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# **Wildflowers Institute**

**Financial Statements and Independent Auditors' Report**

**For the Year Ended December 31, 2011**

**(with summarized financial information for the year ended December 31, 2010)**

# FONTANELLO, DUFFIELD & OTAKE, LLP

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Wildflowers Institute

We have audited the accompanying statement of financial position of Wildflowers Institute ("the Institute") as of December 31, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Institute's 2010 financial statements and in our report dated November 22, 2011, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also 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 Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Institute as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Fontanello, Duffield + Otake, LLP

October 17, 2012

**Wildflowers Institute**  
**Statement of Financial Position**  
**For the year ended December 31, 2011**  
(with summarized financial information as of December 31, 2010)

<i>December 31,</i>	<i>2011</i>	<i>2010</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 182,320	\$ 56,871
Accounts receivable	2,500	4,203
Contracts receivable	-	22,500
Prepaid expense	-	155
<b>Total assets</b>	<b>\$ 184,820</b>	<b>\$ 83,729</b>
<b>Liabilities</b>		
Accounts payable	\$ 10,230	\$ 6,829
Accrued vacation	28,394	42,318
<b>Total liabilities</b>	<b>38,624</b>	<b>49,147</b>
<b>Net Assets</b>		
Unrestricted net assets	38,622	8,744
Temporarily restricted net assets	107,574	25,838
<b>Total net assets</b>	<b>146,196</b>	<b>34,582</b>
<b>Total liabilities and net assets</b>	<b>\$ 184,820</b>	<b>\$ 83,729</b>

The accompanying notes are integral to this statement.

**Wildflowers Institute**  
**Statement of Activities**  
**For the year ended December 31, 2011**  
(with summarized financial information for the year ended December 31, 2010)

<i>Years Ended December 31,</i>	<i>2011</i>		<i>2010</i>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Support and Revenue:</b>				
Grants and contributions	\$ 124,967	\$ 205,000	\$ 329,967	\$ 134,108
Program service revenue	812	-	812	27,729
Other income	741	-	741	568
	126,520	-	331,520	162,405
Net assets released from restrictions	123,264	(123,264)	-	-
<b>Total support and revenue</b>	<b>249,784</b>	<b>81,736</b>	<b>331,520</b>	<b>162,405</b>
<b>Expenses:</b>				
Program	184,152	-	184,152	130,183
Management and general	33,470	-	33,470	5,832
Fundraising	2,284	-	2,284	33,380
<b>Total expenses</b>	<b>219,906</b>	<b>-</b>	<b>219,906</b>	<b>169,395</b>
<b>Change in net assets</b>	<b>29,878</b>	<b>81,736</b>	<b>111,614</b>	<b>(6,990)</b>
<b>Net assets at beginning of year</b>	<b>8,744</b>	<b>25,838</b>	<b>34,582</b>	<b>41,572</b>
<b>Net assets at end of year</b>	<b>\$ 38,622</b>	<b>\$ 107,574</b>	<b>\$ 146,196</b>	<b>\$ 34,582</b>

The accompanying notes are integral to this statement.

**Wildflowers Institute**  
**Statement of Functional Expenses**  
**For the year ended December 31, 2011**  
(with summarized financial information as of year ended December 31, 2010)

*Years Ended December 31,*

	2011				2010 Total
	Program	General & Administration	Fundraising	Total	
Salaries, wages, and benefits	\$ 106,111	\$ 16,699	\$ -	\$ 122,810	\$ 88,036
Contract services	31,337	5,805	-	37,142	17,056
Travel	20,347	381	1,206	21,934	16,888
Office expenses	24,599	(12,729)	103	11,973	9,462
Facilities and equipment	200	8,754	-	8,954	9,443
Publications	1,558	5,545	975	8,078	9,593
Telecommunication	-	5,844	-	5,844	6,283
Insurance	-	2,775	-	2,775	2,728
Professional fees	-	396	-	396	456
Meetings and conference	-	-	-	-	9,450
<b>Total expenses</b>	<b>\$ 184,152</b>	<b>\$ 33,470</b>	<b>\$ 2,284</b>	<b>\$ 219,906</b>	<b>\$ 169,395</b>

The accompanying notes are integral to this statement.

**Wildflowers Institute**  
**Statement of Cash Flows**  
**For the year ended December 31, 2011**  
(with summarized financial information for the year ended December 31, 2010)

<b>Years Ended December 31,</b>	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 111,614	\$ (6,990)
Adjustments to reconcile change in net assets to cash provided by/ (used in) operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	1,703	(7)
Contracts receivable	22,500	2,500
Prepaid expense	155	(155)
Accounts payable	3,401	4,221
Deferred revenue	-	(25,000)
Accrued vacation	(13,924)	(25,011)
<b>Net cash provided by/ (used in) operating activities</b>	<b>125,449</b>	<b>(50,442)</b>
<b>Net change in cash and cash equivalents</b>	<b>125,449</b>	<b>(50,442)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>56,871</b>	<b>107,313</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 182,320</b>	<b>\$ 56,871</b>

The accompanying notes are integral to this statement.

**Wildflowers Institute**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2011**  
**(with summarized financial information for the year ended December 31, 2010)**

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1. Description of Organization

Wildflowers Institute (“the Institute”), a California non profit corporation, was established in 1979.

The mission of Wildflowers Institute (the “Institute”) has evolved over thirty-three years to focus on strengthening vulnerable communities through how they work and the challenges to the sustainability of such communities. The Institute endeavors to leverage and utilize local resources and the culture of a community as the engine for social and economic development and includes the following tools to achieve its goals:

1. The Institute studies and researches how a community is organized, what holds it together, and how such community’s members and local institutions work together.
2. The Institute also develops models, presentations and maps reflecting the various community structures, functions, and shared aspirations through which the Institute attempts to refine community input and clarify understanding.
3. The Institute coordinates a fellowship of professional and academic colleagues with the communities to build leadership capacity within communities and among a network of communities with which we are working.
4. The Institute also develops and promotes sustainable solutions that are vital to the social health, culture and well-being of each community through social and financial support including event sponsorship and social investment funds.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual method of accounting, in accordance with accounting principles generally accepted in the United States of America. Under these principles, net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets that are limited by donor-imposed stipulations that may or will be satisfied either by the actions of the Institute and/or by the passage of time.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings accounts and money market accounts. For purposes of the statements of cash flows, all highly liquid instruments with original maturities of three months or less are considered to be cash equivalents.

**Wildflowers Institute**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2011**  
**(with summarized financial information for the year ended December 31, 2010)**

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2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Financial instruments included in the statements of financial position include cash and cash equivalents, accounts receivable, contracts receivable and accounts payable. The carrying amounts of each of these instruments represent a reasonable estimate of the corresponding fair values.

Contributions

All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or designated by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted and increase unrestricted net assets.

Functional Allocation of Expenses

Expenses that apply to more than one functional category have been allocated between program, management and general, and fundraising based on the time spent on these functions by specific employees as estimated by senior management. The remaining costs are charged directly to the appropriate functional category.

Income Taxes

The Institute is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the Institute is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

The Institute believes that it has appropriate support for the tax position taken and, as such, does not have any uncertain tax positions that result in a material impact on the Institute's statement of position or statement of activities. As of December 31, 2011, tax years that have been filed, but remain subject to examination include the years ended December 31, 2010, 2009 and 2008.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

**Wildflowers Institute**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2011**  
**(with summarized financial information for the year ended December 31, 2010)**

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2. Summary of Significant Accounting Policies (continued)

Prior-Period 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Certain items in the prior year financial statements have been classified for comparative purposes to conform to the presentation in the current year financial statements.

3. Temporarily Restricted Net Assets

The Institute's temporarily restricted net assets include the following:

	2011	2010
Contributions designated for the following specific purpose:		
Community studies	\$ 9,390	\$ -
Leadership development	8,246	24,438
Social investment fund	4,778	-
Strategic planning	1,400	1,400
<u>Contributions designated for future periods:</u>	<u>83,760</u>	<u>-</u>
	<u>\$ 107,574</u>	<u>\$ 25,838</u>

4. Concentration of Credit Risk

The Institute maintains its cash at credit worthy, high-quality financial institutions that at times may exceed federally insured limits. The Institute has not experienced any losses in such accounts.

5. Revenue Sources

For the year ended December 31, 2011, two foundations provided 48% and 15%, respectively, of the Institute's grant revenue. For the year ended December 31, 2010, two foundations provided 56% and 19%, respectively, of the Institute's grant revenue.

During the year that ended December 31, 2008, the Institute entered into two contracts with a private foundation to provide services for a total of \$105,000. In December 31, 2011 and 2010, the Institute earned \$22,500 and \$25,000 respectively from these contracts.

**Wildflowers Institute**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2011**  
**(with summarized financial information for the year ended December 31, 2010)**

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6. Related Party Transactions

The Institute rents office space from an officer of the Institute. During the years ended December 31, 2011 and 2010, the Institute paid rent to this officer in the amount of \$6,000.

7. Tax-Deferred Retirement Plan

The Institute has a tax-deferred retirement plan (the "Plan") qualified under Section 403(b) of the Internal Revenue Code, as well as a Section 457(b) deferred compensation plan. The Plans cover all employees who, on a voluntary basis may, participate in the Plan starting on their date of hire. The Institute does not make matching contributions.

8. Subsequent Events

The Institute has reviewed the results of operations for the period of time from the year ended December 31, 2011 through October 17, 2012 the date the financial statements were available to be issued. It has been determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred which would require disclosure.