

WOLF CONSERVATION CENTER, INC.

FINANCIAL STATEMENTS

December 31, 2019

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Independent Auditor's Report

Board of Directors
Wolf Conservation Center, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Wolf Conservation Center, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, 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 from 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 Wolf Conservation Center, Inc. as of December 31, 2019, 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 Wolf Conservation Center Inc.'s December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 12, 2019.



Mount Kisco, New York
October 20, 2020

WOLF CONSERVATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

(With Summarized Comparative Information as of December 31, 2018)

| <u>ASSETS</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 4,593,194 | \$ 3,079,063 |
| Investments | 102,548 | 102,548 |
| Receivables | 137,386 | 77,611 |
| Inventory | 81,475 | 43,134 |
| Pledges receivable – short term | 96,350 | 291,102 |
| Prepaid expenses | <u>58,763</u> | <u>60,226</u> |
| Total Current Assets | <u>5,069,716</u> | <u>3,653,684</u> |
| Fixed assets, net of accumulated depreciation of \$1,018,188 for 2019 and \$905,186 for 2018 | <u>3,717,957</u> | <u>4,079,010</u> |
| Pledges receivable – long term | <u>1,023,372</u> | <u>1,098,371</u> |
| Total Assets | <u>\$ 9,811,045</u> | <u>\$ 8,831,065</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Accounts payable and accrued expenses | \$ 58,189 | \$ 78,223 |
| Deferred revenue | 6,662 | 11,534 |
| Mortgage loans payable, current | <u>22,988</u> | <u>21,653</u> |
| Total Current Liabilities | 87,839 | 111,410 |
| Mortgage loans payable, long term | <u>92,214</u> | <u>115,202</u> |
| Total Liabilities | <u>180,053</u> | <u>226,612</u> |
| Commitments & contingencies (Note 6) | | |
| Net Assets: | | |
| Without donor restrictions | 5,633,488 | 5,690,333 |
| With donor restrictions | <u>3,997,504</u> | <u>2,914,120</u> |
| Total Net Assets | <u>9,630,992</u> | <u>8,604,453</u> |
| Total Liabilities & Net Assets | <u>\$ 9,811,045</u> | <u>\$ 8,831,065</u> |

The accompanying notes are an integral part of the financial statements.

WOLF CONSERVATION CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2019

(With Summarized Comparative Information for the Year Ended December 31, 2018)

| | 2019 | | | <u>2018</u> |
|--|---------------------------------------|------------------------------------|---------------------|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> | |
| Revenue & Other Support: | | | | |
| Fundraising campaign | \$ | \$ 1,326,650 | \$ 1,326,650 | \$ 2,017,089 |
| Contributions | 1,065,694 | | 1,065,694 | 932,526 |
| Fundraising revenue – net of cost of goods sold | 168,352 | | 168,352 | 211,918 |
| Foundation, corporate, and other grants | 18,526 | 35,000 | 53,526 | 68,553 |
| In-kind services and donated supplies (Note 9) | 16,010 | | 16,010 | 21,340 |
| Educational program revenue | 367,341 | | 367,341 | 337,833 |
| Investment return, net | 1,299 | | 1,299 | 897 |
| Other income | 856 | | 856 | 704 |
| Net Assets released from restrictions: | | | | |
| Satisfaction of time & donor restrictions | <u>278,266</u> | <u>(278,266)</u> | <u>-</u> | <u>-</u> |
| Total Revenue & Other Support | <u>1,916,344</u> | <u>1,083,384</u> | <u>2,999,728</u> | <u>3,590,860</u> |
| Expenses: | | | | |
| Program expenses | 1,391,319 | | 1,391,319 | 937,223 |
| Support services | 360,370 | | 360,370 | 258,309 |
| Fundraising expenses | <u>221,500</u> | | <u>221,500</u> | <u>275,926</u> |
| Total Expenses | <u>1,973,189</u> | | <u>1,973,189</u> | <u>1,471,458</u> |
| Increase (decrease) in net assets | (56,845) | 1,083,384 | 1,026,539 | 2,119,402 |
| Net Assets, beginning of year | <u>5,690,333</u> | <u>2,914,120</u> | <u>8,604,453</u> | <u>6,485,051</u> |
| Net Assets, end of year | <u>\$ 5,633,488</u> | <u>\$ 3,997,504</u> | <u>\$ 9,630,992</u> | <u>\$ 8,604,453</u> |

The accompanying notes are an integral part of the financial statements.

WOLF CONSERVATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

(With Summarized Comparative Information for the Year Ended December 31, 2018)

| | 2019 | | | Total | 2018 |
|--|---------------------|-------------------|----------------------|---------------------|---------------------|
| | Program Expenses | Support Services | Fundraising Expenses | | |
| Expenses: | | | | | |
| Personnel costs: | | | | | |
| Employee salaries | \$ 365,020 | \$ 139,517 | \$ 94,548 | \$ 599,085 | \$ 510,079 |
| Employee benefits and payroll taxes | 98,881 | 37,794 | 25,612 | 162,287 | 130,027 |
| Professional fees | 352,586 | 100,506 | | 453,092 | 71,830 |
| Information technology (Note 9) | 100,239 | 38,313 | 25,965 | 164,517 | 121,184 |
| Program supplies and expenses (Note 9) | 92,671 | | | 92,671 | 114,640 |
| Office expenses | 53,592 | 13,398 | | 66,990 | 67,698 |
| Fundraising campaign | | | 58,471 | 58,471 | 99,049 |
| Repairs and maintenance | 56,573 | | | 56,573 | 53,509 |
| Postage | 42,972 | | | 42,972 | 26,733 |
| Utilities | 32,298 | 8,074 | | 40,372 | 37,176 |
| Grants | 25,000 | | | 25,000 | 15,850 |
| Insurance | 22,837 | 1,902 | | 24,739 | 19,660 |
| Advertising | 18,567 | | | 18,567 | 41,675 |
| Fundraising | | | 16,904 | 16,904 | 16,224 |
| Travel | 9,671 | 2,418 | | 12,089 | 17,174 |
| Fees and permits | | 9,885 | | 9,885 | 10,402 |
| Interest | 6,098 | 1,524 | | 7,622 | 8,880 |
| Sales tax and real estate tax | 5,554 | 1,389 | | 6,943 | 3,715 |
| Miscellaneous | 1,408 | | | 1,408 | 857 |
| Depreciation | 107,352 | 5,650 | | 113,002 | 105,096 |
| Total Expenses | \$ 1,391,319 | \$ 360,370 | \$ 221,500 | \$ 1,973,189 | \$ 1,471,458 |

The accompanying notes are an integral part of the financial statements.

WOLF CONSERVATION CENTER, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

(With Summarized Comparative Information for the Year Ended December 31, 2018)

(Increase (Decrease) in Cash and Cash Equivalents)

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in Net Assets | \$ 1,026,539 | \$ 2,119,402 |
| Adjustments to reconcile increase (decrease) in Net Assets to net cash provided (used) by operating activities: | | |
| Depreciation | 113,002 | 105,096 |
| Loss on disposal of fixed assets | 276,523 | - |
| (Increase) decrease in receivables | (59,775) | 43,340 |
| (Increase) decrease in inventory | (38,341) | (3,697) |
| (Increase) decrease in pledges receivable | 269,751 | (185,837) |
| (Increase) decrease in prepaid expenses | 1,463 | (58,084) |
| Increase (decrease) in accounts payable and accrued expenses | (20,034) | 16,755 |
| Increase (decrease) in deferred revenue | <u>(4,872)</u> | <u>8,021</u> |
| Net cash provided (used) by operating activities | <u>1,564,256</u> | <u>2,044,996</u> |
| Cash flows from investing activities: | | |
| Purchase of fixed assets | <u>(28,472)</u> | <u>(809,161)</u> |
| Cash flows from financing activities: | | |
| Increase (decrease) in mortgage loan payable | <u>(21,653)</u> | <u>(20,395)</u> |
| Increase (decrease) in cash and cash equivalents | 1,514,131 | 1,215,440 |
| Cash and cash equivalents - beginning of year | <u>3,079,063</u> | <u>1,863,623</u> |
| Cash and cash equivalents - end of year | <u>\$ 4,593,194</u> | <u>\$ 3,079,063</u> |

Supplemental disclosures of cash flow information:

Cash paid during the year for:

| | | |
|--------------|----------|----------|
| Interest | \$ 7,622 | \$ 8,880 |
| Income taxes | \$ -0- | \$ -0- |

The accompanying notes are an integral part of the financial statements.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 1 – Description of Organization:

Wolf Conservation Center, Inc. (the “Organization”), was formed under the not-for-profit corporation laws of the State of New York in 1999 as an educational and charitable facility. The Organization’s exempt purpose is to promote wolf conservation through education, support reintroduction of wolves in federally designated areas and to provide a natural habitat sanctuary. The Organization is located in Westchester County, New York, near New York City.

Wolf Conservation Center Foundation (the “Foundation”) was organized as a supporting organization within the meaning of sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code in that the Foundation may not operate to support or benefit any organization other than the Wolf Conservation Center, Inc. The Foundation is a membership form of a New York nonprofit corporation, with the Wolf Conservation Center, Inc. being the sole member. The Foundation contracts with the Wolf Conservation Center, Inc. for any administrative and clerical services they require.

The Board of Directors of the Foundation has elected to discontinue operations and dissolve, with its remaining assets being transferred to the Wolf Conservation Center, Inc. in 2020.

Note 2 – Summary of Significant Accounting Policies:

- a. The accompanying financial statements are prepared in accordance with U.S. generally accepted accounting principles on the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when incurred. Income from contributions is recognized when received or pledged.
- b. The Organization considers all highly liquid instruments purchased within an original maturity of three months or less to be cash equivalents.
- c. Unconditional promises to give are reported at the date a written promise is received. As of December 31, 2019, it has been determined by management that an allowance for uncollectible pledges is not necessary.
- d. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from these estimates.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued):

- e. The accompanying financial statements present information regarding the financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of the Organization and may be used at the discretion of management and the board of directors. Net assets with donor restrictions are subject to stipulations imposed by donors or grantors. Some restrictions are temporary in nature; those restrictions that will be met by the passage of time or accomplishing the purpose restriction. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.
- f. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of time and effort and office and occupancy which are allocated on a square-footage basis.
- g. A substantial number of volunteers made significant contributions of their time to the Organization's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.
- h. Inventory is stated at cost on the statement of financial position.
- i. Certain reclassifications may have been made to some prior year account balances in order to conform to current year presentation.
- j. Subsequent events have been evaluated through October 20, 2020 which is the date the financial statements were available to be issued.
- k. The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from New York State Franchise Tax.

The Organization adopted the provision pertaining to uncertain tax positions and has determined that were no material uncertain tax positions that require recognition or disclosure in the financial statements. The Organization is generally no longer subject to income tax examination by the applicable taxing jurisdiction for periods prior to 2017.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 3 – Investments:

The Organization adopted the provisions pertaining to fair value measurements and disclosures which offers a framework consisting of a three-tier hierarchy of inputs to be used in determining the fair market value of assets and liabilities. Realized and unrealized gains or losses and interest income are reflected within investment return, net, in the statement of activities. The following is a summary of the fair value hierarchy of inputs: *Fair value measurements based on Level 1 inputs*: Includes quoted prices in active markets for identical assets or liabilities to which the company has access at the measurement date. *Fair value measurement based on Level 2 inputs*: Includes inputs other than quoted market prices that are directly or indirectly observable for the assets or liability, including quoted prices in an active market for similar assets or liabilities; quoted prices in a market that is not active for the same or similar assets or liabilities; inputs other than quoted market prices that are observable for the asset or liability. *Fair value measurements based on Level 3 inputs*: Includes unobservable inputs reflecting the assumptions that a market participant would use to price the asset or liability. The following table provides the fair value hierarchy of the Organization's financial assets as of December 31, 2019:

| <u>Financial Assets</u> | <u>Level 1</u> |
|-------------------------|-------------------|
| Certificates of Deposit | \$ <u>102,548</u> |

Note 4 – Liquidity and Availability:

The Organization is substantially supported by contributions and grants and must maintain sufficient resources to meet those responsibilities to its donors. As part of the liquidity plan, the Organization has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations that come due and invests excess cash in savings accounts and certificates of deposit.

The following represents the financial assets as of December 31, 2019, that are available to meet general expenditures within one year, reduced by amounts for donor-imposed restrictions or board designations:

| | |
|---|----------------------|
| Financial Assets, at year end | \$ 5,952,850 |
| Less amounts not available to be used within one year: | |
| Restricted by donor with purpose & time restrictions | (<u>3,997,504</u>) |
| Financial assets available to meet general expenditures within one year | \$ <u>1,955,346</u> |

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 5 – Fixed Assets:

Fixed assets are carried at cost net of accumulated depreciation. These amounts do not purport to represent replacement or realized values. These assets are being depreciated using the straight-line method over their estimated useful lives when placed in service. Useful lives are determined to be 20-39 years for habitats, buildings & improvements and 5-7 years for vehicles, machinery and equipment and 12 years for Ambassador Wolves.

The Organization wrote off professional fees related to a capital project for architectural designs that have been abandoned in the amount of \$276,523.

Fixed assets of the Organization consist of the following:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|---------------------|---------------------|
| Land | \$ 1,618,082 | \$ 1,618,082 |
| Buildings and sheds | 1,700,746 | 1,701,126 |
| Improvements | 605,530 | 593,935 |
| Species survival plan facility | 364,790 | 364,790 |
| Vehicles | 112,904 | 95,647 |
| Machinery & equipment | 132,004 | 132,004 |
| Ambassador Wolves | 11,113 | 11,113 |
| Furniture and fixtures | 17,204 | 17,204 |
| Capital campaign | <u>173,772</u> | <u>450,295</u> |
| Total | <u>4,736,145</u> | <u>4,984,196</u> |
| Accumulated depreciation | <u>(1,018,188)</u> | <u>(905,186)</u> |
| | <u>\$ 3,717,957</u> | <u>\$ 4,079,010</u> |

Note 6 – Commitments and Contingencies:

- a. Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions, which from time to time exceed the Federal depository coverage limits.
- b. Pursuant to the Organization's contractual relationships with certain funding sources, outside agencies have the right to examine the books and records of the Organization involving transactions relating to these contracts. The accompanying financial statements made no provisions for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of Management, any actual disallowances would be immaterial.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 7 – Related Party Transaction:

On April 10, 2014 the Organization purchased the property known as 7 Buck Run, South Salem, NY for \$597,000. The property and a building were purchased from an individual who is an officer of the Organization and the President of the Foundation. Management believes this transaction was conducted at fair market value. In connection with this purchase, the Organization assumed from the seller a mortgage with an outstanding balance of \$222,407 at the time of closing (See Note 8).

Note 8 – Mortgage Loans Payable:

The Organization is obligated for a mortgage loan which is secured by property owned by the Organization. The mortgage was assumed from the seller of 7 Buck Run, South Salem, NY at closing (See Note 7). This mortgage bears an interest rate of 6% and matures on June 1, 2024. The balance due as of December 31, 2019 is \$115,202.

Principal payments over the next 5 years are as follows:

| | |
|-------|-------------------|
| 2020 | \$ 22,988 |
| 2021 | 24,407 |
| 2022 | 25,912 |
| 2023 | 27,510 |
| 2024 | <u>14,385</u> |
| Total | \$ <u>115,202</u> |

Note 9 – In-Kind Contributions:

For the year ended December 31, 2019, the Organization has recorded in-kind contributions for the following professional services received:

| | |
|-----------------------------|------------------|
| Veterinary services | \$ 15,110 |
| Website development | <u>900</u> |
| Total in-kind contributions | \$ <u>16,010</u> |

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 10 – Net Assets:

The Organization's net assets with donor restrictions for the year ended December 31, 2019 were as follows:

| | |
|--|---------------------|
| Subject for purpose restrictions: | |
| Capital improvements | \$ 2,277,503 |
| Subject to the passage of time: | |
| For periods after December 31, 2019 | <u>1,720,001</u> |
| Total net assets with donor restrictions | \$ <u>3,997,504</u> |

Note 11 – 401K Plan:

The Organization offers a 401K plan to all employees who meet certain eligibility requirements. The Organization does not match employee contributions.

Note 12 – Summarized Comparative 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 general accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Note 13 – Subsequent Event-COVID-19 Pandemic:

Management has evaluated subsequent events through October 20, 2020, the date the financial statements were available to be issued. The accompanying December 31, 2019 financial statements of the Organization do not include any adjustments related to the COVID-19 pandemic. The extent of the impact of COVID-19 on the Organizations operational and financial performance will depend on future developments, all of which are highly uncertain and cannot be predicted at this time.

On May 1, 2020, the Organization received a Paycheck Protection Program loan from the Small Business Administration in the amount of \$130,322. Repayment begins 6 months after funding and the loan may be eligible for forgiveness if certain conditions are met. The loan has a 2-year repayment requirement, carries a fixed interest rate of 1% and requires no collateral.