

**WILDEARTH GUARDIANS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**WILDEARTH GUARDIANS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

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

February 25, 2011

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, 2010 and the related statements of activities, functional expenses, 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, 2009, 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 March 16, 2010 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, 2010, 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.

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

**WILDEARTH GUARDIANS**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR 2009)**

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 236,365	\$ 336,399
Cash and cash equivalents - fiscal agent	269,213	-
Cash and cash equivalents - temporarily restricted	218,140	102,790
Accounts receivable	9,989	-
Grants and contracts receivable - unrestricted	59,695	20,709
Grants and contracts receivable - temporarily restricted	15,000	-
Prepaid expenses	43,062	24,018
Investments (Note 3)	104,236	211,971
Net property and equipment (Note 4)	49,867	57,006
Beneficial interest in assets held by others - unrestricted (Note 5)	234,906	217,721
Beneficial interest in assets held by others - permanently restricted (Note 5)	223,314	209,839
	<u>\$ 1,463,787</u>	<u>\$ 1,180,453</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 17,404	\$ 40,449
Payroll accruals	31,789	27,776
Fiscal agent (Note 6)	269,213	-
Lines of credit (Note 7)	-	43,123
Notes payable (Note 8)	13,715	23,782
Commitments (Note 10)		
	<u>332,121</u>	<u>135,130</u>
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	404,154	481,749
Net investment in property and equipment	36,152	33,224
Board-designated endowment (Notes 5 and 13)	234,906	217,721
Temporarily restricted (Note 11)	233,140	102,790
Permanently restricted (Notes 5, 12, and 13)	223,314	209,839
	<u>1,131,666</u>	<u>1,045,323</u>
Total net assets	<u>\$ 1,463,787</u>	<u>\$ 1,180,453</u>
Total liabilities and net assets	<u>\$ 1,463,787</u>	<u>\$ 1,180,453</u>

The accompanying notes are an integral part of these financial statements

**WILDEARTH GUARDIANS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR 2009)**

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue and other support</u>					
Government grants and contracts	\$ 487,748	\$ -	\$ -	\$ 487,748	\$ 583,496
Individual donations	340,148	138,600	-	478,748	477,687
Grants	161,881	264,000	-	425,881	701,842
Reimbursed expenses	163,036	-	-	163,036	96,268
Special events	108,432	-	-	108,432	127,845
Less: Direct expenses for events	(65,738)	-	-	(65,738)	(63,412)
Investment income	18,876	-	13,475	32,351	49,906
Other revenue	3,842	-	-	3,842	45,462
Net assets released from restrictions	272,250	(272,250)	-	-	-
Total revenue and other support	<u>1,490,475</u>	<u>130,350</u>	<u>13,475</u>	<u>1,634,300</u>	<u>2,019,094</u>
<u>Expense</u>					
Program services					
Restoration	459,586	-	-	459,586	652,206
Wildlife	420,759	-	-	420,759	472,748
Wild places	166,626	-	-	166,626	162,993
Climate and energy	122,697	-	-	122,697	124,250
Publications and outreach	88,129	-	-	88,129	84,180
Events	52,394	-	-	52,394	41,407
Water	11,139	-	-	11,139	12,283
Total program services	<u>1,321,330</u>	<u>-</u>	<u>-</u>	<u>1,321,330</u>	<u>1,550,067</u>
Supporting services					
Management and general	90,341	-	-	90,341	89,785
Fundraising	136,286	-	-	136,286	138,661
Total expense	<u>1,547,957</u>	<u>-</u>	<u>-</u>	<u>1,547,957</u>	<u>1,778,513</u>
Change in net assets	(57,482)	130,350	13,475	86,343	240,581
Net assets, beginning of year	732,694	102,790	209,839	1,045,323	804,742
Net assets, end of year	<u>\$ 675,212</u>	<u>\$ 233,140</u>	<u>\$ 223,314</u>	<u>\$ 1,131,666</u>	<u>\$ 1,045,323</u>

The accompanying notes are an integral part of these financial statements

**WILDEARTH GUARDIANS**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(WITH COMPARATIVE TOTALS FOR 2009)**

2009

2010

	Program Services										Supporting Services			Total
	Restoration	Wildlife	Wild Places	Climate and Energy	Publications and Outreach	Events	Water	Total Program	Management and General	Fund-raising	Total			
Salaries	\$ 61,821	\$ 241,190	\$ 89,317	\$ 63,011	\$ 36,629	\$ 32,201	\$ 7,715	\$ 531,884	\$ 63,757	\$ 79,217	\$ 674,858	\$ 716,464		
Payroll taxes and benefits	25,081	53,489	19,585	13,798	8,071	7,103	1,341	128,468	14,549	16,030	159,047	176,672		
Contract labor	176,068	14,467	27,153	23,439	-	1,380	902	243,409	-	1,254	244,663	283,352		
Supplies	59,378	-	-	-	-	-	-	59,378	-	-	59,378	81,509		
Occupancy	5,131	19,724	7,293	4,928	2,933	2,516	384	42,909	4,989	6,523	54,421	54,069		
Legal fees	20	45,041	805	4,641	15	10	18	50,550	33	82	50,665	21,903		
Travel	20,509	9,717	5,681	2,324	274	2,763	80	41,348	363	5,217	46,928	38,195		
Equipment leases	37,263	1,194	428	292	180	148	25	39,530	614	326	40,470	150,582		
Professional services	39,840	-	-	-	-	-	-	39,840	-	-	39,840	34,263		
Publications and media	72	757	1,204	71	23,640	1,089	1	26,834	73	52	26,959	62,061		
Website development	920	3,681	2,194	910	11,638	474	68	19,885	895	1,059	21,839	18,874		
Telephone	1,589	7,974	2,453	1,106	650	556	86	14,414	1,092	2,128	17,634	20,068		
Office expense	1,817	5,851	2,017	1,405	642	718	187	12,637	1,314	1,647	15,598	16,832		
Fundraising	-	247	-	-	-	951	-	1,198	-	14,370	15,568	23,085		
Insurance	10,671	1,707	546	347	245	123	7	13,646	378	202	14,226	8,482		
Postage	464	3,587	749	1,698	294	258	30	7,080	411	4,533	12,024	13,535		
Printing	240	1,462	1,290	2,641	951	1,034	107	7,725	71	1,552	9,348	9,317		
Accounting services	746	3,194	1,003	708	325	397	38	6,411	581	462	7,454	7,274		
River restoration	6,593	-	-	-	-	-	-	6,593	-	-	6,593	5,232		
Staff development and training	654	1,938	1,337	489	262	326	70	5,076	482	763	6,321	2,318		
Land leases	2,026	-	2,123	-	-	-	-	4,149	-	-	4,149	4,295		
Research	319	1,855	383	264	161	134	6	3,122	296	207	3,625	5,787		
Event expenses	-	1,578	26	171	-	-	-	1,775	-	21	1,796	4,599		
Penalties	-	-	-	-	-	-	-	-	-	-	-	4,347		
All other	1,072	971	620	154	1,046	66	24	3,953	131	225	4,309	4,156		
Depreciation	452,294	419,624	166,207	122,397	87,956	52,247	11,089	1,311,814	90,029	135,870	1,537,713	1,767,271		
	7,292	1,135	419	300	173	147	50	9,516	312	416	10,244	11,242		
<b>Total expenses</b>	<b>\$ 459,586</b>	<b>\$ 420,759</b>	<b>\$ 166,626</b>	<b>\$ 122,697</b>	<b>\$ 88,129</b>	<b>\$ 52,394</b>	<b>\$ 11,139</b>	<b>\$ 1,321,330</b>	<b>\$ 90,341</b>	<b>\$ 136,286</b>	<b>\$ 1,547,957</b>	<b>\$ 1,778,513</b>		

The accompanying notes are an integral part of these financial statements

**WILDEARTH GUARDIANS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(WITH COMPARATIVE TOTALS FOR 2009)**

	2010	2009
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 86,343	\$ 240,581
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Net (gains)losses on investments	(448)	73
Net (gains)losses on assets held by others	(30,660)	(48,634)
Donated securities	(11,412)	(6,031)
Donated property and equipment	-	(20,000)
Loss on disposition of property and equipment	-	322
Depreciation expense	10,244	11,242
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	(9,989)	6,832
(Increase)decrease in grants and contracts receivable	(53,986)	(20,709)
(Increase)decrease in prepaid expense	(19,044)	(23,210)
Increase(decrease) in accounts payable	(23,045)	25,017
Increase(decrease) in payroll accruals	4,013	8,960
Increase(decrease) in fiscal agent	269,213	-
Net cash provided(used) by operating activities	221,229	174,443
<u>Cash flows from investing activities</u>		
Purchases of investments	(610,000)	(360,000)
Sales of investments	730,000	411,000
Interest income reinvested	(405)	(688)
(Purchases) of property and equipment	(3,105)	(38,253)
Net cash provided(used) by investing activities	116,490	12,059
<u>Cash flows from financing activities</u>		
Borrowings on lines of credit	-	123,123
Borrowings on notes payable	-	31,080
(Repayments) on lines of credit	(43,123)	(80,000)
(Repayments) on notes payable	(10,067)	(7,298)
Net cash provided(used) by financing activities	(53,190)	66,905
Net change in cash	284,529	253,407
Cash and cash equivalents, beginning of year	439,189	185,782
Cash and cash equivalents, end of year	\$ 723,718	\$ 439,189
Supplemental disclosure of information:		
Cash paid during the period for interest	\$ 948	\$ 1,185

The accompanying notes are an integral part of these financial statements

**WILDEARTH GUARDIANS**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 1 - NATURE OF ACTIVITIES

WildEarth Guardians (the Organization; formerly known as Forest Guardians) 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.

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

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

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

**Events** – various events designed to engage the community in WildEarth Guardian 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.



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

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. Functional Reporting of Expenses

For the year ended December 31, 2010, 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.

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

10. 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, 2009 from which the summarized information was derived.

11. 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. Direct expenses for special events appear on the Statement of Activities. Indirect expenses for special events appear on the Statement of Functional Expenses.

12. Subsequent Events

Management has evaluated subsequent events through February 25, 2011, the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

At year-end, the market value of investments approximated cost and consisted of:

<u>Description</u>	<u>Amount</u>
Money market funds	<u>\$ 104,236</u>

Investment income for the year consisted of the following:

<u>Description</u>	<u>Amount</u>
Realized and unrealized gain(loss) - unrestricted investments	\$ 17,972
Realized and unrealized gain(loss) - permanently restricted portion of endowment	13,475
Dividends and interest income	<u>904</u>
Total investment gains(losses)	<u>\$ 32,351</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Vehicles	\$ 51,496
Office furniture and equipment	49,342
River restoration equipment	<u>4,934</u>
Total	105,772
Less: Accumulated depreciation	<u>55,905</u>
Net property and equipment	<u>\$ 49,867</u>

Depreciation expense for the year was \$10,244.

NOTE 5 - 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, 2010.

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, 2010 are as follows:

<u>Board-designated endowment</u>	<u>Amount</u>
Unrealized gain(loss)	\$ 17,734
Investment income	207
Management fees	(148)
Assessment for community support	<u>(190)</u>
Total investment return	17,603
Appropriation of assets for expenditure	<u>(418)</u>
Net change in beneficial interest	17,185
Balance, beginning of year	<u>217,721</u>
Balance, end of year	<u>\$ 234,906</u>

NOTE 5 - 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, 2010 are as follows:

<u>Permanently restricted endowment</u>	<u>Amount</u>
Unrealized gain(loss)	\$ 13,478
Assessment for community support	<u>(1)</u>
Total investment return	13,477
Appropriation of assets for expenditure	<u>(2)</u>
Net change in beneficial interest	13,475
Balance, beginning of year	<u>209,839</u>
Balance, end of year	<u>\$ 223,314</u>

NOTE 6 - 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 is 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 agreement may also be extended upon the approval of all of the parties. The Organization is the fiscal agent of the funds. Temporarily restricted cash includes the escrow funds of \$269,213 at December 31, 2010.

NOTE 7 - LINES OF CREDIT

There were no outstanding balances for the lines of credit at December 31, 2010. The Organization had the following lines of credit:

Description

Caterpillar: Maximum amount \$45,000, dated November 20, 2009; closed February 3, 2011; 0.000% interest rate (below market rate; imputed interest would be immaterial)

Local Bank: Maximum amount \$220,000, dated January 30, 2010; matures January 30, 2011; interest rate at Wall Street Journal prime rate; rate will never be less than 6.000%; rate at December 31, 2010 was 6.000%

Borrowings and repayments totaled \$ - 0 - and \$43,123, respectively, on the lines of credit during 2010. No interest expense was paid on the lines of credit for the year ended December 31, 2010.

NOTE 8 - NOTES PAYABLE

Notes payable at December 31, 2010 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	\$ 6,316
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>7,399</u>
Total	<u>\$ 13,715</u>

The future scheduled maturities for the years ended December 31<sup>st</sup> are:

<u>Year</u>	<u>Amount</u>
2011	\$ 5,365
2012	5,219
2013	2,325
2014	<u>806</u>
Total	<u>\$ 13,715</u>

Interest expense on the notes payable totaled \$948 for the year ended December 31, 2010.

NOTE 9 - CONDITIONAL GRANT

In addition to grants reflected on the statement of activities and changes in net assets for the year ended December 31, 2010, the Organization has been awarded a grant in the amount of \$85,000 per year for 2010 to 2012. Funding for 2010 was received and recorded as a temporarily restricted grant. The funding for 2011 and 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 10 - COMMITMENTS

The Organization leases office space for its Santa Fe location. The lease expired on January 31, 2010 and is currently on a month-to-month continuation at the rate of \$2,667 per month. There are no minimum future payments required after January 31, 2010.

NOTE 10 - COMMITMENTS (concluded)

The Organization also leases office space for its Denver and Tucson locations. The Denver lease is for the period of January 1, 2011 through December 31, 2011. 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 is for the period of September 12, 2010 to September 30, 2011. Monthly payments are \$906 for the Denver lease and \$290 for the Tucson lease. The Organization's portion of future minimum lease payments is as follows:

<u>Year</u>	<u>Amount</u>
2011	<u>\$ 13,487</u>

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>
Wild places	\$ 178,850
Rio Grande from Above photo project	36,790
Time restriction	15,000
Wildlife protection	<u>2,500</u>
Total	<u>\$ 233,140</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.

NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS (concluded)

*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 - PRIOR PERIOD ADJUSTMENT

Certain errors resulting in the misclassification of net assets as permanently restricted were discovered during the current year. Accordingly, an adjustment of \$18,653 was made during 2010 to reclassify endowment funds from permanently restricted net assets to board-designated net assets. There was no effect on the change in net assets.

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>
Wildlife protection	\$ 133,750
Wild places	61,000
Climate and energy	40,000
Rio Grande From Above photo project	16,000
Time restriction: Wildlife protection	10,000
Events	6,000
River restoration	5,000
Publications and outreach	<u>500</u>
Total	<u>\$ 272,250</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 \$469 from these available funds in 2010.

NOTE 16 - IN-KIND CONTRIBUTIONS

The organization received contributed services not requiring specialized skills, valued at \$50,000, as follows:

<u>Description</u>	<u>Hours</u>
River restoration	2,572
Administrative assistance	<u>200</u>
Total	<u>2,772</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 \$223,719 at December 31, 2010.

NOTE 19 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, the Organization received \$110,000 in donations from family members related to the Executive Director.