

WOLF CONSERVATION CENTER, INC.

FINANCIAL STATEMENTS

December 31, 2012

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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, 2012, 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, 2012, 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, 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 6, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Victor Cant, CPA PC". The signature is written in a cursive style with some capital letters.

Mount Kisco, New York
June 3, 2013

WOLF CONSERVATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2012

(With Summarized Comparative Information as of December 31, 2011)

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 250,474	\$ 176,608
Receivables and prepaid expenses	54,496	57,967
Deposits	<u>630</u>	<u>630</u>
Total Current Assets	305,600	235,205
Fixed assets, net of accumulated depreciation of \$386,244 for 2012 and \$339,658 for 2011.	<u>1,385,715</u>	<u>1,081,745</u>
Total Assets	\$ <u>1,691,315</u>	\$ <u>1,316,950</u>

<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 49,593	\$ 9,269
Deferred revenue	<u>5,860</u>	<u>4,358</u>
Total Current Liabilities	<u>55,453</u>	<u>13,627</u>
Commitments & other contingencies (Note 6)		
Net Assets:		
Unrestricted	1,575,862	1,303,323
Temporarily restricted	60,000	-
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>1,635,862</u>	<u>1,303,323</u>
Total Liabilities & Net Assets	\$ <u>1,691,315</u>	\$ <u>1,316,950</u>

The accompanying notes and independent auditor's report 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, 2012

(With Summarized Comparative Information for the Year Ended December 31, 2011)

	2012			<u>2011</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenue & Other Support:				
Foundation, corporate, and other grants	\$ 66,609	\$ 367,000	\$ 433,609	\$ 92,089
Educational program revenue	251,765		251,765	220,058
Contributions	145,479		145,479	173,218
In-kind contributions (Note 7)	43,664		43,664	113,205
Fundraising revenue	172,943		172,943	185,943
Investment income	198		198	(167)
 Net Assets released from restrictions:				
Satisfaction of donor restrictions	<u>307,000</u>	<u>(307,000)</u>	<u>-</u>	<u>-</u>
 Total Revenue & Other Support	 <u>987,658</u>	 <u>60,000</u>	 <u>1,047,658</u>	 <u>784,346</u>
 Expenses:				
Program expenses	498,217		498,217	525,646
Support services	147,633		147,633	138,843
Fundraising expenses	<u>69,269</u>		<u>69,269</u>	<u>50,895</u>
 Total Expenses	 <u>715,119</u>		 <u>715,119</u>	 <u>715,384</u>
 Increase (decrease) in Net Assets	 272,539	 60,000	 332,539	 68,962
 Net Assets, beginning of year	 <u>1,303,323</u>		 <u>1,303,323</u>	 <u>1,234,361</u>
 Net Assets, end of year	 <u>\$ 1,575,862</u>	 <u>\$ 60,000</u>	 <u>\$ 1,635,862</u>	 <u>\$1,303,323</u>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

WOLF CONSERVATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2012

(With Summarized Comparative Information for the Year Ended December 31, 2011)

	<u>2012</u>				
	<u>Program</u> <u>Expenses</u>	<u>Support</u> <u>Services</u>	<u>Fundraising</u> <u>Expenses</u>	<u>Total</u>	<u>2011</u>
Expenses:					
Personnel expenses	\$ 293,938	\$ 94,783	\$	\$ 388,721	\$ 327,025
Fundraising			69,269	69,269	50,895
In-kind services (Note 7)	13,022	27,200		40,222	101,598
Program supplies and expenses	28,084			28,084	51,187
Professional fees	14,100	12,466		26,566	35,068
Rent (includes in-kind of \$3,000) (Note 7)	19,251			19,251	18,000
Office expenses	14,413	2,544		16,957	20,501
Advertising	16,677			16,677	14,850
Repairs & maintenance	14,227			14,227	15,107
Insurance	9,872	1,742		11,614	11,186
Utilities	9,056	788		9,844	10,729
Travel	7,769	1,942		9,711	7,107
Postage	4,272	754		5,026	2,524
Miscellaneous		2,638		2,638	495
Contributions	800			800	250
Depreciation	<u>52,736</u>	<u>2,776</u>	_____	<u>55,512</u>	<u>48,862</u>
Total Expenses	\$ <u>498,217</u>	\$ <u>147,633</u>	\$ <u>69,269</u>	\$ <u>715,119</u>	\$ <u>715,384</u>

The accompanying notes and independent auditor's report are an integral part of the financial statements.

WOLF CONSERVATION CENTER, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2012
(Increase (Decrease) in Cash and Cash Equivalents)

	<u>2012</u>
Cash flows from operating activity:	
Increase (decrease) in Net Assets	\$ 332,539
Adjustments to reconcile increase (decrease) in Net Assets to net cash provided (used) by operating activities:	
Depreciation	55,512
(Increase) decrease in receivables and prepaid expenses	3,471
Increase (decrease) in accounts payable and accrued expenses	40,324
Increase (decrease) in deferred revenue	<u>1,502</u>
Net cash provided (used) by operating activities	<u>100,809</u>
Cash flows from investing activities:	
Purchase of fixed assets	(327,332)
Donated fixed assets received	(33,000)
Disposal of fixed assets	<u>850</u>
Increase (decrease) in cash	73,866
Cash and cash equivalents - beginning of year	<u>176,608</u>
Cash and cash equivalents - end of year	\$ <u>250,474</u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$ -0-
Income taxes	\$ -0-

The accompanying notes and independent auditor's report are an integral part of the financial statements.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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 has been recognized as a not-for-profit corporation pursuant to Section 501(c)(3) of the Internal Revenue Code. 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, and will operate as, a supporting organization within the meaning of sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The Foundation’s exclusive purpose is to receive and administer funds and property and to operate exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the Wolf Conservation Center, Inc. The Foundation may not operate to support or benefit any organization other than the Wolf Conservation Center, Inc.

The Foundation will assist the Wolf Conservation Center, Inc. with fundraising and conservation programs. The Foundation is a membership form of a New York nonprofit corporation, with the Wolf Conservation Center, Inc. being the sole member. The Foundation expects to contract with the Wolf Conservation Center, Inc. for any administrative and clerical services they need.

The Board of Directors of the Organization believes that the creation of the Foundation will best serve the Organization’s interests and those of the wolves the organization is attempting to save from extinction.

Note 2 – Summary of Significant Accounting Policies:

a. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when incurred.

b. Volunteer Time

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.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

c. Net Assets

The accompanying financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are not subject to donor stipulation restricting their use but may be designate for specific purposes by management.

Temporarily restricted net assets are subject to donor stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations.

Permanently restricted net assets are subject to donor stipulations requiring they be maintained permanently.

The Organization reports gifts of cash and other assets as restricted support of they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted Net Assets released from restrictions.

d. Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased within an original maturity of three months or less to be cash equivalents.

e. Functional Expenses

The breakdown of functional expenses into program services and supporting services is as provided by management using their best estimates as to the appropriate allocation.

f. Subsequent Events

Subsequent events have been evaluated through June 3, 2013 which is the date the financial statements were available to be issued.

g. Reclassifications

Certain reclassifications may have been made to some prior year account balances in order to conform to current year presentation.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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

h. Restrictions on Assets:

Temporarily restricted net assets of \$60,000 as of December 31, 2012 are designated by donors for the purchase of the land and building at 7 Buck Run, South Salem, NY.

Note 3 – 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 over their estimated useful lives which are determined to be 20-39 years for habitats, buildings & improvements and 5-7 years for vehicles, machinery & equipment and 12 years for Ambassador Wolves.

Fixed assets of the Organization consist of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 789,442	\$ 479,644
Leasehold improvements	448,529	448,529
Species survival plan facility	364,790	364,791
Vehicles	96,474	73,349
Buildings and sheds	28,363	28,363
Machinery & equipment	36,249	18,615
Ambassador Wolves	<u>8,112</u>	<u>8,112</u>
Total	1,771,959	1,421,403
Accumulated depreciation	<u>(386,244)</u>	<u>(339,658)</u>
	<u>\$ 1,385,715</u>	<u>\$ 1,081,745</u>

Note 4 – Grant from Wolf Center Foundation and Related Party Transaction:

On April 27, 2012, the Organization received a grant of \$307,000 from the Foundation for the restricted purpose to purchase land and an easement over an adjacent property in South Salem, NY, currently leased by the Organization for a wolf habitat sanctuary. The Organization completed the purchase of this property on April 30, 2012 for \$300,000. The balance of the grant was used for costs related to the purchase.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Note 4 – Grant from Wolf Center Foundation and Related Party Transaction (cont.):

The property and easement purchased by the Organization was sold by 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. A board member of the Organization and the President of the Foundation remains the owner of a 6 acre property that is leased by the Organization. The Organization pays a monthly rent of \$1500 as well as the property taxes in exchange for the use of the property.

Note 5 – Income Tax Status:

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 there were no material uncertain tax positions that require recognition or disclosure in the financial statements.

Note 6 – Commitments and Contingencies:

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.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts.

Note 7 – In-Kind Contributions:

For the year ended December 31, 2012, the Organization has recorded in-kind contributions for the following professional services received:

Website development	\$ 27,200
Legal services	8,750
Veterinary services	3,075
Repairs and maintenance	<u>1,197</u>
Total in-kind services	\$ <u>40,222</u>

Additionally, the Organization recognized an in-kind rental contribution of \$3,000 and other in-kind contributions of \$442.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Note 8 – 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, 2011, from which the summarized information was derived.