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# **Wildflowers Institute**

## **Financial Statements and Independent Auditors' Report**

**For the Year Ended December 31, 2015**

**(with summarized information for the year ended December 31, 2014)**

# FONTANELLO, DUFFIELD & OTAKE, LLP

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Wildflowers Institute

We have audited the accompanying financial statements of Wildflowers Institute (the "Institute"), which comprise the statements of financial position as of December 31, 2015, 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 accounting 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.

### *Auditor's 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 auditor's 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 Institute as of December 31, 2015 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 Institute's 2014 financial statements and our report dated June 26, 2015, expressed an unmodified opinion on those audited statements. In our opinion, the summarized comparative information present herein as of and for the year ended December 31, 2014, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Fontanillo, Duffield & Otake, LLP

May 12, 2016

**Wildflowers Institute**  
**Statements of Financial Position**  
(with summarized information for the year ended December 31, 2014)

<i>December 31,</i>	<i>2015</i>	<i>2014</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 367,114	\$ 358,873
Investments, at fair value	9,128	-
Program related investment	3,967	6,253
<b>Total assets</b>	<b>\$ 380,209</b>	<b>\$ 365,126</b>
<b>Liabilities</b>		
Accounts payable	\$ 2,397	\$ 1,993
Accrued vacation	21,692	33,681
<b>Total liabilities</b>	<b>24,089</b>	<b>35,674</b>
<b>Net Assets</b>		
Unrestricted net assets	164,852	55,031
Temporarily restricted net assets	191,268	274,421
<b>Total net assets</b>	<b>356,120</b>	<b>329,452</b>
<b>Total liabilities and net assets</b>	<b>\$ 380,209</b>	<b>\$ 365,126</b>

The accompanying notes are integral to this statement.

**Wildflowers Institute**  
**Statements of Activities**  
(with summarized information for the year ended December 31, 2014)

<i>Years Ended December 31,</i>			<i>2015</i>	<i>2014</i>
	Unrestricted	Temporarily Restricted	Totals	
<b>Support and Revenue:</b>				
Grants and contributions - cash	\$ 74,490	\$ 260,000	\$ 334,490	\$ 338,900
Contributions - stock	10,160		10,160	-
Unrealized gains/(losses) on investments	(1,032)	-	(1,032)	-
Program service revenue	220	-	220	347
Other income	638	-	638	460
	84,476	260,000	344,476	339,707
Net assets released from restrictions	343,153	(343,153)	-	-
<b>Total support and revenue</b>	<b>427,629</b>	<b>(83,153)</b>	<b>344,476</b>	<b>339,707</b>
<b>Expenses:</b>				
Program	296,278	-	296,278	225,997
Management and general	10,813	-	10,813	11,798
Fundraising	10,717	-	10,717	20,772
<b>Total expenses</b>	<b>317,808</b>	<b>-</b>	<b>317,808</b>	<b>258,567</b>
<b>Change in net assets</b>	<b>109,821</b>	<b>(83,153)</b>	<b>26,668</b>	<b>81,140</b>
<b>Net assets</b> at beginning of year	<b>55,031</b>	<b>274,421</b>	<b>329,452</b>	<b>248,312</b>
<b>Net assets</b> at end of year	<b>\$ 164,852</b>	<b>\$ 191,268</b>	<b>\$ 356,120</b>	<b>\$ 329,452</b>

The accompanying notes are integral to this statement.

**Wildflowers Institute**  
**Statements of Functional Expenses**  
(with summarized information for the year ended December 31, 2014)

*Years Ended December 31*

	<b>General &amp;</b>			<b>2015</b>		<b>2014</b>	
	<b>Program</b>	<b>Administration</b>	<b>Fundraising</b>	<b>Totals</b>			
Salaries, wages, and benefits	\$ 143,959	\$ 7,478	\$ 6,669	\$ 158,106	\$ 167,457		
Awards	62,297	-	-	62,297	-		
Professional fees	26,306	1,797	1,187	29,290	27,028		
Travel	14,607	132	1,252	15,991	16,240		
Contract services	19,155	67	135	19,357	11,354		
Publications	6,219	-	-	6,219	1,782		
Office expenses	9,294	436	617	10,347	12,239		
Write-off of program related investment	-	-	-	-	9,491		
Facilities and equipment	9,209	421	353	9,983	8,510		
Telecommunication	3,223	159	103	3,485	4,466		
Insurance	2,009	323	401	2,733	-		
<b>Total expenses</b>	<b>\$ 296,278</b>	<b>\$ 10,813</b>	<b>\$ 10,717</b>	<b>\$ 317,808</b>	<b>\$ 258,567</b>		

The accompanying notes are integral to this statement.

**Wildflowers Institute**  
**Statements of Cash Flows**  
(with summarized information for the year ended December 31, 2014)

<i>Years Ended December 31,</i>	<i>2015</i>	<i>2014</i>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 26,668	\$ 81,140
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Contributed stock	(10,160)	
Net unrealized loss on investments	1,032	-
Write-off of program related investment	-	9,491
Changes in operating assets and liabilities:		
Accounts payable	404	(437)
Accrued vacation	(11,989)	8,412
Net cash provided by operating activities	5,955	98,606
<b>Cash flows from investing activities</b>		
Change in program related investment	2,286	(6,253)
Net cash provided by/(used in) investing activities	2,286	(6,253)
<b>Net change in cash and cash equivalents</b>	<b>8,241</b>	<b>92,353</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>358,873</b>	<b>266,519</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 367,114</b>	<b>\$ 358,873</b>

The accompanying notes are integral to this statement.

**Wildflowers Institute**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2015**  
**(with summarized information for the year ended December 31, 2014)**

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1. Description of Organization

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

The mission of the Institute is investing in the informal ways communities function. The Institute leverages and utilizes 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 (“U.S. GAAP”). 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, 2015**  
**(with summarized information for the year ended December 31, 2014)**

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2. Summary of Significant Accounting Policies (continued)

Investments

Publicly traded securities are presented at estimated fair market value. Unrealized gains and losses are included in the statement of activities. Securities listed on a national exchange are valued at the closing prices as of the valuation date. At December 31, 2015, the Foundation only holds one publicly traded stock.

Program Related Investment

A program related investment is an investment whose primary purpose is to further the exempt mission of the Institute. The production of income or the appreciation of the asset is not a significant purpose of the investment.

The Institute expects to receive full value for the current program related investment and has not made any provision for uncollectible amounts. Consequently, the face value of the program related investment is the estimated fair value.

Fair Value of Financial Instruments

Financial instruments included in the statements of financial position include cash and cash equivalents, investments, program related investment and accounts payable. The carrying amounts of cash and cash equivalents, program related investments and accounts payable represent a reasonable estimate of the corresponding fair values.

Investments are reflected in the accompanying statement of financial position at their estimated fair value.

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.

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.

**Wildflowers Institute**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2015**  
**(with summarized information for the year ended December 31, 2014)**

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2. Summary of Significant Accounting Policies (continued)

Comparative Statements

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 from which the summarized information is derived.

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.

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, 2015, tax years that have been filed, but remain subject to examination include the years ended December 31, 2014, 2013 and 2012.

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.

3. Program Related Investment

As part of its social investment program, the Institute makes small loans at low interest rates to community entrepreneurs who would not normally qualify for loans from commercial banks.

On August 18, 2014 (the "effective date"), the Institute extended a loan to a sole proprietorship ("Borrower") in the amount of \$7,000.

The entire unpaid principal balance, together with all accrued but unpaid interest, shall be due and payable on the third anniversary of the effective date. Interest is calculated at 3% per annum.

The Borrower has made twelve payments to the Institute as of December 31, 2015 with a remaining balance of \$3,967. As of December 31, 2014, the Borrower had made four payments to the Institute with a remaining balance of \$6,253.

**Wildflowers Institute**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2015**  
**(with summarized information for the year ended December 31, 2014)**

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4. Temporarily Restricted Net Assets

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

	2015	2014
Contributions designated for the following specific purpose:		
Social investment fund	\$ 88,152	\$ 83,000
Program restricted	16,448	191,421
Designated for future periods	86,668	-
	\$ 191,262	\$ 274,421

5. 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.

6. Revenue Sources

For the year ended December 31, 2015, two foundations provided 48% and 30%, respectively, of the Institute's grant revenue. For the year ended December 31, 2014, two foundations provided 60% and 34%, respectively, of the Institute's grant revenue.

7. Related Party Transactions

For the year ended December 31, 2015, the President and Vice-President together contributed stock with a fair market value of \$10,160 to the Institute.

The Institute rents office space from an officer of the Institute. During the years ended December 31, 2015 and 2014, the Institute paid rent to this officer in the amount of \$6,075 and \$6,000, respectively.

8. 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.

**Wildflowers Institute**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2015**  
**(with summarized information for the year ended December 31, 2014)**

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9. Subsequent Events

The Institute has reviewed the results of operations for the period of time from the year ended December 31, 2015 through May 12, 2016, 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.