

WILDEARTH GUARDIANS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

WILDEARTH GUARDIANS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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May 3, 2019

Independent Auditors' Report

Board of Directors
WildEarth Guardians
Santa Fe, New Mexico

We have audited the accompanying financial statements of **WildEarth Guardians**, (a New Mexico nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Basis for Qualified Opinion

In 2019, management received information regarding possible misappropriation of assets involving WildEarth Guardian’s River Restoration program. Management hired a fraud investigator, and the initial investigation indicates the misappropriation is isolated to this program and due to collusion between an employee of this program and a third-party vendor. Allegedly, the employee falsified invoices for expenses not incurred, and these invoices were submitted to grantor agencies for reimbursement. Management’s actions and plans regarding responding to this situation are described in Note 20.

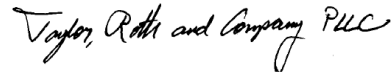
In light of the recent nature of this investigation, we were unable to obtain sufficient appropriate audit evidence related to the alleged event, and at this time, the financial impact is undeterminable. Consequently, we were unable to determine whether any adjustments to accounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of WildEarth Guardians as of December 31, 2018, 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.

Report on Summarized Comparative Information

We have previously audited WildEarth Guardians’ financial statements for the year ended December 31, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WILDEARTH GUARDIANS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

| | 2018 | 2017 |
|--|--------------|--------------|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 1,210,903 | \$ 1,617,053 |
| Accounts receivable | 47,691 | 299,027 |
| Grants and pledges receivable | 35,000 | 20,000 |
| Prepaid expenses | 53,134 | 65,732 |
| Investments (Note 4) | 1,799,553 | 752,692 |
| Property and equipment, net (Note 5) | 25,789 | 34,757 |
| Beneficial interests in assets held by others (Note 6) | 104,274 | 112,046 |
| | \$ 3,276,344 | \$ 2,901,307 |
| <u>Liabilities and net assets</u> | | |
| <u>Liabilities</u> | | |
| Accounts payable | \$ 64,519 | \$ 53,816 |
| Accrued payroll expenses | 91,350 | 86,644 |
| Fiscal agent (Note 7) | 268,015 | 268,015 |
| | 423,884 | 408,475 |
| <u>Net assets</u> | | |
| Without donor restrictions | | |
| Operating | 397,507 | 339,151 |
| Net investment in property and equipment | 25,789 | 34,757 |
| Board-designated reserve (Note 8) | 2,090,263 | 1,825,676 |
| With donor restrictions (Note 9) | | |
| Restricted for purpose and time | 334,322 | 181,202 |
| Restricted for perpetuity | 4,579 | 112,046 |
| | 2,852,460 | 2,492,832 |
| Total net assets | 2,852,460 | 2,492,832 |
| Total liabilities and net assets | \$ 3,276,344 | \$ 2,901,307 |

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

| | 2018 | | | 2017 |
|---|-------------------------------|----------------------------|--------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| <u>Revenue and other support</u> | | | | |
| Individual donations | \$ 1,501,920 | \$ 240,447 | \$ 1,742,367 | \$ 1,984,100 |
| Grants | 400,875 | 960,950 | 1,361,825 | 921,652 |
| Government grants and contracts | 778,428 | - | 778,428 | 428,690 |
| Program service fees | 328,683 | - | 328,683 | 470,985 |
| Special events | 271,719 | - | 271,719 | 195,662 |
| Less: direct benefit to donors | (116,353) | - | (116,353) | (112,877) |
| Rental income | 17,792 | - | 17,792 | 16,997 |
| Investment income (Note 4) | 16,605 | - | 16,605 | 10,246 |
| Distributions from and change in beneficial interests in assets held by others (Note 6) | (6,951) | (821) | (7,772) | (842) |
| Other revenue | 17,526 | - | 17,526 | 840 |
| In-kind contributions (Note 10) | 82,593 | - | 82,593 | 107,157 |
| Net assets released (Note 11) | 1,048,277 | (1,048,277) | - | - |
| | 4,341,114 | 152,299 | 4,493,413 | 4,022,610 |
| <u>Expense</u> | | | | |
| Program services | 3,378,613 | - | 3,378,613 | 3,142,549 |
| Supporting services | | | | |
| Management and general | 230,971 | - | 230,971 | 271,787 |
| Fund-raising | 524,201 | - | 524,201 | 362,110 |
| | 4,133,785 | - | 4,133,785 | 3,776,446 |
| Change in net assets | 207,329 | 152,299 | 359,628 | 246,164 |
| Net assets, beginning of year, as originally stated | 2,199,584 | 293,248 | 2,492,832 | 2,334,523 |
| Reclassification (Note 6) | 106,646 | (106,646) | - | (87,855) |
| Net assets, beginning of year, restated | 2,306,230 | 186,602 | 2,492,832 | 2,246,668 |
| Net assets, end of year | \$ 2,513,559 | \$ 338,901 | \$ 2,852,460 | \$ 2,492,832 |

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

| | 2018 | | | | | | | | | | 2017 | | | |
|--------------------------------|-------------------|-------------------|---------------------------|-------------------|-------------------|--------------------|------------------|------------------|-----------------|------------------------|------------------------|------------------|--------------------|--------------------|
| | Program Services | | | | | | | | | Supporting Services | | | | |
| | Restoration | Wild Places | Publications and Outreach | Wildlife | Legal | Climate and Energy | Wild Rivers | Events | Lobbying | Total Program Services | Management and General | Fund-raising | Total | Total |
| Salaries | \$ 435,551 | \$ 305,333 | \$ 167,512 | \$ 250,989 | \$ 243,706 | \$ 249,308 | \$127,175 | \$ 38,096 | \$ - | \$1,817,670 | \$ 126,186 | \$224,097 | \$2,167,953 | \$1,962,942 |
| Payroll taxes and benefits | 53,338 | 72,764 | 39,920 | 59,815 | 58,078 | 59,413 | 30,307 | 9,077 | - | 382,712 | 31,546 | 53,404 | 467,662 | 410,882 |
| Contract labor | 214,481 | 16,400 | 3,321 | 19,733 | 4,517 | 4,621 | 2,357 | 706 | - | 266,136 | 2,607 | 21,586 | 290,329 | 254,980 |
| Travel | 57,898 | 28,792 | 868 | 13,229 | 9,818 | 17,990 | 11,576 | 860 | 1,155 | 142,186 | 2,167 | 19,522 | 163,875 | 153,190 |
| Dues and subscriptions | 370 | 2,710 | 8,980 | 1,285 | 10,718 | 2,781 | 1,846 | 94 | - | 28,784 | 348 | 117,137 | 146,269 | 146,289 |
| Occupancy | 5,944 | 17,796 | 9,763 | 14,628 | 14,203 | 14,528 | 7,937 | 2,221 | - | 87,020 | 38,545 | 13,060 | 138,625 | 132,852 |
| Publications and media | 218 | 2,109 | 74,034 | 17,608 | 956 | 568 | 1,402 | 1,094 | - | 97,989 | 804 | 13,955 | 112,748 | 187,162 |
| Website development | - | (156) | 108,422 | - | - | 140 | 422 | - | - | 108,828 | - | - | 108,828 | 61,953 |
| Equipment leases | 85,102 | 596 | 327 | 490 | 475 | 486 | 248 | 74 | - | 87,798 | 274 | 437 | 88,509 | 33,902 |
| Staff development and training | 2,662 | 10,102 | 7,544 | 14,579 | 9,542 | 12,470 | 7,208 | 995 | - | 65,102 | 5,284 | 8,805 | 79,191 | 58,688 |
| Supplies | 58,529 | 55 | - | 73 | - | 989 | 12 | - | - | 59,658 | - | 22 | 59,680 | 20,463 |
| Insurance | 10,915 | 5,601 | 3,166 | 4,380 | 4,254 | 4,351 | 2,781 | 665 | - | 36,113 | 2,455 | 3,912 | 42,480 | 37,085 |
| Telephone | 1,827 | 5,518 | 3,002 | 4,498 | 4,367 | 4,480 | 2,279 | 683 | - | 26,654 | 4,203 | 4,016 | 34,873 | 32,275 |
| Office expense | 8,893 | 3,860 | 2,039 | 3,907 | 2,972 | 5,217 | 1,896 | 454 | - | 29,238 | 1,722 | 3,283 | 34,243 | 72,697 |
| Postage | 648 | 1,662 | 877 | 2,169 | 1,642 | 2,764 | 746 | 199 | - | 10,707 | 775 | 21,582 | 33,064 | 30,750 |
| Legal services | - | 113 | - | - | 29,771 | - | - | - | - | 29,884 | - | - | 29,884 | 45,119 |
| Equipment maintenance | 23,922 | - | - | - | - | - | - | - | - | 23,922 | - | - | 23,922 | 8,200 |
| Fees | 826 | 2,443 | 1,369 | 2,202 | 7,227 | 2,103 | 2,004 | 526 | - | 18,700 | 2,190 | 2,849 | 23,739 | 29,409 |
| Grazing permit buy-out | - | 22,000 | - | - | - | - | - | - | - | 22,000 | - | - | 22,000 | 20,008 |
| Printing | 155 | 1,429 | 254 | 706 | 387 | 2,652 | 272 | 58 | 43 | 5,956 | 213 | 15,934 | 22,103 | 21,897 |
| All other | 2,213 | 5,247 | 55 | 6,357 | 79 | 834 | 7,291 | 512 | - | 22,588 | 11,652 | 600 | 34,840 | 46,735 |
| | 963,492 | 504,374 | 431,453 | 416,648 | 402,712 | 385,695 | 207,759 | 56,314 | 1,198 | 3,369,645 | 230,971 | 524,201 | 4,124,817 | 3,767,478 |
| Depreciation | 8,968 | - | - | - | - | - | - | - | - | 8,968 | - | - | 8,968 | 8,968 |
| Total expenses | \$ 972,460 | \$ 504,374 | \$ 431,453 | \$ 416,648 | \$ 402,712 | \$ 385,695 | \$207,759 | \$ 56,314 | \$ 1,198 | \$3,378,613 | \$ 230,971 | \$524,201 | \$4,133,785 | \$3,776,446 |

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

| | 2018 | 2017 |
|--|--------------|--------------|
| <u>Cash flows from operating activities</u> | | |
| Change in net assets | \$ 359,628 | \$ 246,164 |
| Adjustment to reconcile change in net assets to net cash provided(used) by operating activities | | |
| Change in donated lease receivable | - | 30,349 |
| Donated securities | (70,156) | (76,361) |
| Net (gains)losses on investments | (3,750) | (2,668) |
| Depreciation expense | 8,968 | 8,968 |
| <u>Changes in operating assets and liabilities</u> | | |
| (Increase)decrease in accounts receivable | 251,336 | (223,025) |
| (Increase)decrease in grants and contracts receivable | (15,000) | 20,000 |
| (Increase)decrease in prepaid expenses | 12,598 | (14,002) |
| (Increase)decrease in assets held by others | 7,772 | 842 |
| Increase(decrease) in accounts payable | 10,703 | 20,573 |
| Increase(decrease) in accrued payroll expenses | 4,706 | 35,336 |
| Increase(decrease) in fiscal agent | - | 267 |
| Net cash provided(used) by operating activities | 566,805 | 46,443 |
| <u>Cash flows from investing activities</u> | | |
| Proceeds from sales of investments | 929,734 | 974,058 |
| (Purchases) of investments | (1,902,689) | (559,189) |
| (Purchases) of property and equipment | - | (42,050) |
| Net cash provided(used) by investing activities | (972,955) | 372,819 |
| Net change in cash | (406,150) | 419,262 |
| Cash and cash equivalents, beginning of year | 1,617,053 | 1,197,791 |
| Cash and cash equivalents, end of year | \$ 1,210,903 | \$ 1,617,053 |

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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:

Wild Places: Protecting, connecting, and healing public lands, from national forests to national monuments; working for livestock grazing reform on public lands; moderating motorized use; and restoring and rewilding wounded landscapes.

Wildlife: Confronting cruelty to and championing coexistence with wildlife in the West. Also, preventing extinction and promoting recovery of imperiled western wildlife.

Climate and energy: Tackling the climate crisis by challenging fossil fuel extraction and use and promoting energy democracy across the American West.

Wild Rivers: Advocating for clean, free-flowing, living rivers across the West, including America's Great River, the Rio Grande.

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 individual donations, foundation grants, government grants and contracts and program service fees.

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 financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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

2. Basis of Presentation (concluded)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

3. Cash and Cash Equivalents

The Organization considers all highly liquid investments without donor restrictions and an initial maturity of three months or less to be cash equivalents.

4. Accounts and Grants Receivable

Accounts and grants 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, 2018.

5. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for property and equipment in excess of \$5,000. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

6. 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.

7. 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).

8. In-kind Donations

The Organization has received in-kind rent and donated advertising services for the year ended December 31, 2018. Such amounts, which are based upon information provided by third-party providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statement of activities and statement of functional expense.

9. Income Taxes

WildEarth Guardians has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). In accordance with the provisions associated with accounting for uncertainty in income taxes, management has analyzed its various federal and state filing positions and believes that its income tax positions and deductions are well documented and supported. Additionally, management believes that no accruals for tax liabilities related to uncertain income tax positions are required.

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

10. Functional Reporting of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are that are allocated on the basis of time and effort include: salaries, payroll taxes and benefits, occupancy, insurance, telephone and office expense. Website development and dues and subscriptions are allocated based on a reasonable estimate of the benefit received from the functional categories.

11. 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, 2017, from which the summarized information was derived.

12. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses net asset classification, information about liquidity, information provided about expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

13. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

14. Subsequent Events

Management has evaluated subsequent events through May 3, 2019, the date the financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

| <u>Description</u> | <u>Amount</u> |
|--|----------------------------|
| Cash and cash equivalents | \$ 1,210,903 |
| Accounts receivable | 47,691 |
| Grants and pledges receivable | 35,000 |
| Investments | <u>1,799,553</u> |
| Total financial assets | 3,093,147 |
| Less amounts not available to be used within one year: | |
| Cash held for others | 268,015 |
| Net assets with donor restrictions not expected to be met within one year | <u>80,492</u> |
| | <u>348,507</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u><u>\$ 2,744,640</u></u> |

The Organization's goal is to maintain a cash reserve fund that is a minimum of 4 months of expenses (\$1,521,341) at any one time and, when averaged over 12 months of the year, a minimum of 6 months of expenses (\$2,282,012). As a part of the reserve plan, excess cash is invested in certificates of deposit with maturities of 12 months or less with staggered maturity dates.

Historically, about one-third of contribution and grant revenue is recognized by the Organization in December. As a result, financial assets are higher at year-end and spent down during subsequent months.

NOTE 4 - INVESTMENTS

At year-end, investments consisted of the following:

| <u>Description</u> | <u>Cost Basis</u> | <u>Fair Value</u> | <u>Unrealized Appreciation (Depreciation)</u> |
|-------------------------|-----------------------|-----------------------|---|
| Certificates of deposit | <u>\$ 1,793,000</u> | <u>\$ 1,799,553</u> | <u>\$ 6,553</u> |

Investment returns are summarized as follows:

| <u>Description</u> | <u>Amount</u> |
|---|-------------------------|
| Interest and dividends - investment and demand accounts | \$ 13,699 |
| Unrealized gains(losses) | 4,060 |
| Realized gains(losses) | (311) |
| Fees | <u>(843)</u> |
| Total | <u><u>\$ 16,605</u></u> |

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| <u>Description</u> | <u>Amount</u> |
|--------------------------------|------------------|
| Vehicles | \$ 61,046 |
| Office furniture and equipment | 29,423 |
| River restoration equipment | 8,841 |
| Total | 99,310 |
| Less: accumulated depreciation | (73,521) |
| Net property and equipment | <u>\$ 25,789</u> |

Depreciation expense for the year was \$8,968.

NOTE 6 - BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS

In prior years, the Organization transferred funds to the Albuquerque Community Foundation, the Santa Fe Community Foundation and the New Mexico Community Foundation to establish endowed funds. In addition, a fourth fund was established the New Mexico Community Foundation with donor restricted funds. The Organization has granted variance power to the Foundations, and the funds are subject to the Foundations' investment and spending policies which currently result in distributions to the Organization of up to 5 percent of the average value. The funds are held and invested by the Foundations for the benefit of the Organization, and the funds are reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Changes in these endowment assets for the year ended December 31, 2018, are as follows:

| <u>Description</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--------------------------------------|---------------------------------------|------------------------------------|-------------------|
| Balance, beginning of year | \$ - | \$ 112,046 | \$ 112,046 |
| Reclassification | 106,646 | (106,646) | - |
| Balance, beginning of year, restated | 106,646 | 5,400 | 112,046 |
| Gifts and contributions | - | - | - |
| Share of appreciation | (1,642) | (821) | (2,463) |
| Distributions | (5,309) | - | (5,309) |
| Total | <u>\$ 99,695</u> | <u>\$ 4,579</u> | <u>\$ 104,274</u> |

A reclassification of beginning net assets was recorded during the year ended December 31, 2018, in order to classify the endowment funds established by the Organization with assets not having donor restrictions to "net assets without donor restrictions." This reclassification was done to conform to generally accepted accounting principles and resulted in no change to overall net assets.

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 environmental groups, collectively, to be put into an escrow account. The settlement agreement designated the funds for the purchase water rights. The Organization is the fiscal agent of the funds. The original escrow agreement was for the period of January 18, 2007 to 2012, and during 2012, the parties negotiated an extension for an additional 5 years. Changes in the balance of these funds held for others includes interest earned on the original contributions, and as of December 31, 2018, the total amount held under this fiscal agency agreement was \$268,015 .

An amended agreement was negotiated in 2018 with relevant parties which will permit the Organization to use these funds to establish a staff position dedicated to protecting and restoring the Rio Grande. The agreement allows the Organization to draw approximately \$65,000 a year from the fund, for up to four years, to support this position. Revenue will be recognized by the Organization as the terms of the agreement are met.

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Board-designated Reserve

As described in Note 3, it is the policy of the Board of Directors that the Organization work towards building a cash reserve fund that is a minimum of 4 months of expenses at any one time and, when averaged over the 12 months of the year, a minimum average of 6 months of expenses. As of December 31, 2018, the reserve was \$2,090,263.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

At year-end, net assets with donor restrictions were available for the following purposes:

| <u>Description</u> | <u>Amount</u> |
|--|-------------------|
| Restricted for purpose | |
| Wild Places programs | \$ 253,830 |
| Gila grazing permit retirement | 80,492 |
| Restricted for perpetuity | |
| Donor restricted endowment fund held at community foundation | <u>4,579</u> |
| Total | <u>\$ 338,901</u> |

NOTE 10 - IN-KIND CONTRIBUTIONS

Santa Fe Office

The Organization leases office space in Santa Fe from an unrelated party for \$1 per year. A pledge to give was recorded in fiscal year 2015 for the 36-month lease term. The lease expired October 15, 2017, and currently the Organization is occupying the space on a month-to-month basis. The estimated value of the office space is \$30,349 per year.

NOTE 10 - IN-KIND CONTRIBUTIONS (concluded)

Advertising

The Organization recorded donated advertising from Google Ads valued at \$ 52,244 during the year ended December 31, 2018.

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 | 200 |
| Total | <u>1,400</u> |

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions as follows:

| <u>Description</u> | <u>Amount</u> |
|--------------------------------------|---------------------|
| Satisfaction of purpose restrictions | |
| Wild Places programs | \$ 525,332 |
| Wildlife/endangered species | 361,670 |
| Climate and energy | 103,000 |
| Gila grazing permit retirement | 22,000 |
| River restoration | 8,775 |
| Other | 7,500 |
| Satisfaction of time restrictions | |
| Fiscal year 2018 operations | 20,000 |
| Total | <u>\$ 1,048,277</u> |

NOTE 12 - FAIR VALUE MEASUREMENTS

The Organization follows 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. 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 Organization has investments in certificates of deposit and equities in this category.

NOTE 12 - FAIR VALUE MEASUREMENTS (concluded)

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. The Organization has no 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. The Organization has beneficial interests in assets held by others 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 following table presents assets measured at fair value on a recurring basis as of December 31, 2018:

| <u>Description</u> | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--|---------------------|---------------------|----------------|-------------------|
| Certificates of deposit | \$ 1,799,553 | \$ 1,799,553 | \$ - | \$ - |
| Beneficial interests in assets held by others | <u>104,274</u> | <u>-</u> | <u>-</u> | <u>104,274</u> |
| Total | <u>\$ 1,903,827</u> | <u>\$ 1,799,553</u> | <u>\$ -</u> | <u>\$ 104,274</u> |

A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2018, is included in Note 6.

NOTE 13 - CONTINGENT PLEDGES RECEIVABLE

Gila Bioregion

The Organization has received a pledge of \$2 million that is restricted for the retirement of grazing permits in the greater Gila Bioregion. This pledge is contingent upon changes in federal legislation within 2 years, the status of which is currently uncertain. This pledge is considered a conditional promise to give, and therefore, it is not recorded in the financial statements. The pledge will be recognized as income in the period in which the contingency is met.

NOTE 14 - CONTINGENT LIABILITY

The Organization has entered into an agreement with an unrelated third party who holds a grazing permit (the “permittee”). The purpose of the agreement is pay the permittee to forgo the use of the grazing permit. The agreement is contingent upon several factors, including the permittee entering into a memorandum of understanding with the U.S. Forest Service. The Organization paid the permittee \$20,000 upon execution of the agreement in December 2017 and an additional \$22,000 during the year ended December 31, 2018. If terms of the agreement are satisfied, the Organization will pay the permittee an additional \$43,000.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

1. Office Leases

As discussed in Note 10, the Organization receives the use of in-kind office space for its Santa Fe location. The lease payment is \$1 per year. The lease expired on October 15, 2017, and the Organization is currently occupying the space on a month-to-month basis.

During the year, the Organization also leased office space in Denver, Tucson, Portland, Seattle, and Missoula. The Denver, Seattle, and Tucson leases are on a month-to-month basis, with monthly rates ranging from \$290 to \$1,695.

The Missoula office is leased for \$1,984 a month, and the lease expired in September 2018 and is currently on a month-to-month basis. Three unrelated not-for-profit organizations sublet office space in Missoula, and these sub-lease agreements are on a month-to-month basis. The Portland office is leased for \$1,827 per month, and the lease expires July 31, 2020.

Total office rent expense for the year ended December 31, 2018, including in-kind rent in Santa Fe and described in Note 10, was \$110,083.

The future minimum lease payments for the Portland location are:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2019 | \$ 22,708 |
| 2020 | 13,438 |
| Total | <u>\$ 36,146</u> |

2. Equipment Leases

The Organization rents equipment for river restoration work on a month-to-month basis. River restoration equipment lease expense totaled \$84,903 for the year ended December 31, 2018. In addition, a lease for a copier was initiated in January 2016 for a term of 48 months. The lease is an operating lease, and future minimum payments are:

| <u>Year</u> | <u>Amount</u> |
|-------------|-----------------|
| 2019 | \$ 3,296 |
| 2020 | 3,296 |
| Total | <u>\$ 6,592</u> |

3. Conservation Easements

The Organization holds conservation easements on two properties located in New Mexico. 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 16 - PENSION PLAN

The Organization adopted a 403(b) retirement plan which includes an employer contribution of up to 3 percent of gross salary. Non-seasonal employees are eligible to participate in the plan on the first day of employment, and the employer match is effective after 12 months of employment. The amount contributed by the employee vests to the employee immediately, and the employer match is fully vested upon 24 months of employment. Retirement expense for the year ended December 31, 2018, was \$52,223.

NOTE 17 - LEGAL FEES AND SETTLEMENTS

Legal fees and settlements are recorded for environmental lawsuits brought by WildEarth Guardians' program staff. Some of the litigation that WildEarth Guardians' program staff is involved in may result in financial settlements due to the Organization, or amounts due from the Organization. Due to uncertainties related to legal settlements, all revenue related to litigation is recorded as program service revenue in the period in which the settlement is finalized. In addition, expenses related to litigation are recorded as costs when incurred or as soon as probable costs can be reasonably estimated.

NOTE 18 - CONCENTRATIONS OF CREDIT RISK

At December 31, 2018, the Organization had cash assets on-hand and in several banking institutions that exceeded the coverage offered by the Federal Deposit Insurance Corporation. Uninsured cash assets at year-end were \$775,394.

NOTE 19 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, the Organization received approximately \$238,800 in direct donations, or indirect donations by way of donor-advised funds, from board members or family members of management.

NOTE 20 - SUBSEQUENT EVENT

In 2019, management received information regarding possible misappropriation of assets involving WildEarth Guardian's River Restoration program. Management hired a fraud investigator, and the initial investigation indicates the misappropriation is isolated to this program and due to collusion between an employee of this program and a third-party vendor, and possibly spanning a four-year period. Allegedly, the employee falsified invoices for expenses not incurred, and these invoices were submitted to grantor agencies for reimbursement.

Management has informed its relevant partner and grantor agencies, as well as donors and membership, about the suspected misappropriation. Management is cooperating with law enforcement and intends to hold any persons responsible to the fullest extent of the law. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.