

THE WILDERNESS LAND TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE WILDERNESS LAND TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

CONTENTS

| | <u>Page</u> |
|----------------------------------|--------------------|
| Independent Auditors' Report | 1 |
| Financial Statements | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 |

October 4, 2017

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Wilderness Land Trust
Carbondale, Colorado

We have audited the accompanying financial statements of **The Wilderness Land Trust**, (a Colorado nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Land Trust as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Wilderness Land Trust's financial statements for the year ended June 30, 2016, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

THE WILDERNESS LAND TRUST
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | 2017 | | | 2016 |
|--|-------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 123,294 | \$ - | \$ 123,294 | \$ 373,147 |
| Accounts receivable | - | - | - | 25,974 |
| Prepaid expenses | 19,906 | - | 19,906 | 20,315 |
| Earnest money deposits | - | - | - | 1,000 |
| Wilderness Opportunity Fund: | | | | |
| Investments (Notes 3, 4) | - | 861,839 | 861,839 | 1,011,819 |
| Land available for sale or donation (Notes 4, 5) | - | 7,983,189 | 7,983,189 | 6,906,472 |
| Property and equipment, net (Note 6) | 721 | - | 721 | 258 |
| Total assets | <u>\$ 143,921</u> | <u>\$ 8,845,028</u> | <u>\$ 8,988,949</u> | <u>\$ 8,338,985</u> |
| <u>Liabilities and net assets</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 13,748 | \$ - | \$ 13,748 | \$ 15,454 |
| Accrued interest expense | 19,555 | - | 19,555 | 16,751 |
| Wilderness Opportunity Fund: | | | | |
| Grants payable (Notes 4, 7) | - | 225,000 | 225,000 | - |
| Investments held for others (Note 4) | - | 676,083 | 676,083 | 538,645 |
| Land held for others (Note 4) | - | 3,185,198 | 3,185,198 | 3,321,873 |
| Notes payable (Notes 4, 8) | - | 2,946,500 | 2,946,500 | 2,619,000 |
| Total liabilities | <u>33,303</u> | <u>7,032,781</u> | <u>7,066,084</u> | <u>6,511,723</u> |
| <u>Net assets</u> | | | | |
| <u>Unrestricted</u> | | | | |
| Operating | 109,897 | - | 109,897 | 380,836 |
| Net investment in property and equipment | 721 | - | 721 | 258 |
| Temporarily restricted (Note 9) | - | 1,812,247 | 1,812,247 | 1,446,168 |
| Total net assets | <u>110,618</u> | <u>1,812,247</u> | <u>1,922,865</u> | <u>1,827,262</u> |
| Total liabilities and net assets | <u>\$ 143,921</u> | <u>\$ 8,845,028</u> | <u>\$ 8,988,949</u> | <u>\$ 8,338,985</u> |

The accompanying notes are an integral part of these financial statements

THE WILDERNESS LAND TRUST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | 2017 | | | 2016 |
|---|-------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| <u>Revenue and other support</u> | | | | |
| Grant revenues | \$ 135,000 | \$ 550,000 | \$ 685,000 | \$ 203,000 |
| Contributions | 335,932 | 262,126 | 598,058 | 380,090 |
| Expense reimbursements | 11,468 | - | 11,468 | - |
| Investment income | 839 | - | 839 | (1,557) |
| Donated land - partial | - | - | - | 296,100 |
| Gains(losses) on property transfers | (2,930) | - | (2,930) | 75,093 |
| All other | 7,391 | - | 7,391 | 8,204 |
| In-kind contributions | 1,021 | - | 1,021 | 853 |
| Net assets released from restrictions (Note 10) | 436,698 | (436,698) | - | - |
| Total revenue and support | 925,419 | 375,428 | 1,300,847 | 961,783 |
| <u>Expense</u> | | | | |
| Land contributions | 650,817 | - | 650,817 | 511,127 |
| Supporting services | | | | |
| Management and general | 196,171 | - | 196,171 | 109,235 |
| Development | 133,256 | - | 133,256 | 158,853 |
| Total expense | 980,244 | - | 980,244 | 779,215 |
| Unusual item - grants payable (Note 7) | (225,000) | - | (225,000) | - |
| Change in net assets | (279,825) | 375,428 | 95,603 | 182,568 |
| Reclassification of net assets (Note 9) | 9,349 | (9,349) | - | - |
| Net assets, beginning of year | 381,094 | 1,446,168 | 1,827,262 | 1,644,694 |
| Net assets, end of year | \$ 110,618 | \$ 1,812,247 | \$ 1,922,865 | \$ 1,827,262 |

The accompanying notes are an integral part of these financial statements

THE WILDERNESS LAND TRUST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | 2017 | | | 2016 | |
|----------------------------|----------------------------|------------------------------|-------------------|-------------------|-------------------|
| | <u>Supporting Services</u> | | | | |
| | Land Contributions | Management and General | Development | Total | Total |
| Salaries | \$ 251,584 | \$ 28,753 | \$ 79,069 | \$ 359,406 | \$ 300,404 |
| Payroll taxes and benefits | 58,907 | 6,732 | 18,514 | 84,153 | 68,350 |
| Rehabilitation (Note 11) | 128,739 | - | - | 128,739 | 6,623 |
| Professional fees | 20,524 | 73,121 | - | 93,645 | 105,784 |
| Travel | 26,449 | 36,320 | 8,312 | 71,081 | 60,106 |
| Appraisals and surveys | 59,500 | - | - | 59,500 | 26,500 |
| Accounting | 13,107 | 31,509 | - | 44,616 | 43,226 |
| Interest | 28,028 | 1,387 | - | 29,415 | 26,408 |
| Closing fees | 23,129 | - | - | 23,129 | 21,718 |
| Marketing | - | 3,560 | 14,241 | 17,801 | 21,580 |
| Property taxes and fees | 11,042 | - | - | 11,042 | 4,943 |
| Insurance | 7,155 | 817 | 2,249 | 10,221 | 6,105 |
| Dues and subscriptions | 6,191 | 707 | 1,946 | 8,844 | 6,424 |
| Board expense (meetings) | - | 7,965 | - | 7,965 | 8,286 |
| Communication | 5,431 | 621 | 1,707 | 7,759 | 5,157 |
| Office supplies | 2,740 | 314 | 861 | 3,915 | 3,799 |
| Office rent | 2,730 | 312 | 858 | 3,900 | 4,668 |
| Donor database | - | - | 3,783 | 3,783 | 6,171 |
| Training and conferences | 2,200 | 251 | 691 | 3,142 | 4,437 |
| Postage | 1,889 | 215 | 594 | 2,698 | 2,616 |
| Information technology | 937 | 107 | 294 | 1,338 | 988 |
| Land database | - | - | - | - | 41,500 |
| All other | 99 | 3,432 | - | 3,531 | 2,632 |
| | <u>650,381</u> | <u>196,123</u> | <u>133,119</u> | <u>979,623</u> | <u>778,425</u> |
| Depreciation | 436 | 48 | 137 | 621 | 790 |
| Total expense | <u>\$ 650,817</u> | <u>\$ 196,171</u> | <u>\$ 133,256</u> | <u>\$ 980,244</u> | <u>\$ 779,215</u> |

The accompanying notes are an integral part of these financial statements

THE WILDERNESS LAND TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| <u>Cash flows from operating activities</u> | | |
| Change in net assets | \$ 95,603 | \$ 182,568 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 621 | 790 |
| Donated securities | (150,964) | (62,049) |
| Donated land - partial | - | (296,100) |
| Forgiveness of notes payable | - | (27,087) |
| <u>Changes in operating assets and liabilities</u> | | |
| (Increase)decrease in accounts receivable | 25,974 | (25,974) |
| (Increase)decrease in grants and pledges receivable | - | 51,000 |
| (Increase)decrease in prepaid expenses | 409 | (623) |
| (Increase)decrease in earnest money deposits | 1,000 | - |
| (Increase)decrease in land available for sale or donation | (1,076,717) | (3,489,349) |
| Increase(decrease) in accounts payable | (1,706) | 2,342 |
| Increase(decrease) in accrued interest expense | 2,804 | - |
| Increase(decrease) in grants payable | 225,000 | - |
| Increase(decrease) in investments held for others | 137,438 | (246,923) |
| Increase(decrease) in land held for others | <u>(136,675)</u> | <u>3,296,270</u> |
| Net cash provided(used) by operating activities | <u>(877,213)</u> | <u>(615,135)</u> |
| <u>Cash flows from investing activities</u> | | |
| (Purchases) of equipment | (1,084) | - |
| Sales of investments | 791,702 | 865,579 |
| (Purchases) of investments | <u>(490,758)</u> | <u>(605,441)</u> |
| Net cash provided(used) by investing activities | <u>299,860</u> | <u>260,138</u> |
| <u>Cash flows from financing activities</u> | | |
| Borrowings on notes payable | <u>327,500</u> | <u>189,000</u> |
| Net increase(decrease) in cash | (249,853) | (165,997) |
| Cash and cash equivalents, beginning of year | <u>373,147</u> | <u>539,144</u> |
| Cash and cash equivalents, end of year | <u>\$ 123,294</u> | <u>\$ 373,147</u> |
| Supplemental disclosure of information: | | |
| Cash paid during the period for interest | <u>\$ 26,611</u> | <u>\$ 26,505</u> |

The accompanying notes are an integral part of these financial statements

THE WILDERNESS LAND TRUST
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

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

2. Basis of Presentation

The Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

4. Cash and Cash Equivalents

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

5. Pledges Receivable and Contributions

Unconditional pledges receivable are recognized as revenues in the period received. Conditional pledges receivable are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. The Trust uses the allowance method to determine uncollectible pledges receivable. Management has determined that no allowance is necessary as of June 30, 2017.

6. Grants and Grants Receivable

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

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

7. Donations

The Trust reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Trust reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Trust reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

8. Capitalization and Depreciation

The Trust follows the practice of capitalizing all expenditures for land, buildings, and equipment of \$1,000 or more. The fair value of donated assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 3 to 7 years.

9. Land Inholdings

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

10. Land Acquisition Costs and Reimbursements

Costs related to land acquisitions are incurred routinely for land that may or not be acquired by the Trust. Due to the uncertainty related to these expenses, the Trust capitalizes all land acquisition related expenses if the land purchase is completed during the same fiscal year or within 30 days of the fiscal year-end. All other costs are expensed as incurred. In addition, some acquisition expenses may be reimbursed to the Trust as a part of the purchase agreement. Reimbursements are recorded in the fiscal year in which payment is received.

11. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. Fair Value Measurements

The Trust follows the provisions of the *Fair Value Measurements and Disclosures* Topic of FASB ASC, which require use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

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

13. Income Taxes

The Trust is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

14. Functional Reporting of Expenses

For the year ended June 30, 2017, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

15. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

16. Subsequent Events

Management has evaluated subsequent events through October 4, 2017, the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

Investments consist of cash and money market accounts held for restricted purposes. The value of the investments approximates cost.

NOTE 4 - THE WILDERNESS OPPORTUNITY FUND

The Trust acquires land from willing landowners and then conveys the land to public agencies for protection, usually within one to five years. When land is sold to public agencies, the funds used to acquire land are re-deposited and used for future land purchases. The land purchases are financed by what the Trust refers to as the "The Wilderness Opportunity Fund" (the Fund). The Fund is a revolving loan fund that includes all of the Trust's assets and liabilities restricted for land acquisition. The funding received by the Fund came from a variety of sources, including grants, contributions, and loans from private foundations and individuals. Gains on land sales, if any, are recorded as unrestricted revenue of the Trust unless the agreement with the financing source stipulates otherwise.

As of June 30, 2017, one of the funding sources included in the Fund stipulates that the Trust has a legal obligation to transfer land purchased with these sources to agencies of the federal government. Therefore, the Trust considers assets held on account of this funding source to be assets held for third parties, and the Trust records offsetting liabilities for these amounts. As of June 30, 2017, assets held for third parties in the Fund include \$3,861,281 from the Wyss Foundation. In general, the Trust does not have an obligation to restore losses on land sales financed with these funds. However, the agreement with the Wyss Foundation stipulates that gains on sales of property financed by assets provided by the Wyss Foundation are unrestricted, but only if cumulative losses on land financed by the Wyss Foundation have been restored to the Fund. As of June 30, 2017, the Trust has incurred a total of \$88,719 in losses on land financed by the Wyss Foundation. This amount will be restored to the Fund if future land sales financed with this source result in gains.

NOTE 4 - THE WILDERNESS OPPORTUNITY FUND (concluded)

As of June 30, 2017, the detail of the assets and liabilities of the Fund included:

| <u>Assets</u> | <u>Amount</u> |
|---------------------------------------|---------------------|
| Investments (by source): | |
| Wyss Foundation | \$ 676,083 |
| Donors | 88,796 |
| Grants | 57,435 |
| Lenders | 32,500 |
| Resource Legacy Foundation | 7,025 |
| Investments, subtotal | <u>861,839</u> |
| Land | <u>7,983,189</u> |
| Total assets | <u>\$ 8,845,028</u> |
| <u>Liabilities and Net Assets</u> | |
| Grants payable (Note 7) | \$ 225,000 |
| Investments held for others | 676,083 |
| Land held for others | 3,185,198 |
| Notes payable (Note 8) | 2,946,500 |
| Total liabilities | <u>7,032,781</u> |
| Total net assets | <u>1,812,247</u> |
| Total liabilities and net assets | <u>\$ 8,845,028</u> |

NOTE 5 - LAND AVAILABLE FOR SALE OR DONATION

As part of its normal operations, the Trust was involved in various stages of negotiation for the purchase of real property at June 30, 2017. Purchase and sale agreements were executed with various contingencies for inspection period, seller requirements, etc. Some of these negotiations will result in completed acquisitions in the following fiscal year. All land held by the Organization is classified as temporarily restricted because of the inherent restrictions on the land and related financing sources.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of:

| <u>Description</u> | <u>Amount</u> |
|--------------------------------|-----------------|
| Office equipment | \$ 8,533 |
| Office furniture | 4,298 |
| Total | 12,831 |
| Less: accumulated depreciation | <u>(12,110)</u> |
| Net property and equipment | <u>\$ 721</u> |

Depreciation expense for the year was \$621.

NOTE 7 - GRANTS PAYABLE

On October 25, 2016 the Trust entered into a memorandum of understanding (MOU) with the Rocky Mountain Conservancy (RMC) and the National Park Trust (NPT) related to the acquisition of property, referred to as the Wild Basin/Hoffman property, in the Rocky Mountain National Park. The MOU stipulates the level of investment of each of the three parties related to the acquisition and rehabilitation of the property, as well as the method for distribution of the proceeds generated from the anticipated sale of the property to the U. S. Government, which is expected to occur within the three years. The property must be in a “substantially wilderness state” in order to be acceptable for purchase by the U. S. Government for inclusion in the Rocky Mountain National Park Wilderness.

The Wild Basin/Hoffman property was purchased by the Trust on December 14, 2016, for \$750,000. The Trust is currently in the process of deconstructing a house on the property, and once completed, the value of the property is expected to decrease to approximately \$575,000.

Funds invested by RMC and NPT are intended to be a grant to the Trust to support the acquisition and rehabilitation of the property. However, in the event the property’s sales proceeds exceed the Trust’s investment, the proceeds will be distributed to RMC and NPT in proportion to the organizations’ levels of investment. Specifically, the MOU indicates that proceeds will be prioritized as follows: 1) \$300,000 returned to the Trust; 2) up to \$50,000 returned to the Trust for transaction and overhead costs associated with the acquisition, management, and sale of the property; 3) return of funds to RMC and NPT in proportion of their investments; and 4) provide the U. S. Government with a discount on fair market value of the property.

During the current year, the Trust has recorded contributions from the RMC and NPT in the amount of \$300,000 and \$150,000, respectively, to represent the funds invested in the project by these partner organizations. In addition, management has recorded a grants payable liability of \$225,000, which is an estimate of the amounts to be repaid to RMC and NPT when the property is sold. RMC has also pledged up to \$75,000 to support costs of rehabilitation work on the property, and as of October 4, 2017, rehabilitation efforts are considered largely complete with approximately \$45,000 spent. The financial statements have not been modified with respect to this pledge because it is conditioned upon future events.

NOTE 8 - NOTES PAYABLE

Notes payable consisted of the following:

| <u>Description</u> | <u>Amount</u> |
|--|------------------|
| David and Lucille Packard Foundation | |
| Castle-Crags purchase funds: dated December 2, 2013; matures December 6, 2018, or upon sale of property; stated interest rate of 1.00%; interest paid annually; secured by first deed of trust | \$ 2,325,000 |
| Garcia/Trout Creek purchase funds: dated April 1, 2016; matures April 1, 2019, or upon sale of property; stated interest rate of 1.00%; interest paid annually; secured by first deed of trust | 114,000 |
| Chuck River/Windham Bay purchase funds: dated April 9, 2017; matures April 15, 2022, or upon sale of property; stated interest rate of 1.00%; interest paid annually; secured by first deed of trust | <u>154,000</u> |
| Subtotal, David and Lucille Packard Foundation | <u>2,593,000</u> |

NOTE 8 - NOTES PAYABLE (continued)

| <u>Description</u> | <u>Amount</u> |
|---|----------------------------|
| Access Fund | |
| Castle-Crags purchase funds: dated December 2, 2013; matures December 6, 2018, or upon sale of property; stated interest rate of 1.00%; interest due at maturity of loan; secured by deed of trust subordinate to Packard Foundation loan | \$ 75,000 |
| Southeast Alaska Land Trust | |
| Chuck River/Windham Bay purchase funds: dated May 23, 2017; matures May 23, 2019, or upon sale of property; stated interest rate of 1.00%; interest due at maturity of loan; secured by deed of trust | 2,500 |
| Individuals | |
| Ryan: dated January 1, 2011; originally scheduled to mature December 31, 2012; subsequently modified to mature December 31, 2018; stated interest rate of 1.59%; unsecured | 10,000 |
| Hoover: dated January 20, 2011; originally schedule to mature September 30, 2011; subsequently modified to mature December 31, 2018; stated interest rate of 1.00%; unsecured | 10,000 |
| Fisher: dated January 20, 2011; originally scheduled to mature September 30, 2011; subsequently modified to mature December 31, 2018; stated interest rate of 1.00%; unsecured | 10,000 |
| Hiatt: dated September 15, 2015; scheduled to mature November 1, 2017, or upon sale of property; stated interest rate of 2.00%; secured by first deed of trust | 75,000 |
| Hill: dated December 14, 2016; scheduled to mature December 14, 2018, or upon sale of property; stated interest rate of 1.00%; secured by first deed of trust | 25,000 |
| Beyer: dated January 26, 2017; scheduled to mature January 26, 2019, or upon sale of property; stated interest rate of 1.00%; secured by first deed of trust | 23,000 |
| Loram: dated January 26, 2017; scheduled to mature January 26, 2019, or upon sale of property; stated interest rate of 1.00%; secured by first deed of trust | 100,000 |
| Wade: dated January 26, 2017; scheduled to mature January 26, 2019, or upon sale of property; stated interest rate of 1.00%; secured by first deed of trust | 23,000 |
| Subtotal, Individuals | <u>276,000</u> |
| Total | <u><u>\$ 2,946,500</u></u> |

NOTE 8 - NOTES PAYABLE (concluded)

Interest expense related to notes payable for the year ended June 30, 2017, was \$29,415. Interest has been imputed for below-market rate loans.

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

| <u>Year</u> | <u>Amount</u> |
|-------------|----------------------------|
| 2018 | \$ 75,000 |
| 2019 | 2,717,500 |
| 2020 | - |
| 2021 | - |
| 2022 | 154,000 |
| Total | <u><u>\$ 2,946,500</u></u> |

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

At year-end, temporarily restricted net assets included the following:

| <u>Description</u> | <u>Receivables and Investments</u> | <u>Land, Net of Liabilities</u> | <u>Total</u> |
|--|--|-------------------------------------|----------------------------|
| Wilderness Acquisition Funds | \$ 177,534 | \$ 982,512 | \$ 1,160,046 |
| Land - below market purchase | - | 296,100 | 296,100 |
| Catto Foundation Fund | 1,197 | 49,404 | 50,601 |
| RLFF Wilderness Acquisition Fund | 7,025 | - | 7,025 |
| Unrestricted net assets, capitalized with land acquisitions | - | 298,475 | 298,475 |
| Total, Wilderness Opportunity Fund (Note 4) | <u><u>\$ 185,756</u></u> | <u><u>\$ 1,626,491</u></u> | <u><u>\$ 1,812,247</u></u> |

Some acquisition costs of land held by the Wilderness Opportunity Fund were paid for with unrestricted assets. As of June 30, 2017, a total of \$298,475 of unrestricted net assets was capitalized with temporarily restricted land. These amounts are reclassified to unrestricted net assets when the land is sold or transferred.

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended June 30, 2017, net assets were released from restrictions by satisfying restricted program purposes as follows:

| <u>Description</u> | <u>Amount</u> |
|---|--------------------------|
| Acquisition of Wild Basin/Hoffman property | \$ 225,000 |
| Rehabilitation - Sabinoso Wilderness | 150,126 |
| RLFF Wilderness Acquisition Fund - operations | 61,572 |
| Total | <u><u>\$ 436,698</u></u> |

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Wilderness Rehabilitation

The Trust may be potentially responsible for the restoration of properties prior to their conveyance to the federal government. The purpose of the restoration efforts is to remove structures or modify other features of the land to make the properties more consistent with a state of wilderness. The Trust considers these efforts a cost of sales, and management cannot estimate at this time the cost that may be incurred for all properties held as of June 30, 2017, because this will be negotiated in the future with purchasers.

During the year ended June 30, 2017, the Trust recorded a total of \$128,739 in direct rehabilitation costs, with \$120,054 incurred to remediate the property held in the Sabinoso Wilderness of New Mexico (Rimrock Rose Ranch) and \$8,685 spent on other properties.

Conveyance of Properties to the U. S. Government

The Trust purchases inholdings based on a prioritization methodology that considers conservation issues as well as federal land management agencies' readiness to add the inholding to the National Wilderness Preservation System. As a result, the Trust's purchases and rehabilitation efforts are done in coordination and negotiation with federal land management agencies. However, the Trust bears the risks and responsibilities related to ownership of the inholding before it is conveyed to an agency of the U. S. Government. In addition, the Trust bears the risk that the U. S. Government does not fulfill obligations negotiated related to a land acquisition.

NOTE 12 - PENSION PLAN

The Trust sponsors a Simplified Employee Pension (SEP) plan. The Trust contributes up to 15 percent of eligible employees' annual compensation. During the year ended June 30, 2017, the Trust contributed \$52,572 to the plan.

NOTE 13 - CONTINGENT PLEDGE TO GIVE

As of June 30, 2017, a donor has pledged \$50,000 to the Trust, provided the Trust raises a match of \$100,000. This pledge has not been recorded in the financial statements because it is contingent on future events.

NOTE 14 - CONCENTRATIONS OF RISK

Revenue

During the year ended June 30, 2017, the Trust received 57% of revenue from three donors, each contributing 28%, 15%, and 14% to annual revenue.

Cash Deposits

At June 30, 2017, the Trust maintained cash assets in an investment brokerage that exceeded the coverage offered by the Federal Deposit Insurance Corporation. The uninsured balance was \$275,291.

NOTE 15 - NORTHWEST CITIZENS FOR WILDERNESS MINING

During the year ended June 30, 2017, the Trust completed the acquisition of the Northwest Citizens for Wilderness Mining Company (the Corporation), a C corporation registered in the state of Montana. The Corporation's only assets are 42 unpatented mining claims located across approximately 400 acres in the proposed Scotchman Peaks Wilderness area in northwest Montana. The Corporation exists to hold the mining claims; the Corporation does not have any current operational activities. The Corporation does not have any other assets other than the mining claims, nor does it have any liabilities. Once a year, the Corporation pays approximately \$6,500 for annual maintenance fees on the mining claims to the Bureau of Land Management. The acquisition of the Corporation by the Trust occurred through the purchase of all 500 of its outstanding shares for a nominal price of \$50.

The Trust intends to continue to hold the mining claims within the Corporation and to develop the mining claims within the guidelines established by The Wilderness Act. If the federal government designates the Scotchman Peaks Wilderness as a designated, protected wilderness area, the Trust will consider abandoning the mining claims.

These financial statements have not been modified to include the effects of this investment because it is considered immaterial to the financial statements.