

Western Cave Conservancy
Financial Statements
Year Ending December 31, 2005

I, Robert C. Haye, in my capacity as Treasurer of the Western Cave Conservancy, have prepared the accompanying financial statements. I believe these financial statements to present fairly, in all material respects, the financial position of the Western Cave Conservancy as of December 31, 2005, and the changes in its net assets and its cash flows for the year ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Robert C. Haye', with a stylized flourish at the end.

Robert C. Haye
Treasurer, Western Cave Conservancy
January 29, 2005

Western Cave Conservancy
Statement of Financial Position
December 31, 2005

Assets

Cash and cash equivalents	\$24,233.56
Accounts receivable	0.00
Property and equipment	<u>0.00</u>
Total assets	<u>\$24,233.56</u>

Liabilities

Accounts payable	\$51.20
Sales tax payable	0.00
Accrued expenses	0.00
Long-term debt	<u>0.00</u>
Total liabilities	<u>51.20</u>

Net Assets

Unrestricted	23,682.36
Temporarily restricted	500.00
Permanently restricted	<u>0.00</u>
Total net assets	<u>24,182.36</u>
Total liabilities and net assets	<u>\$24,233.56</u>

Western Cave Conservancy
Statement of Activities
Year Ended December 31, 2005

	<i>Unrestricted</i>	<i>Temporarily restricted</i>	<i>Permanently restricted</i>	<i>Total</i>
Revenues, gains, and other support:				
Contributions	\$9,131.00	\$0.00	\$0.00	\$9,131.00
Events	<u>691.21</u>	<u>0.00</u>	<u>0.00</u>	<u>691.21</u>
Total revenues, gains, and other support	9,822.21	0.00	0.00	9,822.21
Expenses and losses (see note 3):				
Program services	665.34			665.34
Management and general	781.71			781.71
Fund-raising	<u>738.91</u>			<u>738.91</u>
Total expenses	2,185.96			2,185.96
Losses	<u>0.00</u>			<u>0.00</u>
Total expenses and losses	2,185.96			2,185.96
Change in net assets	7,636.25	0.00	0.00	7,636.25
Net assets at beginning of year	<u>16,046.11</u>	<u>500.00</u>	<u>0.00</u>	<u>16,546.11</u>
Net assets at end of year	<u>\$23,682.36</u>	<u>\$500.00</u>	<u>\$0.00</u>	<u>\$24,182.36</u>

Western Cave Conservancy
Statement of Functional Expenses
Year Ended December 31, 2005

	----- Programs (see note 3) -----			Total	Management & general	Fundraising (see note 4)	Total expenses
	Landowner	Research	Newsletter				
Personnel expenses (see note 1):							
Salaried & hourly	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Payroll taxes & benefits	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total personnel expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Direct expenses:							
Bank fees	-	-	-	0.00	9.00	-	9.00
Credit card processing	-	-	-	0.00	318.51	-	318.51
Copying/printing	-	8.50	138.88	147.38	61.96	4.47	213.81
Filing fees	-	-	-	0.00	10.00	-	10.00
Incentive gifts (see note 5)	-	-	-	0.00	-	352.73	352.73
Educational materials	195.95	-	-	195.95	-	-	195.95
Federal income tax (see note 1)	-	-	-	0.00	-	16.65	16.65
Late filing penalties/interest	-	-	-	0.00	45.00	-	45.00
Memberships (see note 6)	-	-	-	0.00	225.00	-	225.00
Postage	-	-	232.20	232.20	15.84	56.60	304.64
Professional fees	-	-	-	0.00	10.00	-	10.00
Software	-	-	49.95	49.95	85.00	-	134.95
Supplies: Events	-	-	-	0.00	-	252.88	252.88
Supplies: Member drive	-	-	-	0.00	-	16.85	16.85
Supplies: Other	<u>-</u>	<u>-</u>	<u>39.86</u>	<u>39.86</u>	<u>1.40</u>	<u>38.73</u>	<u>79.99</u>
Total direct expenses	<u>195.95</u>	<u>8.50</u>	<u>460.89</u>	<u>665.34</u>	<u>781.71</u>	<u>738.91</u>	<u>2,185.96</u>
Total expenses	<u>\$195.95</u>	<u>\$8.50</u>	<u>\$460.89</u>	<u>\$665.34</u>	<u>\$781.71</u>	<u>\$738.91</u>	<u>\$2,185.96</u>

Western Cave Conservancy
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2005

Cash flows from operating activities:	
Cash received from donors	\$8,906.00
Auctioned goods	225.00
Cash received in exchange for goods or services	691.21
Interest and dividends received	0.00
Cash paid out for expenses	<u>(2,354.14)</u>
Net cash provided by operating activities	<u>7,468.07</u>
Cash flows from investing activities:	
Purchases of equipment	(0.00)
Proceeds from sales of investments	0.00
Purchases of investments	<u>(0.00)</u>
Net cash used by investing activities	<u>(0.00)</u>
Cash flows from financing activities:	
Interest and dividends restricted for reinvestment	0.00
Payments on notes payable	(0.00)
Payments on long-term debt	<u>(0.00)</u>
Net cash used by financing activities	<u>(0.00)</u>
Net increase in cash and cash equivalents	7,468.07
Cash and cash equivalents at beginning of year	<u>16,765.49</u>
Cash and cash equivalents at end of year	<u>\$24,233.56</u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$7,636.25
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease in accounts payable	(55.97)
Decrease in sales tax payable	(112.21)
Net cash provided by operating activities	\$7,468.07
Supplemental data for noncash investing and financing activities:	
None to report	

Western Cave Conservancy
Notes to the Financial Statements
Year Ending December 31, 2005

Note 1 – Organization

The Western Cave Conservancy, organized in 2002 and incorporated on August 17, 2002, is a not-for-profit public charity corporation dedicated to protecting caves primarily through direct purchase of land and easements.

The Conservancy is under the direction of a seven-member volunteer Board of Directors (the board is expanding in 2006.) Directors were selected from among persons interested in protecting caves, and consideration was given to achieving a diverse, cooperative, experienced, and energetic group.

The Conservancy's operations are carried out by unpaid volunteers, keeping expenses low and ensuring maximum use of donated funds.

Note 2 – Significant accounting policies

Method of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and include the accounts maintained by and directly under control of the Conservancy.

Financial Statement Presentation: The Conservancy reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash: The Conservancy maintains its primary checking account at Bank of America which is insured by an agency of the federal government up to \$100,000. Most cash funds are held in that insured account. In addition, the Conservancy maintains a merchant account with First Regional Bank for the purpose of processing credit card transactions, and an additional merchant account with PayPal for the same purpose. The PayPal account is an uninsured but still quite safe money-market account.

Cash equivalents: For the purposes of the Statement of Cash Flows, the Conservancy considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments: The Conservancy had no investments in 2005.

Land, Building, Equipment and Depreciation: The Conservancy had none of these in 2005, though this will likely change in 2006.

Contributions: Contributions received and unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence of donor restrictions and the nature of restrictions, if they exist.

Contributions are recognized when the donor makes a binding promise to give to the Conservancy that is, in substance, unconditional. Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. If there is no longer a reasonable expectation of satisfying the restriction, the donor is given the option of either removing the restriction or obtaining a refund of the contribution.

Income Taxes: For income from contributions, the Conservancy is exempt from federal and state income taxes under Section 501(C)(3) of the Internal Revenue Code. However, the Conservancy must pay income taxes on “unrelated business income”, that is, income not directly related to the Conservancy's exempt purposes. The Conservancy files all appropriate informational and tax returns with federal and California agencies, as well as agencies in other states in which the conservancy engages in significant fundraising activities and that require such returns (currently only Arizona and Oregon.)

Sales Tax: The collection and payment of California sales tax is not reflected in these statements. Rather, sales tax is considered a transfer from the buyer to the state with the Conservancy acting only as intermediary. This is in alignment with the way QuickBooks accounting software models sales tax, and makes it easier to verify that the financial statements match the Conservancy's electronic records.

Note 3 – Program Expenses

During 2005 the Conservancy incurred some program-related expenses. The programs listed in this report are as follows:

1. Landowner: The Conservancy purchased and distributed educational booklets to selected cave landowners, in an effort to educate them about to their cave resources and the options available for protecting them. This program will likely expand in 2006.
2. Research: The Conservancy's program to determine the ownership of as many cave-containing land parcels in its area as possible continued in 2005. As part of this, some counties charge fees for duplicating title and assessor records. This program will continue in 2006.
3. Newsletter: Members of the Conservancy receive a periodic newsletter containing educational articles, updates on the Conservancy's activities, and calls to action. Three issues were published in 2005. The calls to action encourage activities beneficial to protecting caves, such as looking for unusual species of cave-adapted invertebrates, and writing letters to help protect caves in Nevada and California. This program will continue in 2006.

Note 4 – Fundraising expenses

In 2005 the Conservancy only undertook two publicity events and generally used less incentive gifts than previously, resulting in lower overall fundraising expenses than 2004. This is not a trend; the Conservancy is embarking on a major capital campaign in 2006, with associated increases in expenses and anticipated contributions.

Note 5 – Incentive gifts expense

The Conservancy offered WCC-logo embroidered fleece vests as incentive to donors of \$250 or more. Several such contributions came in and the donors asked for the vests, so it appears that the incentive gifts increased contributions significantly. The Conservancy also gave logo pins (purchased in 2004) to donors of \$40 or more.

Note 6 – Membership expense

In 2005 the Board voted to re-join the Land Trust Alliance, a national organization dedicated to land trusts and their issues. The Conservancy benefits from LTA's advocacy efforts, timely and relevant magazine, and vast array of on-line and printed resources.