



FINANCIAL REPORT

DECEMBER 31, 2013



CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	1 – 2
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 – 10
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, 2013, 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 \$6,509,106, as of December 31, 2013, and the total support and revenues of \$2,036,121, 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, 2013, 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, 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 1, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, 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
May 2, 2014

WEST RHODE & ROBERTS

WILDCOAST AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2013
(With Summarized Financial Information for December 31, 2012)

	2013	2012 (Note 11)
ASSETS		
Cash and cash equivalents	\$ 827,670	\$ 746,566
Receivables	220,998	265,821
Prepaid expenses	10,022	6,132
Land and land interests	6,275,450	4,799,290
Property and equipment, net	<u>214,475</u>	<u>237,170</u>
Total assets	<u>\$ 7,548,615</u>	<u>\$ 6,054,979</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expense	\$ 52,373	\$ 78,847
Note payable	<u>22,314</u>	<u>29,057</u>
Total liabilities	<u>74,687</u>	<u>107,904</u>
 Commitments (Note 7)		
 Net assets:		
Unrestricted:		
Designated for land, property, and equipment	6,489,925	5,036,460
Undesignated	<u>503,919</u>	<u>156,318</u>
	6,993,844	5,192,778
Temporarily restricted	<u>480,084</u>	<u>754,297</u>
Total net assets	<u>7,473,928</u>	<u>5,947,075</u>
Total liabilities and net assets	<u>\$ 7,548,615</u>	<u>\$ 6,054,979</u>

WILDCOAST AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2013
(With Summarized Financial Information for Year Ended December 31, 2012)

	Unrestricted	Temporarily Restricted	2013	2012 (Note 11)
SUPPORT AND REVENUE				
Contributions and grants	\$ 566,746	\$ 2,493,633	\$ 3,060,379	\$ 2,695,609
Investment income	1,279	-	1,279	1,745
Other income	11,885	-	11,885	6,995
Currency translation gain (loss)	(5,582)	-	(5,582)	6,468
Special events	65,711	-	65,711	61,861
Net assets released from restrictions, satisfaction of restriction	<u>2,767,846</u>	<u>(2,767,846)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,407,885</u>	<u>(274,213)</u>	<u>3,133,672</u>	<u>2,772,678</u>
EXPENSES				
Program services	1,271,220	-	1,271,220	1,270,416
Management and general	191,235	-	191,235	317,211
Development	92,853	-	92,853	99,238
Special events	<u>51,511</u>	<u>-</u>	<u>51,511</u>	<u>40,248</u>
Total expenses	<u>1,606,819</u>	<u>-</u>	<u>1,606,819</u>	<u>1,727,113</u>
CHANGE IN NET ASSETS	<u>1,801,066</u>	<u>(274,213)</u>	<u>1,526,853</u>	<u>1,045,565</u>
NET ASSETS AT BEGINNING OF YEAR	<u>5,192,778</u>	<u>754,297</u>	<u>5,947,075</u>	<u>4,901,510</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,993,844</u>	<u>\$ 480,084</u>	<u>\$ 7,473,928</u>	<u>\$ 5,947,075</u>

WILDCOAST AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2013
(With Summarized Financial Information for Year Ended December 31, 2012)

	2013	2012 (Note 11)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Increase in net assets	\$ 1,526,853	\$ 1,045,565
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	45,029	81,769
(Increase) decrease in operating assets:		
Receivables	44,823	(182,580)
Prepaid expenses	(3,890)	7,874
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(26,474)	12,195
Net cash provided by operating activities	1,586,341	964,823
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of land and land interests	(1,476,160)	(821,465)
Purchase of equipment	(22,334)	(169,839)
Net cash used in investing activities	(1,498,494)	(991,304)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Gross Proceeds from Note payable	-	33,831
Payments made on Note payable	(6,743)	(4,774)
Net cash (used in) provided by financing activities	(6,743)	29,057
Net increase in cash	81,104	2,576
CASH AT BEGINNING OF YEAR	746,566	743,990
CASH AT END OF YEAR	\$ 827,670	\$ 746,566
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 653	\$ 690

WILDCOAST AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF THE ORGANIZATION

Nature of the Organization – 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 Costasalvaje, A.C. (the “Subsidiary”), 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.

NOTE 2. SUMMARY OF 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, revenues, 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. As of December 31, 2013, the Organization did not have any permanently restricted net assets.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received which have temporary restrictions as to their use, are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon fulfillment of the restriction.

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 are reported on the consolidated statement of activities as net assets released from restriction.

WILD COAST AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents – Cash and cash equivalents include highly liquid investments with maturity of three months or less. Such investments are stated at cost, which approximates fair value.

Accounts 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, 2013.

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 \$45,029 for the year ended December 31, 2013.

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.

Parcel Rights in Name of Third Parties – The Organization entered into an agreement with a third party to purchase property rights in two parcels. There is an acknowledgement of debt by the third party. At the time of purchase of the two parcels, the amount paid for the property rights will be recorded as a down payment toward the properties purchase.

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.

WILD COAST AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, *Accounting for Uncertainties in Income Taxes*, 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.

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

Tax positions for the open tax years as of December 31, 2013 were reviewed, and it was determined that no provision for uncertain tax positions is required.

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 losses from re-measurement of \$5,582 have been included as income on the Statement of Activities for the year ended December 31, 2013.

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 and its subsidiary 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 May 2, 2014, 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.

NOTE 3. 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 4. LAND AND LAND INTERESTS

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

Conservation lands	\$ 5,675,356
Conservation easements	300,094
Parcel rights in name of third parties	<u>300,000</u>
	<u>\$ 6,275,450</u>

WILDCOAST AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 consist of the following:

Transportation equipment	\$ 139,002
Computer equipment	87,212
Furniture & equipment	173,611
Leasehold improvements	<u>136,412</u>
	536,237
Less accumulated depreciation	<u>321,762</u>
	<u>\$ 214,475</u>

Depreciation expense for the year ended December 31, 2013 was \$45,029.

NOTE 6. NOTE PAYABLE

On March 1, 2012, the Organization purchased a new vehicle, of which \$33,831 was financed at an annual percentage rate of 2.9%. 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,	
2014	\$ 6,721
2015	6,919
2016	7,122
2017	<u>1,552</u>
	<u>\$ 22,314</u>

Interest payments made under this note payable were \$653 during the year ending December 31, 2013.

NOTE 7. 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, 2013 consolidated financial statements.

Operating Leases – The Organization leases office space in Imperial Beach, California under an operating lease that expires January 1, 2016. Future minimum rental payments of \$26,400 will be paid by the Organization in both 2014 and 2015.

In addition, the Organization leases office space in Ensenada, Baja California, Mexico, under an operating lease that expires August 31, 2014. Future minimum rental payments for 2014 are \$11,199.

For the year ended December 31, 2013, total rent expense was \$49,337.

WILDCOAST AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs as of December 31, 2013:

Communications	\$ 173,434
Wildlands program	135,507
Marine	86,830
Coastal conservation	61,018
Otay Valley	<u>23,295</u>
	<u>\$ 480,084</u>

NOTE 9. 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, 2013, the net assets were released for the following purposes:

Wildlands program	\$ 2,339,743
Communications	134,548
Coastal conservation	123,950
Otay Valley	85,069
Marine	<u>84,536</u>
	<u>\$ 2,767,846</u>

NOTE 10. 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, 2013, there were no employer contributions made to the plan.

NOTE 11. DECEMBER 31, 2012 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, 2012, from which the summarized information was derived. Certain reclassifications have been made to the 2012 summarized financial information to conform to the classifications adopted for the 2013 financial statements. These reclassifications had no effect on the change in net assets.

WILD COAST AND SUBSIDIARY
SUPPLEMENTAL CONSOLIDATING STATEMENT OF POSITION
December 31, 2013

	<u>WILD COAST</u>	<u>COSTASALVAJE A.C.</u>	<u>Total</u>	<u>Eliminating Entries</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents (Note 2)	\$ 768,300	\$ 59,370	\$ 827,670	\$ -	\$ 827,670
Receivables	220,998	-	220,998	-	220,998
Prepaid expenses	6,783	3,239	10,022	-	10,022
Investment in subsidiary	1,186,098	-	1,186,098	(1,186,098)	-
Land and land interests	-	6,275,450	6,275,450	-	6,275,450
Property and equipment, net (Note 5)	43,428	171,047	214,475	-	214,475
Total assets	<u>\$ 2,225,607</u>	<u>\$ 6,509,106</u>	<u>\$ 8,734,713</u>	<u>\$ (1,186,098)</u>	<u>\$ 7,548,615</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expense	35,156	17,217	52,373	-	52,373
Note payable	22,314	-	22,314	-	22,314
Total liabilities	<u>57,470</u>	<u>17,217</u>	<u>74,687</u>	<u>-</u>	<u>74,687</u>
Commitments (Note 6)					
Net assets:	<u>2,168,137</u>	<u>6,491,889</u>	<u>8,660,026</u>	<u>(1,186,098)</u>	<u>7,473,928</u>
Total liabilities and net assets	<u>\$ 2,225,607</u>	<u>\$ 6,509,106</u>	<u>\$ 8,734,713</u>	<u>\$ (1,186,098)</u>	<u>\$ 7,548,615</u>

WILDCOAST AND SUBSIDIARY
SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

	WILDCOAST	COSTASALVAJE A.C.	Total	Eliminating Entries	Total
SUPPORT AND REVENUE					
Contributions and grants	\$ 2,990,284	\$ 2,041,095	\$ 5,031,379	\$ (1,971,000)	\$ 3,060,379
Investment income	672	607	1,279	-	1,279
Other income	11,884	1	11,885	-	11,885
Currency translation loss	-	(5,582)	(5,582)	-	(5,582)
Special events	65,711	-	65,711	-	65,711
Total support and revenue	<u>3,068,551</u>	<u>2,036,121</u>	<u>5,104,672</u>	<u>(1,971,000)</u>	<u>3,133,672</u>
EXPENSES					
Program services	2,210,033	527,187	2,737,220	(1,466,000)	1,271,220
Management and general	638,154	58,081	696,235	(505,000)	191,235
Development	92,853	-	92,853	-	92,853
Special events	51,511	-	51,511	-	51,511
Total expenses	<u>2,992,551</u>	<u>585,268</u>	<u>3,577,819</u>	<u>(1,971,000)</u>	<u>1,606,819</u>
CHANGE IN NET ASSETS	<u>\$ 76,000</u>	<u>\$ 1,450,853</u>	<u>\$ 1,526,853</u>	<u>\$ -</u>	<u>\$ 1,526,853</u>