

WOLF CONSERVATION CENTER, INC.

FINANCIAL STATEMENTS

December 31, 2016

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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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Mount Kisco, New York
June 5, 2017

WOLF CONSERVATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2016

(With Summarized Comparative Information as of December 31, 2015)

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,165,380	\$ 936,298
Investments	102,548	102,548
Receivables	85,467	73,204
Inventory	25,544	42,639
Pledges receivable – short term	82,597	3,445
Prepaid expenses	<u>2,537</u>	<u>2,081</u>
Total Current Assets	<u>1,464,073</u>	<u>1,160,215</u>
Fixed assets, net of accumulated depreciation of \$694,242 for 2016 and \$628,483 for 2015	<u>2,802,772</u>	<u>2,830,274</u>
Pledges receivable – long term	<u>490,965</u>	<u>246,500</u>
Total Assets	<u>\$ 4,757,810</u>	<u>\$ 4,236,989</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Accounts payable and accrued expenses	\$ 49,798	\$ 49,520
Deferred revenue	13,060	5,306
Mortgage loans payable, current	<u>19,210</u>	<u>18,094</u>
Total Current Liabilities	82,068	72,920
Mortgage loans payable, long term	<u>157,251</u>	<u>416,461</u>
Total Liabilities	<u>239,319</u>	<u>489,381</u>
Commitments & contingencies (Note 4)		
Net Assets:		
Unrestricted	3,656,966	3,232,051
Temporarily restricted	861,525	515,557
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>4,518,491</u>	<u>3,747,608</u>
Total Liabilities & Net Assets	<u>\$ 4,757,810</u>	<u>\$ 4,236,989</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, 2016

(With Summarized Comparative Information for the Year Ended December 31, 2015)

	2016			<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenue & Other Support:				
Foundation, corporate, and other grants	\$ 78,365	\$	\$ 78,365	\$ 70,665
Educational program revenue	297,641		297,641	310,709
Contributions (Note 8)	593,096		593,096	382,223
In-kind services and donated supplies (Note 7)	99,868		99,868	41,301
Fundraising revenue – net of cost of goods sold	159,182		159,182	254,899
Fundraising campaign		523,575	523,575	587,019
Rental income	3,000		3,000	12,000
Investment income	517		517	431
Gain on sale of assets	1,200		1,200	-
Net Assets released from restrictions:				
Satisfaction of donor restrictions	<u>177,607</u>	<u>(177,607)</u>	<u>-</u>	<u>-</u>
Total Revenue & Other Support	<u>1,410,476</u>	<u>345,968</u>	<u>1,756,444</u>	<u>1,659,247</u>
Expenses:				
Program expenses	671,235		671,235	578,276
Support services	152,209		152,209	125,172
Fundraising expenses	<u>162,117</u>	<u> </u>	<u>162,117</u>	<u>139,730</u>
Total Expenses	<u>985,561</u>	<u> </u>	<u>985,561</u>	<u>843,178</u>
Increase (decrease) in net assets	424,915	345,968	770,883	816,069
Net Assets, beginning of year	<u>3,232,051</u>	<u>515,557</u>	<u>3,747,608</u>	<u>2,931,539</u>
Net Assets, end of year	\$ <u>3,656,966</u>	\$ <u>861,525</u>	\$ <u>4,518,491</u>	\$ <u>3,747,608</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, 2016

(With Summarized Comparative Information for the Year Ended December 31, 2015)

	<u>2016</u>				
	<u>Program</u> <u>Expenses</u>	<u>Support</u> <u>Services</u>	<u>Fundraising</u> <u>Expenses</u>	<u>Total</u>	<u>2015</u>
Expenses:					
Employee expenses	\$ 270,293	\$ 99,354	\$	\$ 369,647	\$ 328,999
Fundraising campaign			135,399	135,399	74,767
Professional fees (Note 7)	65,783	24,696		90,479	15,855
Program supplies and expenses (Note 7)	61,352			61,352	48,590
Office Expenses	35,031	8,758		43,789	30,608
Repairs and maintenance	33,214			33,214	41,810
Website development (Note 7)	21,281	5,320		26,601	46,234
Insurance	18,201	3,212		21,413	19,533
Utilities	18,994	1,652		20,646	20,923
Advertising	20,318			20,318	20,015
Sales tax and related interest			18,572	18,572	31,858
Postage	14,833	2,618		17,451	16,432
Interest	11,181			11,181	11,174
Fundraising			8,146	8,146	33,105
Travel	4,816	1,204		6,020	8,882
Contributions	2,046			2,046	-
Miscellaneous		453		453	419
Depreciation	<u>93,892</u>	<u>4,942</u>	<u> </u>	<u>98,834</u>	<u>93,974</u>
Total Expenses	\$ <u>671,235</u>	\$ <u>152,209</u>	\$ <u>162,117</u>	\$ <u>985,561</u>	\$ <u>843,178</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, 2016

(With Summarized Comparative Information for the Year Ended December 31, 2015)

(Increase (decrease) in Cash and Cash Equivalents)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in Net Assets	\$ 770,883	\$ 816,069
Adjustments to reconcile increase (decrease) in Net Assets to net cash provided (used) by operating activities:		
Depreciation	98,834	93,974
Forgiveness of debt	(240,000)	
(Increase) decrease in receivables and prepaid expenses	(336,336)	(254,929)
(Increase) decrease in inventory	17,095	(42,639)
Increase (decrease) in accounts payable and accrued expenses	278	2,889
Increase (decrease) in deferred revenue	<u>7,754</u>	<u>(7,207)</u>
Net cash provided (used) by operating activities	<u>318,508</u>	<u>608,157</u>
Cash flows from investing activities:		
(Increase) decrease in investments	-	(99,875)
Purchase of fixed assets	(73,532)	(174,520)
Disposal of fixed assets	<u>2,200</u>	<u>1,214</u>
Net cash provided (used) by investing activities	<u>(71,332)</u>	<u>(273,181)</u>
Cash flows from financing activities:		
Increase (decrease) in mortgage liability	<u>(18,094)</u>	<u>(15,662)</u>
Increase (decrease) in cash and cash equivalents	229,082	319,314
Cash and cash equivalents - beginning of year	<u>936,298</u>	<u>616,984</u>
Cash and cash equivalents - end of year	\$ <u>1,165,380</u>	\$ <u>936,298</u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$ 11,181	\$ 11,174
Income taxes	\$ -0-	\$ -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, 2016

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, 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 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 require.

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. 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. 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. Gifts are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. At December 31, 2016, it has been determined by management that an allowance for uncollectible pledges is not necessary.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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

- d. 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.**
- e. The breakdown of functional expenses into program expenses, support services and fundraising expenses is as provided by management using their best estimates as to the appropriate allocation.**
- f. 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.**
- g. Certain reclassifications may have been made to some prior year account balances in order to conform to current year presentation.**
- h. 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.**
- i. Subsequent events have been evaluated through June 5, 2017 which is the date the financial statements were available to be issued.**
- j. 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 2014.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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. 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, 2016:

<u>Financial Assets</u>	<u>Level 1</u>
Certificates of Deposit	\$ <u>102,547</u>

Note 4 – 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.

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. 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.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 5 – Fixed Assets (continued):

Fixed assets of the Organization consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,303,844	\$ 1,303,844
Leasehold improvements	584,086	575,947
Species survival plan facility	364,790	364,790
Vehicles	95,647	105,921
Buildings and sheds	980,993	980,993
Machinery & equipment	79,759	75,601
Ambassador Wolves	11,113	11,112
Furniture and fixtures	17,204	17,204
Capital campaign	<u>59,578</u>	<u>23,345</u>
Total	3,497,014	3,458,757
Accumulated depreciation	<u>(694,242)</u>	<u>(628,483)</u>
	\$ <u>2,802,772</u>	\$ <u>2,830,274</u>

Note 6 – 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 7 – In-Kind Contributions:

For the year ended December 31, 2016, the Organization has recorded in-kind contributions for the following professional services received:

Legal services	\$ 74,100
Website development	17,100
Veterinary services	6,006
Supplies	<u>2,662</u>
Total in-kind contributions	\$ <u>99,868</u>

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 8 – Mortgage Loans Payable:

A mortgage in the amount of \$240,000 was received from a Board member for the purchase of the property at 7 Buck Run, South Salem, NY in 2014. In December 2016, the loan was forgiven and has been recorded as contribution revenue in the accompanying financial statements.

As of December 31, 2016, the Organization is obligated for a mortgage loan which is secured by property owned by the Organization. A mortgage was assumed from the seller of 7 Buck Run, South Salem, NY at closing (See Note 5). This mortgage bears an interest rate of 6% and matures on June 1, 2024. The balance due as of December 31, 2016 is \$176,461.

Principal repayments over the next 5 years are as follows:

2017	\$ 19,210
2018	20,395
2019	21,653
2020	22,989
2021	24,407
Thereafter	<u>67,807</u>
Total	\$ <u>176,461</u>

Note 9 – Restricted Funds:

The Organization reports gifts of cash and other assets as restricted support if 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.

Temporarily restricted net assets of \$848,268 as of December 31, 2016 are designated by donors from the ongoing fundraising campaign, to provide funding for facility enhancements and capacity - building initiatives.

Additionally, temporarily restricted net assets of \$13,257 as of December 31, 2016 are designated by donors for the purchase of an HVAC system and perimeter fencing for the facilities at 7 Buck Run, South Salem, NY.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 10 – 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, 2015, from which the summarized information was derived.

Note 11 – Subsequent Event:

On May 11, 2017, the Organization purchased land and a building at 4 Buck Run, South Salem, N.Y. for \$505,000 to expand current operations. The Organization purchased the property with cash on hand.