

Financial Report

WILDCOAST
COSTASALVAJE

December 31, 2015



Contents

	<u>Page</u>
Independent Auditor's Report on the Consolidated Financial Statements	1
Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6
Supplementary Information	
Supplemental Consolidating Statement of Financial Position	11
Supplemental Consolidating Statement of Activities	12



INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Board of Directors
WILDCOAST and Subsidiary
San Diego, California

We have audited the accompanying consolidated financial statements of WILDCOAST and its subsidiary, Costasalvaje, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of Costasalvaje, the subsidiary, which statements reflect total assets of \$7,886,037 as of December 31, 2015, and the total support and revenues of \$1,257,268, for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Costasalvaje, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WILDCOAST and its subsidiary as of December 31, 2015, and the changes in its net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Comparative Information

We and other auditors have previously audited WILDCOAST's, and subsidiary's, 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary statements on pages 11 and 12 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.



WEST RHODE & ROBERTS

San Diego, California
June 3, 2016

WILDCOAST AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2015
(With Summarized Financial Information for December 31, 2014)

	2015	2014 (Note 10)
ASSETS		
Cash and cash equivalents	\$ 1,099,545	\$ 882,402
Receivables	280,772	31,182
Prepaid expenses	38,659	1,277
Land and land interests	7,591,828	7,081,794
Property and equipment, net	<u>195,603</u>	<u>211,112</u>
Total assets	<u><u>\$ 9,206,407</u></u>	<u><u>\$ 8,207,767</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expense	\$ 83,327	\$ 52,704
Note payable	<u>8,683</u>	<u>15,381</u>
Total liabilities	<u>92,010</u>	<u>68,085</u>
Commitments (Note 6)		
Net assets:		
Unrestricted:		
Designated for land, property, and equipment	7,787,431	7,292,906
Undesignated	<u>643,938</u>	<u>459,029</u>
	8,431,369	7,751,935
Temporarily restricted	<u>683,028</u>	<u>387,747</u>
Total net assets	<u>9,114,397</u>	<u>8,139,682</u>
Total liabilities and net assets	<u><u>\$ 9,206,407</u></u>	<u><u>\$ 8,207,767</u></u>

WILDCOAST AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2015
(With Summarized Financial Information for Year Ended December 31, 2014)

	Unrestricted	Temporarily Restricted	2015	2014 (Note 10)
SUPPORT AND REVENUE				
Contributions and grants	\$ 511,849	\$ 1,968,747	\$ 2,480,596	\$ 2,319,421
Investment income	541	-	541	1,702
Other income	18,245	-	18,245	2,616
Currency translation loss	(3,695)	-	(3,695)	(1,578)
Special events	61,210	-	61,210	93,151
Net assets released from restrictions:				
Satisfaction of restriction	<u>1,673,466</u>	<u>(1,673,466)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,261,616</u>	<u>295,281</u>	<u>2,556,897</u>	<u>2,415,312</u>
EXPENSES				
Program services	1,233,660	-	1,233,660	1,404,265
Management and general	277,752	-	277,752	258,083
Development	55,505	-	55,505	52,360
Special events	<u>15,265</u>	<u>-</u>	<u>15,265</u>	<u>34,850</u>
Total expenses	<u>1,582,182</u>	<u>-</u>	<u>1,582,182</u>	<u>1,749,558</u>
Change in net assets	679,434	295,281	974,715	665,754
NET ASSETS AT BEGINNING OF YEAR	<u>7,751,935</u>	<u>387,747</u>	<u>8,139,682</u>	<u>7,473,928</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,431,369</u>	<u>\$ 683,028</u>	<u>\$ 9,114,397</u>	<u>\$ 8,139,682</u>

WILDCOAST AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2015
(With Summarized Financial Information for Year Ended December 31, 2014)

	2015	2014 (Note 10)
OPERATING ACTIVITIES		
Change in net assets	\$ 974,715	\$ 665,754
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	32,106	32,656
Changes in operating assets and liabilities:		
Receivables	(249,590)	189,816
Prepaid expenses	(37,382)	8,745
Accounts payable and accrued expenses	<u>30,623</u>	<u>1,429</u>
Net cash provided by operating activities	<u>750,472</u>	<u>898,400</u>
INVESTING ACTIVITIES		
Purchase of land and land interests	(510,034)	(807,442)
Purchase of equipment	<u>(16,597)</u>	<u>(29,293)</u>
Net cash used in investing activities	<u>(526,631)</u>	<u>(836,735)</u>
FINANCING ACTIVITIES		
Payments made on note payable	<u>(6,698)</u>	<u>(6,933)</u>
Net cash used in financing activities	<u>(6,698)</u>	<u>(6,933)</u>
Change in cash	217,143	54,732
CASH AT BEGINNING OF YEAR	<u>882,402</u>	<u>827,670</u>
CASH AT END OF YEAR	<u>\$1,099,545</u>	<u>\$ 882,402</u>
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 367</u>	<u>\$ 565</u>

WILDCOAST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization and Activities

WILDCOAST was founded in 2000 to protect and conserve some of the most ecologically important coastal wildlands, lagoons, islands, and marine ecosystems that remain in California, Baja California, and the Sea of Cortez. Since then WILDCOAST has also successfully conserved more than 2 million acres of coastal wildlands and wildlife habitat including Laguna San Ignacio, Bahia de los Angeles, Tijuana Estuary, Coronado Islands, Magdalena Bay, Los Cirios Coast, and Cabo Pulmo. These stunningly beautiful treasures provide habitat for a myriad of wildlife species including sea turtles, whale sharks, gray whales, bottlenose dolphins, and peregrine falcons.

Within San Diego County and Southern California, WILDCOAST is working with local communities to protect endangered wildlife and restore our beaches and remaining open spaces through hands-on restoration projects, environmental education, community involvement, and cleanup activities.

The Organization formed the subsidiary Costasalvaje, A.C., a Mexican nonprofit organization, in 2008 to facilitate fundraising and land conservation in Mexico. Costasalvaje began operating in the fourth quarter of 2009 with its office located in Ensenada, Baja California, Mexico.

Significant Accounting Policies

Principles of Consolidation – The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include accounts of WILDCOAST and its subsidiary Costasalvaje (the Organization). All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

Method of Accounting – The financial statements of the Organization have been prepared using the accrual basis of accounting.

Basis of Presentation – Net assets and revenues, gains, and other support are classified as unrestricted, temporarily restricted, and permanently restricted based on the existence or absence of donor restrictions on when and how the Organization is to use the net assets. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes. There were no permanently restricted net assets at December 31, 2015.

Contributions – Contributions are recognized as revenue when they are unconditionally pledged or when all conditions have been met.

The Organization reports contributions as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted revenues are reclassified to unrestricted revenues and reported in the statement of activities as revenues released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as permanently restricted. The income earned from such assets is generally restricted to the purpose designated by the donor. Gifts not designated for a specific purpose are reported as increases in unrestricted net assets.

Recognition of Support and Revenue – Support from grants is recognized over the term of the funding agreement.

WILD COAST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents – Cash and cash equivalents include highly liquid investments with maturity of three months or less.

Receivables – Receivables consist of contributions or grant income that the Organization has earned prior to year-end. Receivables are reviewed for collectability and reserves for uncollectible amounts are recorded based on previous experience and history with donor or funding agency. Accounts are written off against the allowance for doubtful accounts when deemed uncollectible. Management has determined that no allowance is necessary for the year ended December 31, 2015.

Property and Equipment – Purchased property and equipment are recorded at cost. Donated assets are recorded at their estimated fair value at the date of the donation. The Organization capitalizes all amounts greater than \$1,500. Property and equipment is depreciated on a straight-line basis as follows:

Furniture and equipment	3 to 7 years
Leasehold improvements	5 to 10 years

The Organization's depreciation expense totaled \$32,106 for the year ended December 31, 2015.

Land and Land Interests – WILD COAST and its subsidiary record land and land interests at cost, if purchased, or at fair value at the date of acquisition, if all or part of the land was received as a donation.

Conservation Lands – Real property with significant ecological value. These properties are managed in an effort to protect the natural biological diversity of the property.

Conservation Easements – Intangible assets comprised of listed rights and/or restrictions over the owned property that are conveyed by a property owner to WILD COAST or its subsidiary in order to protect the owned property as a significant natural area.

Contributed Services – No amounts have been reflected in the financial statements for contributed services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

Functional Allocation of Expenses – The costs of providing the various programs 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.

Income Taxes – WILD COAST is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is also exempt from the State of California franchise and income tax under Section 23701(d) of the State Revenue and Taxation Code.

Costasalvaje is a Mexican company that has been granted non-profit status in Mexico.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, *Accounting for Uncertainties in Income Tax*, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return.

Tax positions for the open tax years as of December 31, 2015 were reviewed by the Organization and it was determined that it has no uncertain tax positions requiring accrual or disclosure.

WILD COAST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency – The Organization’s international operations use the U.S. dollar as their functional currency. Costasalvaje translates monetary assets and liabilities using current rates of exchange at the balance sheet date and translates nonmonetary assets and liabilities using historical rates of exchange. Net loss from re-measurement of \$3,695 have been included as expenses on the statement of activities for the year ended December 31, 2015.

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after that date and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through June 3, 2016, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support, and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements – Due to the short-term nature of cash equivalents, receivables, prepaid expense, accounts payable and deferred income, fair value approximates carrying value. In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the price that the Organization would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The standard describes three-tier hierarchy of inputs that may be used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Organization’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value of a financial instrument 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. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Organization’s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

WILD COAST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Concentration of Credit Risk

At times, the Organization's bank accounts exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Note 3. Land and Land Interests

Land and land interests which consist primarily of land located in Baja California, Mexico are as follows:

Conservation lands	\$ 7,326,904
Conservation easements	<u>264,924</u>
	<u>\$ 7,591,828</u>

Note 4. Property and Equipment

Property and equipment at December 31, 2015 consist of the following:

Furniture & equipment	\$ 178,589
Transportation equipment	154,631
Leasehold improvements	139,799
Computer equipment	<u>92,850</u>
	565,869
Less accumulated depreciation	<u>(370,266)</u>
	<u>\$ 195,603</u>

Note 5. Note Payable

The Organization has a note payable with a finance company, interest at 2.9%, secured by a vehicle. The Organization is required to make monthly payments under this agreement of \$607 through March 15, 2017. Maturity of the note payable is as follows:

Years Ending December 31,	
2016	6,918
2017	<u>1,765</u>
	<u>\$ 8,683</u>

Note 6. Commitments and Contingencies

Loss Contingency – The Organization is currently involved in litigious matters that arose in the ordinary course of business. Potential losses under these disputes could range up to \$255,000; however, after discussion with the Organization's attorney it was determined that the likelihood that the Organization will need to pay out any amount in relation to these matters are remote so no accrual for loss contingency has been recorded on the Organization's December 31, 2015 consolidated financial statements.

Operating Leases – The Organization leases office space in Imperial Beach, California under an operating lease that expired on January 1, 2016. The lease was extended for an additional 2 years which expires on January 1, 2018. Future minimum rental payments of \$26,400 will be paid by the Organization in 2016.

In addition, the Organization leases office space in Ensenada, Baja California, Mexico, under an operating lease that expires August 31, 2016. Future minimum rental payments for 2016 are \$20,803.

For the year ended December 31, 2015, total rent expense was \$50,684.

WILD COAST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs as of December 31, 2015:

Marine	300,114
Communications	203,811
US/Mexico Border Conservation	99,738
Mexican Wildlands	<u>\$ 79,365</u>
	<u>\$ 683,028</u>

Note 8. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. During the year ended December 31, 2015, the net assets were released for the following purposes:

Mexican Wildlands	\$ 1,285,429
Marine	156,144
Communications	137,566
US/Mexico Border Conservation	<u>94,327</u>
	<u>\$ 1,673,466</u>

Note 9. Pension Plan

The Organization maintains a 403(b) defined contribution plan covering eligible employees who meet certain age and service requirements. Eligible employees may contribute a portion of their earnings each plan year subject to certain Internal Revenue Service limitations. The 403(b) defined contribution plan allows for employer matching contributions to eligible employees. For the year ended December 31, 2015, there were no employer contributions made to the plan.

Note 10. December 31, 2014 Financial 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 consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived. Certain reclassifications have been made to the 2014 summarized financial information to conform to the classifications adopted for the 2015 financial statements. These reclassifications had no effect on the change in net assets.

WILD COAST AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2015

	COSTASALVAJE		Total	Eliminating	
	WILD COAST	A.C.		Entries	Total
ASSETS					
Cash and cash equivalents	\$ 1,081,398	\$ 18,147	\$ 1,099,545	\$ -	\$ 1,099,545
Receivables	280,351	421	280,772	-	280,772
Prepaid expenses	7,017	31,642	38,659	-	38,659
Investment in subsidiary	1,186,098	-	1,186,098	(1,186,098)	-
Land and land interests	-	7,591,828	7,591,828	-	7,591,828
Property and equipment, net	22,995	172,608	195,603	-	195,603
Total assets	<u>\$ 2,577,859</u>	<u>\$ 7,814,646</u>	<u>\$ 10,392,505</u>	<u>\$ (1,186,098)</u>	<u>\$ 9,206,407</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expense	67,336	15,991	83,327	-	83,327
Note payable	8,683	-	8,683	-	8,683
Total liabilities	<u>76,019</u>	<u>15,991</u>	<u>92,010</u>	<u>-</u>	<u>92,010</u>
Commitments					
Net assets	<u>2,501,840</u>	<u>7,798,655</u>	<u>10,300,495</u>	<u>(1,186,098)</u>	<u>9,114,397</u>
Total liabilities and net assets	<u>\$ 2,577,859</u>	<u>\$ 7,814,646</u>	<u>\$ 10,392,505</u>	<u>\$ (1,186,098)</u>	<u>\$ 9,206,407</u>

WILD COAST AND SUBSIDIARY
SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

	COSTASALVAJE			Eliminating	
	WILD COAST	A.C.	Total	Entries	Total
SUPPORT AND REVENUE					
Contributions and grants	\$ 2,348,720	\$ 1,181,506	\$ 3,530,226	\$(1,049,630)	\$ 2,480,596
Investment income	477	64	541	-	541
Other income	18,245	-	18,245	-	18,245
Currency translation loss	-	(3,695)	(3,695)	-	(3,695)
Special events	61,210	-	61,210	-	61,210
Total support and revenue	<u>2,428,652</u>	<u>1,177,875</u>	<u>3,606,527</u>	<u>(1,049,630)</u>	<u>2,556,897</u>
EXPENSES					
Program services	1,157,383	598,787	1,756,170	(522,510)	1,233,660
Management and general	744,629	60,243	804,872	(527,120)	277,752
Development	55,505	-	55,505	-	55,505
Special events	15,265	-	15,265	-	15,265
Total expenses	<u>1,972,782</u>	<u>659,030</u>	<u>2,631,812</u>	<u>(1,049,630)</u>	<u>1,582,182</u>
CHANGE IN NET ASSETS	<u>\$ 455,870</u>	<u>\$ 518,845</u>	<u>\$ 974,715</u>	<u>\$ -</u>	<u>\$ 974,715</u>