

THE WILDERNESS LAND TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

September 3, 2010

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Wilderness Land Trust
Carbondale, Colorado

We have audited the accompanying statement of financial position of **The Wilderness Land Trust**, a Colorado Nonprofit Corporation, as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of **The Wilderness Land Trust**. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2009 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 opinion dated September 14, 2009 was expressed.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Wilderness Land Trust** as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

THE WILDERNESS LAND TRUST
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010	2009
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 298,529	\$ 511,919
Cash and cash equivalents - temporarily restricted	-	62,309
Cash and cash equivalents - land acquisition revolving fund (Note 7)	12,050	-
Grants receivable (Note 3)	21,002	81,404
Conditional pledge receivable (Note 4)		
Prepaid expenses	5,137	520
Earnest money deposits	30,000	-
Earnest money deposits - land acquisition revolving fund (Note 7)	25,000	-
Investments - unrestricted (Note 5)	-	315,958
Investments - land acquisition revolving fund (Note 7)	653,778	709,980
Land available for sale or donation - unrestricted and temporarily restricted (Note 8)	7,245,643	7,599,760
Net property and equipment (Note 9)	2,247	3,495
Total assets	\$ 8,293,386	\$ 9,285,345
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 24,641	\$ 29,376
Accrued payroll expenses	-	577
Accrued interest expense	156,923	121,442
Land acquisition revolving fund (Note 7)	714,914	709,980
Assets held for third parties - non-cash (Note 10)	5,292,357	6,278,926
Notes payable - temporarily restricted (Note 11)	1,730,000	1,238,000
Commitments and contingencies (Note 12)		
Total liabilities	7,918,835	8,378,301
<u>Net assets</u>		
Unrestricted		
Operating	372,304	841,240
Net investment in property and equipment	2,247	3,495
Temporarily restricted	-	62,309
Total net assets	374,551	907,044
Total liabilities and net assets	\$ 8,293,386	\$ 9,285,345
	-	-

The accompanying notes are an integral part of these financial statements

THE WILDERNESS LAND TRUST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Grant revenues	\$ 393,660	\$ -	\$ 393,660	\$ 939,107
Gains(losses) on property transfers	207,421	-	207,421	60,623
Contributions	63,936	6,000	69,936	55,323
Expense reimbursements	8,256	-	8,256	43,782
Investment income (Note 5)	857	-	857	8,234
In-kind donations	-	-	-	8,967
Net assets released from restrictions (Note 13)	68,309	(68,309)	-	-
Total revenue and support - operating	742,439	(62,309)	680,130	1,116,036
<u>Expense</u>				
Land contributions	1,018,013	-	1,018,013	880,610
Supporting services				
Management and general	101,224	-	101,224	42,141
Development	93,386	-	93,386	74,873
Total expense	1,212,623	-	1,212,623	997,624
Change in net assets	(470,184)	(62,309)	(532,493)	118,412
Net assets, beginning of year	844,735	62,309	907,044	788,632
Net assets, end of year	<u>\$ 374,551</u>	<u>\$ -</u>	<u>\$ 374,551</u>	<u>\$ 907,044</u>
	-	-	-	-

The accompanying notes are an integral part of these financial statements

THE WILDERNESS LAND TRUST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010			2009	
	<u>Supporting Services</u>				
	Land	Management and		Total	Total
	<u>Contributions</u>	<u>General</u>	<u>Development</u>		
Salaries	\$ 240,446	\$ 24,044	\$ 36,067	\$ 300,557	\$ 279,618
Payroll taxes and benefits	55,917	5,591	8,387	69,895	61,687
Professional fees	178,129	-	13,500	191,629	258,108
Rehabilitation costs	181,409	-	-	181,409	-
Appraisals and surveys	121,378	-	-	121,378	26,878
Interest	57,791	-	-	57,791	121,717
Travel	39,140	3,914	5,871	48,925	63,033
Accounting	-	33,398	-	33,398	14,019
Stewardship costs	33,027	-	-	33,027	-
Property taxes and fees	17,664	-	-	17,664	5,079
Information technology	14,032	1,403	2,105	17,540	38,058
Office rent	13,104	1,310	1,966	16,380	13,693
Closing fees	15,806	-	-	15,806	11,272
Marketing	-	2,533	10,133	12,666	5,676
Land acquisition costs	11,963	-	-	11,963	-
Fundraising expense	-	2,458	9,833	12,291	-
Training and conferences	8,858	885	1,329	11,072	12,131
Communication	7,696	770	1,154	9,620	9,916
Legal fees	-	9,600	-	9,600	39,958
Board expense	-	9,452	-	9,452	1,200
Office supplies	5,606	561	841	7,008	5,330
Postage	4,583	459	687	5,729	3,397
Dues and subscriptions	3,809	381	571	4,761	7,053
Insurance	2,530	253	380	3,163	1,897
Land database	3,045	-	-	3,045	7,983
All other	1,082	4,112	412	5,606	8,192
	<u>1,017,015</u>	<u>101,124</u>	<u>93,236</u>	<u>1,211,375</u>	<u>995,895</u>
Depreciation	998	100	150	1,248	1,729
Total expense	<u>\$ 1,018,013</u>	<u>\$ 101,224</u>	<u>\$ 93,386</u>	<u>\$ 1,212,623</u>	<u>\$ 997,624</u>
	-	-	-	-	-
	-	-	-	-	-

The accompanying notes are an integral part of these financial statements

THE WILDERNESS LAND TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	<u>2010</u>	<u>2009</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (532,493)	\$ 118,412
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Prior period adjustments to net assets	-	(1,239,898)
Depreciation	1,248	1,729
Investment (gains)losses	327	150
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	-	5,734,158
(Increase)decrease in grants receivable	60,402	(81,044)
(Increase)decrease in prepaid expenses	(4,617)	(520)
(Increase)decrease in earnest money deposits	(55,000)	-
(Increase)decrease in land available for sale or donation	354,117	283,799
Increase(decrease) in accounts payable and accruals	30,169	84,880
Increase(decrease) in deferred revenue	-	(487,876)
Increase(decrease) in land acquisition revolving fund	4,934	709,980
Increase(decrease) in assets held for others - noncash	(986,569)	(1,942,918)
Net cash provided(used) by operating activities	<u>(1,127,482)</u>	<u>3,180,852</u>
<u>Cash flows from investing activities</u>		
Sales of investments	506,494	1,405,094
(Purchases) of investments	(132,107)	(1,814,321)
(Reinvestment) of earnings	(554)	(8,384)
(Purchases) of property and equipment	-	(1,926)
Net cash provided(used) by investing activities	<u>373,833</u>	<u>(419,537)</u>
<u>Cash flows from financing activities</u>		
Borrowings on notes payable	660,000	-
(Repayments) of notes payable	(168,000)	(2,330,000)
Net cash provided(used) by financing activities	<u>492,000</u>	<u>(2,330,000)</u>
Net increase(decrease) in cash	(261,649)	431,315
Cash and cash equivalents, beginning of year	<u>572,228</u>	<u>140,913</u>
Cash and cash equivalents, end of year	<u>\$ 310,579</u>	<u>\$ 572,228</u>
Supplemental disclosure of information:	-	-
Cash paid during the period for interest	<u>\$ 22,310</u>	<u>\$ 41,125</u>

The accompanying notes are an integral part of these financial statements

THE WILDERNESS LAND TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

The Wilderness Land Trust, a Colorado nonprofit corporation (the Trust), was incorporated in 1992 for the purpose of acquiring private lands in current and potential wilderness areas from willing sellers and transferring those lands to public ownership so that all generations of Americans will enjoy an enduring source of wilderness. The Trust is supported primarily through foundation grants, gains on property transfers, and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

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

2. Basis of Presentation

The Trust 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

Cash and cash equivalents are considered to be all unrestricted highly liquid investments with an initial maturity of three months or less.

5. Donations

The Trust 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 Trust 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 Trust reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

6. Capitalization and Depreciation

The Trust follows the practice of capitalizing all expenditures for land, buildings and equipment of \$1,000 or more. The fair value of donated assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

7. Land Inholdings

Parcels of privately owned lands contained within federally-designated wildernesses are termed land inholdings.

8. Grants

The Trust receives grants from private organizations to be used for the purchase of land inholdings and general operating expenses.

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.

10. Income Taxes

The Trust is exempt from Federal and State income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

11. Functional Reporting of Expenses

For the year ended June 30, 2010, 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.

12. Consolidated Financial Statements

The financial statements include the accounts of the Trust and its wholly-owned subsidiary, Avawatz Acquisition Corporation. All significant intercompany transactions and accounts are eliminated.

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 June 30, 2009 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.

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

15. Subsequent Events

Management has evaluated subsequent events through September 3, 2010, the date the financial statements were available to be issued.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable represents \$14,246 in direct reimbursements due from grants for expenses already incurred under the conditions of the grant and \$6,756 in grants awarded on or before June 30, 2010.

NOTE 4 - CONDITIONAL PLEDGE RECEIVABLE

The Trust has received a signed statement from an individual that a loan payable and accrued interest will be forgiven when the property securing the note is sold to the federal government. This pledge is not considered to be an unconditional promise to give and so is not recorded in its entirety in the year made, but rather is considered to be a conditional promise and will be recognized as income when the donation is received. The loan principal will be a temporarily restricted donation, to be used for the Wilderness Opportunity Fund. The accrued interest will be an unrestricted donation.

NOTE 5 - INVESTMENTS

Investments consisted of certificates of deposit and cash. Market value approximates cost. Investment income for the year consisted of:

<u>Description</u>	<u>Amount</u>
Interest and dividends	\$ 884
Gains(losses)	<u>(27)</u>
Total	<u>\$ 857</u> 0

NOTE 6 - INVESTMENT IN WHOLLY OWNED FOR-PROFIT SUBSIDIARY

During the year ended June 30, 2009, the Trust purchased all of the stock of Avawatz Acquisition Corporation, a C corporation, for \$2,000. Avawatz Acquisition Corporation was formed for the sole purposes of acquisition and conveyance of the land inholdings of an unrelated corporation.

Financial information included in these statements for Avawatz Acquisition Corporation consists of:

	<u>2010</u>
<u>Assets</u>	
Cash	\$ 7,485
Prepaid expenses	800
Land available for donation	<u>478,523</u>
Total assets	<u>\$ 486,808</u>
<u>Liabilities and equity</u>	
<u>Liabilities</u>	
Due to The Wilderness Land Trust	\$ 6,649
Assets held for third parties – non-cash	<u>478,523</u>
Total liabilities	<u>485,172</u>
<u>Equity</u>	
Capital stock	2,000
Retained earnings	<u>(364)</u>
Total equity	<u>1,636</u>
Total liabilities and equity	<u>\$ 486,808</u>
<u>Revenue</u>	
Expense reimbursements	\$ 483
Investment income	<u>2</u>
Total revenue	<u>485</u>
<u>Expense</u>	
Taxes and fees	<u>849</u>
Net loss	<u>\$ (364)</u>

NOTE 7 - LAND ACQUISITION REVOLVING FUND

Land Acquisition Revolving Fund represents funds received from the Wyss Foundation, to be used for the purpose of additional land acquisitions. Proceeds from the sales of properties to public agencies are re-deposited and used for future purchases.

NOTE 8 - LAND AVAILABLE FOR SALE OR DONATION

The Trust acquires land from willing landowners and then conveys the land inholdings to public agencies for protection. The land is valued at the lower of cost or market.

As part of its normal operations, the Trust was involved in various stages of negotiation for the purchase of real property at June 30, 2010. Purchase and Sale Agreements were executed with various contingencies for inspection period, seller requirements, etc. Some of these negotiations will result in completed acquisitions in the following fiscal year.

The Trust receives foundation grants for land acquisitions and operating expenses. The grant documents state that the lands must be re-conveyed to the federal government. The re-conveyance normally occurs within 1 to 5 years after the Trust's acquisition of the land. The Trust does not recognize any revenue or expenses for the land acquisition portion of the grants. Proceeds received from the sale of inholdings may be used for the purchase of additional high-priority inholdings consistent with the applicable grant agreements.

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consists of:

<u>Description</u>	<u>Amount</u>
Office equipment	\$ 13,074
Office furniture	<u>4,298</u>
Total	17,372
Less: accumulated depreciation	<u>(15,125)</u>
Net	<u>\$ 2,247</u>
	0

Depreciation expense for the year was \$1,248.

NOTE 10 - ASSETS HELD FOR THIRD PARTIES - NONCASH

The account, Assets Held for Third Parties – Noncash, represents land inholdings that the Trust is legally obligated to re-convey to the federal government.

NOTE 11 - NOTES PAYABLE

Notes payable consisted of the following:

<u>Description</u>	<u>Amount</u>
Big Horn Mine Purchase Funds: Notes dated 09/15/2007; mature 09/15/2010 or upon sale of property; interest rate of 3.000 to 4.820%; secured by deed of trust	
Bonderman	\$ 400,000
Blumenthal	25,000
Schuyler	25,000
Schuyler	25,000
Werner	<u>400,000</u>
Subtotal, Big Horn Mine	<u>875,000</u>
Forest Marketing Purchase Funds: Notes dated 09/01/2006; mature 09/01/2011 or upon sale of property; stated interest rate of 0.000%; imputed interest rate of 5.010%; secured by deed of trust	
Pope	25,000
Jacobsen	25,000
Walker	25,000
Blumenthal	25,000
Campion	<u>25,000</u>
Subtotal, Forest Marketing	<u>125,000</u>
Stuchell Purchase Funds: Notes dated 07/20/2007; mature 07/20/2012 or upon sale of property; stated interest rate of 0.000%; imputed interest rate of 4.950%; unsecured	
Jacobsen	14,000
Walker	14,000
Blumenthal	14,000
Campion	14,000
Pope	<u>14,000</u>
Subtotal, Stuchell	<u>70,000</u>

NOTE 11 - NOTES PAYABLE (Concluded)

<u>Description</u>	<u>Amount</u>
James Peak Purchase Funds:	
Colorado Conservation Trust: dated 04/12/2010; matures 10/12/2011 or upon sale of property; may extend for an additional 6 months to 04/12/2012; interest rate of 4.000%; secured by first deed of trust	600,000
Gerstle: dated 04/26/2010; matures 04/26/2012 or upon sale of property; interest rate of 5.000%; secured by second deed of trust	30,000
Hill: dated 04/10/2010; matures 04/10/2012 or upon sale of property; interest rate of 5.000%; secured by third deed of trust	<u>30,000</u>
Subtotal, James Peak	<u>660,000</u>
Total	<u>\$ 1,730,000</u>
	0

Interest expense for the year ended June 30, 2009 was \$57,791. Interest has been imputed at the applicable federal rate for below-market rate loans.

The future scheduled maturities for the years ended June 30th are:

<u>Year</u>	<u>Amount</u>
2011	\$ 875,000
2012	785,000
2013	70,000
2014	0
2015 and thereafter	<u>0</u>
Total	<u>\$ 1,730,000</u>
	0

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Occupancy

The Organization leases office space under a noncancelable operating lease which expires May 31, 2011. Monthly rent is \$520. The future minimum rentals under the lease are \$5,720 for the year ended June 30, 2011.

Rent expense was \$16,380 for the year ended June 30, 2010.

Land Inholdings Donation

On July 7, 2010, the Trust donated 14 land inholdings and their associated legal liabilities to re-convey the land to the federal government. The donation was made to the California Desert Land Conservancy, Inc., DBA: Mojave Desert Land Trust., a California nonprofit corporation. The total value of the donated land inholdings and legal liabilities are \$208,100.

Environmental Remediation

The Trust may be potentially responsible for clean-up costs of certain properties prior to their conveyance to the federal government. Although a loss is probable, it is not possible to reasonably estimate the amount of any obligation for remediation that would be material to the Trust's financial statements at June 30, 2010.

NOTE 13 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2010, net assets were released from restrictions by satisfying restricted program purposes as follows:

<u>Description</u>	<u>Amount</u>
Catto Foundation funds—James Peak land purchase	\$ 62,309
Wilderness Opportunity Fund—Jacobsen land purchase	<u>6,000</u>
Total	<u>\$ 68,309</u>
	0

The Wilderness Opportunity Fund represents donor-restricted funds for land acquisition projects in or adjacent to designated and proposed wilderness areas.

NOTE 14 - PENSION PLAN

The Trust sponsors a SEP deferred compensation plan. The Trust matches employee contributions up to 15 percent of eligible employees' annual compensation. During the year, the Trust contributed \$42,762 to the plan.

NOTE 15 - CONCENTRATION OF FUNDING SOURCE

Resources Legacy Fund Foundation (RLFF) provided 54 percent of the total fiscal 2010 funding for the Organization. Two land acquisition grants with RLFF had October 31, 2009 completion dates. An operations grant with RLFF was completed on December 31, 2009.

NOTE 16 - CONCENTRATION OF CREDIT RISK

The Trust places amounts in excess of \$250,000 with one financial institution. Amounts over \$250,000 are not insured by the FDIC or related entity.