

WILDEARTH GUARDIANS

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2013

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

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

March 28, 2014

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, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. Information for the year ended December 31, 2012 is presented for comparative purposes only and was extracted from the financial statements presented by net asset class for that year on which an unqualified audit opinion dated March 14, 2013 was expressed.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WildEarth Guardians as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

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

WILDEARTH GUARDIANS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	2013	2012
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 946,189	\$ 425,426
Cash and cash equivalents - fiscal agent	271,338	270,588
Cash and cash equivalents - temporarily restricted	357,145	286,226
Accounts receivable	62,855	42,267
Pledges receivable - temporarily restricted	1,860	30,000
Grants and contracts receivable - temporarily restricted	80,000	113,000
Prepaid expenses	11,614	2,890
Inventory	-	109,229
Donated lease receivable - temporarily restricted (Note 3)	30,349	65,347
Investments (Note 4)	399,664	1,596
Property held for sale (Note 5)	644,306	-
Net property and equipment (Note 5)	31,670	25,631
Beneficial interest in assets held by others - unrestricted (Note 6)	45,492	242,333
Beneficial interest in assets held by others - permanently restricted (Note 6)	230,594	226,264
Total assets	<u>\$ 3,113,076</u>	<u>\$ 1,840,797</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 28,541	\$ 50,287
Payroll and related accruals	73,255	17,108
Fiscal agent (Note 7)	271,338	270,588
Notes payable (Note 8)	430,209	3,130
Capital lease payable (Note 9)	6,007	8,427
Commitments and contingencies (Note 10)		
Total liabilities	<u>809,350</u>	<u>349,540</u>
<u>Net assets</u>		
Unrestricted		
Operating	1,318,526	514,013
Net investment in property and equipment	239,760	14,074
Board-designated endowment (Note 6)	45,492	242,333
Temporarily restricted (Note 11)	469,354	494,573
Permanently restricted (Notes 6 and 12)	230,594	226,264
Total net assets	<u>2,303,726</u>	<u>1,491,257</u>
Total liabilities and net assets	<u>\$ 3,113,076</u>	<u>\$ 1,840,797</u>

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue and other support</u>					
Grants	\$ 234,158	\$ 951,370	\$ -	\$ 1,185,528	\$ 798,899
Individual donations	699,341	81,280	-	780,621	574,991
Government grants and contracts	477,973	-	-	477,973	461,098
Program service fees	291,922	-	-	291,922	7,488
Special events	144,964	-	-	144,964	155,221
Less: direct expenses for events	(73,639)	-	-	(73,639)	(85,755)
Rental income	11,272	-	-	11,272	-
Investment income(loss)	3,763	-	4,330	8,093	22,983
Reimbursed expenses	5,847	-	-	5,847	14,245
Other revenue	3,191	-	-	3,191	1,963
In-kind contributions (Note 14)	321,662	3,338	-	325,000	94,272
Net assets released from restrictions	1,176,700	(1,176,700)	-	-	-
Total revenue and other support	3,297,154	(140,712)	4,330	3,160,772	2,045,405
<u>Expense</u>					
Program services					
Restoration	595,469	-	-	595,469	498,131
Wild places	529,697	-	-	529,697	144,158
Wildlife	452,594	-	-	452,594	471,200
Climate and energy	300,226	-	-	300,226	306,585
Publications and outreach	136,858	-	-	136,858	127,110
Water	94,637	-	-	94,637	48,380
Events	53,252	-	-	53,252	43,306
Total program services	2,162,733	-	-	2,162,733	1,638,870
Supporting services					
Management and general	247,995	-	-	247,995	93,126
Fund-raising	155,244	-	-	155,244	167,721
Total expense	2,565,972	-	-	2,565,972	1,899,717
Change in net assets before unusual items	731,182	(140,712)	4,330	594,800	145,688
Unusual items (Note 16)	102,176	115,493	-	217,669	-
Change in net assets	833,358	(25,219)	4,330	812,469	145,688
Net assets, beginning of year	770,420	494,573	226,264	1,491,257	1,345,569
Net assets, end of year	\$ 1,603,778	\$ 469,354	\$ 230,594	\$ 2,303,726	\$ 1,491,257

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	<u>2013</u>	<u>2012</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 812,469	\$ 145,688
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Net (gains)losses on investments	-	32
Donated securities	(32,002)	(26,146)
Discount on purchase of property	(207,500)	-
Gain on acquisitions - noncash assets acquired	(13,633)	-
Depreciation expense	17,975	13,503
(Increase)decrease on assets held by others	(13,849)	(21,454)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	(20,588)	147,722
(Increase)decrease in pledges receivable	28,140	(30,000)
(Increase)decrease in grants and contracts receivable	33,000	(73,206)
(Increase)decrease in prepaid expenses	(8,724)	12,810
(Increase)decrease in inventory	109,229	11,066
(Increase)decrease in donated lease receivable	34,998	32,590
Increase(decrease) in accounts payable	(21,746)	(11,134)
Increase(decrease) in payroll and related accruals	56,147	383
Increase(decrease) in fiscal agent	750	495
Net cash provided(used) by operating activities	<u>774,666</u>	<u>202,349</u>
<u>Cash flows from investing activities</u>		
Net (purchases)sales of investments	(366,031)	24,629
Interest income reinvested	(35)	(111)
(Purchases) of property and equipment	(11,187)	(4,765)
Proceeds from assets held by others	206,360	-
Net cash provided(used) by investing activities	<u>(170,893)</u>	<u>19,753</u>
<u>Cash flows from financing activities</u>		
(Repayments) on capital lease	(2,420)	(1,723)
(Repayments) on notes payable	(8,921)	(5,220)
Net cash provided(used) by financing activities	<u>(11,341)</u>	<u>(6,943)</u>
Net change in cash	592,432	215,159
Cash and cash equivalents, beginning of year	982,240	767,081
Cash and cash equivalents, end of year	<u>\$ 1,574,672</u>	<u>\$ 982,240</u>
Supplemental disclosure of information:	-	-
Cash paid during the period for interest	\$ 7,329	\$ 1,139
Property purchased with financing	\$ 436,000	\$ -
Assets purchased with a capital lease	\$ -	\$ 10,150

The accompanying notes are an integral part of these financial statements

WILDEARTH GUARDIANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

Wildlife - Preventing extinction and promoting recovery of imperiled native plants and animals in the West.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

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

2. Basis of Presentation

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

3. Restricted and Unrestricted Revenue

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

4. Cash and Cash Equivalents

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

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

5. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a provision for bad debt expense. No provision was deemed necessary at December 31, 2013.

6. Promises to Give

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

7. 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.

8. 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.

9. Estimates

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

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

10. 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).

11. 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. The Organization's *Federal Return of Organization Exempt from Income Tax* (Form 990) is subject to examination by the IRS, generally for three years after filing.

12. Functional Reporting of Expenses

For the year ended December 31, 2013, 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.

13. 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, 2012 from which the summarized information was derived.

14. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. Cash and cash equivalents held at an investment brokerage was reclassified to cash and cash equivalents for the presentation of the statement of financial position and cash flow statement. The amounts reclassified from investments to cash and cash equivalents for the years ended December 31, 2012 and 2011 was \$235,270 and \$95,641, respectively.

On the Statement of Activities, \$7,488 was reclassified from "Other revenue" to "Program service fees." On the Schedule of Functional Expenses, \$103 was reclassified from "Event expense" to a direct cost of special events on the Statement of Activities, and \$130,225 was reclassified from "Contract labor" to "Salaries." Reclassifications were also made to the "All other" expenses line.

15. Subsequent Events

Management has evaluated subsequent events through March 28, 2014, the date the financial statements were available to be issued.

NOTE 3 - DONATED LEASE RECEIVABLE

The Organization leases office space in Santa Fe from an unrelated party for \$1 per year. The lease is for the period of October 15, 2011 to October 15, 2014. The estimated value of the lease was \$38,336 per year. Unconditional promises to give are discounted at 6 percent. The unconditional promise to give consists of the following:

<u>Description</u>	<u>Amount</u>
Receivable in less than one year	\$ 30,349
Less: discount to present value	-
Net donated lease receivable	<u>\$ 30,349</u>

NOTE 4 - INVESTMENTS

At year-end, the market value of investments approximated cost, and consisted of two certificates of deposit in the amount of \$399,664, both of which mature in July 2014. The investments are Level 1 investments in the fair value hierarchy.

Investment income for the year consisted of the following:

<u>Description</u>	<u>Amount</u>
Realized and unrealized gain(loss) - unrestricted investments	\$ 3,813
Realized and unrealized gain(loss) - permanently restricted portion of endowment	4,330
Dividends and interest income - unrestricted investments	100
Investment fees - unrestricted investments	(150)
Total	<u>\$ 8,093</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Vehicles	\$ 45,129
Office furniture and equipment	39,573
River restoration equipment	8,841
Total	93,543
Less: accumulated depreciation	(61,873)
Net property and equipment	<u>\$ 31,670</u>

Depreciation expense for the year was \$17,975.

NOTE 5 - PROPERTY AND EQUIPMENT (concluded)

In August of 2013, the Organization purchased property in Missoula, Montana which is currently held for sale and not used in operations. The property consists of two adjacent lots, both of which have residential structures. The property was sold to the Organization by an unrelated party at a discount, and the Organization obtained a loan from a bank in Montana and financed 100% of the purchase. The property was recorded in the financial statements at \$644,306, which is equal to the appraised value of \$637,500 plus closing costs. As disclosed in Note 15, an in-kind contribution of \$207,500 was recorded to account for the difference between the cost of \$430,000 and the appraised value. This property held for sale is valued according to Level 2 inputs in the fair value hierarchy.

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

For purposes of endowment, the Organization has placed funds on deposit with three different community foundations. 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, 2013.

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, 2013 are as follows:

<u>Board-designated endowment</u>	<u>Amount</u>
Unrealized gain(loss)	\$ 4,669
Investment income	65
Management fees	(120)
Assessment for community support	(223)
Total investment return	4,391
Contributions	5,642
Withdrawals	(206,360)
Appropriation of assets for expenditure	(514)
Net change in beneficial interest	(196,841)
Balance, beginning of year	242,333
Balance, end of year	<u>\$ 45,492</u>

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

Changes in the permanently restricted endowment assets held with the New Mexico Community Foundation and the Santa Fe Community Foundation for the year ended December 31, 2013 are as follows:

<u>Permanently-restricted endowment</u>	<u>Amount</u>
Unrealized gain(loss)	\$ 4,317
Investment income	19
Total investment return	4,336
Appropriation of assets for expenditure	(6)
Net change in beneficial interest	4,330
Balance, beginning of year	226,264
Balance, end of year	<u>\$ 230,594</u>

NOTE 7 - FISCAL AGENT

WildEarth Guardians and other environmental groups collectively won a case in 2005 to protect the silvery minnow habitat in the Rio Grande River. The settlement agreement required payment of \$225,000 from the Albuquerque Bernalillo County Water Utility Authority and \$25,000 from environmental groups, collectively, to be put into an escrow account. The funds held in escrow are to be used to purchase water rights. If the funds are not used, they may be returned to the contributing parties. The Organization is the fiscal agent of the funds. The original escrow agreement was for the period of January 18, 2007 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, 2013, the total amount held under this fiscal agency agreement was \$271,088.

The Organization became a fiscal agent for another unrelated program in 2013 and holds an additional \$250 as of December 31, 2013 under this agreement.

Total cash held by the Organization as a fiscal agent is \$271,338 at December 31, 2013.

NOTE 8 - NOTES PAYABLE

Notes payable at December 31, 2013 consist of the following:

<u>Description</u>	<u>Amount</u>
Local bank in Missoula, Montana: Original amount \$436,000, dated August, 15, 2013; maturity date August 15, 2016; 35 monthly P & I payments of \$3,437 beginning September 15, 2013 with an estimated balloon payment of \$376,372 due on August 15, 2016; rate of 4.950%; secured by property purchased in Missoula, MT and personal guarantee	\$ 429,404
Local bank: Original amount \$10,600, dated April 1, 2009; maturity date April 1, 2014; monthly P & I payments of \$204 beginning May 1, 2009; interest rate of 5.750%; secured by 2002 Ford F250 pickup	805
Total	<u>\$ 430,209</u>

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

<u>Year</u>	<u>Amount</u>
2014	\$ 21,257
2015	21,487
2016	387,465
Total	<u>\$ 430,209</u>

Interest expense on the notes payable totaled \$6,889 for the year ended December 31, 2013.

NOTE 9 - CAPITAL LEASE

The Organization leases office equipment under a capital lease. The lease is for the period of April 1, 2012 to March 31, 2016. The monthly rental payment is \$238. The interest rate used was 6.00% and is imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return. The balance of the capital lease at December 31, 2013 is \$6,007.

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

<u>Year</u>	<u>Amount</u>
2014	\$ 2,861
2015	2,861
2016	714
Total payments	6,436
Amount representing interest	(429)
Capital lease payable	<u>\$ 6,007</u>

Interest expense on the capital lease totaled \$440 for the year ended December 31, 2013.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

1. Line of Credit

During 2013, the Organization had a \$220,000 line of credit with a local bank. There were no borrowings, repayments, or interest expense on the line of credit during 2013. The interest rate is at the Wall Street Journal prime rate plus 1.00%, and the rate will never be less than 5.50%. The agreement matures January 15, 2015.

2. Office Leases

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

The Organization also leases office space for its Denver, Tucson, Salt Lake City, and Missoula locations. The Denver and Tucson leases are on a month-to-month basis. Monthly base rental payments for the Denver office are \$934 plus an assessment for net operating expenses. One-third of the premises are shared with an unrelated non-profit organization. WildEarth Guardians is not responsible for any unpaid rent by this tenant. The Tucson lease rate is \$290 per month.

The Salt Lake City office is leased for \$1,390 a month, and the lease expires April 2015. The Missoula office is leased for \$1,890 a month, and the lease expires in September 2016. Three unrelated non-profit organizations sublet the office space in Missoula from the Organization. These sub-lease agreements are on a month-to-month basis.

Total office rent expense for 2013 was \$61,773. The minimum future lease payments for the Salt Lake City and Missoula locations are:

<u>Year</u>	<u>Amount</u>
2014	\$ 39,360
2015	28,240
2016	17,010
Total payments	<u><u>\$ 84,610</u></u>

3. Equipment Leases

The Organization rents equipment for its river restoration work on a month-to-month basis. Equipment lease expense totaled \$59,642 for 2013.

4. Land Leases

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

<u>Year</u>	<u>Amount</u>
2014	\$ 2,326
2015	300
2016	300
Total payments	<u><u>\$ 2,926</u></u>

Total land lease expense for 2013 was \$3,792.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (concluded)

5. Conservation Easements

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

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

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

<u>Description</u>	<u>Amount</u>
Retirement of grazing permits in Gila Wilderness	\$ 260,850
Gila Bioregion	108,550
In-kind rent for 2014	30,349
Transportation	23,105
Wildlife protection	21,500
River restoration - Youth Conservation Corps	20,000
Wild places	5,000
Total	<u>\$ 469,354</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 - 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 \$520 from these funds in 2013.

NOTE 14 - IN-KIND CONTRIBUTIONS

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

<u>Description</u>	<u>Amount</u>
Discount on purchase of property held for sale	\$ 207,500
Google AdWords	114,162
Office rent	3,338
Total	<u>\$ 325,000</u>

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

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

NOTE 15 - 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	\$ 170,872
Gila Bioregion	143,736
Wildplaces	120,888
Off-road vehicle/transportation	112,500
Rewilding	112,500
Sagebrush Sea	94,615
Time restrictions - 2013	85,000
River restoration - Youth Conservation Corps	75,318
Coal program	57,500
River restoration	50,000
Endangered species	47,500
In-kind rent	38,336
Beaver habitat	30,000
Climate and energy	24,029
Stream Team river restoration	13,906
Total	<u>\$ 1,176,700</u>

NOTE 16 - UNUSUAL ITEMS

1. Acquisitions

During 2013, the Organization acquired two other non-profit organizations and recorded a total gain of \$323,841.

Wildlands CPR of Missoula, Montana was acquired as of July 1, 2013. A gain of \$258,148 was recorded by the Organization as a result of this acquisition, and \$115,493 of this gain included assets classified as temporarily restricted. The gain included cash, as well as other non-cash assets including property and a vehicle. The programs of Wildlands CPR continue in large part as a program component of WildEarth Guardians, and the office in Missoula remains open.

On November 1, 2013, the acquisition of Utah Environmental Congress of Salt Lake City, Utah was finalized. A gain of \$65,693 was recorded for this acquisition which primarily consisted of cash assets. The office and programs of Utah Environmental Congress continue in large part as a program component of WildEarth Guardians, and the office in Salt Lake City remains open.

2. Loss on Disposal of Inventory

The Organization had inventory during 2013 which consisted of a published book. The value of this book inventory was written off as of December 31, 2013 because the books are no longer held for sale. The amount recorded as a loss on disposal was (\$106,172).

NOTE 17 - LEGAL FEES AND SETTLEMENTS

Legal fees are expenses incurred 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 uncertainties related to legal settlements, all revenue related to the 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 are incurred. As a result, expenses may be recorded in a period that precedes the related revenue.

NOTE 18 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2013, the Organization received \$135,000 in donations from family members related to the Executive Director.

NOTE 19 - CONCENTRATIONS OF CREDIT RISK

At December 31, 2013, the Organization had cash assets maintained in two local banking institutions that exceeded the coverage offered by the Federal Deposit Insurance Corporation. The uninsured balances were \$349,499 and \$21,088. In addition, cash asset balances held at a brokerage that exceeded coverage by the Securities Investor Protection Corporation was \$152,607.

SUPPLEMENTARY INFORMATION

WILDEARTH GUARDIANS

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)**

	2013								2012			
	Program Services								Supporting Services			
	Restoration	Wild Places	Wildlife	Climate and Energy	Publications and Outreach	Water	Events	Total Program	Management and General	Fund- raising	Total	Total
Salaries	\$ 200,092	\$ 202,987	\$ 212,911	\$ 167,538	\$ 31,071	\$ 58,513	\$ 32,752	\$ 905,864	\$ 139,541	\$ 94,058	\$ 1,139,463	\$ 921,620
Payroll taxes and benefits	20,813	51,906	48,583	42,151	7,658	14,051	10,968	196,130	49,323	23,521	268,974	184,429
Legal programs	21	137,592	16,100	29,318	9	1,106	9	184,155	9,103	51	193,309	31,975
Contract labor	166,271	14,378	95	6,000	1,499	-	892	189,135	1,827	500	191,462	117,999
Publications and media	101	1,029	111,643	986	66,196	1,428	883	182,266	278	5,707	188,251	145,910
Travel	37,327	20,884	14,242	6,972	805	6,401	2,335	88,966	893	6,237	96,096	52,719
Occupancy	3,511	31,786	12,424	9,816	1,910	3,549	1,975	64,971	12,514	5,591	83,076	61,054
Supplies	66,283	262	-	-	-	-	-	66,545	-	-	66,545	66,540
Website development	2,521	6,791	7,249	16,366	19,252	2,212	1,341	55,732	4,686	3,633	64,051	40,078
Equipment leases	59,121	102	117	102	(10)	33	46	59,511	72	59	59,642	45,095
Professional services	2,364	31,725	7,569	3,208	-	1,767	-	46,633	-	-	46,633	1,892
Office expense	2,205	4,392	5,275	2,780	235	822	274	15,983	2,441	5,911	24,335	24,137
Telephone	1,138	4,552	5,472	3,029	798	1,616	517	17,122	2,141	2,627	21,890	20,797
Insurance	10,565	739	2,178	1,796	387	367	308	16,340	885	1,026	18,251	23,343
River restoration	14,847	1,609	-	-	-	-	-	16,456	-	-	16,456	11,931
Staff development and training	663	5,117	2,762	1,803	314	630	358	11,647	1,303	1,532	14,482	17,271
Postage	394	1,580	2,066	2,183	1,976	586	179	8,964	754	2,594	12,312	13,000
Accounting services	-	-	-	-	-	-	-	-	9,375	-	9,375	7,169
Director's discretionary	-	2,129	-	-	4,214	-	-	6,343	1,188	-	7,531	-
Interest	119	-	-	-	-	-	-	119	7,210	-	7,329	1,139
Printing	73	390	1,144	3,636	201	631	39	6,114	725	99	6,938	2,521
Land leases	1,766	2,026	-	-	-	-	-	3,792	-	-	3,792	3,509
Pass-through grants	-	-	-	372	-	-	-	372	-	-	372	82,000
All other	208	672	1,136	786	99	437	132	3,470	2,678	1,284	7,432	10,086
	590,403	522,648	450,966	298,842	136,614	94,149	53,008	2,146,630	246,937	154,430	2,547,997	1,886,214
Depreciation	5,066	7,049	1,628	1,384	244	488	244	16,103	1,058	814	17,975	13,503
Total expenses	<u>\$ 595,469</u>	<u>\$ 529,697</u>	<u>\$ 452,594</u>	<u>\$ 300,226</u>	<u>\$ 136,858</u>	<u>\$ 94,637</u>	<u>\$ 53,252</u>	<u>\$ 2,162,733</u>	<u>\$ 247,995</u>	<u>\$ 155,244</u>	<u>\$ 2,565,972</u>	<u>\$ 1,899,717</u>

See independent auditors' report