



# **COMBINED FINANCIAL REPORT**

*December 31, 2011*



## **CONTENTS**

	<b><u>Page</u></b>
INDEPENDENT AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS.....	1
<b>FINANCIAL STATEMENTS</b>	
Combined Statement of Financial Position .....	2
Combined Statement of Activities.....	3
Combined Statement of Cash Flows.....	4
Notes to Combined Financial Statements.....	5 – 8
<b>SUPPLEMENTAL INFORMATION REPORT .....</b>	
Supplemental Combining Statement of Financial Position.....	10
Supplemental Combining Statement of Activities.....	11



3104 Fourth Avenue  
San Diego, California 92103  
619.615.5380 Fax 619.615.5389

## **INDEPENDENT AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS**

Board of Directors  
WiLDCOAST and Subsidiary  
San Diego, California

We have audited the accompanying combined statement of financial position of WiLDCOAST (a nonprofit organization) and subsidiary (Coastasalvaje) as of December 31, 2011, and the related combined statements of activities and cash flows for the year then ended. These financial statements are the responsibility of WiLDCOAST's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. We did not audit the financial statements of Coastasalvaje, the subsidiary, which statements reflect total assets of \$4,158,487 as of December 31, 2011, and total support and revenues of \$1,698,799 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 Coastasalvaje, is based solely on the report of the other auditors. The prior year summarized comparative information has been derived from WiLDCOAST and subsidiary's 2010 financial statements and, in our report dated July 8, 2011, we expressed an unqualified opinion on those financial statements.

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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of WiLDCOAST and subsidiary as of December 31, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Christopher M. Roberts, CPA  
for WEST RHODE & ROBERTS

San Diego, California  
July 27, 2012

**WILDCOAST AND SUBSIDIARY**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2011**  
**With Summarized Financial Information for December 31, 2010**

	2011	2010 (Note 10)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 743,990	\$ 751,527
Certificates of deposit	-	66,306
Receivables	83,241	133,834
Prepaid expenses	14,006	11,516
Land and land interests	3,977,825	3,200,292
Property and equipment, net	<u>149,100</u>	<u>186,669</u>
Total assets	<u>\$ 4,968,162</u>	<u>\$ 4,350,144</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expense	\$ 66,652	\$ 55,565
Land purchasing contract payable	<u>-</u>	<u>320,000</u>
Total liabilities	<u>66,652</u>	<u>375,565</u>
 Commitments (Note 6)		
 Net assets:		
Unrestricted:		
Designated for land, property, and equipment	4,126,925	3,066,961
Undesignated	<u>189,376</u>	<u>190,818</u>
	4,316,301	3,257,779
Temporarily restricted	<u>585,209</u>	<u>716,800</u>
Total net assets	<u>4,901,510</u>	<u>3,974,579</u>
Total liabilities and net assets	<u>\$ 4,968,162</u>	<u>\$ 4,350,144</u>

**WILDCOAST AND SUBSIDIARY**  
**COMBINED STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2011**  
**With Summarized Financial Information for Year Ended December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011</u>	<u>2010 (Note 10)</u>
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 471,159	\$ 1,989,575	\$ 2,460,734	\$ 2,368,984
Investment income	554	-	554	139
Other income	667	-	667	5,120
Special events	23,656	-	23,656	28,622
Net assets released from restrictions, satisfaction of restriction	<u>2,121,166</u>	<u>(2,121,166)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,617,202</u>	<u>(131,591)</u>	<u>2,485,611</u>	<u>2,402,865</u>
<b>EXPENSES</b>				
Program services	1,225,303	-	1,225,303	1,293,013
Management and general	249,201	-	249,201	277,865
Development	69,484	-	69,484	68,629
Currency translation loss	7,338	-	7,338	14,920
Special events	<u>7,354</u>	<u>-</u>	<u>7,354</u>	<u>18,698</u>
Total expenses	<u>1,558,680</u>	<u>-</u>	<u>1,558,680</u>	<u>1,673,125</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,058,522</u>	<u>(131,591)</u>	<u>926,931</u>	<u>729,740</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>3,257,779</u>	<u>716,800</u>	<u>3,974,579</u>	<u>3,244,839</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 4,316,301</u>	<u>\$ 585,209</u>	<u>\$ 4,901,510</u>	<u>\$ 3,974,579</u>

**WILDCOAST AND SUBSIDIARY**  
**COMBINED STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2011**  
**With Summarized Financial Information for Year Ended December 31, 2010**

	2011	2010 (Note 10)
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 926,931	\$ 729,740
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	77,934	70,290
(Increase) Decrease in operating assets:		
Receivables	50,593	(21,973)
Prepaid expenses	(2,490)	(7,791)
Increase in operating liabilities:		
Accounts payable and accrued expenses	11,087	11,324
Net cash provided by operating activities	1,064,055	781,590
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>		
Purchase of land and land interests	(1,097,533)	(639,437)
Purchase of equipment	(40,365)	(70,891)
Withdrawal (purchase) of certificates of deposits	66,306	(34)
Net cash (used in) investing activities	(1,071,592)	(710,362)
Net increase (decrease) in cash	(7,537)	71,228
<b>CASH AT BEGINNING OF YEAR</b>	751,527	680,299
<b>CASH AT END OF YEAR</b>	\$ 743,990	\$ 751,527

**WILDCOAST AND SUBSIDIARY**  
**NOTES TO COMBINED 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 cleanups.

The Organization formed Costasalvaje, A.C. (the “Subsidiary”), a Mexican company, 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 Combination** – The combined 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 (the Organization). All intercompany balances and transactions have been eliminated in the accompanying combined financial statements.

**Basis of Financial Statement Presentation** – The financial statements of the Organization have been prepared using the accrual basis of accounting.

**Classification of Net Assets** – The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

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

**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. There were no permanently restricted net assets at December 31, 2011.

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 combined statement of activities as net assets released from restriction.

**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.

**Investments** – Investments are carried at estimated fair value on the combined statement of financial position. Fair values of investments are estimated based on quoted market prices where available.

**WILDCOAST AND SUBSIDIARY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

---

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and Equipment** – Purchased property and equipment are stated at cost. Donated assets are recorded at their fair value at the date of the donation. Depreciation is computed based on the straight line method over their estimated useful lives.

The Organization's minimum capitalization threshold is \$1,500.

**Land and Land Interests** – WILDCOAST 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 WILDCOAST 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.

**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, 2011 were reviewed, and it was determined that no provision for uncertain tax positions is required.

**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.

**Foreign Currency** – The Organization's international operations use the U.S. dollar as their functional currency. Gains and losses from foreign currency transactions are recorded in other income, net of other expense. 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. Gains and losses from re-measurement of \$7,338 have been included in expenses on the Statement of Activities for the year ended December 31, 2011.

**WILDCOAST AND SUBSIDIARY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

---

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 July 27, 2012, 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 consist primarily of land located in Baja California, Mexico are as follows:

Conservation lands	\$ 3,343,766
Conservation easements	270,188
Parcel rights in name of third parties	<u>363,871</u>
	<u>\$ 3,977,825</u>

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2011 consist of the following:

Transportation equipment	\$ 111,127
Computer equipment	90,842
Furniture & equipment	159,820
Leasehold improvements	<u>33,098</u>
	394,887
Less accumulated depreciation	<u>245,787</u>
	<u>\$ 149,100</u>

Depreciation expense for the year ended December 31, 2011 was \$77,934.

**WILDCOAST AND SUBSIDIARY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

---

**NOTE 6. COMMITMENTS AND CONTINGENCIES**

Operating Leases – The Organization leases office space in Imperial Beach, California under an operating lease that expires January 1, 2014. Future minimum rental payments are \$52,800, of which \$26,400 will be paid each year in 2012 and 2013.

In addition, the Organization leases office space in Ensenada, Baja California, Mexico, under an operating lease that expires July 31, 2012. Future minimum rental payments for 2012 are \$7,252.

For the year ended December 31, 2011, the total rent expense was \$54,087.

**NOTE 7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following programs as of December 31, 2011:

Wildlands program	\$ 495,680
Otay Valley	62,029
Coastal conservation	<u>27,500</u>
	<u>\$ 585,209</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, 2011, the net assets were released for the following purposes:

Wildlands program	\$ 1,520,491
Wildlife program	240,366
Coastal conservation	117,380
Communications	169,958
Otay Valley	<u>72,971</u>
	<u>\$ 2,121,166</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, 2011, there were no employer contributions made to the plan.

**NOTE 10. DECEMBER 31, 2010 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 financial statements for the year ended December 31, 2010, from which the summarized information was derived. Certain reclassifications have been made to the 2010 summarized financial information to conform to the classifications adopted for the 2011 financial statements. These reclassifications had no effect on the change in net assets.



3104 Fourth Avenue  
San Diego, California 92103  
619.615.5380 Fax 619.615.5389

**INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION**

Board of Directors  
WiLDCOAST and Subsidiary  
San Diego, California

We have audited the combined financial statements of WiLDCOAST and Subsidiary as of and for the year ended December 31, 2011, and have issued our report thereon dated July 27, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary statements that follow on page 10 and 11 are presented for the purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined 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 combined financial statements as a whole.

Christopher M. Roberts, CPA  
for WEST RHODE & ROBERTS

San Diego, California  
July 27, 2012

**WILD COAST AND SUBSIDIARY**  
**SUPPLEMENTAL COMBINING STATEMENT OF POSITION**  
**December 31, 2011**

	<b>WILD COAST</b>	<b>COSTASALVAJE A.C.</b>	<b>Total</b>	<b>Eliminating Entries</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents (Note 2)	\$ 718,307	\$ 25,683	\$ 743,990	\$ -	\$ 743,990
Certificates of deposit	-	-	-	-	-
Receivables	59,489	23,752	83,241	-	83,241
Prepaid expenses	2,655	11,351	14,006	-	14,006
Investment in subsidiary	1,186,098	-	1,186,098	(1,186,098)	-
Land and land interests	-	3,977,825	3,977,825	-	3,977,825
Property and equipment, net (Note 5)	31,224	117,876	149,100	-	149,100
Total assets	<u>\$ 1,997,773</u>	<u>\$ 4,156,487</u>	<u>\$ 6,154,260</u>	<u>\$ (1,186,098)</u>	<u>\$ 4,968,162</u>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities					
Accounts payable and accrued expense	52,021	14,631	66,652	-	66,652
Land purchasing contract payable	-	-	-	-	-
Total liabilities	<u>52,021</u>	<u>14,631</u>	<u>66,652</u>	<u>-</u>	<u>66,652</u>
Commitments (Note 6)					
Net assets:	<u>1,945,752</u>	<u>4,141,573</u>	<u>6,087,325</u>	<u>(1,185,815)</u>	<u>4,901,510</u>
Total liabilities and net assets	<u>\$ 1,997,773</u>	<u>\$ 4,156,204</u>	<u>\$ 6,153,977</u>	<u>\$ (1,185,815)</u>	<u>\$ 4,968,162</u>

**WILDCOAST AND SUBSIDIARY**  
**SUPPLEMENTAL COMBINING STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2011**

	<b>WILDCOAST</b>	<b>COSTASALVAJE A.C.</b>	<b>Total</b>	<b>Eliminating Entries</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>					
Contributions and grants	\$ 2,393,635	\$ 1,698,099	\$ 4,091,734	\$ (1,631,000)	\$ 2,460,734
Investment income	521	33	554	-	554
Other income	-	667	667	-	667
Special events	<u>23,656</u>	<u>-</u>	<u>23,656</u>	<u>-</u>	<u>23,656</u>
Total support and revenue	<u>2,417,812</u>	<u>1,698,799</u>	<u>4,116,611</u>	<u>(1,631,000)</u>	<u>2,485,611</u>
<b>EXPENSES</b>					
Program services	2,294,367	566,254	2,860,621	(1,635,318)	1,225,303
Management and general	195,540	53,661	249,201		249,201
Development	69,484	-	69,484		69,484
Currency translation loss	-	3,020	3,020	4,318	7,338
Special events	<u>7,354</u>	<u>-</u>	<u>7,354</u>	<u>-</u>	<u>7,354</u>
Total expenses	<u>2,566,745</u>	<u>622,935</u>	<u>3,189,680</u>	<u>(1,631,000)</u>	<u>1,558,680</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ (148,933)</u>	<u>\$ 1,075,864</u>	<u>\$ 926,931</u>	<u>\$ -</u>	<u>\$ 926,931</u>