

The Wilderness Society

Audited Financial Statements  
and Supplemental Information

*Years ended September 30, 2013 and 2012  
with Report of Independent Auditors*

The Wilderness Society  
Audited Financial Statements  
and Supplemental Information

Years ended September 30, 2013 and 2012

Contents

Report of Independent Auditors.....	1 - 2
Audited Financial Statements	
Statements of Financial Position .....	3
Statements of Activities.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6 - 22
Supplemental Information	
Statement of Functional Expenses.....	23

## Report of Independent Auditors

Governing Council  
The Wilderness Society  
Washington, DC

We have audited the accompanying financial statements of The Wilderness Society (the Society) which comprise the statements of financial position as of September 30, 2013 and 2012 and the related statements of activities and cash flows for 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 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 the 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 entity'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 entity'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 The Wilderness Society as of September 30, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Functional Expenses for the year ended September 30, 2013 on page 23 is presented for purposes of additional analysis and is 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 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 financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Falls Church, Virginia  
January 15, 2014

# The Wilderness Society

## Statements of Financial Position

	September 30,	
	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 2,548,022	\$ (43,835)
Accounts and contributions receivable, net	4,742,169	2,663,100
Investments	24,965,069	24,617,340
Planned giving investments	5,316,624	5,593,081
Beneficial interest in assets held by others	7,798,593	8,956,040
Long-term receivables, net	7,355,568	653,455
Prepaid expenses and other assets	936,882	840,203
Fixed assets, net	1,121,768	1,585,802
Total assets	\$ 54,784,695	\$ 44,865,186
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,540,115	\$ 2,569,578
Deferred revenue	162,539	122,281
Custodial funds	26,030	26,030
Deferred rent	1,052,356	875,534
Line of credit	-	774,000
Deposits	29,525	26,825
Planned giving liabilities	3,105,549	3,304,045
Total liabilities	5,916,114	7,698,293
Net assets:		
Unrestricted net assets	2,923,655	3,468,386
Temporarily restricted net assets	34,466,955	22,309,728
Permanently restricted net assets	11,477,971	11,388,779
Total net assets	48,868,581	37,166,893
Total liabilities and net assets	\$ 54,784,695	\$ 44,865,186

*See accompanying notes to the financial statements.*

The Wilderness Society  
Statements of Activities

	For the years ended September 30,							
	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues</b>								
Contributions:								
Individuals	\$ 14,796,437	\$ 13,716,552	\$ 13,062	\$ 28,526,051	\$ 11,761,358	\$ 1,436,544	\$ 49,691	\$ 13,247,593
Foundations	135,302	5,795,119	5,000	5,935,421	90,123	7,132,985	5,000	7,228,108
Corporations	117,820	84,500	-	202,320	205,931	151,250	-	357,181
	<u>15,049,559</u>	<u>19,596,171</u>	<u>18,062</u>	<u>34,663,792</u>	<u>12,057,412</u>	<u>8,720,779</u>	<u>54,691</u>	<u>20,832,882</u>
Program services	111,807	-	-	111,807	51,142	-	-	51,142
Government grants	126,592	-	-	126,592	303,455	-	-	303,455
Investment income (Note C)	88,096	316,974	-	405,070	94,631	211,754	-	306,385
Spending policy	507,047	(507,047)	-	-	447,193	(447,193)	-	-
Other revenues	910,059	-	-	910,059	962,168	-	-	962,168
Total revenues	<u>16,793,160</u>	<u>19,406,098</u>	<u>18,062</u>	<u>36,217,320</u>	<u>13,916,001</u>	<u>8,485,340</u>	<u>54,691</u>	<u>22,456,032</u>
Net assets released (Note J)	<u>9,229,757</u>	<u>(9,229,757)</u>	<u>-</u>	<u>-</u>	<u>10,630,758</u>	<u>(10,630,758)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>26,022,917</u>	<u>10,176,341</u>	<u>18,062</u>	<u>36,217,320</u>	<u>24,546,759</u>	<u>(2,145,418)</u>	<u>54,691</u>	<u>22,456,032</u>
<b>Expenses</b>								
Program services:								
Wilderness/Wildlands Conservation	17,467,244	-	-	17,467,244	19,531,303	-	-	19,531,303
Outreach and Public Education	4,042,585	-	-	4,042,585	5,707,493	-	-	5,707,493
	<u>21,509,829</u>	<u>-</u>	<u>-</u>	<u>21,509,829</u>	<u>25,238,796</u>	<u>-</u>	<u>-</u>	<u>25,238,796</u>
Support services:								
Fundraising	4,276,115	-	-	4,276,115	3,834,675	-	-	3,834,675
Management and general	1,889,007	-	-	1,889,007	2,140,548	-	-	2,140,548
	<u>6,165,122</u>	<u>-</u>	<u>-</u>	<u>6,165,122</u>	<u>5,975,223</u>	<u>-</u>	<u>-</u>	<u>5,975,223</u>
Total expenses	<u>27,674,951</u>	<u>-</u>	<u>-</u>	<u>27,674,951</u>	<u>31,214,019</u>	<u>-</u>	<u>-</u>	<u>31,214,019</u>
Change in net assets from operations	(1,652,034)	10,176,341	18,062	8,542,369	(6,667,260)	(2,145,418)	54,691	(8,757,987)
Gain on investments (Note C)	1,142,369	2,745,142	-	3,887,511	1,760,265	3,056,422	-	4,816,687
Change in value of beneficial interest	-	(764,256)	71,130	(693,126)	-	1,095,711	57,513	1,153,224
Uncollectible allowance adjustment	(21,003)	-	-	(21,003)	(1,228)	159,394	-	158,166
Loss on equipment	(14,063)	-	-	(14,063)	-	-	-	-
Change in net assets	<u>(544,731)</u>	<u>12,157,227</u>	<u>89,192</u>	<u>11,701,688</u>	<u>(4,908,223)</u>	<u>2,166,109</u>	<u>112,204</u>	<u>(2,629,910)</u>
Reclassification of net assets	-	-	-	-	(1,016)	1,016	-	-
Beginning net assets	3,468,386	22,309,728	11,388,779	37,166,893	8,377,625	20,142,603	11,276,575	39,796,803
Ending net assets	<u>\$ 2,923,655</u>	<u>\$ 34,466,955</u>	<u>\$ 11,477,971</u>	<u>\$ 48,868,581</u>	<u>\$ 3,468,386</u>	<u>\$ 22,309,728</u>	<u>\$ 11,388,779</u>	<u>\$ 37,166,893</u>

See accompanying notes to the financial statements.

# The Wilderness Society

## Statements of Cash Flows

	Years ended September 30,	
	2013	2012
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 11,701,688	\$ (2,629,910)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	632,665	768,384
Discount on long-term receivables	13,416	(32,792)
Allowance for uncollectible receivables	288,084	(183,968)
Net realized and unrealized investment gains	(3,887,511)	(3,218,254)
Donated securities	(469,791)	(261,142)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(9,082,682)	2,565,177
Prepaid expenses and other assets	(96,679)	(194,523)
Beneficial interests in assets held by others	1,157,447	(222,192)
Accounts payable and accrued expenses	(1,029,463)	199,631
Custodial funds	-	(10,000)
Deferred rent	176,822	563,731
Deposits	2,700	26,825
Deferred revenue	40,258	108,856
Planned giving liabilities	(198,496)	46,185
Net cash used in operating activities	(751,542)	(2,473,992)
<b>Cash flows from investing activities</b>		
Disposal of fixed assets	49,214	6,747
Purchase of equipment	(217,845)	(213,268)
Proceeds from sale of investments	5,876,491	6,041,891
Purchase of investments	(1,590,461)	(4,226,596)
Net cash provided by investing activities	4,117,399	1,608,774
<b>Cash flows from financing activities</b>		
Repayments on line of credit	(8,345,000)	(5,067,000)
Borrowings on line of credit	7,571,000	5,841,000
Net cash flows (used in) provided by financing activities	(774,000)	774,000
Change in cash and cash equivalents	2,591,857	(91,218)
Cash and cash equivalents, beginning of year	(43,835)	47,383
Cash and cash equivalents, end of year	\$ 2,548,022	\$ (43,835)
<i>Supplemental disclosures of cash flow information:</i>		
Interest paid	\$ 17,955	\$ 9,854

See accompanying notes to the financial statements.

# The Wilderness Society

## Notes to Financial Statements

*Years ended September 30, 2013 and 2012*

### **Note A - Organization and Purpose**

The Wilderness Society (the Society) is the leading American conservation organization working to protect wild places within our nation's public lands-the 635 million acres collectively owned by the American people and managed by our government. From well-known icons to hidden gems, these wildlands provide us all with clean air and water; abundant wildlife, havens for recreation, learning, and solitude; and a foundation for a healthy planet. They are also important sources of renewable energy and vital natural resources that must be managed wisely.

Since its founding in 1935, the Wilderness Society has led the efforts to permanently protect as wilderness 110 million acres in 44 states, from rich hardwood forests in the East, stunning deserts in the Southwest, and snowcapped peaks in the Rockies to old-growth forests in the Pacific Northwest and tundra in Alaska. From the revolutionary 1964 Wilderness Act to the landmark 2009 bill that permanently protected more than two million acres of wilderness across the country, the Wilderness Society has been at the forefront of nearly every major public victory over the past 75 years. Our work has profoundly improved the way our shared national lands are managed and enjoyed.

We bring a unique breadth of expertise to public land issues; our staff are recognized leaders in the fields of natural resource science, policy, economics, and outreach. From Capitol Hill and federal agencies to communities across the nation, we work strategically and collaboratively with land managers, decision makers, and other interested citizens to find common-ground solutions. These solutions- tested on the ground and embedded in national policy-lead to better protection, stewardship and restoration of our public lands, preserving our rich natural legacy for current and future generations.

Today, with more than 500,000 active members and supporters, the Society continues its vital mission to protect wilderness and inspire Americans to care for our wild places.

The Society categorizes its program service work as "Wilderness and Wild Lands Conservation" and "Outreach and Public Education." This division mirrors the two halves of our mission statement: "To protect wilderness and inspire Americans to care for our wild places."

#### *Wilderness and Wild Lands Conservation*

The Society's approach to conservation addresses five critical areas of concern: protective designations, land stewardship and restoration, energy development, climate change, and recreation.



# The Wilderness Society

## Notes to Financial Statements (Continued)

### **Note A - Organization and Purpose (Continued)**

#### *Outreach and Public Education*

The Society's public communications includes a highly respected website, an annual magazine and membership newsletters published three times a year (the Society's newsletter won a gold medal award in 2010 from the Association of Marketing and Communication Professionals). There are 490,000 Wild Alert subscribers who hear from us weekly on a range of issues linked to legislation, local conservation questions and land-agency policies.

### **Note B - Summary of Significant Accounting Policies**

#### *Basis of Accounting*

The Society presents its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (the guidance). Accordingly, the cost of the Society's programs and other activities has been summarized on a functional basis in the statements of activities. Additionally, certain costs have been allocated among the programs and supporting services benefited. Salaries and benefits for employees who perform both program and support services are charged to those functions based on the approximate level of effort spent in each function.

#### *Subsequent events*

The Society has performed an evaluation of subsequent events through January 15, 2014, which is the date the financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes.

#### *Use of estimates*

GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts and classifications of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

#### *Income taxes*

The Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not a private foundation under Section 509(a) of the IRC. The Society is required to pay federal and state income taxes only on unrelated business income. Management has concluded that the Society has properly maintained its exempt status and there are no uncertain tax positions as of September 30, 2013. The three previous tax years are subject to examination by taxing authorities; there are currently no examinations being conducted.

# The Wilderness Society

## Notes to Financial Statements (Continued)

### **Note B - Summary of Significant Accounting Policies (Continued)**

#### *Risk and uncertainties*

The Society invests in various securities. These securities are exposed to a variety of risks, such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount reported in the statements of financial position.

#### *Cash and cash equivalents*

The Society considers cash and cash equivalents to include all highly liquid investments with original maturities of 90 days or less. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits prescribed by law. The Society may hold funds with financial institutions in excess of the FDIC insured amounts; however, the Society has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### *Investments and fair value measurements*

Investments are recorded at fair value. Investment income or loss, including realized and unrealized gains and losses, is included in the statements of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor or law.

Dividend and interest income are considered operating revenue of the Society. Realized and unrealized gains and losses above the spending rate approved by the Governing Council are not used in operations and, therefore, are reported as temporarily restricted in the statements of activities as gain on investments.

In accordance with GAAP, the Society prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted (unadjusted) for identical assets or liabilities in actively traded markets which the Society has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

# The Wilderness Society

## Notes to Financial Statements (Continued)

### **Note B - Summary of Significant Accounting Policies (Continued)**

#### *Investments and fair value measurements (continued)*

The Society recognizes transfers between levels at the end of the reporting period in which circumstances occur causing changes in the availability of inputs to the fair value techniques.

#### *Planned giving assets and liabilities*

The Society maintains a pooled income fund for planned giving investments. Donors contribute to the Society an irrevocable remainder interest in property while they reserve the right to income from the property. The Society recognizes its remainder interest in the assets received as temporarily or permanently restricted contribution revenue in the period the assets are received. The contribution is recorded at the fair value of the asset discounted over the actuarially estimated time period until the donor's death.

Charitable gift annuity contributions are recorded net of the present value of the liability of the future annuity payments. The rate used to calculate the net present value is the adjusted discount rate for the month in which the gift is made. The value of the liability is adjusted to reflect amortization of the discount, payments to the donor, and changes in actuarial assumptions.

Charitable remainder trusts are recorded at the present value of estimated future cash flows. The discount rate used to calculate the net present value of the estimated future cash flows for the years ended September 30, 2013 and 2012 was 2% and 1%, respectively. The value of the trust liability is adjusted to reflect amortization of the discount and changes in actuarial assumptions related to interest rate fluctuations or other variables.

Earnings generated by planned giving investments are recorded as liabilities to cover commitments to the beneficiaries of planned giving agreements. The change in the actuarial value of planned giving assets is recorded as change in value of split interest agreements in the statements of activities.

The beneficial interest in assets held by others for which the Society does not serve as trustee, amounted to \$8,111,393 and \$9,255,240 as of September 30, 2013 and 2012, respectively, and is recorded in temporarily or permanently restricted net assets in the accompanying statements of financial position. Of these amounts, \$312,800 and \$299,200, is included within accounts receivable as of September 30, 2013 and 2012, respectively as it is due within one year. It is the policy of the Society to record such assets only when the Society's interest is deemed to be irrevocable and where there is sufficient information to quantify a fair and accurate valuation. The Society's beneficial interest is recorded at the discounted present value of the gift, based on the date of gift and the trust life. Trust assets include publicly traded U.S. stock, corporate and government bonds, mutual funds, property and land, and life insurance policies. Amounts received related to these beneficial interests are used for purposes designated by the donor, if any.

# The Wilderness Society

## Notes to Financial Statements (Continued)

### **Note B - Summary of Significant Accounting Policies (Continued)**

#### *Planned giving assets and liabilities (continued)*

The change in the actuarial valuation of total planned giving agreements, including those held by third parties, is recorded in the statements of activities. The change in value of these agreements was \$(693,126) and \$1,153,224 for the years ended September 30, 2013 and 2012, respectively.

#### *Contributions receivable*

Contributions receivable that are expected to be collected within one year are reported net of any estimated uncollectible amounts. Contributions expected to be collected beyond one year are reported net of any estimated uncollectible amounts and are discounted to present value using the United States Treasury obligations risk-adjusted rates according to their corresponding terms.

#### *Allowance for uncollectible contributions*

The Society has established an allowance for uncollectible contributions. Although variability is inherent in such estimates, management believes that the allowance provided in the financial statements is adequate, but largely dependent on economic conditions.

#### *Fixed assets*

Furniture and equipment expenditures over \$1,000 are recorded at cost and are depreciated under the straight-line method, with estimated useful lives ranging from three to ten years. Leasehold improvements are recorded at cost and are amortized over the shorter of their useful lives or the remaining term of the lease.

#### *Endowments*

The Society is a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Therefore, the net asset classification of donor restricted endowment funds is presented in accordance with the related accounting guidance and disclosures.

#### *Classification of net assets*

The Society's net assets have been grouped into the following three classes:

Unrestricted net assets - result from contributions and other inflows of assets whose use by the Society is not limited by donor-imposed restrictions.

Temporarily restricted net assets - result from contributions and other inflows of assets whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be fulfilled and removed by actions of the Society related to those restrictions.

Permanently restricted net assets - result from contributions and other inflows of assets whose use by the Society is limited by donor-imposed restrictions, that must be maintained in perpetuity by the Society.

# The Wilderness Society

## Notes to Financial Statements (Continued)

### **Note B - Summary of Significant Accounting Policies (Continued)**

#### *Restricted and unrestricted revenues*

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The promises are recorded as unrestricted, temporarily restricted, or permanently restricted depending on donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statements of activities as net assets released from restriction.

#### *Allocation of joint costs of informational materials*

In 2013 and 2012, the Society incurred joint costs of \$3,483,834 and \$3,599,212, respectively, for informational materials and activities that included fundraising appeals. Of those costs, \$912,023 and \$1,495,893, respectively, were allocated to public education expense, \$1,896,764 and \$775,272, respectively were allocated to management and general, and \$675,047 and \$1,328,047, respectively, remained in fundraising.

# The Wilderness Society

## Notes to Financial Statements (Continued)

### Note C - Investments and Fair Value Measurements

The following table shows how the Society's investments are measured at fair value within the GAAP fair value hierarchy at September 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds:				
Money market	\$ 2,421,529	\$ -	\$ -	\$ 2,421,529
Fixed income	6,361,147	-	-	6,361,147
Equities:				
Domestic	13,330,938	-	-	13,330,938
Foreign	1,522,092	-	-	1,522,092
Fixed income	-	1,329,363	-	1,329,363
Total investments	23,635,706	1,329,363	-	24,965,069
Planned giving assets:				
Money market funds	87,573	-	-	87,573
Mutual Funds:				
Equity	596,249	-	-	596,249
Fixed income	583,312	-	-	583,312
Exchange-traded funds	-	1,214,836	-	1,214,836
Fixed income	116,137	2,471,412	-	2,587,549
Donated life insurance contracts	-	247,105	-	247,105
Total planned giving assets	1,383,271	3,933,353	-	5,316,624
Beneficial interest in assets held by others	-	-	7,798,593	7,798,593
Total	<u>\$ 25,018,977</u>	<u>\$ 5,262,716</u>	<u>\$ 7,798,593</u>	<u>\$ 38,080,286</u>

## The Wilderness Society

### Notes to Financial Statements (Continued)

#### Note C - Investments and Fair Value Measurements (Continued)

The following table shows how the Society's investments are measured at fair value within the GAAP fair value hierarchy at September 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds:				
Money market	\$ 4,269,778	\$ -	\$ -	\$ 4,269,778
Fixed income	6,967,782	-	-	6,967,782
Equities:				
Domestic	10,196,213	494,482	-	10,690,695
Foreign	1,447,119	-	-	1,447,119
Fixed income	-	1,241,966	-	1,241,966
Total investments	22,880,892	1,736,448	-	24,617,340
Planned giving assets:				
Money market funds	27,107	-	-	27,107
Mutual Funds:				
Equity	591,638	-	-	591,638
Fixed income	-	2,673,862	-	2,673,862
Exchange-traded funds	-	1,620,257	-	1,620,257
Fixed income	171,235	248,261	-	419,496
Donated life insurance contracts	-	260,721	-	260,721
Total planned giving assets	789,980	4,803,101	-	5,593,081
Beneficial interest in assets held by others	-	-	8,956,040	8,956,040
Total	<u>\$ 23,670,872</u>	<u>\$ 6,539,549</u>	<u>\$ 8,956,040</u>	<u>\$ 39,166,461</u>

There were no transfers between levels of the fair value hierarchy in 2013. At September 30, 2012, \$494,482 of Level 3 assets have been transferred to Level 2 due to changes in the observability of significant inputs.

In accordance with GAAP, assets above are classified as level 1 as their fair values are based on quoted prices for identical assets in actively traded markets. Level 2 assets as their fair values are based on prices for similar or identical assets in non-active markets including pricing that is obtained directly from broker-dealers. The beneficial interest in assets held by others are classified as level 3 assets as their fair values are derived from inputs to the valuation methodology that are unobservable for the asset and are based on actuarial assumptions such as mortality rates and the applicable federal rate for charitable gifts. These assumptions are significant to the fair value measurement.

# The Wilderness Society

## Notes to Financial Statements (Continued)

### Note C - Investments and Fair Value Measurements (Continued)

The following table summarizes changes in the Level 3 assets measured at fair value, consisting of beneficial interests in assets held by others:

Balance at October 1, 2011	\$	8,733,848
Change in value		438,844
Additions and purchases		82,681
Payments, sales, transfers, and maturities		<u>(299,333)</u>
Balance at September 30, 2012		8,956,040
Change in value		(796,030)
Additions and purchases		15,114
Payments, sales, transfers, and maturities		<u>(376,531)</u>
Balance at September 30, 2013	\$	<u><u>7,798,593</u></u>

Total changes in general and endowment, and planned giving investments, were \$4,530,098 and \$5,826,728 for the years ended September 30, 2013 and 2012, respectively. Net earnings and changes in value of general and endowment investments are reported in the statements of activities. In accordance with GAAP, net earnings and changes in value of planned giving investments are reported in the statements of financial position as planned giving liabilities.

	September 30, 2013		
	General and Endowment Investments	Planned Giving Investments	Combined Investments
Dividends and interest	\$ 624,189	\$ 168,671	\$ 792,860
Management fees	<u>(219,119)</u>	<u>(38,707)</u>	<u>(257,826)</u>
Net investment income	405,070	129,964	535,034
Realized gains	2,090,714	468,110	2,558,824
Unrealized gains (losses)	<u>1,796,797</u>	<u>(360,355)</u>	<u>1,436,442</u>
Gain on investments	<u>3,887,511</u>	<u>107,755</u>	<u>3,995,266</u>
	<u>\$ 4,292,581</u>	<u>\$ 237,719</u>	<u>\$ 4,530,300</u>



## The Wilderness Society

### Notes to Financial Statements (Continued)

#### Note C - Investments and Fair Value Measurements (Continued)

	September 30, 2012		
	General and Endowment Investments	Planned Giving Investments	Combined Investments
Dividends and interest	\$ 512,469	\$ 172,684	\$ 685,153
Management fees	(206,084)	(44,898)	(250,982)
Net investment income	306,385	127,786	434,171
Realized gains	2,200,793	239,741	2,440,534
Unrealized losses	2,615,894	336,129	2,952,023
Gain on investments	4,816,687	575,870	5,392,557
	\$ 5,123,072	\$ 703,656	\$ 5,826,728

Included in the investment earnings as reported in the statements of activities is the use of gains on investments to fund the spending policy as described in Note B.

#### Note D - Endowment Funds

The Society's endowment consists of four individual funds established for a variety of purposes. Its endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

##### *Interpretation of Relevant Law*

The Governing Council of The Wilderness Society has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

# The Wilderness Society

## Notes to Financial Statements (Continued)

### **Note D - Endowment Funds (Continued)**

#### *Interpretation of Relevant Law (continued)*

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policies of the organization.

#### *Return Objectives and Risk Parameters*

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets consist of those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Governing Council, the endowment's assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark including 75% S&P 500 index and 25% Barclays Capital Aggregate Bond Index. The Society expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount.

#### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

#### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Society has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average sufficient to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

# The Wilderness Society

## Notes to Financial Statements (Continued)

### Note D - Endowment Funds (Continued)

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The total endowment fund consists of the following at September 30, 2013:

	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Endowment
Endowment net assets, October 1, 2012	\$ 5,323,092	\$ 11,388,779	\$ 16,711,871
Investment income, net	332,546	-	332,546
Net realized and unrealized appreciation	<u>2,684,199</u>	<u>-</u>	<u>2,684,199</u>
Total investment return	3,016,745	-	3,016,745
Contributions	-	18,062	18,062
Change in value of split-interest agreements	-	71,130	71,130
Appropriation of endowment assets for expenditure	<u>(589,468)</u>	<u>-</u>	<u>(589,468)</u>
Endowment net assets, September 30, 2013	<u>\$ 7,750,369</u>	<u>\$ 11,477,971</u>	<u>\$ 19,228,340</u>

The total endowment fund consists of the following at September 30, 2012:

	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Endowment
Endowment net assets, October 1, 2011	\$ 2,639,942	\$ 11,276,575	\$ 13,916,517
Investment income, net	221,467	-	221,467
Net realized and unrealized depreciation	<u>2,981,675</u>	<u>-</u>	<u>2,981,675</u>
Total investment return	3,203,142	-	3,203,142
Contributions	-	54,691	54,691
Change in value of split-interest agreements	-	57,513	57,513
Appropriation of endowment assets for expenditure	<u>(519,992)</u>	<u>-</u>	<u>(519,992)</u>
Endowment net assets, September 30, 2012	<u>\$ 5,323,092</u>	<u>\$ 11,388,779</u>	<u>\$ 16,711,871</u>

## The Wilderness Society

### Notes to Financial Statements (Continued)

#### **Note E - Accounts and Contributions Receivable**

Accounts and contributions receivable, including long-term receivables, included the following at September 30:

	2013	2012
Contributions receivable:		
Due in one to five years	\$ 7,918,540	\$ 914,927
Less: Allowance for uncollectible pledges	(340,592)	(52,508)
Less: Discount on long-term portion	(222,380)	(208,964)
	7,355,568	653,455
Due in less than one year	4,250,425	2,016,931
	11,605,993	2,670,386
Beneficial interest in assets held by others due in less than one year	312,800	299,200
Accounts receivable	178,944	339,608
Employee receivables	-	7,361
	\$ 12,097,737	\$ 3,316,555

Contributions receivable due in excess of one year are discounted using an adjusted risk free interest rate in effect the year the contribution was made. Accretion of the discount is recorded as additional contribution revenue. When necessary, an allowance is made for uncollectible contributions based on management's judgment of the creditworthiness of the donors, past collection experience, and other relevant factors.

#### **Note F - Fixed Assets**

Furniture, equipment, and leasehold improvements consist of the following at September 30:

	2013	2012
Furniture and equipment	\$ 1,387,746	\$ 1,419,542
Computer equipment and related assets	3,383,623	3,679,915
Leasehold improvements	2,840,780	2,832,343
	7,612,149	7,931,800
Accumulated depreciation and amortization	(6,490,381)	(6,345,998)
	\$ 1,121,768	\$ 1,585,802

# The Wilderness Society

## Notes to Financial Statements (Continued)

### Note G - Other Assets

A portfolio of 76 original Ansel Adams photographs was donated to the Society in 1985. This collection cannot be sold and must be displayed in a museum-quality setting, or the photographs must be returned to the donor. The appraised value of these photographs is approximately \$1,897,000. Due to the stipulations related to the custody of the photographs, these assets are not included in the financial statements.

The Society also owns various other donated art work that is not subject to donor conditions. This collection includes 11 Ansel Adams photographs valued at their original fair value of \$125,950 as assessed at the time of their donation. This collection is included in other assets on the accompanying statements of financial position.

### Note H - Obligations Under Facility and Other Leases

The Society has entered into various operating lease agreements for office space at both its headquarters and its field offices, as well as operating leases for various office equipment. Rent expense, rent abatements, and other concessions are recognized on a straight-line basis over the term of the lease, with the difference between the straight-line rent and the actual rent payments being recorded as deferred rent in the accompanying statements of financial position. Occupancy expense under operating leases was \$3,398,231 and \$3,261,641 in 2013 and 2012, respectively.

The Society's future minimum payments for occupancy and equipment under noncancelable operating leases as of September 30, 2013 are:

	<u>Facility</u>	<u>Equipment</u>	<u>Total</u>
2014	\$ 2,436,390	\$ 54,148	\$ 2,490,538
2015	2,271,492	19,051	2,290,543
2016	2,315,370	12,967	2,328,337
2017	2,290,195	4,797	2,294,992
2018	2,138,962	-	2,138,962
Thereafter	<u>12,234,327</u>	<u>-</u>	<u>12,234,327</u>
Total	<u>\$ 23,686,736</u>	<u>\$ 90,963</u>	<u>\$ 23,777,699</u>

As required by the terms of its lease for its headquarters, the Society maintains a letter-of-credit agreement for \$250,000 with a local financial institution.

# The Wilderness Society

## Notes to Financial Statements (Continued)

### Note I - Custodial Funds

At September 30, 2013 and 2012, the Society held \$26,030 in custodial agreements. There were no receipts or distributions in either year. The Society records these transactions as agency transactions, and therefore, the related activity would not be recorded in the accompanying statements of activities.

### Note J - Net Assets

Net assets were released from restrictions when donor use or time restrictions were satisfied. Net assets were released during the years ended September 30 for the following purposes:

	2013	2012
<i>Purpose restriction</i>	\$ 6,298,515	\$ 9,306,981
<i>Time restriction:</i>		
Split interest agreements	543,799	83,353
Multi-year pledge payments	2,387,443	1,240,424
Net assets released from restriction	\$ 9,229,757	\$ 10,630,758

As of September 30, unrestricted net assets designated by the Governing Council for capital reserves totaled the following:

	2013	2012
Undesignated	\$ 2,923,655	\$ 3,468,386

Included in 2013 and 2012 unrestricted net assets are gross contributions receivable of \$172,473 and \$241,480, respectively.

As of September 30, temporarily restricted net assets consist of funds available for the following purposes:

	2013	2012
Conservation and education programs	\$ 12,629,004	\$ 6,045,280
Accumulated earnings (net) from endowments available for conservation and education programs	12,189,752	5,308,194
Time restrictions on planned giving agreements	9,648,199	10,956,254
Total temporarily restricted net assets	\$ 34,466,955	\$ 22,309,728

Included in temporarily restricted net assets at September 30, 2013 and 2012 are gross contributions receivable of \$11,265,764 and \$3,893,582, respectively. Additionally, included in temporarily restricted net assets are beneficial interest in assets held by others of \$7,798,593 and \$8,956,040 at September 30, 2013 and 2012, respectively.

# The Wilderness Society

## Notes to Financial Statements (Continued)

### Note J - Net Assets (Continued)

As of September 30, permanently restricted net assets consisted of the following:

	<u>2013</u>	<u>2012</u>
General endowments (Note D)	\$ 10,253,950	\$ 10,231,249
Time restrictions on planned giving agreements	<u>1,224,021</u>	<u>1,157,230</u>
Total permanently restricted net assets	<u>\$ 11,477,971</u>	<u>\$ 11,388,479</u>

Included in permanently restricted net assets at September 30, 2013 and 2012 are gross contributions receivable of \$21,862 and \$10,000, respectively. Additionally, included in permanently restricted net assets are beneficial interest in assets held by others of \$340,000 and \$294,016 at September 30, 2013 and 2012, respectively.

### Note K - Retirement Plan

The Society has a noncontributory defined contribution pension plan covering all eligible permanent employees. The Society makes quarterly contributions of 8% of the eligible compensation paid to plan participants. For the years ended September 30, 2013 and 2012, the Society contributed \$661,610 and \$949,448, respectively, to the plan.

### Note L - Related Party Transactions

The statements of financial position include \$10,189,724 and \$540,000 in outstanding contributions receivable as of September 30, 2013 and 2012, respectively, from pledges made by members of the Society's Governing Council. The Society recognized \$10,000,000 and \$2,071,848 in contribution revenue from these members for the years ended September 30, 2013 and 2012, respectively.

### Note M - Rental Income

The Society is the lessor of a portion of its building space to ten organizations under operating leases expiring in various years through 2018. Future minimum rentals to be received on these noncancelable leases for the years ended September 30 are as follows:

2014	\$ 491,511
2015	159,164
2016	146,573
2017	152,218
2018	<u>54,057</u>
Total	<u>\$ 1,003,523</u>

## The Wilderness Society

### Notes to Financial Statements (Continued)

#### **Note N - Line of Credit**

The Society maintains an open end revolving line of credit up to \$3,000,000 at any one time with SunTrust Bank (SunTrust) renewable annually. Repayment terms require principal to be paid in full on the maturity date with accrued interest payable monthly based on one-month LIBOR rate plus 1%. The Society granted SunTrust a security interest in and a lien upon all deposits and investments maintained by the Society with SunTrust and its affiliates. The Society paid interest of \$17,955 and \$9,854 for the year ended September 30, 2013 and 2012, respectively, in connection with this line of credit. As September 30, 2013 and 2012 \$0 and \$774,000 was outstanding and due related to the line of credit, respectively.



# The Wilderness Society

## Statement of Functional Expenses

*Year ended September 30, 2013, with Summarized Comparative totals for 2012*

	<u>Program Services</u>			<u>Supporting Services</u>			<u>2013</u>	<u>2012</u>
	<u>Wilderness/ Wildlands Conservation</u>	<u>Outreach/ Public Education</u>	<u>Total</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>		
Compensation	\$ 7,614,931	\$ 1,565,132	\$ 9,180,063	\$ 1,806,358	\$ 629,868	\$ 2,436,226	\$ 11,616,289	\$ 14,308,072
Fringe benefits	1,844,572	374,850	2,219,422	426,335	184,519	610,854	2,830,276	3,533,459
	<u>9,459,503</u>	<u>1,939,982</u>	<u>11,399,485</u>	<u>2,232,693</u>	<u>814,387</u>	<u>3,047,080</u>	<u>14,446,565</u>	<u>17,841,531</u>
Professional fees	2,369,133	960,465	3,329,598	602,345	357,122	959,467	4,289,065	4,166,612
Grants and awards	313,166	-	313,166	-	-	-	313,166	259,862
Supplies	79,794	8,485	88,279	11,000	7,664	18,664	106,943	130,010
Telephone	221,282	26,043	247,325	26,520	17,416	43,936	291,261	360,260
Postage and shipping	340,980	364,370	705,350	311,168	74,663	385,831	1,091,181	1,071,416
Occupancy	2,647,213	172,715	2,819,928	319,913	258,390	578,303	3,398,231	3,261,641
Equipment rental	138,865	15,109	153,974	27,935	22,496	50,431	204,405	194,866
Printing and art work	332,051	290,300	622,351	296,086	80,456	376,542	998,893	1,274,642
Travel	731,616	80,559	812,175	157,928	84,448	242,376	1,054,551	1,135,834
Dues and subscriptions	52,183	25,573	77,756	21,934	7,708	29,642	107,398	106,768
Insurance	38,106	5,427	43,533	10,079	8,140	18,219	61,752	71,212
Mailing list rentals	47,984	48,549	96,533	39,607	10,607	50,214	146,747	187,317
Personnel acquisitions	24,842	4,537	29,379	30,835	4,746	35,581	64,960	140,037
Miscellaneous	285,250	43,693	328,943	82,628	55,597	138,225	467,168	243,627
Depreciation and amortization	385,276	56,778	442,054	105,444	85,167	190,611	632,665	768,384
<b>Total</b>	<u>\$ 17,467,244</u>	<u>\$ 4,042,585</u>	<u>\$ 21,509,829</u>	<u>\$ 4,276,115</u>	<u>\$ 1,889,007</u>	<u>\$ 6,165,122</u>	<u>\$ 27,674,951</u>	<u>\$ 31,214,019</u>