

New Mexico Wilderness Alliance

Financial Statements
and
Independent Auditors' Report

September 30, 2014 and 2013

New Mexico Wilderness Alliance

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Independent Auditors' Report

Board of Directors
New Mexico Wilderness Alliance
Albuquerque, New Mexico

We have audited the accompanying financial statements of New Mexico Wilderness Alliance (the "Alliance"), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Alliance's preparation and fair presentation of the 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 Alliance's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Mexico Wilderness Alliance as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the Alliance's financial statements as of and for the year ended September 30, 2012, and we expressed an unmodified opinion on those financial statements in our report dated April 22, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental statements of functional expenses on pages 18 and 19 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "McSully Zahn LLC". The signature is written in a cursive, flowing style.

January 21, 2015

Financial Statements

New Mexico Wilderness Alliance

Statements of Financial Position

September 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 354,120	\$ 142,575
Contracts and other receivables	2,714	11,278
Inventory	4,132	2,831
Grants receivable	-	55,000
Prepaid expenses	5,277	2,384
Total current assets	366,243	214,068
Deposits	1,992	1,992
Cash restricted for the endowment (Notes 5 and 15)	-	3,000
Investments (Note 3)	100,408	-
Assets held by community foundation (Notes 2, 5, 6, and 15)	16,401	13,006
Equipment and furniture, net (Note 8)	6,493	7,969
Total assets	491,537	240,035
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	39,827	37,362
Deferred revenue	69,374	31,466
Total current liabilities	109,201	68,828
Commitments (Notes 11 and 13)		
Net assets		
Unrestricted		
Board-designated (Note 6)	16,401	-
Undesignated	342,603	55,592
Total unrestricted net assets	359,004	55,592
Temporarily restricted (Note 4)	23,332	102,615
Permanently restricted (Notes 5, 15, and 16)	-	13,000
Total net assets	382,336	171,207
Total liabilities and net assets	\$ 491,537	\$ 240,035

The accompanying notes are an integral part of these financial statements.

New Mexico Wilderness Alliance

Statement of Activities

For the Year Ended September 30, 2014

(With summarized financial information for the year ended September 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Totals</u>	<u>2013 Totals</u>
Support and Revenues					
Grants	\$ 462,591	\$ 23,332	\$ -	\$ 485,923	\$ 408,163
Contributions	367,636	-	-	367,636	269,304
Contracts	178,583	-	-	178,583	148,884
Memberships	77,659	-	-	77,659	92,071
Program trips and events	10,291	-	-	10,291	31,660
Fundraising events	8,964	-	-	8,964	48,608
Publications and retail sales	7,085	-	-	7,085	5,685
In-kind contributions	3,585	-	-	3,585	38,215
Other income	1,800	-	-	1,800	1,599
Change in value of assets held by community foundation	770	-	-	770	997
Interest and dividends	1,092	-	-	1,092	551
Net assets released from restrictions (Note 7)	<u>102,615</u>	<u>(102,615)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>1,222,671</u>	<u>(79,283)</u>	<u>-</u>	<u>1,143,388</u>	<u>1,045,737</u>
Expenses					
Program services					
Wilderness protection	450,891	-	-	450,891	204,611
Wilderness defense	183,333	-	-	183,333	-
Outreach & education	57,254	-	-	57,254	-
Wilderness outreach	-	-	-	-	492,344
Total program services	<u>691,478</u>	<u>-</u>	<u>-</u>	<u>691,478</u>	<u>696,955</u>
Supporting services					
Management and general	157,311	-	-	157,311	130,352
Fundraising	83,470	-	-	83,470	120,398
Total supporting services	<u>240,781</u>	<u>-</u>	<u>-</u>	<u>240,781</u>	<u>250,750</u>
Total expenses	<u>932,259</u>	<u>-</u>	<u>-</u>	<u>932,259</u>	<u>947,705</u>
Change in net assets	<u>290,412</u>	<u>(79,283)</u>	<u>-</u>	<u>211,129</u>	<u>98,032</u>
Net assets, beginning of year	55,592	102,615	13,000	171,207	73,175
Reclassification (Note 16)	<u>13,000</u>	<u>-</u>	<u>(13,000)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 359,004</u>	<u>\$ 23,332</u>	<u>\$ -</u>	<u>\$ 382,336</u>	<u>\$ 171,207</u>

The accompanying notes are an integral part of these financial statements.

New Mexico Wilderness Alliance

Statement of Activities

For the Year Ended September 30, 2013

(With summarized financial information for the year ended September 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
Support and Revenues					
Grants	\$ 305,548	\$ 102,615	\$ -	\$ 408,163	\$ 366,395
Contributions	269,304	-	-	269,304	169,929
Contracts	148,884	-	-	148,884	249,798
Memberships	92,071	-	-	92,071	107,985
Fundraising events	48,608	-	-	48,608	6,568
In-kind contributions	38,215	-	-	38,215	17,483
Program trips and events	31,660	-	-	31,660	24,096
Publications and retail sales	5,685	-	-	5,685	6,591
Other income	1,599	-	-	1,599	2,725
Change in value of assets held					
by community foundation	997	-	-	997	1,516
Interest and dividends	551	-	-	551	297
Conference and events	-	-	-	-	3,462
Loss of disposal of vehicle	-	-	-	-	(1,567)
Net assets released from					
restrictions (Note 7)	<u>28,738</u>	<u>(28,738)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>971,860</u>	<u>73,877</u>	<u>-</u>	<u>1,045,737</u>	<u>955,278</u>
Expenses					
Program services					
Wilderness outreach	492,344	-	-	492,344	578,912
Wilderness protection	<u>204,611</u>	<u>-</u>	<u>-</u>	<u>204,611</u>	<u>204,542</u>
Total program services	<u>696,955</u>	<u>-</u>	<u>-</u>	<u>696,955</u>	<u>783,454</u>
Supporting services					
Management and general	130,352			130,352	91,208
Fundraising	<u>120,398</u>	<u>-</u>	<u>-</u>	<u>120,398</u>	<u>136,938</u>
Total supporting services	<u>250,750</u>	<u>-</u>	<u>-</u>	<u>250,750</u>	<u>228,146</u>
Total expenses	<u>947,705</u>	<u>-</u>	<u>-</u>	<u>947,705</u>	<u>1,011,600</u>
Change in net assets	24,155	73,877	-	98,032	(56,322)
Net assets, beginning of year	<u>31,437</u>	<u>28,738</u>	<u>13,000</u>	<u>73,175</u>	<u>129,497</u>
Net assets, end of year	<u>\$ 55,592</u>	<u>\$ 102,615</u>	<u>\$ 13,000</u>	<u>\$ 171,207</u>	<u>\$ 73,175</u>

The accompanying notes are an integral part of these financial statements.

New Mexico Wilderness Alliance
Statements of Cash Flows
For the Years Ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash received from grants, contributions, and contracts	\$ 1,033,206	\$ 794,157
Cash received from memberships	77,659	92,071
Cash received from program events, trips, and fundraising events	26,340	57,103
Other cash receipts	1,800	1,598
Interest and dividends received	1,092	551
Cash paid to employees and suppliers	(928,552)	(911,954)
Net cash provided by operating activities	211,545	33,526
Cash flows from investing activities		
Purchase of equipment	-	(2,382)
Cash flows from financing activities		
Principal payments on capital lease obligation	-	(767)
Net increase in cash and cash equivalents	211,545	30,377
Cash and cash equivalents, beginning of year	142,575	112,198
Cash and cash equivalents, end of year	354,120	142,575
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	211,129	98,032
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in value of assets held by community foundation	(770)	(997)
Depreciation	1,476	3,580
Inventory write-off	7,554	11,622
Stock donations	(100,408)	-
Noncash adjustments	375	-
Changes in assets and liabilities		
Contracts and grants receivable	63,564	(64,160)
Inventory	(8,855)	(5,591)
Prepaid expenses and deposits	(2,893)	12,917
Accounts payable and accrued expenses	2,465	(24,493)
Deferred revenue	37,908	2,616
Total adjustments	416	(64,506)
Net cash provided by operating activities	\$ 211,545	\$ 33,526

The accompanying notes are an integral part of these financial statements.

New Mexico Wilderness Alliance

Notes to Financial Statements

September 30, 2014 and 2013

1) Summary of Significant Accounting Policies

Organization Activities

New Mexico Wilderness Alliance (the "Alliance") is a nonprofit corporation founded in 1997. The Alliance's purpose is to enjoy, protect, and restore wilderness in New Mexico, and to conduct research and educate the public about wilderness in New Mexico. The Alliance's main sources of support and revenue are grants, contributions, contracts, and memberships. The programs of the Alliance were redefined during the year ended September 30, 2014, to better reflect the Alliance's actual efforts in pursuit of its organizational priorities. The programs for the year ended September 30, 2014, are as follows:

Wilderness Protection: Upgrading the status of public lands. Activities directly related to increasing legislative or administrative protection designations; place-based campaign activities, including grassroots organizing, mobilization, advocacy, and communications with elected officials.

Wilderness Defense: Efforts to improve the management of public lands. Activities include a range of oversight and "watchdog" activities designed to hold agencies accountable for managing lands consistent with relevant statutes, regulations, rules, and management plans and proposals.

Outreach and Education: Public outreach, education, and engagement. Activities conducted to foster better understanding and appreciation for the value of federal public lands in general, not associated with a specific place-based campaign. One of the activities of the Alliance during the year ended September 30, 2014, was assisting with the planning of the National Wilderness Conference which was held in Albuquerque, New Mexico, in October 2014. The Alliance is a member of the 50th Anniversary National Wilderness Planning Team ("Wilderness 50") which is a coalition of federal agencies, non-profit organizations, academic institutions, and other wilderness user groups whose purpose is to plan and eventually implement local, regional, and national events and projects, designed to elevate the profile of wilderness during the National Wilderness Conference. This conference coincided with the 50th Anniversary of The Wilderness Act.

During the year ended September 30, 2013, the programs of the Alliance were as follows:

Wilderness Protection – projects designed to ensure the protection and restoration of all remaining wild lands in New Mexico through administrative designations, federal Wilderness designation, and on-going advocacy.

New Mexico Wilderness Alliance

Notes to Financial Statements

September 30, 2014 and 2013

1) Summary of Significant Accounting Policies — continued

Organization Activities – continued

Wilderness Outreach – engage in campaigns, membership drives, rallies, meetings, direct hands-on wild land restoration work, house parties, and public forums to allow the public the opportunity to make their voices heard and to have a role in protecting the wild places of New Mexico.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. The assets held by a community foundation are measured at the fair value of the underlying assets as reported by the community foundation. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Income Taxes

The Alliance is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as an organization that is not a private foundation. Management of the Alliance has determined its advertising activities to be an unrelated business activity. No income tax expense was incurred related to the advertising activities during the years ended September 30, 2014 and 2013, as these activities resulted in a net loss.

Equipment and Furniture

Equipment and furniture are stated at cost. Equipment and furniture that are received by donation are recorded at the estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Alliance reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Alliance reclassifies restricted net assets to unrestricted net assets at that time. Purchased or donated furniture and equipment in excess of \$2,000 is capitalized and depreciated. Depreciation is calculated on a straight-line method in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives of five years.

New Mexico Wilderness Alliance

Notes to Financial Statements

September 30, 2014 and 2013

1) Summary of Significant Accounting Policies — continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Alliance considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Inventory

Inventory consists of hiking guides, promotional stamps, and retail items. The inventory is stated at the lower of cost or market using the first-in, first-out method.

Support

The Alliance reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Contributed Services and Materials

The Alliance recognizes contributed services if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Recognized contributed services and donated materials are recorded at the fair value of the services on the date of donation. The Alliance received and recorded the following donated services and materials during the years ended September 30:

	<u>2014</u>	<u>2013</u>
Items and supplies for fundraising events	\$ 8,114	\$ 11,016
Program use of aircraft and service of pilots	2,575	32,554
Program materials, supplies, and travel costs	680	3,187
Management and general supplies and services	-	2,475
Total donated services and materials	<u>\$ 11,369</u>	<u>\$ 49,232</u>

New Mexico Wilderness Alliance

Notes to Financial Statements

September 30, 2014 and 2013

1) Summary of Significant Accounting Policies — continued

Contracts, Grants, and Other Receivables

Contracts, grants, and other receivables are stated at unpaid balances, less an allowance for doubtful accounts. Management estimates the adequacy of the allowance for uncollectible receivables based on historical collections, specific impaired receivables, and other situations that may affect the collection of the receivables. Receivables are charged off in the period in which the management determines the receivable is uncollectible. As of September 30, 2014 and 2013, management estimates all receivables to be fully collectible; therefore, no provision for an allowance for uncollectible receivables has been recorded.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

Expenses are charged directly to program and supporting services categories based on specific identification. Costs benefiting more than one service are allocated based on measures such as management's estimates of time spent.

2) Assets held by Community Foundation

The Alliance transferred \$10,000 in 2009 and \$3,000 in July 2014, to the New Mexico Community Foundation (NMCF) to establish the New Mexico Wilderness Alliance Fund. The NMCF holds, manages, and invests these funds on behalf of the Alliance. The assets remain property of the Alliance. The Alliance elects whether to take distributions of income from these funds or reinvest the income. The funds can be withdrawn by the Alliance with a 75% vote of the board of directors of the Alliance. As of September 30, 2014 and 2013, these funds represented the investment of board-designated quasi-endowment funds and permanently restricted contributions for the endowment, respectively. The cost and fair value of these assets are as follows as of September 30:

	<u>2014</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Assets held by the NMCF	<u>\$ 13,000</u>	<u>\$ 16,401</u>	<u>\$ 3,401</u>

New Mexico Wilderness Alliance

Notes to Financial Statements September 30, 2014 and 2013

2) Assets held by Community Foundation — continued

	2013		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Assets held by the NMCF	\$ 10,000	\$ 13,006	\$ 3,006

3) **Investments**

The cost, fair value, and unrealized appreciation (depreciation) of investments are as follows as of September 30, 2014:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Common stocks	\$ 100,408	\$ 100,408	\$ -

4) **Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of grants contributions restricted by donors for the following purposes or grants and contributions with implied time restrictions as of September 30:

	2014	2013
Outreach and education	\$ 14,125	\$ -
Wilderness defense	4,894	-
Wilderness protection	4,313	-
Wilderness outreach	-	47,615
Grants receivable	-	55,000
Total temporarily restricted net assets	\$ 23,332	\$ 102,615

5) **Permanently Restricted Net Assets**

Permanently restricted net assets as of September 30, 2013, consisted of donor-restricted assets for the endowment. Income from the endowment was available for operations and was not restricted. As of September 30, 2014, these net assets were reclassified to board-designated unrestricted net assets (Notes 6 and 16).

New Mexico Wilderness Alliance

Notes to Financial Statements

September 30, 2014 and 2013

6) Board-designated Unrestricted Net Assets

Board-designated unrestricted net assets represent quasi-endowment funds held at the NMCF. The board intends to retain and invest these funds. However, the funds can be used if needed subject to the distribution policy of funds held at the NMCF (Note 2).

7) Net Assets Released from Restrictions

Net assets released from restrictions consist of restricted grants and contributions used for the following purposes or grants and contributions released from implied time restrictions for the years ended September 30:

	<u>2014</u>	<u>2013</u>
Receipt of grants receivable	\$ 55,000	\$ -
Wilderness outreach	47,615	15,238
Fundraising event	-	9,000
Equipment purchases	-	4,500
Total net assets released from restrictions	<u>\$ 102,615</u>	<u>\$ 28,738</u>

8) Equipment and Furniture

Equipment and furniture consist of the following as of September 30:

	<u>2014</u>	<u>2013</u>
Equipment and vehicles	\$ 18,734	\$ 18,734
Furniture	14,025	14,025
Total equipment and furniture	<u>32,759</u>	<u>32,759</u>
Less accumulated depreciation	<u>(26,266)</u>	<u>(24,790)</u>
Equipment and furniture, net	<u>\$ 6,493</u>	<u>\$ 7,969</u>

9) Subsequent Events

Subsequent events have been evaluated through January 21, 2015, which is the date the financial statements were available to be issued. No subsequent events were noted requiring disclosure.

New Mexico Wilderness Alliance

Notes to Financial Statements

September 30, 2014 and 2013

10) Fair Value Measurements

The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs – unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2 Inputs – include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs – unobservable inputs which reflect the organization’s own assumptions about the assumptions market participants would use in pricing the asset or liability.

The following table summarizes the assets of the Alliance measured at fair value on a recurring basis as of September 30:

	<u>Fair Value Measurements at Reporting Date Using</u>					
			<u>Quoted Prices</u>			
		<u>in Active</u>	<u>Markets for</u>	<u>Significant</u>	<u>Other</u>	<u>Significant</u>
		<u>Identical</u>	<u>Assets</u>	<u>Observable</u>	<u>Inputs</u>	<u>Unobservable</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>(Level 3)</u>
<u>2014</u>						
Common stocks	\$	100,408	\$	100,408	\$	-
Assets held by community foundation		16,401		-		16,401
<u>2013</u>						
Assets held by community foundation		13,006		-		13,006

New Mexico Wilderness Alliance

Notes to Financial Statements

September 30, 2014 and 2013

10) Fair Value Measurements — continued

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring measurements, if applicable. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate and evaluates and adjusts unobservable inputs used in the fair value measurements based on current market conditions and third-party information. If applicable, the Alliance recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

The fair value of the assets held by the NMCF was determined based on the market prices of the underlying investments as reported by the NMCF.

11) Employee Benefit Plans

The Alliance provides a Section 403(b) retirement plan for eligible employees. The Alliance matches employee's contributions up to 5% of the participating employee's compensation. Employer contributions to the retirement plan were \$18,804 and \$13,948 for the years ended September 30, 2014 and 2013, respectively.

12) Accounting for Uncertainty in Income Taxes

The Financial Accounting and Standards Board (FASB) issued FASB ASC 740-10 (formerly FASB FIN 48), *Accounting for Uncertainty in Income Taxes*, which provides guidance on how to measure and account for various tax positions. If applicable, the Alliance will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of September 30, 2014 and 2013, the Alliance had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Alliance does not anticipate any significant changes to unrecognized tax benefits over the next year.

New Mexico Wilderness Alliance

Notes to Financial Statements

September 30, 2014 and 2013

12) Accounting for Uncertainty in Income Taxes — continued

Management of the Alliance believes its activities allow it to continue to be classified as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and believes the only activity subject to unrelated business income tax is advertising. The Alliance files federal Form 990, *Return of Organization Exempt from Income Tax*, and Form 990-T, *Exempt Organization Business Income Tax Return*, as required, with the Internal Revenue Service and copies of Form 990 and Form 990-T with states in which the Alliance is registered, as required. The statute of limitations for examination of the Alliance's returns expires three years from the due date of the return or the date filed, whichever is later. The Alliance's returns for the years ended September 30, 2011 through 2013, are still open for examination and management anticipates the statute of limitations for the returns for the year ended September 30, 2014, will expire in February 2018.

13) Lease

As of September 30, 2014, the Alliance had one lease agreement in effect for office space requiring future monthly lease payments. The lease is a 36-month lease requiring monthly lease payments ranging from \$2,311 to \$2,451. Lease expense related to this lease was \$29,270 and \$31,189 for the years ended September 30, 2014 and 2013, respectively. Future minimum lease payments related to this lease are \$4,902 for the year ended September 30, 2015.

14) Conditional Contribution

In June 2012, the Alliance was notified it was a beneficiary of a trust which provided for \$10 million to be distributed to certain conservation organizations. The Alliance is a 5% beneficiary of the \$10 million. The trust was the beneficiary of the assets of an individual upon his death. The named individual of the trust died in June 2012. The Alliance received \$135,150 in both April 2013 and June 2014, as partial distributions from the trust. As of September 30, 2014 and 2013, the amount of additional distributions from the trust was not known as future distributions are contingent upon final settlement of the decedent's estate and debts of the trust. Therefore, no additional distributions from the trust were accrued as of September 30, 2014 and 2013.

New Mexico Wilderness Alliance

Notes to Financial Statements

September 30, 2014 and 2013

15) Endowment

For the year ended September 30, 2014, the assets of the endowment consist of funds held and invested by the NMCF (Note 2). For the year ended September 30, 2013, the assets of the endowment consisted funds invested at the NMCF (Note 2) and cash. The endowment originated during the year ended September 30, 2009, with \$13,000 of contributions.

Net assets associated with the endowment fund, including amounts designated by the board as quasi-endowment, are classified and reported based on the existence or absence of donor-imposed restrictions. Income earned on the endowment is available for operations. Management of the Alliance has not yet adopted spending policies for the endowment.

Management of the Alliance has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, the Alliance classifies as permanently restricted net assets a) the original value of gifts donated to the permanent endowment, b) the original value of subsequent gifts to the permanent endowment, and c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Alliance in a manner consistent with the standards of prudence prescribed by the UPMIFA.

The endowment's net asset composition is as follows for the years ended September 30:

	<u>2014</u>	<u>2013</u>
Board-designated endowment funds – unrestricted	<u>\$ 16,401</u>	<u>\$ -</u>
Donor-restricted endowment funds – permanently restricted	<u>\$ -</u>	<u>\$ 13,000</u>

New Mexico Wilderness Alliance

Notes to Financial Statements

September 30, 2014 and 2013

16) Reclassification

As of September 30, 2014, the Alliance received notification from the main donor of prior years' permanently restricted endowment contributions, she would like to remove the restriction from her contributions and allow the contributions to be classified as board-designated quasi-endowment contributions (Note 6). The contributions from this one donor were \$11,000 of the total \$13,000 of donor-restricted contributions that were classified as permanently restricted in prior years. The Alliance believes the other \$2,000 of the prior-years' permanently restricted endowment contributions were improperly classified as permanently restricted; therefore, a reclassification was made to reflect the full amount of prior-years' permanently restricted endowment contributions as board-designated quasi-endowment unrestricted net assets.

Statements of Functional Expenses

New Mexico Wilderness Alliance
Statement of Functional Expenses
For the Year Ended September 30, 2014
(With summarized financial information for the year ended September 30, 2013)

	Wilderness Protection	Wilderness Defense	Outreach & Education	Total Program Services
Salaries and wages	\$ 244,921	\$ 106,818	\$ -	\$ 351,739
Contractual services	50,123	25,345	12,651	88,119
Employee benefits (Note 11)	26,189	13,357	-	39,546
Payroll taxes	25,212	10,716	-	35,928
Travel and transportation	22,674	6,000	9,475	38,149
Occupancy (Note 13)	19,195	8,226	-	27,421
Printing and reproduction	6,555	823	20,621	27,999
Materials and supplies	6,647	2,593	772	10,012
Advertising	17,418	220	-	17,638
Legal and accounting	-	-	-	-
Meals and entertainment	11,043	596	68	11,707
Telephone	5,132	2,200	-	7,332
Postage	3,319	274	1,135	4,728
Inventory write-off	-	-	7,554	7,554
Lodging	5,300	673	30	6,003
Fieldwork - labor and materials	-	4,200	968	5,168
Fees	800	-	-	800
Website and internet	1,203	516	-	1,719
Costs of goods sold	-	-	3,880	3,880
Insurance	-	-	-	-
Repairs and maintenance	914	302	-	1,216
Training and workshops	1,455	95	-	1,550
Depreciation	915	340	-	1,255
Events	1,250	-	-	1,250
Dues and subscriptions	626	39	-	665
Miscellaneous	-	-	100	100
Interest	-	-	-	-
Total expenses	\$ 450,891	\$ 183,333	\$ 57,254	\$ 691,478

<u>Management and General</u>	<u>Fundraising</u>	<u>2014 Totals</u>	<u>2013 Totals</u>
\$ 84,013	\$ 51,217	\$ 486,969	\$ 463,408
5,938	1,314	95,371	70,106
15,787	6,650	61,983	47,297
7,711	4,712	48,351	48,250
439	478	39,066	86,787
6,550	3,993	37,964	41,338
1,109	6,529	35,637	25,176
6,591	3,098	19,701	15,340
37	50	17,725	7,854
13,764	-	13,764	20,137
384	709	12,800	16,653
1,751	1,068	10,151	12,150
1,913	3,113	9,754	13,535
-	-	7,554	11,622
103	-	6,106	6,649
-	-	5,168	11,483
3,978	-	4,778	5,239
2,476	376	4,571	5,994
-	-	3,880	4,334
3,416	-	3,416	3,162
551	-	1,767	1,333
-	-	1,550	-
103	118	1,476	3,580
-	45	1,295	13,849
449	-	1,114	8,557
185	-	285	3,595
63	-	63	277
<u>\$ 157,311</u>	<u>\$ 83,470</u>	<u>\$ 932,259</u>	<u>\$ 947,705</u>

The accompanying notes are an integral part of these financial statements.

New Mexico Wilderness Alliance
Statement of Functional Expenses
For the Year Ended September 30, 2013
(With summarized financial information for the year ended September 30, 2012)

	Wilderness Outreach	Wilderness Protection	Total Program Services	Management and General
Salaries and wages	\$ 246,676	\$ 99,167	\$ 345,843	\$ 63,278
Travel and transportation	62,993	22,173	85,166	961
Contractual services	50,971	14,695	65,666	2,039
Payroll taxes	25,834	10,443	36,277	6,551
Employee benefits (Note 11)	22,572	14,276	36,848	5,373
Occupancy (Note 13)	21,904	8,947	30,851	5,645
Printing and reproduction	13,711	3,092	16,803	1,715
Legal and accounting	-	-	-	20,137
Meals and entertainment	4,356	714	5,070	150
Materials and supplies	4,248	3,319	7,567	6,231
Events	1,433	-	1,433	-
Postage	3,089	1,047	4,136	1,960
Telephone	6,438	2,630	9,068	1,659
Inventory write-off	11,622	-	11,622	-
Fieldwork - labor and materials	-	11,483	11,483	-
Dues and subscriptions	322	7,600	7,922	635
Advertising	800	50	850	641
Lodging	3,126	2,607	5,733	916
Website and internet	4,795	-	4,795	1,049
Fees	48	1,020	1,068	4,171
Costs of goods sold	4,334	-	4,334	-
Miscellaneous	-	175	175	3,420
Depreciation	2,220	823	3,043	251
Insurance	-	-	-	3,162
Repairs and maintenance	852	350	1,202	131
Interest	-	-	-	277
Training and workshops	-	-	-	-
Direct mail services	-	-	-	-
Grants	-	-	-	-
Total expenses	\$ 492,344	\$ 204,611	\$ 696,955	\$ 130,352

<u>Fundraising</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
\$ 54,287	\$ 463,408	\$ 508,602
660	86,787	50,507
2,401	70,106	77,178
5,422	48,250	50,130
5,076	47,297	63,662
4,842	41,338	42,689
6,658	25,176	31,826
-	20,137	9,095
11,433	16,653	21,213
1,542	15,340	16,701
12,416	13,849	1,151
7,439	13,535	22,212
1,423	12,150	16,160
-	11,622	5,076
-	11,483	10,390
-	8,557	3,468
6,363	7,854	21,863
-	6,649	12,914
150	5,994	9,707
-	5,239	6,014
-	4,334	5,700
-	3,595	693
286	3,580	4,883
-	3,162	4,889
-	1,333	4,041
-	277	541
-	-	1,702
-	-	3,528
-	-	5,065
<u>\$ 120,398</u>	<u>\$ 947,705</u>	<u>\$ 1,011,600</u>

The accompanying notes are an integral part of these financial statements.