Financial Report

WILDCOAST
COSTASALVAJE

December 31, 2017

WRR
WEST RHODE & ROBERTS

Contents

WEST RHODE & ROBERTS

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, 2017, 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 $8,217,280 as of December 31, 2017, and the total support and revenues of $205,383 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, 2017, 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.

Report on Summarized Comparative Information

We and other auditors have previously audited WILDCOAST's, and subsidiary, Costasalvaje's, 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on 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

WEST RHODE & ROBERTS

San Diego, California
July 25, 2018

WILDCOAST AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2017
(With Summarized Financial Information for December 31, 2016)

	2017	2016 (Note 11)
ASSETS		
Cash and cash equivalents	$ 1,526,728	$ 1,424,639
Receivables	426,178	19,595
Prepaid expenses	15,490	13,901
Land and land interests	8,150,675	7,765,837
Property and equipment, net	121,403	46,146
Total assets	$ 10,240,474	$ 9,270,118
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expense	$ 84,091	$ 83,134
Note payable	-	1,602
Total liabilities	84,091	84,736
Commitments (Note 7)		
Net assets:		
Unrestricted:		
Designated for land, property, and equipment	8,272,078	7,811,983
Undesignated	951,949	559,080
	9,224,027	8,371,063
Temporarily restricted	932,356	814,319
Total net assets	10,156,383	9,185,382
Total liabilities and net assets	$ 10,240,474	$ 9,270,118

WILDCOAST AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2017
(With Summarized Financial Information for Year Ended December 31, 2016)

	Unrestricted	Temporarily Restricted	2017	2016 (Note 11)
SUPPORT AND REVENUE				
Contributions and grants	$ 399,024	$ 2,371,593	$ 2,770,617	$ 1,689,070
Special events	149,491	-	149,491	123,366
Other income	21,709	-	21,709	27,010
Investment income	906	-	906	547
Currency translation gain (loss)	13,775	-	13,775	(2,603)
Net assets released from restrictions:				
Satisfaction of restriction	2,253,556	(2,253,556)	-	-
Total support and revenue	2,838,461	118,037	2,956,498	1,837,390
EXPENSES				
Program services	1,618,020	-	1,618,020	1,456,864
Management and general	254,684	-	254,684	180,310
Development	63,273	-	63,273	88,686
Special events	49,520	-	49,520	40,545
Total expenses	1,985,497	-	1,985,497	1,766,405
Change in net assets	852,964	118,037	971,001	70,985
NET ASSETS AT BEGINNING OF YEAR	8,371,063	814,319	9,185,382	9,114,397
NET ASSETS AT END OF YEAR	$ 9,224,027	$ 932,356	$ 10,156,383	$ 9,185,382

WILDCOAST AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2017
(With Summarized Financial Information for Year Ended December 31, 2016)

	2017	2016 (Note 11)
OPERATING ACTIVITIES		
Change in net assets	$ 971,001	$ 70,985
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	32,482	25,049
Condor program asset donation	-	138,211
Changes in operating assets and liabilities:		
Receivables	(406,583)	261,177
Prepaid expenses	(1,589)	24,758
Accounts payable and accrued expenses	957	(193)
Net cash provided by operating activities	596,268	519,987
INVESTING ACTIVITIES		
Purchase of land and land interests	(384,838)	(174,009)
Purchase of equipment	(107,739)	(13,803)
Net cash used in investing activities	(492,577)	(187,812)
FINANCING ACTIVITIES		
Payments made on note payable	(1,602)	(7,081)
Net cash used in financing activities	(1,602)	(7,081)
Change in cash	102,089	325,094
CASH AT BEGINNING OF YEAR	1,424,639	1,099,545
CASH AT END OF YEAR	$ 1,526,728	$ 1,424,639
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 7	$ 164

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.

WILDCOAST formed the subsidiary Costasalvaje, 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, 2017.

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.

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, 2017.

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 $32,482 for the year ended December 31, 2017.

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.

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 – WILDCOAST 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, 2017 were reviewed by the Organization and it was determined that it has no uncertain tax positions requiring accrual or disclosure.

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 gain from re-measurement of $13,775 have been included as income on the statement of activities for the year ended December 31, 2017.

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.

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 July 25, 2018, 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.

Note 2. 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 Organization 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.

The Organization's statement of financial position includes cash and cash equivalents which have been considered as Level 1 assets and are reported at fair value based on quoted prices. The Organization's management is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management has established an accounting and financial reporting process for determining the fair value measurements and disclosures.

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	$ 7,865,218
Conservation easements	285,457
	$ 8,150,675

Note 5. Property and Equipment

Property and equipment at December 31, 2017 consist of the following:

Furniture & equipment	$ 134,969
Transportation equipment	136,438
Leasehold improvements	24,762
Computer equipment	150,917
	447,086
Less accumulated depreciation	(325,683)
	$ 121,403

Note 6. Note Payable

The Organization secured financing for a vehicle in 2012 through a financing company. The note payable accrues interest at 2.9% and is secured by the vehicle. Principal and interest payments of $607 were due monthly through March 2017. There was no remaining balance due as of December 31, 2017.

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 $200,000; however, after discussion with the Organization's attorney, management 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, 2017 consolidated financial statements.

Operating Leases – The Organization leases office space in Imperial Beach, California under an operating lease which expires on January 1, 2020. Future minimum rental payments of $26,400 will be paid by the Organization in 2018.

In addition, the Organization leases office space in Ensenada, Baja California, Mexico, under an operating lease that is month to month.

For the year ended December 31, 2017, total rent expense was $49,605.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs as of December 31, 2017:

Marine	$ 459,169
US/Mexico Border Conservation	76,939
Mexican Wildlands	396,248
	$ 932,356

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, 2017, the net assets were released for the following purposes:

Mexican Wildlands	$ 1,477,561
Marine	462,665
Communications	154,554
US/Mexico Border Conservation	112,276
Development	46,500
	$ 2,253,556

Note 10. Defined Contribution 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, 2017, there were no employer contributions made to the plan.

Note 11. December 31, 2016 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, 2016, from which the summarized information was derived.

WILDCOAST AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2017

	WILDCOAST	Costasalvaje	Total	Eliminating Entries	Total
ASSETS					
Cash and cash equivalents	$ 1,494,454	$ 32,274	$ 1,526,728	$ -	$ 1,526,728
Receivables	426,178	-	426,178	-	426,178
Prepaid expenses	10,495	4,995	15,490	-	15,490
Investment in subsidiary	1,186,098	-	1,186,098	(1,186,098)	-
Land and land interests	-	8,150,675	8,150,675	-	8,150,675
Property and equipment, net	92,067	29,336	121,403	-	121,403
Total assets	$ 3,209,292	$ 8,217,280	$ 11,426,572	$ (1,186,098)	$ 10,240,474
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expense	$ 63,343	$ 20,748	$ 84,091	$ -	$ 84,091
Total liabilities	63,343	20,748	84,091	-	84,091
Commitments					
Net assets	3,145,949	8,196,532	11,342,481	(1,186,098)	10,156,383
Total liabilities and net assets	$ 3,209,292	$ 8,217,280	$ 11,426,572	$ (1,186,098)	$ 10,240,474

WILDCOAST AND SUBSIDIARY

SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

	WILDCOAST	Costasalvaje	Total	Eliminating Entries	Total
SUPPORT AND REVENUE					
Contributions and grants	$ 2,579,383	$ 1,086,765	$ 3,666,148	$ (895,531)	$ 2,770,617
Special events	149,491	-	149,491	-	149,491
Other income	21,709	-	21,709	-	21,709
Investment income	532	374	906	-	906
Currency translation gain	-	13,775	13,775	-	13,775
Total support and revenue	2,751,115	1,100,914	3,852,029	(895,531)	2,956,498
EXPENSES					
Program services	1,802,095	675,423	2,477,518	(859,498)	1,618,020
Management and general	254,684	36,033	290,717	(36,033)	254,684
Development	63,273	-	63,273	-	63,273
Special events	49,520	-	49,520	-	49,520
Total expenses	2,169,572	711,456	2,881,028	(895,531)	1,985,497
CHANGE IN NET ASSETS	$ 581,543	$ 389,458	$ 971,001	$ -	$ 971,001