

Western Cave Conservancy  
Financial Statements  
Year Ending December 31, 2007

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, 2007, 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 11, 2009

Western Cave Conservancy  
Statement of Financial Position  
December 31, 2007

**Assets**

Cash and cash equivalents	\$9,915.35
Pledged contributions receivable	125.00
Accounts receivable	0.00
Land	<u>150,000.00</u>
Total assets	<u>\$160,040.35</u>

**Liabilities**

Accounts payable	\$786.03
Sales tax payable	102.75
Long-term debt	<u>0.00</u>
Total liabilities	<u>888.78</u>

**Net Assets**

Unrestricted	156,371.57
Temporarily restricted	2,780.00
Permanently restricted	<u>0.00</u>
Total net assets	<u>159,151.57</u>
Total liabilities and net assets	<u>\$160,040.35</u>

Western Cave Conservancy  
Statement of Activities  
Year Ended December 31, 2007

	<i>Unrestricted</i>	<i>Temp. restricted</i>	<i>Perm. restricted</i>	<i>Total</i>
Revenues, gains, and other support:				
Contributions of cash and auction goods	\$16,043.54	\$2,880.00	\$0.00	\$18,923.54
Sale of promotional items	207.36			207.36
Interest earned	516.57			516.57
Events	1,417.25			1,417.25
Net assets released from restrictions				
Satisfaction of program restrictions	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total revenues, gains, and other support	18,184.72	2,880.00	0.00	21,064.72
Expenses and losses (see note 3):				
Program services				
Weller Preserve	2,884.03			
Windeler Cave	0.00			
Newsletter	<u>427.71</u>			
Total program services	3,311.74			3,311.74
Management and general	1,393.79			1,393.79
Fund-raising	<u>416.57</u>			<u>416.57</u>
Total expenses	5,122.10			5,122.10
Change in net assets	13,062.62	2,880.00	0.00	15,942.62
Net assets at beginning of year	<u>143,208.95</u>	<u>.00</u>	<u>0.00</u>	<u>143,208.95</u>
Net assets at end of year	<u>\$156,271.57</u>	<u>\$2,880.00</u>	<u>\$0.00</u>	<u>\$159,151.57</u>

Western Cave Conservancy  
Statement of Functional Expenses  
Year Ended December 31, 2007

	----- Weller	----- Windeler	----- Newsletter	----- Subtotal	----- Management & general	----- Fundraising (see note 4)	----- Total expenses
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	69.75	-	69.75
Credit card processing	-	-	-	0.00	281.48	-	281.48
Copying/printing	-	-	53.12	53.12	124.22	-	177.34
Interest paid (see note 5)	1,311.97	-	-	1,311.97	-	-	1,311.97
Insurance	-	-	-	0.00	646.18	-	646.18
Postage	-	-	41.00	41.00	57.88	71.84	170.72
Promotional items to sell	-	-	-	0.00	31.10	-	31.10
Property tax	1,572.06	-	-	1,572.06	-	-	1,572.06
Sales tax rounding	-	-	-	0.00	-0.76	-	-0.76
Software	-	-	-	0.00	167.79	-	167.79
Supplies: Events	-	-	-	0.00	-	344.73	344.73
Supplies: Newsletter	-	-	333.59	333.59	-	-	333.59
Supplies: Other	-	-	-	0.00	16.15	-	16.15
Total direct expenses	<u>2,884.03</u>	<u>0.00</u>	<u>427.71</u>	<u>3,311.74</u>	<u>1,393.79</u>	<u>416.57</u>	<u>5,122.10</u>
Total expenses	<u>\$2,884.03</u>	<u>\$0.00</u>	<u>\$427.71</u>	<u>\$3,311.74</u>	<u>\$1,393.79</u>	<u>\$416.57</u>	<u>\$5,122.10</u>

Western Cave Conservancy  
Statement of Cash Flows  
For the Fiscal Year Ended December 31, 2007

Cash flows from operating activities:	
Cash received from donors	\$18,943.54
Cash received from auction of donated goods	210.00
Cash received in exchange for goods or services	1,624.61
Interest received	516.57
Interest paid (see note 5)	(1,311.97)
Cash paid out for expenses	<u>(3,827.37)</u>
Net cash provided by operating activities	<u>16,155.38</u>
Cash flows from financing activities:	
Long-term debt incurred	0.00
Principal payments on long-term debt (see note 5)	<u>(34,424.55)</u>
Net cash from financing activities	<u>(34,424.55)</u>
Net decrease in cash and cash equivalents	(18,269.17)
Cash and cash equivalents at beginning of year	<u>28,184.52</u>
Cash and cash equivalents at end of year	<u>\$9,915.35</u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$15,942.62
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease in accounts payable	(102.87)
Increase in sales tax payable	85.63
Decrease in pledged contributions receivable	(230.00)
Net cash provided by operating activities	\$16,155.38
Supplemental data for noncash investing and financing activities:	
None to report	

Western Cave Conservancy  
Notes to the Financial Statements  
Year Ending December 31, 2007

**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 an eight-member volunteer Board of Directors. The 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, which keeps expenses low and ensures 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. Where statements on a cash basis are required, they have been computed by making appropriate adjustments to the accrual-based records.

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. Temporary restrictions are restrictions on the use of donated funds (imposed by a donor) that the Conservancy has a reasonable expectation of meeting. Permanent restrictions are those in which a donor stipulates that a contribution be maintained permanently, but allows the Conservancy to spend all or part of the income derived from the donated 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. In addition, the Conservancy uses an interest-bearing money market account (also insured) at Nexity Bank. Most cash funds are held in these insured accounts. Finally, 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. These latter two accounts are uninsured.

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 this year.

Land, Building, Equipment and Depreciation: Land, buildings and equipment are stated at cost or, in the case of donated property, at fair value at the time of the gift, less accumulated depreciation. Depreciation is provided on a straight-line basis over the assets' estimated useful lives. Normal repairs and maintenance are recorded as unrestricted expenses. In the case of property held for investment or conservation purposes, no depreciation is applied.

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 as income and expenses 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, easing verification that the financial statements match the Conservancy's electronic records.

### **Note 3 – Program Expenses**

During 2007 the Conservancy incurred many program-related expenses. The programs listed in this report are as follows:

1. Weller Preserve: In March of 2006, the Conservancy purchased approx. 15 acres in Amador County, California to secure permanent protection for Rippled Cave, a significant cave on the property which is used by many local cavers as well as search and rescue personnel. The property was later renamed the "Weller Natural

Preserve” in honor of its history. In relation to this property, the Conservancy spent cash on property tax and interest to pay off the remaining three-year loans. This program will continue into the foreseeable future, though the expenses mentioned will drop off.

2. Newsletter: Members of the Conservancy receive a periodic newsletter containing educational articles, updates on the Conservancy’s activities, and calls to action. Two issues were published in 2007. 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 2008.
3. Windeler Cave: In 2007 the Conservancy successfully negotiated a Memorandum of Understanding (MOU) with the U.S. Forest Service to manage Windeler Cave in the Stanislaus National Forest. In anticipation of costs associated with maintaining and managing the cave, collection has begun for a fund dedicated to Windeler. No expenses have yet been incurred on this project.

#### **Note 4 – Fundraising expenses**

In 2007 the Conservancy did little in the way of fundraising mail-outs, but did host a fundraising dinner. It is anticipated that fundraising expenses will be relatively stable in 2008.

#### **Note 5 – Loans**

In order to purchase the Weller Preserve property in 2006, the Conservancy took out \$45,000 in three-year loans from members of the Conservancy. At the time, of the banks contacted only a few would consider loaning money on bare land to a young organization with few assets. Those banks that did consider loans estimated the interest rate would be at least 8%. In contrast, the loans obtained from members were for \$35,000 at 5% and \$10,000 at 7%. These lower rates resulted in significant interest savings to the Conservancy.

In 2007 the remaining loans were completely paid off, well before the end of their three year terms, and as of December 31, 2007 the Conservancy has no long-term debt.