



The Wilderness Society

Audited Financial Statements

*Years ended September 30, 2009 and 2008
with Report of Independent Auditors*

The Wilderness Society

Audited Financial Statements

Years ended September 30, 2009 and 2008

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Report of Independent Auditors

Governing Council
The Wilderness Society
Washington, DC

We have audited the accompanying statements of financial position of The Wilderness Society (the Society) as of September 30, 2009 and 2008 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society at September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements taken as whole. The Statement of Functional Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Johnson Lambert & Co LLP

Falls Church, Virginia
January 22, 2010

The Wilderness Society

Statements of Financial Position

	September 30,	
	2009	2008
Assets		
Cash and cash equivalents	\$ 1,442,778	\$ 1,318,284
Accounts and contributions receivable (Note D)	12,545,623	9,765,043
Investments (Note C)	20,630,169	17,209,557
Planned giving investments (Note C)	5,731,044	6,417,854
Beneficial interest in assets held by others	5,082,819	6,340,283
Long-term receivables, net (Note D)	7,168,444	6,095,243
Prepaid expenses and other assets (Note F)	562,191	551,988
Fixed assets, net (Note E)	2,334,293	2,335,318
Total assets	\$ 55,497,361	\$ 50,033,570
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 2,904,544	\$ 3,252,730
Capital lease obligation (Note G)	39,268	171,094
Custodial funds	26,030	26,030
Deferred rent	235,358	446,837
Planned giving liabilities	3,495,372	3,776,872
Total liabilities	6,700,572	7,673,563
Net assets (Notes I and J):		
Unrestricted net assets	8,325,742	5,963,707
Temporarily restricted net assets	29,206,478	25,284,903
Permanently restricted net assets	11,264,569	11,111,397
Total net assets	48,796,789	42,360,007
Total liabilities and net assets	\$ 55,497,361	\$ 50,033,570

See accompanying notes to the financial statements.

The Wilderness Society

Statements of Activities

For the years ended September 30, 2009 and 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Contributions:								
Individuals	\$ 10,258,327	\$ 15,832,545	\$ 69,225	\$ 26,160,097	\$ 14,020,764	\$ 2,680,728	\$ 274,510	\$ 16,976,002
Foundations	841,890	5,157,400	5,000	6,004,290	1,422,977	5,546,458	10,000	6,979,435
Corporations	44,313	328,072	-	372,385	169,702	740,029	-	909,731
Total contributions	11,144,530	21,318,017	74,225	32,536,772	15,613,443	8,967,215	284,510	24,865,168
Program services	60,400	-	-	60,400	72,724	-	-	72,724
Investment income (Note C)	235,862	462,891	-	698,753	209,105	323,939	-	533,044
Spending policy	439,143	(439,143)	-	-	382,990	(382,990)	-	-
Other revenues	1,293,080	-	-	1,293,080	580,103	-	-	580,103
Total revenues	13,173,015	21,341,765	74,225	34,589,005	16,858,365	8,908,164	284,510	26,051,039
Net assets released (Note I)	17,197,260	(17,197,260)	-	-	13,211,409	(13,211,409)	-	-
Total revenues	30,370,275	4,144,505	74,225	34,589,005	30,069,774	(4,303,245)	284,510	26,051,039
Expenses								
Program services:								
Conservation Projects	17,556,328	-	-	17,556,328	17,810,909	-	-	17,810,909
Public Education	5,213,443	-	-	5,213,443	3,747,813	-	-	3,747,813
	22,769,771	-	-	22,769,771	21,558,722	-	-	21,558,722
Support services:								
Fundraising	4,399,893	-	-	4,399,893	7,822,542	-	-	7,822,542
Management and general	1,474,646	-	-	1,474,646	1,459,330	-	-	1,459,330
	5,874,539	-	-	5,874,539	9,281,872	-	-	9,281,872
Total expenses	28,644,310	-	-	28,644,310	30,840,594	-	-	30,840,594
Change in net assets from operations	1,725,965	4,144,505	74,225	5,944,695	(770,820)	(4,303,245)	284,510	(4,789,555)
Gain (loss) on investments (Note C)	683,031	750,599	-	1,433,630	(2,910,914)	(2,883,223)	-	(5,794,137)
Change in value of split interest agreements	-	(973,529)	78,947	(894,582)	-	(2,317,751)	(177,192)	(2,494,943)
Disposals of equipment	(123,818)	-	-	(123,818)	(4,560)	-	-	(4,560)
Cancellation of capital lease contracts	76,857	-	-	76,857	-	-	-	-
Change in net assets	2,362,035	3,921,575	153,172	6,436,782	(3,686,294)	(9,504,219)	107,318	(13,083,195)
Beginning net assets	5,963,707	25,284,903	11,111,397	42,360,007	9,650,001	34,789,122	11,004,079	55,443,202
Ending net assets	\$ 8,325,742	\$ 29,206,478	\$ 11,264,569	\$ 48,796,789	\$ 5,963,707	\$ 25,284,903	\$ 11,111,397	\$ 42,360,007

See accompanying notes to the financial statements.

The Wilderness Society

Statements of Cash Flows

	Year ended September 30,	
	2009	2008
Cash flows from operating activities		
Change in net assets	\$ 6,436,782	\$ (13,083,195)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	735,739	771,693
Discount on long-term receivables	(413,815)	(282,380)
Allowance for uncollectible receivables	238,374	1,293,568
Net realized and unrealized investment (gains) losses	(1,564,937)	6,755,107
Donated securities	(209,868)	(2,189,112)
Loss on disposal of equipment	123,818	4,560
Cancellation of capital lease contracts	(76,857)	-
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(3,678,340)	4,499,982
Prepaid expenses and other assets	(10,203)	26,118
Beneficial interests in assets held by others	1,257,464	2,183,399
Accounts payable and accrued expenses	(348,186)	366,715
Deferred rent	(211,479)	(142,335)
Planned giving liabilities	(281,500)	113,619
Net cash provided by operating activities	1,996,992	317,739
Cash flows from investing activities		
Purchase of equipment	(734,714)	(1,296,226)
Borrowings on line of credit	442,000	6,989,000
Repayments on line of credit	(442,000)	(6,989,000)
Proceeds from sale of investments	994,220	5,086,137
Purchase of investments	(2,077,035)	(3,675,242)
Net cash (used in) provided by investing activities	(1,817,529)	114,669
Cash flows from financing activities		
Principal payments on capital lease	(54,969)	(51,784)
Net cash flows used in financing activities	(54,969)	(51,784)
Change in cash and cash equivalents	124,494	380,624
Cash and cash equivalents, beginning of year	1,318,284	937,660
Cash and cash equivalents, end of year	\$ 1,442,778	\$ 1,318,284
<i>Supplemental disclosures of cash flow information:</i>		
Interest paid	\$ 9,234	\$ 40,560

See accompanying notes to the financial statements.

The Wilderness Society

Notes to Financial Statements

Years ended September 30, 2009 and 2008

Note A - Organization and Purpose

The Wilderness Society (the Society), founded in 1935, is a not-for-profit membership organization that works to protect America's wilderness and to develop a nationwide network of wildlands through public education, scientific analysis, and advocacy. The Society's goal is to ensure that future generations enjoy the clean air and water, beauty, wildlife, and opportunities for recreation and spiritual renewal provided by the nation's wild lands and waters. The Society conducts its activities throughout the United States. The Society's primary source of revenue is contributions from individuals, foundations, and corporations.

The Society received a determination letter from the Internal Revenue Service stating that the Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, further, that it is not a private foundation under 509(a). Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Society uses the following program services categories for reporting functional expenses:

- *Conservation Projects* includes grassroots advocacy campaigns, legislative advocacy, the promotion of environmentally sound and sustainable management of the nation's federal public lands and resources. Conservation Projects also includes publishing reports and books, providing economic and ecological analysis, reaching out to key constituencies, providing wilderness campaign training and strategic assistance to grassroots wilderness groups, and maintaining regional offices.
- *Public Education* includes informing, educating, and enlisting members and others in the support of conservation activities, communicating the Society's conservation priorities and wilderness protection history, and fostering an American land ethic. Public Education also includes the publication of a magazine, newsletters, and an electronic web page; the production and distribution of other conservation advocacy information; and the use of other outreach activities that communicate the Society's message.

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.

The Wilderness Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies

Basis of presentation

The Society presents its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). 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.

Subsequent events

The Society has performed an evaluation of subsequent events through January 22, 2010, 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

The Society's financial statements are prepared in accordance with GAAP which 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.

Method of accounting

The financial statements of the Society are prepared using the accrual basis of accounting.

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)

Endowments

In August 2008, the Endowments of Not-for-Profit Organizations accounting guidance was issued, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The guidance also improves disclosures about an organization's endowed funds whether or not the organization is subject to UPMIFA. The Society has made the required disclosures in Note J.

Cash and cash equivalents

All highly liquid investments with original maturities of 90 days or less are considered cash equivalents. At various times the amounts on deposit in the various bank accounts are in excess of the FDIC limit. Management monitors these balances and believes they do not represent a significant credit risk to the Society.

Pledges receivable

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

Allowance for uncollectible pledges

The Society has established an allowance for uncollectible pledges. 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.

Investments

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

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

The Society's investments and planned giving assets are comprised of underlying equities and bonds that are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, due to the level of risk associated with these instruments, it is reasonably possible that changes in the values of these instruments will occur in the near term and such changes could materially affect the amounts reported in the statements of activities.

The Wilderness Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Fair value measurements

Recent changes in accounting standards refined the definition of fair value, established a framework and hierarchy for measuring fair value and expanded disclosures about fair value measurements.

The new standard established a three-level hierarchy that 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 or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Inputs to the valuation methodology are quoted (unadjusted) for identical assets or liabilities traded in active markets.

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.

Fair values are based on quoted market prices when available (Level 1). When market prices are not available, fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, estimates of fair value are made using methods, models and assumptions that management believes are relevant to the particular asset or liability. This may include discounted cash flow analysis or other income based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used and are reflective of the assumptions that market participants would use in valuing assets or liabilities.

Planned giving assets and liabilities

The Society maintains a pooled income fund. 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 for an estimated time period until the donor's death.

The Wilderness Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Planned giving assets and liabilities (Continued)

Charitable gift annuity contributions are recorded net of the present value of the liability for the future annuity payments. The discount rate used to calculate the net present value at September 30, 2009 and 2008 was 3.4% and 4.2%, respectively. 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, 2009 and 2008 was 3.4% and 4.2%, 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 agreements is recorded as contribution revenue from individuals, in the statement of activities.

Beneficial interest in assets held by others for which the Society does not serve as trustee, amounted to \$5,326,819 and \$7,119,174 as of September 30, 2009 and 2008, respectively, and is recorded in temporarily restricted net assets in the accompanying statements of financial position. Of these amounts, \$244,000 and \$778,891, is included within accounts receivable as of September 30, 2009 and 2008, 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. When the proceeds from these assets are received, the amount received is used for purposes designated by the donor, if any.

The change in the actuarial valuation of total planned giving agreements, including those held by third parties, is recorded in the statement of activities. The change in value of these split interest agreements decreased by \$894,582 and \$2,494,943 for the years ended September 30, 2009 and 2008, respectively.

Furniture, equipment, and leasehold improvements

Furniture and equipment 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.

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 2009 and 2008, the Society incurred joint costs of \$3,634,221 and \$4,552,831, respectively, for informational materials and activities that included fundraising appeals. Of those costs, \$1,785,246 and \$1,176,060, respectively, were allocated to public education expense and \$1,412,541 and \$3,376,771, respectively, were allocated to fundraising. During 2009, management changed its methodology for allocating joint costs. The new method is considered a change in accounting estimate which is accounted for prospectively, and more accurately reflects the Society's efforts amongst its operations in accordance with GAAP.

Reclassifications

Certain 2008 balances have been reclassified to conform to the 2009 presentation.

Income taxes

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Management has concluded that the Society has properly maintained its exempt status. In accordance with GAAP, the Society has concluded there are no uncertain tax positions as of September 30, 2009.

Note C - Investments

Operating and planned giving investments consisted of the following at September 30:

	<u>2009</u>	<u>2008</u>
Money market funds	\$ 2,981,362	\$ 4,320,663
Donated life insurance contracts	217,986	232,764
Fixed income: mutual funds, bonds, other	12,273,435	7,671,154
Equity securities	10,888,430	11,402,830
	<u>\$ 26,361,213</u>	<u>\$ 23,627,411</u>

The Wilderness Society

Notes to Financial Statements (Continued)

Note C - Investments (Continued)

Total investment earnings for the years ended September 30 are reported below. In accordance with GAAP, planned giving investment income and market value adjustments are not reported in investment income in the statements of activities, but are reported in planned giving liabilities in the statements of financial position.

Total investment net gains of \$1,564,937 and net losses of \$6,755,107 for the years ended September 30, 2009 and 2008, respectively, from the underlying assets for both the non-planned giving and planned giving investments are reported in the statements of cash flows.

	2009	2008
General and endowment investments:		
Dividends and interest	\$ 804,771	\$ 751,061
Management fees	<u>(106,018)</u>	<u>(218,017)</u>
	<u>698,753</u>	<u>533,044</u>
Realized losses	(5,109,608)	(780,207)
Unrealized gains (losses)	<u>6,543,238</u>	<u>(5,013,930)</u>
	<u>1,433,630</u>	<u>(5,794,137)</u>
	<u>\$ 2,132,383</u>	<u>\$ (5,261,093)</u>
Planned giving investments:		
Dividends and interest	\$ 272,914	\$ 302,944
Management fees	<u>(53,757)</u>	<u>(50,187)</u>
	<u>219,157</u>	<u>252,757</u>
Realized losses	(1,422,199)	(70,935)
Unrealized gains (losses)	<u>1,553,506</u>	<u>(890,035)</u>
	<u>131,307</u>	<u>(960,970)</u>
	<u>\$ 350,464</u>	<u>\$ (708,213)</u>
Combined investments:		
Dividends and interest	\$ 1,077,685	\$ 1,054,005
Management fees	<u>(159,775)</u>	<u>(268,204)</u>
	<u>917,910</u>	<u>785,801</u>
Realized losses	(6,531,807)	(851,142)
Unrealized gains (losses)	<u>8,096,744</u>	<u>(5,903,965)</u>
	<u>1,564,937</u>	<u>(6,755,107)</u>
	<u>\$ 2,482,847</u>	<u>\$ (5,969,306)</u>

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

The Wilderness Society

Notes to Financial Statements (Continued)

Note C - Investments (Continued)

The following table shows how the Society's investments are categorized in accordance with GAAP, as of September 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 2,698,580	\$ -	\$ -	\$ 2,698,580
Fixed income	-	2,470,151	-	2,470,151
Mutual funds	5,100,520	-	-	5,100,520
Equity securities	<u>9,750,274</u>	<u>239,688</u>	<u>370,956</u>	<u>10,360,918</u>
Total investments	17,549,374	2,709,839	370,956	20,630,169
Planned giving assets:				
Money market funds	282,782	-	-	282,782
Fixed income	211,190	4,491,574	-	4,702,764
Equity securities	378,634	148,878	-	527,512
Donated life insurance contracts	<u>-</u>	<u>217,986</u>	<u>-</u>	<u>217,986</u>
Total planned giving assets	872,606	4,858,438	-	5,731,044
Beneficial interest in assets held by others	<u>-</u>	<u>-</u>	<u>5,082,819</u>	<u>5,082,819</u>
Total	<u>\$ 18,421,980</u>	<u>\$ 7,568,277</u>	<u>\$ 5,453,775</u>	<u>\$ 31,444,032</u>

In accordance with GAAP, the planned giving assets above are classified as level 2 assets as their net realizable values are derived from inputs other than quoted prices that are observable for the asset. The beneficial interest in assets held by others are classified as level 3 assets as their net realizable values are derived from inputs to the valuation methodology that are unobservable for the asset and are significant to the fair value measurement.

The following table summarizes changes in the Level 3 assets measured at fair value, consisting of Beneficial Interest in Assets Held by Others, for the year ended September 30, 2009:

Balance at October 1, 2008	\$ 6,340,283
Total net losses (realized/unrealized)	(762,673)
Purchases, sales, issuances and settlements (net)	<u>(494,791)</u>
Balance at September 30, 2009	<u>\$ 5,082,819</u>

The Wilderness Society

Notes to Financial Statements (Continued)

Note D - Accounts and Contributions Receivable

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

	2009	2008
Contributions receivable:		
Due in one to five years	\$ 10,446,500	\$ 9,548,740
Less: Allowance for uncollectible pledges	(2,110,458)	(1,872,084)
Less: Discount on long-term portion	(1,167,598)	(1,581,413)
	7,168,444	6,095,243
Due in less than one year	11,102,106	8,372,098
	18,270,550	14,467,341
Beneficial interest in assets held by others due in less than one year	244,000	778,891
Accounts receivable	1,195,835	612,779
Employee receivables	3,682	1,275
	\$ 19,714,067	\$ 15,860,286

Contributions receivable due in excess of one year are discounted at an 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. As of September 30, 2009 and 2008, \$2,110,458 and \$1,872,084 was recorded as an allowance for uncollectible pledges. The Society wrote-off uncollectible pledges totaling \$74,740 and \$66,485 for the years ended September 30, 2009 and 2008, respectively.

In accordance with GAAP, the pledges receivable above are classified as level 2 assets as their net realizable values are derived from inputs other than quoted prices that are observable for the asset.

Note E - Fixed Assets

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

	2009	2008
Furniture and equipment	\$ 1,310,307	\$ 1,451,133
Computer equipment and related assets	3,989,673	4,877,493
Leasehold improvements	2,663,765	2,663,765
	7,963,745	8,992,391
Accumulated depreciation and amortization	(5,629,452)	(6,657,073)
	\$ 2,334,293	\$ 2,335,318

The Wilderness Society

Notes to Financial Statements (Continued)

Note F - Prepaid Expenses and 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 \$1,537,000. 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 included 11 Ansel Adams photographs valued at their original market 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 G - Obligations Under Facility and Other Operating 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 \$2,146,970 and \$2,122,864 in 2009 and 2008, respectively.

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

	<u>Facility</u>	<u>Equipment</u>	<u>Total</u>
2010	\$ 1,996,086	\$ 55,800	\$ 2,051,886
2011	2,039,579	50,756	2,090,335
2012	2,070,693	41,239	2,111,932
2013	1,951,369	34,765	1,986,134
2014	1,695,709	30,588	1,726,297
Thereafter	<u>9,572,681</u>	<u>-</u>	<u>9,572,681</u>
Total	<u>\$ 19,326,117</u>	<u>\$ 213,148</u>	<u>\$ 19,539,265</u>

The Society leases office equipment under capital leases expiring during the next five years. The total leased office equipment asset was \$97,175 and \$276,084 at September 30, 2009 and 2008, respectively. Amortization expense of \$55,217 was recorded in the statements of activities for the years ended September 30, 2009 and 2008, respectively.

The Wilderness Society

Notes to Financial Statements (Continued)

Note G - Obligations Under Facility and Other Operating Leases (Continued)

Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of September 30, 2009 are as follows:

2010	\$	20,394
2011		<u>19,714</u>
Total minimum lease payments		40,108
Less: amount representing interest		<u>(840)</u>
Present value of net minimum lease payments	\$	<u><u>39,268</u></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.

Note H - Custodial Funds

At September 30, 2009 and 2008, the Society held \$26,030 under 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 I - Net Assets

Net assets were released from temporary donor restrictions by incurring expenses for activities in accordance with the restricted purpose or expiration of time restrictions specified by the donor as follows for the years ended September 30:

	<u>2009</u>		<u>2008</u>
<i>Purpose restriction:</i>			
Programs	\$ 8,804,170	\$	9,122,291
Coalitions	<u>397,205</u>		<u>837,284</u>
	<u>9,201,375</u>		<u>9,959,575</u>
<i>Time restriction:</i>			
Split interest agreements	405,885		661,834
Campaign	<u>7,590,000</u>		<u>2,590,000</u>
	<u>7,995,885</u>		<u>3,251,834</u>
Net assets released from restrictions	<u>\$ 17,197,260</u>	\$	<u>13,211,409</u>

The Wilderness Society

Notes to Financial Statements (Continued)

Note I - Net Assets (Continued)

The Governing Council designates its unrestricted net assets as follows:

	2009	2008
Undesignated	\$ -	\$ -
Designated by the Governing Council (capital reserves)	8,325,742	5,963,707
Total unrestricted net assets	\$ 8,325,742	\$ 5,963,707

Included in 2009 and 2008 unrestricted net assets are gross pledges receivable of \$343,672 and \$1,199,889, respectively.

Temporarily restricted net assets were available for the following purposes:

	2009	2008
Conservation and education programs	\$ 21,776,065	\$ 16,976,550
Accumulated earnings (net) from endowments available for conservation and education programs	1,169,622	469,964
Time restrictions on planned giving agreements	6,260,791	7,838,389
Total temporarily restricted net assets	\$ 29,206,478	\$ 25,284,903

Included in temporarily restricted net assets at September 30, 2009 and 2008 are gross contributions receivable of \$21,204,933 and \$16,720,949, respectively. Also, included in temporarily restricted net assets are beneficial interest in assets held by others of \$5,016,057 and \$6,898,216 at September 30, 2009 and 2008, respectively.

Permanently restricted net assets consisted of the following:

	2009	2008
General endowments	\$ 9,993,134	\$ 9,456,226
Time restrictions on planned giving agreements	1,271,435	1,655,171
Total Endowment Funds (Note J)	\$ 11,264,569	\$ 11,111,397

Included in permanently restricted net assets are beneficial interest in assets held by others of \$310,762 and \$220,958 at September 30, 2009 and 2008, respectively.

The Wilderness Society

Notes to Financial Statements (Continued)

Note J - Endowment Funds

The Society's endowment consists of approximately 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. 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
- 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 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% of the 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.

The Wilderness Society

Notes to Financial Statements (Continued)

Note J - Endowment Funds (Continued)

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 preceding 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.

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, 2009:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Endowment</u>
Endowment net assets, October 1, 2008	\$ -	\$ 469,964	\$ 11,111,397	\$ 11,581,361
Investment income	-	446,737	-	446,737
Net realized and unrealized appreciation	-	740,705	-	740,705
Total investment return	-	1,187,442	-	1,187,442
Contributions	-	-	74,225	74,225
Change in value of split-interest agreements	-	-	78,947	78,947
Appropriation of endowment assets for expenditure	-	(487,784)	-	(487,784)
Endowment net assets, September 30, 2009	<u>\$ -</u>	<u>\$ 1,169,622</u>	<u>\$ 11,264,569</u>	<u>\$ 12,434,191</u>

The Wilderness Society

Notes to Financial Statements (Continued)

Note J - Endowment Funds (Continued)

The total endowment fund consists of the following at September 30, 2008:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Endowment
Endowment net assets, October 1, 2007	\$ 321,741	\$ -	\$ 14,030,595	\$ 14,352,336
Net asset reclassification based on change in law	<u>(321,741)</u>	<u>3,348,257</u>	<u>(3,026,516)</u>	<u>-</u>
Endowment net assets after reclassification	-	3,348,257	11,004,079	14,352,336
Investment income	-	308,056	-	308,056
Net realized and unrealized depreciation	-	<u>(2,767,798)</u>	-	<u>(2,767,798)</u>
Total investment return	-	(2,459,742)	-	(2,459,742)
Contributions	-	-	284,510	284,510
Change in value of split-interest agreements	-	-	(177,192)	(177,192)
Appropriation of endowment assets for expenditure	-	<u>(418,551)</u>	-	<u>(418,551)</u>
Endowment net assets, September 30, 2008	<u>\$ -</u>	<u>\$ 469,964</u>	<u>\$ 11,111,397</u>	<u>\$ 11,581,361</u>

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, 2009 and 2008, the Society contributed \$826,698 and \$833,779, respectively, to the plan.

Note L - Related Party Transactions

The statements of financial position include \$18,270,550 and \$14,237,564 in outstanding contributions receivable as of September 30, 2009 and 2008, respectively, from pledges made by members of the Society's Governing Council. The Society recognized \$15,396,246 and \$1,047,307 in contribution revenue from these members for the years ended September 30, 2009 and 2008, respectively.

Note M - Commitments

In October 2007, the Society obtained an open end revolving line of credit up to \$3,000,000 at any one time with SunTrust Bank (SunTrust), with a maturity date of December 31, 2008. 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 \$319 for the year ended September 30, 2009 in connection with this line of credit. No amounts were outstanding as of September 30, 2009 and 2008.

The Wilderness Society

Statement of Functional Expenses

Year ended September 30, 2009, with Comparative totals for 2008

	<u>Program Services</u>			<u>Supporting Services</u>			<u>2009</u>	<u>2008</u>
	<u>Conservation Projects</u>	<u>Public Education</u>	<u>Total</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>		
Compensation	\$ 9,220,804	\$ 1,576,670	\$ 10,797,474	\$ 1,588,586	\$ 675,554	\$ 2,264,140	\$ 13,061,614	\$ 12,338,150
Fringe benefits	<u>2,167,200</u>	<u>379,182</u>	<u>2,546,382</u>	<u>349,951</u>	<u>135,138</u>	<u>485,089</u>	<u>3,031,471</u>	<u>2,895,237</u>
	11,388,004	1,955,852	13,343,856	1,938,537	810,692	2,749,229	16,093,085	15,233,387
Professional fees	1,581,742	1,746,859	3,328,601	1,115,194	182,029	1,297,223	4,625,824	5,065,505
Grants and awards	513,273	2,000	515,273	-	-	-	515,273	910,774
Supplies	101,078	46,361	147,439	15,043	8,906	23,949	171,388	184,528
Telephone	261,490	18,976	280,466	29,819	16,711	46,530	326,996	310,469
Postage and shipping	98,421	550,528	648,949	353,392	14,878	368,270	1,017,219	1,380,630
Occupancy	1,663,571	111,939	1,775,510	228,089	143,371	371,460	2,146,970	2,122,864
Equipment rental	152,933	15,651	168,584	32,244	20,212	52,456	221,040	234,321
Printing and art work	216,947	517,563	734,510	285,992	33,476	319,468	1,053,978	1,377,759
Travel	648,116	54,853	702,969	97,140	76,284	173,424	876,393	1,267,328
Dues and subscriptions	58,696	23,388	82,084	10,164	5,477	15,641	97,725	94,069
Insurance	35,141	5,150	40,291	10,603	6,664	17,267	57,558	59,765
Mailing list rentals	4,356	39,904	44,260	36,870	827	37,697	81,957	104,123
Personnel acquisitions	119,298	17,869	137,167	36,438	23,104	59,542	196,709	265,786
Miscellaneous	115,538	20,284	135,822	33,714	18,546	52,260	188,082	164,025
Depreciation and amortization	449,188	65,829	515,017	135,531	85,191	220,722	735,739	771,693
Allowance for doubtful accounts	<u>148,536</u>	<u>20,437</u>	<u>168,973</u>	<u>41,123</u>	<u>28,278</u>	<u>69,401</u>	<u>238,374</u>	<u>1,293,568</u>
Total	<u>\$ 17,556,328</u>	<u>\$ 5,213,443</u>	<u>\$ 22,769,771</u>	<u>\$ 4,399,893</u>	<u>\$ 1,474,646</u>	<u>\$ 5,874,539</u>	<u>\$ 28,644,310</u>	<u>\$ 30,840,594</u>