

WILDEARTH GUARDIANS

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2012

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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AND SUPPLEMENTARY INFORMATION
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Taylor, Roth and Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

March 14, 2013

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, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. Information for the year ended December 31, 2011, 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 audit opinion dated March 21, 2012 was expressed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WildEarth Guardians as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WILDEARTH GUARDIANS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 190,156	\$ 139,363
Cash and cash equivalents - fiscal agent	270,588	270,093
Cash and cash equivalents - temporarily restricted	286,226	261,984
Accounts receivable	42,267	189,989
Pledges receivable - temporarily restricted	30,000	-
Grants and contracts receivable - unrestricted	-	29,794
Grants and contracts receivable - temporarily restricted	113,000	10,000
Prepaid expenses	2,890	15,700
Inventory (Note 2)	109,229	120,295
Donated lease receivable - temporarily restricted (Note 3)	65,347	97,937
Investments (Note 4)	236,866	95,641
Net property and equipment (Note 5)	25,631	24,219
Beneficial interest in assets held by others - unrestricted (Note 6)	242,333	230,006
Beneficial interest in assets held by others - permanently restricted (Note 6)	226,264	217,137
Total assets	<u>\$ 1,840,797</u>	<u>\$ 1,702,158</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 50,287	\$ 61,421
Payroll and related accruals	17,108	16,725
Fiscal agent (Note 7)	270,588	270,093
Notes payable (Note 8)	3,130	8,350
Capital lease payable (Note 9)	8,427	-
Commitments and contingencies (Note 10)		
Total liabilities	<u>349,540</u>	<u>356,589</u>
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	514,013	512,636
Net investment in property and equipment	14,074	15,869
Board-designated endowment (Note 6)	242,333	230,006
Temporarily restricted (Note 11)	494,573	369,921
Permanently restricted (Notes 6 and 12)	226,264	217,137
Total net assets	<u>1,491,257</u>	<u>1,345,569</u>
Total liabilities and net assets	<u>\$ 1,840,797</u>	<u>\$ 1,702,158</u>

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue and other support</u>					
Grants	\$ 171,649	\$ 627,250	\$ -	\$ 798,899	\$ 469,930
Individual donations	573,320	1,671	-	574,991	491,576
Government grants and contracts	461,098	-	-	461,098	480,383
Special events	155,221	-	-	155,221	91,559
Less: Direct expenses for events	(85,652)	-	-	(85,652)	(67,385)
Investment income(loss)	13,856	-	9,127	22,983	(10,942)
Reimbursed expenses	14,245	-	-	14,245	310,975
Other revenue	9,451	-	-	9,451	4,872
In-kind (Note 15)	88,526	5,746	-	94,272	149,232
Net assets released from restrictions	510,015	(510,015)	-	-	-
Total revenue and other support	<u>1,911,729</u>	<u>124,652</u>	<u>9,127</u>	<u>2,045,508</u>	<u>1,920,200</u>
<u>Expense</u>					
Program services					
Restoration	498,131	-	-	498,131	531,268
Wildlife	471,303	-	-	471,303	470,466
Climate and energy	306,585	-	-	306,585	226,343
Wild places	144,158	-	-	144,158	129,985
Publications and outreach	127,110	-	-	127,110	102,950
Water	48,380	-	-	48,380	42,229
Events	43,306	-	-	43,306	52,989
Total program services	<u>1,638,973</u>	<u>-</u>	<u>-</u>	<u>1,638,973</u>	<u>1,556,230</u>
Supporting services					
Management and general	93,126	-	-	93,126	87,291
Fund-raising	167,721	-	-	167,721	158,296
Total expense	<u>1,899,820</u>	<u>-</u>	<u>-</u>	<u>1,899,820</u>	<u>1,801,817</u>
Change in net assets	11,909	124,652	9,127	145,688	118,383
Net assets, beginning of year	<u>758,511</u>	<u>369,921</u>	<u>217,137</u>	<u>1,345,569</u>	<u>1,227,186</u>
Net assets, end of year	<u>\$ 770,420</u>	<u>\$ 494,573</u>	<u>\$ 226,264</u>	<u>\$ 1,491,257</u>	<u>\$ 1,345,569</u>

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012	2011
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 145,688	\$ 118,383
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Net (gains)losses on investments	32	608
Net (gains)losses on assets held by others	(21,454)	11,077
Donated securities	(26,146)	(16,951)
Donated rent capitalized	-	(97,937)
Losses on dispositions of property and equipment	-	8,834
Depreciation expense	13,503	9,763
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	147,722	(180,000)
(Increase)decrease in pledges receivable	(30,000)	-
(Increase)decrease in grants and contracts receivable	(73,206)	50,301
(Increase)decrease in prepaid expenses	12,810	81,482
(Increase)decrease in inventory	11,066	(120,295)
(Increase)decrease in donated lease receivable	32,590	26,000
Increase(decrease) in accounts payable	(11,134)	44,017
Increase(decrease) in payroll and related accruals	383	(15,064)
Increase(decrease) in fiscal agent	495	880
Net cash provided(used) by operating activities	202,349	(78,902)
<u>Cash flows from investing activities</u>		
Purchases of investments	(400,000)	(410,000)
Sales of investments	285,000	435,000
Interest income reinvested	(111)	(62)
Proceeds from property and equipment dispositions	-	11,469
(Purchases) of property and equipment	(4,765)	(4,418)
Net cash provided(used) by investing activities	(119,876)	31,989
<u>Cash flows from financing activities</u>		
(Repayments) on capital lease	(1,723)	-
(Repayments) on notes payable	(5,220)	(5,365)
Net cash provided(used) by financing activities	(6,943)	(5,365)
Net change in cash	75,530	(52,278)
Cash and cash equivalents, beginning of year	671,440	723,718
Cash and cash equivalents, end of year	\$ 746,970	\$ 671,440
Supplemental disclosure of information:		
Cash paid during the period for interest	\$ 1,139	\$ 649
Assets purchased with a capital lease	\$ 10,150	\$ -

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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. The Organization operates the following major programs:

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 for grazing reform on public lands; protecting national grasslands and prairies; and analyzing fire policy and management practices. In addition WildEarth Guardians works to restore wounded landscapes by planting trees and removing roads.

Wild Rivers - Focus is on advocating for clean, free-flowing rivers across the West including defending the Rio Grande's right to its own waters.

WildEarth Guardians' significant outreach activities include three newsletters, an annual report, various events designed to engage the community in our conservation programs, and an extensive website. The Organization is supported primarily by foundation grants, individual donations, and government grants and contracts.

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.

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.

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

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, 2012.

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 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.

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.

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

12. Fair Value Measurements

The Organization is subject to the provisions of the *Fair Value Measurements and Disclosures* accounting standard. This standard requires the 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, 2012, 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, 2011 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 to the presentation in the current-year financial statements.

17. Subsequent Events

Management has evaluated subsequent events through March 14, 2013, 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	30,349
Total	68,685
Less: discount to present value	(3,338)
Net donated lease receivable	<u>\$ 65,347</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 \$236,866.

Investment income for the year consisted of the following:

<u>Description</u>	<u>Amount</u>
Realized and unrealized gain(loss) - unrestricted investments	\$ 13,481
Realized and unrealized gain(loss) - permanently restricted portion of endowment	9,127
Dividends and interest income	375
Total	<u>\$ 22,983</u>

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

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	33,098
River restoration equipment	<u>4,876</u>
Total	69,470
Less: accumulated depreciation	<u>(43,839)</u>
Net property and equipment	<u>\$ 25,631</u>

Depreciation expense for the year was \$13,503.

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, 2012.

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, 2012 are as follows:

<u>Board-designated endowment</u>	<u>Amount</u>
Unrealized gain(loss)	\$ 12,950
Investment income	153
Management fees	(149)
Assessment for community support	<u>(201)</u>
Total investment return	12,753
Appropriation of assets for expenditure	<u>(426)</u>
Net change in beneficial interest	12,327
Balance, beginning of year	<u>230,006</u>
Balance, end of year	<u>\$ 242,333</u>

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (concluded)

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, 2012 are as follows:

<u>Permanently-restricted endowment</u>	<u>Amount</u>
Unrealized gain(loss)	\$ 9,131
Investment income	<u>(2)</u>
Total investment return	9,129
Appropriation of assets for expenditure	<u>(2)</u>
Net change in beneficial interest	9,127
Balance, beginning of year	<u>217,137</u>
Balance, end of year	<u>\$ 226,264</u>

NOTE 7 - 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 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 Organization is the fiscal agent of the funds. The original escrow agreement was for the period of January 18, 2007-2012, and during 2012, the parties negotiated an extension for an additional five years. Cash and cash equivalents – fiscal agent cash includes the escrow funds of \$270,588 at December 31, 2012.

NOTE 8 - NOTES PAYABLE

Notes payable at December 31, 2012 consist of the following:

<u>Description</u>	<u>Amount</u>
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>\$ 3,130</u>

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

<u>Year</u>	<u>Amount</u>
2013	\$ 2,325
2014	<u>805</u>
Total	<u>\$ 3,130</u>

Interest expense on the notes payable totaled \$333 for the year ended December 31, 2012.

NOTE 9 - CAPITAL 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. The balance of the capital lease at December 31, 2012 is \$8,427.

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

<u>Year</u>	<u>Amount</u>
2013	\$ 2,861
2014	2,861
2015	2,861
2016	714
Total payments	9,297
Amount representing interest	(870)
Capital lease payable	<u>\$ 8,427</u>

Interest expense on the capital lease totaled \$423 for the year ended December 31, 2012.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

1. Line of Credit

During 2012, the Organization had a \$220,000 line of credit with a local bank. There were no borrowings, repayments, or interest expense on the line of credit during 2012. The interest rate is at the Wall Street Journal prime rate plus 1.00%, and the rate will never be less than 5.50%. The agreement matured on January 30, 2013, and the Organization did not renew the agreement.

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, 2013 through December 31, 2013. 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 2013.

Total office rent expense for 2012 was \$47,503.

3. Equipment Leases

The Organization rents equipment for its river restoration work on a month-to-month basis. Equipment lease expense totaled \$44,072 for 2012.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (concluded)

4. 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>
2013	\$ 2,326
2014	300
2015	300
Total payments	<u>\$ 2,926</u>

Total land lease expense for 2012 was \$3,509.

5. 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	\$ 216,836
Wildlife protection	101,120
Wild places	74,615
In-kind rent for years 2013-2014	65,347
Climate and energy	24,029
Stream Team river restoration	12,626
Total	<u>\$ 494,573</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.

NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS (concluded)

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 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 - 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>
River restoration	\$ 138,267
Climate and energy	86,721
Coal program	86,000
Wildlife protection	70,445
Endangered species	40,000
In-kind rent for years 2013-2014	38,336
Retirement of grazing permits in Gila Wilderness	37,327
Sagebrush Sea	10,118
Stream Team river restoration	2,801
Total	<u>\$ 510,015</u>

NOTE 14 - 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 \$6,899 from these available funds in 2012.

NOTE 15 - 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>
Google AdWords	\$ 88,526
Office rent	<u>5,746</u>
Total	<u>\$ 94,272</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 16 - LEGAL FEES

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

NOTE 17 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2012, the Organization received \$130,000 in donations from family members related to the Executive Director.

NOTE 18 - CONCENTRATION OF CREDIT RISK

At December 31, 2012, the Organization has \$20,634 in cash assets maintained in a local bank that are not covered by FDIC or alternative insurance.

NOTE 19 - SUBSEQUENT EVENT

On February 22, 2013, the Board of Directors approved a letter of intent to initiate due diligence regarding the potential acquisition of certain assets and liabilities of another nonprofit organization with a similar mission. If executed, it is anticipated that the acquisition would result in the Organization securing approximately \$500,000 in assets (e.g. cash, receivables and equipment) and \$500,000 in liabilities related to these assets.

SUPPLEMENTARY INFORMATION

