

WOLF CONSERVATION CENTER, INC.

FINANCIAL STATEMENTS

December 31, 2013

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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, 2013, 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, 2013, 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, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 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 "Clark / Cant, CPA PC".

Mount Kisco, New York
May 8, 2014

WOLF CONSERVATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2013

(With Summarized Comparative Information as of December 31, 2012)

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 405,781	\$ 250,474
Receivable	63,652	50,077
Prepaid expenses	<u>2,149</u>	<u>5,049</u>
Total Current Assets	471,582	305,600
Fixed assets, net of accumulated depreciation of \$450,120 for 2013 and \$386,244 for 2012.	<u>2,210,460</u>	<u>1,385,715</u>
Total Assets	\$ <u>2,682,042</u>	\$ <u>1,691,315</u>

<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 36,448	\$ 49,593
Deferred revenue	<u>21,742</u>	<u>5,860</u>
Total Current Liabilities	<u>58,190</u>	<u>55,453</u>
Commitments & other contingencies (Note 7)		
Net Assets:		
Unrestricted	2,542,052	1,575,862
Temporarily restricted	81,800	60,000
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>2,623,852</u>	<u>1,635,862</u>
Total Liabilities & Net Assets	\$ <u>2,682,042</u>	\$ <u>1,691,315</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, 2013

(With Summarized Comparative Information for the Year Ended December 31, 2012)

	2013			<u>2012</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenue & Other Support:				
Foundation, corporate, and other grants	\$ 61,364	\$ 898,800	\$ 960,164	\$ 433,609
Educational program revenue	306,656		306,656	251,765
Contributions	211,318	500	211,818	145,479
In-kind contributions (Note 8)	22,400		22,400	43,664
Fundraising revenue	137,617		137,617	172,943
Investment income	222		222	198
Net Assets released from restrictions:				
Satisfaction of donor restrictions	<u>877,500</u>	<u>(877,500)</u>	-	-
Total Revenue & Other Support	<u>1,617,077</u>	<u>21,800</u>	<u>1,638,877</u>	<u>1,047,658</u>
Expenses:				
Program expenses	491,296		491,296	498,217
Support services	113,677		113,677	147,633
Fundraising expenses	<u>45,914</u>		<u>45,914</u>	<u>69,269</u>
Total Expenses	<u>650,887</u>		<u>650,887</u>	<u>715,119</u>
Increase (decrease) in Net Assets	966,190	21,800	987,990	332,539
Net Assets, beginning of year	<u>1,575,862</u>	<u>60,000</u>	<u>1,635,862</u>	<u>1,303,323</u>
Net Assets, end of year	\$ <u>2,542,052</u>	\$ <u>81,800</u>	\$ <u>2,623,852</u>	\$ <u>1,635,862</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, 2013

(With Summarized Comparative Information for the Year Ended December 31, 2012)

	2013			Total	2012
	Program Expenses	Support Services	Fundraising Expenses		
Expenses:					
Employee expenses	\$ 218,490	\$ 77,501	\$	\$ 295,991	\$ 388,721
Program supplies and expenses	66,622			66,622	28,084
Fundraising			45,914	45,914	69,269
Occupancy	27,161			27,161	19,251
Professional fees	19,310	4,827		24,137	26,566
In-kind services (Note 8)	7,467	14,933		22,400	40,222
Office expenses	16,093	4,023		20,116	16,957
Repairs & maintenance	16,329			16,329	14,227
Utilities	15,012	1,306		16,318	9,844
Advertising	15,387			15,387	16,677
Insurance	11,454	2,021		13,475	11,614
Travel	10,446	2,611		13,057	9,711
Postage	4,818	850		5,668	5,026
Contributions	2,025			2,025	800
Miscellaneous		2,411		2,411	2,638
Depreciation	<u>60,682</u>	<u>3,194</u>	<u> </u>	<u>63,876</u>	<u>55,512</u>
Total Expenses	\$ <u>491,296</u>	\$ <u>113,677</u>	\$ <u>45,914</u>	\$ <u>650,887</u>	\$ <u>715,119</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, 2013

(With Summarized Comparative Information for the Year Ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activity:		
Increase (decrease) in Net Assets	\$ 987,990	\$ 332,539
Adjustments to reconcile increase (decrease) in Net Assets to net cash provided (used) by operating activities:		
Depreciation	63,876	55,512
(Increase) decrease in receivables and prepaid expenses	(10,675)	3,471
Increase (decrease) in accounts payable and accrued expenses	(13,145)	40,324
Increase (decrease) in deferred revenue	<u>15,882</u>	<u>1,502</u>
Net cash provided (used) by operating activities	<u>1,043,928</u>	<u>433,348</u>
Cash flows from investing activities:		
Purchase of fixed assets	(887,121)	(327,332)
Donated fixed assets received		(33,000)
Disposal of fixed assets	<u>(1,500)</u>	<u>850</u>
Net cash provided (used) by investing activities	<u>(888,621)</u>	<u>(359,482)</u>
Increase (decrease) in cash	155,307	73,866
Cash and cash equivalents - beginning of year	<u>250,474</u>	<u>176,608</u>
Cash and cash equivalents - end of year	\$ <u>405,781</u>	\$ <u>250,474</u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$ -0-	\$ -0-
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, 2013

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 Organization. The Foundation may not operate to support or benefit any organization other than the Organization.

The Foundation will assist the Organization with fundraising and conservation programs. The Foundation is a membership form of a New York nonprofit corporation, with the Organization being the sole member. The Foundation expects to contract with the Organization. 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, 2013

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 May 8, 2014 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, 2013

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

h. Restrictions on Assets:

Temporarily restricted net assets of \$81,800 as of December 31, 2013 are designated by donors for the purchase of the land and building at 7 Buck Run, South Salem, NY, a backup generator, equipment and web cams.

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>2013</u>	<u>2012</u>
Land	\$ 1,002,922	\$ 789,442
Leasehold improvements	448,529	448,529
Species survival plan facility	364,790	364,790
Vehicles	97,974	96,474
Buildings and sheds	669,803	28,363
Machinery & equipment	68,450	36,249
Ambassador wolves	<u>8,112</u>	<u>8,112</u>
Total	2,660,580	1,771,959
Accumulated depreciation	<u>(450,120)</u>	<u>(386,244)</u>
	<u>\$ 2,210,460</u>	<u>\$ 1,385,715</u>

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

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.

The property and easement purchased by the Organization was sold by an individual who is a Board Member of the Organization and the President of the Foundation. Management believes this transaction was conducted at fair market value.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Note 5 – Subsequent Event and Related Party Transaction:

On April 10, 2014, the Organization purchased property and a building at 7 Buck Run, South Salem, NY for \$578,000. The property is currently leased by the Organization for its operations.

The property and building 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. The Organization paid a monthly rent of \$1,500 and the related property taxes in exchange for the use of the property during 2013 and 2012.

Note 6 – 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 7 – 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 8 – In-Kind Contributions:

For the year ended December 31, 2013, the Organization has recorded in-kind contributions for the following:

Website development	\$ 19,400
Veterinary services	<u>3,000</u>
Total in-kind contributions	\$ <u>22,400</u>

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Note 9 – 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, 2012, from which the summarized information was derived.