 2009; interest rate of 5.750%; secured by 2002 Ford F250 pickup | <u>5,326</u> |
| Total | <u>\$ 8,350</u> |

The future scheduled maturities for the years ended December 31st are:

| <u>Year</u> | <u>Amount</u> |
|-------------|-----------------|
| 2012 | \$ 5,219 |
| 2013 | 2,325 |
| 2014 | <u>806</u> |
| Total | <u>\$ 8,350</u> |

Interest expense on the notes payable totaled \$648 for the year ended December 31, 2011.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

1. Line of Credit

The Organization has a \$220,000 line of credit with a local bank. The agreement matured on January 30, 2012 and was renewed to January 30, 2013. The interest rate is at the Wall Street Journal prime rate plus 1.00%. The rate will never be less than 5.50%. There were no borrowings, repayments, or interest expense on the line of credit during 2011.

2. Office Leases

As discussed in Note 3, the Organization receives the use of in-kind office space for its Santa Fe location. The lease payment is \$1 per year. The lease expires on October 15, 2014.

The Organization also leases office space for its Denver and Tucson locations. The Denver lease is for the period of January 1, 2012 through December 31, 2012. Monthly base rental payments are \$934 plus an assessment for net operating expenses. One-third of the premises are shared with an unrelated non-profit organization. WildEarth Guardians is not responsible for any unpaid rent by this tenant. The Tucson lease expired on September 30, 2011 and is currently on a month-to-month basis at the rate of \$290 per month. The Organization's portion of future minimum lease payments is \$11,208 for 2012.

Total office rent expense for 2011 was \$52,015.

3. Office Equipment Lease

The Organization leases office equipment under a capital lease. The lease is for the period of April 1, 2012 to March 31, 2016. The monthly rental payment is \$238. The interest rate used was 6.00% and is imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

4. Equipment Leases

The Organization rents equipment for its river restoration work on a month-to-month basis. Equipment lease expense totaled \$56,254 for 2011.

5. Land Leases

WildEarth Guardians is the lessee of land leases in New Mexico and Arizona expiring in various years through 2016. The purpose of the leases is to control the grazing of the land. Minimum future land lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-----------------|
| 2012 | \$ 2,926 |
| 2013 | 2,326 |
| 2014 | 300 |
| 2015 | <u>300</u> |
| Total | <u>\$ 5,852</u> |

Total land lease expense for 2011 was \$3,362.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (concluded)

6. Conservation Easements

The Organization holds conservation easements on two properties in New Mexico and a property located in Colorado. The Organization is responsible for monitoring the easements to ensure that their conditions are being followed. If any conditions of the easements are not followed, legal action by WildEarth Guardians may be necessary.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

At year-end, temporarily restricted net assets are available for the following purposes:

| <u>Description</u> | <u>Amount</u> |
|--|-------------------|
| Retirement of grazing permits in Gila Wilderness | \$ 244,163 |
| In-kind rent for years 2012 – 2014 | 97,937 |
| Wildlife protection | 14,065 |
| Stream Team river restoration | <u>13,756</u> |
| Total | <u>\$ 369,921</u> |

NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS

At year-end, permanently restricted net assets consisted of cash and an endowment fund established at the New Mexico Community Foundation and the Santa Fe Community Foundation, as described in Note 5 to these financial statements, Beneficial Interest in Assets Held by Others. The principal amount of the fund is to be held in perpetuity for the benefit of the Organization, with annual distributions of investment income to the Organization.

Investment Return Objectives, Risk Parameters and Strategies. The Organization 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 also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution plus the costs of administering these funds with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3 - 5%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 4 - 6% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of appropriating for distribution each year 3 - 5% of its endowment fund's fair value based on a 12-quarter rolling average. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization

NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS (concluded)

expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 4 - 6% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

Certain errors in the previously reported grants and contracts receivable and temporarily restricted grant revenue were discovered in the current year. An adjustment of \$41,400 was made during 2011 to record reimbursable grants receivable as of the beginning of the year and increase previously reported net assets. The effect of the restatement of net assets for 2010 is \$41,400.

In addition, errors resulting in the understatement of previously reported prepaid expenses were discovered during the current year. An adjustment of \$54,120 was made in 2011 to record prepaid expenses for production costs of the Rio Grande From Above book for the period of 2000 to 2008. The effect of the restatement of net assets for 2010 is \$54,120.

These corrections resulted in revisions to the presentation of the prior year's results for the following amounts:

| | <u>As Stated</u> | <u>Change</u> | <u>Restated</u> |
|--|------------------|---------------|-----------------|
| Grants and contracts receivable - temporarily restricted | \$ 15,000 | \$ 41,400 | \$ 56,400 |
| Prepaid expenses | \$ 43,062 | \$ 54,120 | \$ 97,182 |
| Total assets | \$ 1,463,787 | \$ 95,520 | \$ 1,559,307 |
| Operating net assets | \$ 404,154 | \$ 54,120 | \$ 458,274 |
| Temporarily restricted net assets | \$ 233,140 | \$ 41,400 | \$ 274,540 |
| Total net assets | \$ 1,131,666 | \$ 95,520 | \$ 1,227,186 |
| Total liabilities and net assets | \$ 1,463,787 | \$ 95,520 | \$ 1,559,307 |
| Grants | \$ 414,469 | \$ 41,400 | \$ 455,869 |
| Total revenue and other support | \$ 1,634,300 | \$ 41,400 | \$ 1,675,700 |
| Change in net assets | \$ 86,343 | \$ 41,400 | \$ 127,743 |
| Net assets, beginning of year | \$ 1,045,323 | \$ 54,120 | \$ 1,099,443 |
| Net assets, end of year | \$ 1,131,666 | \$ 95,520 | \$ 1,227,186 |
| Change in net assets | \$ 86,343 | \$ 41,400 | \$ 127,743 |
| (Increase)decrease in grants and contracts receivable | \$ (53,986) | \$ (41,400) | \$ (95,386) |

NOTE 14 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purposes:

| <u>Description</u> | <u>Amount</u> |
|--|-------------------|
| Endangered species | \$ 97,285 |
| Climate and energy | 58,750 |
| Rio Grande From Above photo project | 36,790 |
| Wildlife protection | 36,135 |
| River restoration | 23,350 |
| Release of time restrictions | 22,987 |
| Sagebrush Sea | 16,000 |
| Retirement of grazing permits in Gila Wilderness | 15,437 |
| Stream Team river restoration | 13,147 |
| Computer upgrades | 5,000 |
| Publications and outreach | <u>1,000</u> |
| Total | <u>\$ 325,881</u> |

NOTE 15 - CHANGES IN ENDOWMENT

A portion of the endowment funds held with the New Mexico Community Foundation and the Santa Fe Community Foundation becomes available for grants each quarter. The Organization received payments of \$5,280 from these available funds in 2011.

NOTE 16 - IN-KIND CONTRIBUTIONS

In-kind contributions are reflected in the accompanying statements at their estimated values at date of receipt. The value of donated materials and services included in the financial statements and the corresponding expenses for the year are as follows:

| <u>Description</u> | <u>Amount</u> |
|--------------------|-------------------|
| Office rent | \$ 105,924 |
| Google AdWords | 42,388 |
| Advertising | <u>920</u> |
| Total | <u>\$ 149,232</u> |

WildEarth Guardians also received contributed services not requiring professional level specialized skills, valued at \$30,000 as follows:

| <u>Description</u> | <u>Hours</u> |
|---------------------------|--------------|
| River restoration | 1,200 |
| Administrative assistance | <u>200</u> |
| Total | <u>1,400</u> |

NOTE 17 - LEGAL FEES

Legal fees are expenses incurred for environmental lawsuits brought by WildEarth Guardians' program staff.

NOTE 18 - CONCENTRATION OF CREDIT RISK

Cash and cash equivalents have been placed in a single financial institution. Amounts in excess of \$250,000 are currently fully insured by the FDIC or a related entity through December 31, 2012 for noninterest-bearing accounts. However, the cash and cash equivalents of the Organization are held in interest-bearing accounts. As a result, uninsured amounts totaled \$91,150 at December 31, 2011.

NOTE 19 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, the Organization received \$127,700 in donations from family members related to the Executive Director.

SUPPLEMENTARY INFORMATION

WILDEARTH GUARDIANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

2011

2010
(restated)

| | Program Services | | | | | | Supporting Services | | | Total | Total | |
|--------------------------------|------------------|------------|--------------------|-------------|---------------------------|-----------|---------------------|---------------|------------------------|------------|--------------|--------------|
| | Restoration | Wildlife | Climate and Energy | Wild Places | Publications and Outreach | Events | Water | Program Total | Management and General | | | Fund-raising |
| Salaries | \$ 59,425 | \$ 243,786 | \$ 126,524 | \$ 73,640 | \$ 32,747 | \$ 31,991 | \$ 20,007 | \$ 588,120 | \$ 63,742 | \$ 88,929 | \$ 740,791 | \$ 674,858 |
| Payroll taxes and benefits | 25,825 | 54,769 | 28,283 | 16,652 | 7,401 | 7,223 | 4,490 | 144,643 | 13,311 | 19,954 | 177,908 | 159,047 |
| Contract labor | 209,207 | 11,677 | 16,015 | 12,343 | 491 | 27 | 1,329 | 251,089 | 114 | 130 | 251,333 | 244,663 |
| Supplies | 103,520 | - | - | 443 | - | - | - | 103,963 | - | - | 103,963 | 59,378 |
| Legal fees | 139 | 55,047 | 25,004 | 1,470 | 92 | 57 | 534 | 82,343 | 191 | 222 | 82,756 | 50,665 |
| Publications and media | 3 | 42,481 | 7 | 1,021 | 25,756 | 129 | 4,128 | 73,525 | 3 | 1,729 | 75,257 | 26,959 |
| Travel | 31,370 | 9,639 | 5,989 | 7,361 | 23 | 3,396 | 328 | 58,106 | 151 | 4,067 | 62,324 | 46,928 |
| Equipment leases | 56,545 | 1,207 | 634 | 364 | 164 | 154 | 101 | 59,169 | 300 | 446 | 59,915 | 40,470 |
| Occupancy | 4,583 | 18,042 | 9,289 | 5,588 | 2,395 | 2,201 | 1,441 | 43,537 | 4,294 | 10,019 | 57,850 | 54,421 |
| Website development | - | 2,630 | - | 80 | 29,187 | - | - | 31,897 | - | - | 31,897 | 21,839 |
| Fund-raising | - | 744 | - | 1,339 | 542 | 4,144 | - | 6,769 | - | 18,552 | 25,321 | 15,568 |
| Office expense | 2,346 | 7,039 | 2,858 | 2,220 | 691 | 632 | 516 | 16,302 | 1,359 | 2,158 | 19,819 | 15,598 |
| Telephone | 969 | 7,369 | 2,273 | 2,348 | 547 | 531 | 330 | 14,367 | 980 | 2,907 | 18,254 | 17,634 |
| Insurance | 8,077 | 1,862 | 799 | 697 | 283 | 643 | 199 | 12,560 | 354 | 725 | 13,639 | 14,226 |
| Postage | 406 | 3,250 | 2,184 | 393 | 623 | 457 | 189 | 7,502 | 557 | 4,383 | 12,442 | 12,024 |
| River restoration | 12,209 | - | - | - | - | - | - | 12,209 | - | - | 12,209 | 12,209 |
| Printing | 340 | 3,099 | 2,095 | 1,109 | 238 | 319 | 1,124 | 8,324 | 402 | 1,715 | 10,441 | 9,348 |
| Accounting services | 556 | 2,544 | 1,090 | 818 | 361 | 241 | 146 | 5,756 | 817 | 878 | 7,451 | 7,454 |
| Book distribution expense | - | - | - | - | - | - | - | 7,109 | - | - | 7,109 | - |
| Staff development and training | 715 | 2,405 | 916 | 524 | 461 | 723 | 159 | 5,903 | 431 | 674 | 7,008 | 6,321 |
| Professional services | 3,433 | - | - | - | - | - | - | 3,433 | - | - | 3,433 | 39,840 |
| Land leases | 2,723 | - | - | 639 | - | - | - | 3,362 | - | - | 3,362 | 4,149 |
| Conferences and meetings | - | 83 | 1,698 | 9 | - | - | - | 1,790 | - | - | 1,790 | - |
| Dues and subscriptions | 42 | 1,78 | 121 | 121 | 824 | 9 | 21 | 1,316 | 50 | 376 | 1,742 | 2,350 |
| Event expenses | 189 | 1,028 | 79 | - | - | - | - | 1,296 | - | 67 | 1,363 | 1,796 |
| All other | 805 | 896 | 124 | 598 | 33 | 21 | 21 | 2,498 | 68 | 111 | 2,677 | 5,584 |
| Depreciation | 523,427 | 469,775 | 225,982 | 129,777 | 102,857 | 52,898 | 42,172 | 1,546,888 | 87,124 | 158,042 | 1,792,054 | 1,537,713 |
| | 7,841 | 691 | 361 | 208 | 93 | 91 | 57 | 9,342 | 167 | 254 | 9,763 | 10,244 |
| Total expenses | \$ 531,268 | \$ 470,466 | \$ 226,343 | \$ 129,985 | \$ 102,950 | \$ 52,989 | \$ 42,229 | \$ 1,556,230 | \$ 87,291 | \$ 158,296 | \$ 1,801,817 | \$ 1,547,957 |

See independent auditors' report