



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

WILDEARTH GUARDIANS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

**For the Year Ended December 31, 2019
With Comparative Totals for 2018**

DRAFT

WILDEARTH GUARDIANS
For the Year Ended December 31, 2019, With Comparative Totals for 2018

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WILDEARTH GUARDIANS
As of December 31, 2019

OFFICIAL ROSTER

Board of Directors

<u>Name</u>	<u>Title</u>
Mimsi Milton	President
David Will	Vice President
Cathy Bailey	Secretary
Peter Schoenburg	Treasurer
Anne Butterfield	Member
Nat Cobb	Member
Gay Dillingham	Member
Melissa Hailey	Member
Rebecca Vitale Mandich	Member
Kristina Martinez	Member
Bill Syme	Member

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Independent Auditor's Report

The Board of Directors of
WildEarth Guardians
Santa, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the WildEarth Guardians (the Organization)(a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 accounting 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 from 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 auditor's 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 qualified 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 indicated 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 22.

In light of the ongoing investigation by outside parties, 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 River Restoration accounts were necessary.

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 the Organization as of December 31, 2019, 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

The financial statements for the year ended December 31, 2018 were audited by a predecessor auditor. The prior year summarized comparative information has been derived from the Organization's financial statements for the year ended December 31, 2018. In the report dated May 3, 2019, the predecessor auditor expressed a qualified opinion on those statements. The reason for the qualified opinion was due to possible misappropriation of assets involving WildEarth Guardian's River Restoration program.



Hinkle + Landers, P.C.
Albuquerque, NM
March 20, 2020

WILDEARTH GUARDIANS
STATEMENT OF FINANCIAL POSITION
As of December 31, 2019, With Comparative Totals For 2018

	Notes	2019	2018
ASSETS			
Current Assets			
Cash & cash equivalents		\$ 108,962	608,298
Current restricted cash (fiscal agent)	7	65,000	65,268
Restricted cash for donor restrictions		1,254,666	334,322
Accounts receivable		60,236	47,691
Grants & pledges receivable		325,000	35,000
Legal receivables		51,774	-
Prepaid expenses		3,586	45,296
Short-term investments	4	2,026,374	1,799,553
Total current assets		<u>3,895,598</u>	<u>2,935,428</u>
Non-current restricted cash (fiscal agent)	7	136,418	203,015
Security deposits		6,316	7,838
Property & equipment, net	5	16,821	25,789
Beneficial interests in assets held by others	6	107,761	104,274
Total non-current assets		<u>267,316</u>	<u>340,916</u>
TOTAL ASSETS		<u>\$ 4,162,914</u>	<u>3,276,344</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable		\$ 123,280	63,737
Deposits held for sublessee		400	782
Accrued payroll		226,029	91,350
Current portion funds held for others (fiscal agent)	7	65,000	65,000
Total current liabilities		<u>414,709</u>	<u>220,869</u>
Long-term liabilities:			
Funds held for others (fiscal agent)	7	<u>136,418</u>	<u>203,015</u>
Total liabilities		<u>551,127</u>	<u>423,884</u>
Net Assets			
Without donor restrictions			
Undesignated		309,064	397,507
Board designated reserve	8	2,026,374	2,090,263
Net investment in property and equipment		16,821	25,789
Total unrestricted net assets		<u>2,352,259</u>	<u>2,513,559</u>
With donor restrictions	9		
Restricted for purpose and time		1,254,666	334,322
Restricted for perpetuity		4,862	4,579
Total net assets		<u>3,611,787</u>	<u>2,852,460</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 4,162,914</u>	<u>3,276,344</u>

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements.

WILDEARTH GUARDIANS
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2019, With Comparative Totals For 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and other support				
Individual donations	1,439,653	880,740	2,320,393	1,672,211
Grants	190,611	1,495,800	1,686,411	1,361,825
Government contracts	495,099	-	495,099	778,428
Private land restoration contracts	10,000	-	10,000	190,661
Legal income	231,473	-	231,473	138,022
Special events, net	10,551	-	10,551	155,366
Rental income	23,950	-	23,950	17,792
Investment income, net	155,808	-	155,808	16,605
Distributions from and change in beneficial interests in assets held by others	3,204	283	3,487	(7,772)
Other revenue	4,116	67,104	71,220	17,526
Stock donations	57,853	-	57,853	70,156
In-kind contributions	76,652	1,415	78,067	82,593
Net assets released	1,524,715	(1,524,715)	-	-
Total revenue and other support	4,223,685	920,627	5,144,312	4,493,413
Expense				
Program services	3,473,885	-	3,473,885	3,378,613
Supporting activities				
Management and general	252,799	-	252,799	230,971
Fund-raising	658,301	-	658,301	524,201
Total expense	4,384,985	-	4,384,985	4,133,785
Change in net assets	(161,300)	920,627	759,327	359,628
Net assets, beginning of year	2,513,559	338,901	2,852,460	2,492,832
Net assets, end of year	\$ 2,352,259	1,259,528	3,611,787	2,852,460

SEE INDEPENDENT AUDITOR'S REPORT
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WILDEARTH GUARDIANS
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2019, With Comparative Totals For 2018

	2019											2018			
	Program Services								Supporting Activities					Total	Total
	Wildlife	Wild Rivers	Wild Places	Climate and Energy	Legal	Lobbying	Communi-cations	Restoration	Program Services	Management and General	Fundraising and Events	Total			
Salaries	\$ 285,482	149,740	345,266	284,621	278,901	5,881	203,716	384,043	1,937,650	147,558	313,974	2,399,182	2,167,953		
Payroll taxes and benefits	69,539	36,592	84,374	69,004	68,158	1,435	49,782	52,902	431,786	(24,702)	76,728	483,812	467,662		
Travel	20,018	14,726	32,177	15,318	14,752	9,609	4,314	41,654	152,568	12,244	29,477	194,289	163,875		
Contract labor	8,575	4,355	25,290	9,086	2,156	10,388	8,041	48,974	116,865	18,808	48,025	183,698	290,329		
Events	-	-	-	-	-	-	-	-	-	-	140,017	140,017	116,353		
Occupancy	16,684	9,556	20,288	16,536	16,352	345	11,944	6,585	98,290	9,659	18,408	126,357	108,276		
Legal services	6,180	-	1,161	1,046	114,029	5,000	-	-	127,416	450	-	127,866	29,884		
Dues and subscriptions	1,243	1,495	1,583	2,679	10,728	-	18,134	-	35,862	1,581	90,041	127,484	146,269		
Staff development and training	14,508	9,487	15,517	15,024	8,315	119	9,611	1,997	74,578	38,265	6,986	119,829	79,191		
Supplies	-	13	-	-	-	-	-	66,255	66,268	-	-	66,268	59,658		
Insurance	6,985	4,058	8,474	6,923	14,216	144	5,000	2,418	48,218	9,622	7,706	65,546	38,107		
Publications and media	4,454	522	10,618	5,144	76	1	32,704	15	53,534	711	9,488	63,733	119,145		
Office expense	4,987	3,319	5,383	8,110	6,489	66	3,152	7,927	39,433	8,420	7,308	55,161	34,265		
In-kind advertising expense	-	-	-	-	-	-	49,422	-	49,422	-	-	49,422	-		
In-kind goods for auction	-	-	-	-	-	-	-	-	-	-	46,871	46,871	-		
Accounting services	1,564	823	1,898	1,550	1,533	32	1,120	34,532	43,052	756	1,725	45,533	11,509		
Printing	3,218	1,338	1,423	4,494	2,071	74	1,425	371	14,414	2,371	26,438	43,223	22,103		
Equipment leases	497	261	603	492	487	10	355	35,999	38,704	240	548	39,492	88,509		
Telephone	4,978	2,545	5,869	4,794	4,788	100	3,463	1,725	28,262	2,875	5,336	36,473	34,873		
Postage	1,047	197	772	3,025	2,171	7	3,874	1,086	12,179	3,983	13,000	29,162	33,064		
Website development	-	136	42	-	-	-	22,114	-	22,292	10	-	22,302	108,828		
Mapping and surveying	794	775	13,683	-	-	-	-	789	16,041	1,824	-	17,865	4,646		
Fees	1,600	949	1,856	2,056	1,611	31	2,084	1,303	11,490	3,106	2,944	17,540	24,095		
In-kind legal services	-	-	-	-	16,000	-	-	-	16,000	-	-	16,000	-		
Bad debt expense	-	-	-	-	-	-	-	15,093	15,093	-	-	15,093	-		
In-kind rent	-	-	-	-	-	-	-	-	-	12,645	-	12,645	30,349		
Equipment maintenance	-	-	-	-	-	-	-	1,129	1,129	-	-	1,129	23,922		
Grazing permit buy-out	-	-	-	-	-	-	-	-	-	-	-	-	22,000		
All other	5,204	187	3,052	5,567	194	3	110	54	14,371	2,373	169	16,913	16,305		
Total expenses before depreciation	457,557	241,074	579,329	455,469	563,027	33,245	430,365	704,851	3,464,917	252,799	845,189	4,562,905	4,241,170		
Depreciation	-	-	-	-	-	-	-	8,968	8,968	-	-	8,968	8,968		
Less expenses included with revenue on the statement of activities:															
Direct expenses of fundraisers	-	-	-	-	-	-	-	-	-	-	(186,888)	(186,888)	(116,353)		
Total expenses	\$ 457,557	241,074	579,329	455,469	563,027	33,245	430,365	713,819	3,473,885	252,799	658,301	4,384,985	4,133,785		

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements.

WILDEARTH GUARDIANS
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2019, With Comparative Totals For 2018

	2019	2018
Cash Flow From Operating Activities		
Cash receipts from contributions, grants and contracts	\$ 4,212,845	
Cash receipts from legal activities	179,699	
Cash from special events	150,568	
Cash receipts from other income	95,170	
Cash receipts from beneficial interests in assets held by others		
Cash paid to suppliers and employees	(4,052,622)	
Cash paid for special events	(140,017)	
Cash provided by (used for) operating activities	445,643	
Cash Flows From Investing Activities		
Sale of investments	2,165,000	
Purchase of investments	(2,256,500)	
Cash provided by (used for) investing activities	(91,500)	
Net increase (decrease) in cash and cash equivalents	354,143	
Cash and cash equivalents at beginning of year	1,210,903	
Cash and cash equivalents at end of year	\$ 1,565,046	
Cash flows from operating activities		
Change in net assets	759,327	359,628
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities		
Donated securities	(57,853)	(70,156)
Net (gains) losses on investments	(77,468)	(3,750)
Depreciation expense	8,968	8,968
Change in operating assets and liabilities		
(Increase) decrease in accounts receivable	(12,545)	251,336
(Increase) decrease in grants and contracts receivable	(290,000)	(15,000)
(Increase) decrease in legal receivable	(51,774)	-
(Increase) decrease in prepaid expenses	41,710	12,598
(Increase) decrease in security deposits	1,522	-
(Increase) decrease in assets held by others	(3,487)	7,772
Increase (decrease) in accounts payable	59,543	10,703
Increase (decrease) in deposits held for sublessees	(382)	-
Increase (decrease) in accrued payroll expenses	134,679	4,706
Increase (decrease) in fiscal agent	(66,597)	-
Net cash provided (used) by operating activities	445,643	566,805
Cash flows from investing activities		
Proceeds from sales of investments	2,086,660	929,734
(Purchases) of investments	(2,178,160)	(1,902,689)
Net cash provided (used) by investing activities	(91,500)	(972,955)
Net change in cash	354,143	(406,150)
Cash, restricted cash, and cash equivalents, beginning of year	1,210,903	1,617,053
Cash, restricted cash, and cash equivalents, end of year	\$ 1,565,046	1,210,903
Supplementary Information		
In-kind donations	182,791	152,749

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements.

WILDEARTH GUARDIANS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019, With Comparative Totals for 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

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.

Financial Statement 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.

WILDEARTH GUARDIANS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019, With Comparative Totals for 2018

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.

Cash, Restricted Cash, and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash, restricted cash and cash equivalents includes money market funds and interest-bearing instruments with maturities at the date of purchase of three months or less. Cash held for investment purposes is included as investments. The Organization maintains deposits in financial institutions that may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). Management believes that there is not a significant risk with respect to these deposits. In addition, restricted cash shown in non-current assets is also included in the statement of cash flows.

Grants, Contracts and Accounts Receivables

Grants, contracts and other receivables are stated at unpaid balances, less an allowance for doubtful accounts. Management estimates the adequacy of the allowance for uncollectible receivables based on historical collections, specific impaired receivables, and other situations that may affect the collection of the receivables. Receivables are charged off in the period in which the management determines the receivable is uncollectible. As of December 31, 2019, and 2018, management estimates all receivables to be fully collectible; therefore, no provision for an allowance for uncollectible receivables has been recorded.

Property, Equipment, and Depreciation

Property and equipment are stated at cost or estimated fair value at date of donation. Depreciation of property and equipment is provided over the estimated useful lives (see table below) of the respective assets using the straight-line method. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. The current policy is to capitalize acquisitions with a cost in excess of \$5,000.

Useful lives are as follows:

Classification	Depreciable Life (in years)
River restoration equipment	7
Vehicles	5
Office furniture and equipment	3-5

Use of 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.

WILDEARTH GUARDIANS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019, With Comparative Totals for 2018

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses and other liabilities approximate fair value due to the short maturity periods of these instruments. The fair value of long-term debt, if applicable, is the carrying value due to the adjustable market rate of interest.

In-Kind Donations

The Organization has received stock donations, in-kind advertising services, in-kind goods for auction, in-kind legal services, and in-kind rent for the year ended December 31, 2019. 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 expenses. See note 11 for in-kind donations.

Income Taxes

WildEarth Guardians has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). The Organization files its Federal Form 990 tax returns in the U.S. federal jurisdiction and the online charitable registration in the Office of the Attorney General for the State of New Mexico. The Organization is generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2016. The Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of WildEarth Guardians have been summarized on a functional basis in the statements of functional expenses. Salary and other personnel costs that are not directly coded to a programmatic activity are allocated based on time certifications and the best estimate of employees. Depreciation expenses is allocated directly to the appropriate programs benefited. Other operating costs are allocated using various allocation methodologies including allocations based on personnel, square footage, or revenue generated.

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, 2019, from which the summarized information was derived.

The cash flow statement for the year ended December 31, 2019 is presented on the direct method. The prior year's cash flow statement is presented on the indirect method. Therefore, the prior year's cash flow from operating activities has been omitted.

WILDEARTH GUARDIANS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019, With Comparative Totals for 2018

Reclassifications

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

Subsequent Events

Management has evaluated subsequent events through March 20, 2020, the date the financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY

WildEarth Guardians regularly monitor liquidity to meet cash flow requirements and operating needs. The availability of financial assets is primarily affected by management designations, the nature of the underlying assets, external limitations imposed by donors or contracts with others. Because a donor's restriction required resources to be used in a particular manner or in a future period, WildEarth Guardians must maintain sufficient resources to meet those responsibilities to its donors. These financial assets may not be available for general expenditure within one year. As part of WildEarth Guardians' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, WildEarth Guardians can invest cash in excess of daily requirements in short-term investments.

Liquidity is as follows:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 108,962	608,298
Accounts receivable	60,236	47,691
Legal receivables	51,774	-
Grants and pledges receivable	325,000	35,000
Estimate of distributions from beneficial interests held by others	4,120	4,035
Investments	<u>2,026,374</u>	<u>1,799,553</u>
 Total financial assets	 2,576,466	 2,494,577
 Less amounts not available to be used within one year:		
Board reserve	<u>2,026,374</u>	<u>2,090,263</u>
 Financial assets available to meet general expenditures over the next twelve months	 \$ <u>550,092</u>	 <u>404,314</u>

The Organization's goal is to maintain a cash reserve fund that is a minimum of 4 months of expenses (\$1,520,968) at any one time and, when averaged over 12 months of the year, a minimum of 6 months of expenses (\$2,192,493). As a part of the reserve plan, excess cash is invested in certificates of deposit and other financial instruments with maturities of 12 months or less.

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.

WILDEARTH GUARDIANS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019, With Comparative Totals for 2018

NOTE 4 – INVESTMENTS

Investments are comprised of certificate of deposits and money market accounts and are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded on a specific identification method upon the sale of investment assets. Realized and unrealized gains and losses, as well as investment expenses are reflected within the investment return, net, in the statement of activities. Investment income and gains (losses) restricted by donors are reported as increases (decreases) in net assets without donor restrictions unless donor-imposed restrictions have not been met in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

At year-end, investments consisted of the following:

Description	2019			2018
	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)	Fair Value
Certificates of deposit	\$ 1,500,000	1,502,777	2,777	1,799,553
Cash, BDP, MMFs	523,597	523,597	-	-
Total investments held at Morgan Stanley	\$ 2,023,597	2,026,374	2,777	1,799,553

Certificates of deposit held as of December 31, 2019 are as follows:

Face Value	Maturity Date	Coupon Rate
\$ 200,000	1/2/2020	1.95%
200,000	1/2/2020	2.00%
100,000	2/12/2020	1.55%
150,000	2/18/2020	1.45%
200,000	3/19/2020	1.75%
200,000	3/27/2020	1.75%
200,000	4/1/2020	1.65%
250,000	6/1/2020	1.75%
\$ 1,500,000		

WILDEARTH GUARDIANS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019, With Comparative Totals for 2018

Investment activities are summarized as follows:

	Amount
Beginning balance	\$ 1,799,553
Donations of stock	57,853
Deposits	2,178,160
Interest and dividends - investment and demand accounts	33,495
Unrealized gains (losses)	78,459
Realized gains (losses)	44,845
Withdrawals	(2,165,000)
Fees	(991)
Ending balance	\$ 2,026,374

NOTE 5 – PROPERTY, EQUIPMENT, AND DEPRECIATION

Property and equipment consisted of the following:

Description	2018	Additions	Deletions	2019
Vehicles	\$ 61,046	-	-	61,046
Office furniture and equipment	29,423	-	-	29,423
River restoration equipment	8,841	-	-	8,841
Total	99,310	-	-	99,310
Less: accumulated depreciation	(73,521)	(8,968)	-	(82,489)
Net property and equipment	\$ 25,789	(8,968)	-	16,821

Depreciation expense was \$8,968 and \$8,968 for the years ended 2019 and 2018, respectively.

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.

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Changes in these endowment assets for the year ended December 31, 2019 and December 31, 2018, are as follows:

Description	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	\$ 99,695	4,579	104,274	-	112,046	112,046
Reclassification	-	-	-	106,646	(106,646)	-
Balance, beginning of year, restated	99,695	4,579	104,274	106,646	5,400	112,046
Market appreciation/ (depreciation)	8,016	751	8,767	(1,642)	(821)	(2,463)
Fees	(777)	(468)	(1,245)	-	-	-
Distributions	(4,035)	-	(4,035)	(5,309)	-	(5,309)
Balance, end of year	\$ 102,899	4,862	107,761	99,695	4,579	104,274

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, 2019, the total amount held under this fiscal agency agreement was \$201,418.

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. The first of four withdrawals occurred during 2019 in the amount of \$67,104.

Fiscal agent activity is as follows:

	2019	2018
Beginning Balance	\$ 268,283	268,015
Interest	239	268
Withdrawal	(67,104)	-
Ending Balance	\$ 201,418	268,283

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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, 2019 and December 31, 2018 the reserve balances were as follows:

	<u>2019</u>	<u>2018</u>
Cash reserve \$	2,026,374	2,090,263

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

At year-end, net assets with donor restrictions activity is as follows:

Description	2018	Restricted Donations	Restrictions Released	2019
Restricted for purpose				
Wildlife/endangered species	-	898,606	(457,557)	441,049
Wild Rivers programs	-	177,478	(177,478)	-
Wild Places programs	\$ 253,830	808,624	(537,822)	524,632
Climate and energy	-	310,351	(310,351)	-
Gila grazing permit retirement	80,492	-	(41,507)	38,985
Restricted for time	-	250,000	-	250,000
Restricted in perpetuity				
Donor restricted endowment funds held at community foundations	4,579	283	-	4,862
Total	\$ 338,901	2,445,342	(1,524,715)	1,259,528

NOTE 10 – REVENUE RECOGNITION

In accordance with accounting principles generally accepted in the United States of America, revenue is recorded when earned rather than received. The following summarizes the revenue recognition policies for major classifications of significant revenues:

- ❖ **Contributions**—Contributions are reported when an unconditional promise to give or other asset is received (in accordance with ASC 958-605). All contributions are considered available for the Organization’s general programs unless specifically restricted by the donor. Gifts of securities are recorded at their fair market value when received. Contributions with donor-imposed restrictions spent in the same year or in later periods as contributed are shown as initially donor restricted and released to without donor restriction in the Statement of Activities as the restriction expires. Amounts received that are designated for future periods or restricted

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by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated professional services that create or enhance non-financial assets or that require specialized skills, are recorded at their fair values in the period received. Donated stocks, bonds or other securities are recorded at the fair market value on the date of the gift.

Gifts of long-lived assets are reported as support without donor restrictions unless the donor has restricted the use of the assets for specific purposes. Long-lived assets with explicit restrictions and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Contributed long-lived assets are recorded at their fair market value on the date of receipt.

- ❖ Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.
- ❖ **Major grants**—Major grant contributions are typically recorded as restricted revenue based on either a purpose (program) restriction and/or a time restriction based on when the grantor has notified or advanced funds to WildEarth Guardians.
- ❖ **Private Grants**—Private grants contributions are typically recorded as revenue with donor restrictions based on either a purpose (program) restriction and/or a time restriction based on when the grantor has notified or advanced funds to the WildEarth Guardians.
- ❖ **Contract Revenue**—Revenue is recorded at the time the services are provided.

NOTE 11 – IN-KIND CONTRIBUTIONS

Santa Fe Office

The Organization leased 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 the Organization occupied the space on a month-to-month basis. This agreement was terminated in May 2019. The estimated value of the office space was \$12,645 and \$30,349 for the years 2019 and 2018, respectively.

Contributed Services

A substantial number of volunteers have made significant contributions of their time in the furtherance of WildEarth Guardians' activities. The value of this contributed time is not reflected in these statements as it does not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

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The nonprofessional hours are as follows:

	2019 Hours	2018 Hours
Nonprofessional hours		
River restoration	-	1,200
Administrative assistance	185	200
Event volunteers	80	-
Total nonprofessional donated hours	265	1,400

The Organization had the following in-kind donation revenues at December 31:

	2019	2018
Stock donations	\$ 57,853	70,156
In-kind Google advertising	49,422	52,244
In-kind goods for auction	46,871	-
In-kind legal services	16,000	-
In-kind rent	12,645	30,349
Total in-kind donations	\$ 182,791	152,749

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.

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.

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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, 2019 and December 31, 2018:

Description	2019			2018		
	Level 1	Level 3	Total	Level 1	Level 3	Total
Certificates of deposit	\$ 1,502,777	-	1,502,777	1,799,553	-	1,799,553
Cash, BDP, MMFs	523,597	-	523,597	-	-	-
Beneficial interests in assets held by others	-	107,761	107,761	-	104,274	104,274
Total	\$ <u>2,026,374</u>	<u>107,761</u>	<u>2,134,135</u>	<u>1,799,553</u>	<u>104,274</u>	<u>1,903,827</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, 2019 and 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, 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. No payments were made during 2019. If terms of the agreement are satisfied, the Organization will pay the permittee an additional \$43,000.

NOTE 15 – SPECIAL EVENTS

WildEarth Guardians holds several special events to raise funds and awareness. Expenses related to these special events that are considered a direct benefit to the donor are shown in the statement of activities as a reduction of gross revenue.

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During the year ended December 31, 2019, WildEarth Guardians participated in several special events. The income and expenses of the events consist of the following:

	2019			2018	
	Guardians Gala	Howling Affair	All Others	Total	Total
Income	\$ 77,790	51,935	20,843	150,568	271,719
In kind gifts/goods	46,871	-	-	46,871	-
Less: In-kind gifts/goods	(46,871)	-	-	(46,871)	-
Less: direct expenses	(56,443)	(31,504)	(52,070)	(140,017)	(116,353)
	<u>\$ 21,347</u>	<u>20,431</u>	<u>(31,227)</u>	<u>10,551</u>	<u>155,366</u>

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Office Leases

As discussed in note 11, the Organization received the use of in-kind office space for its Santa Fe location. The lease payment was \$1 per year. The lease expired on October 15, 2017, and the Organization occupied the space on a month-to-month basis until May 2019 when the agreement was terminated.

During the year, the Organization also leased office space in Santa Fe, Denver, Tucson, Portland, Seattle, and Missoula. The Denver, Tucson, Portland, Seattle, and Missoula leases are on a month-to-month basis, with monthly rates ranging from \$315 to \$2,448.

Three unrelated not-for-profit organizations sublet office space in Missoula, and these sub-lease agreements are on a month-to-month basis.

Total office rent expense for the year ended December 31, 2019, including in-kind rent in Santa Fe and described in note 11, was \$122,458.

The future minimum lease payments are:

Year	Amount
2020	\$ 45,270
2021	41,494
2022	42,531
2023	43,595
2024	18,351
Total	<u>\$ 191,241</u>

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.

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NOTE 17 – 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, 2019 and December 31, 2018, was \$47,251 and \$52,223, respectively.

NOTE 18 – 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 judgment 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 19 – LITIGATION

The Organization, in the normal course of business, is subject to claims and litigation. Management believes that there are no outstanding claims or assessments which would be subject to a material unfavorable outcome that would not be covered by insurance.

NOTE 20 – CONCENTRATIONS OF CREDIT RISK

At December 31, 2019, 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 \$441,516.

NOTE 21 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, the Organization received approximately \$66,203 in direct donations, or indirect donations by way of donor-advised funds, from board members or family members of management. Related party transactions during the year ended December 31, 2018 were approximately \$238,800.

The Executive Director and some donors have engaged the Organization to restore private lands. Because WildEarth Guardians is a Section 501(c)(3) organization, it has adopted a policy meant to ensure that all work performed on private land is consistent with the goals of the organization. A written set of criteria has been agreed to and is applied by the Board. The Board must approve each project before work begins. For the year ended December 31, 2019, revenue related to this activity totaled \$10,000. There were no private land restoration projects during 2018.

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NOTE 22 – SUBSEQUENT EVENT

In 2019, management received information regarding possible misappropriation of assets involving WildEarth Guardian’s River Restoration program. Management hired a certified fraud investigator, and the initial investigation indicated the misappropriation was 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. The Organization immediately terminated the employee and ended all work with the third party vendor.

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.

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