

WOLF CONSERVATION CENTER, INC.

FINANCIAL STATEMENTS

December 31, 2015

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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, 2015, 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, 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 Wolf Conservation Center, Inc.'s December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Mount Kisco, New York
October 24, 2016

WOLF CONSERVATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2015

(With Summarized Comparative Information as of December 31, 2014)

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 1,038,846	\$ 616,984
Investments	-	2,673
Receivables	73,204	67,524
Inventory	42,639	-
Pledges receivable – short term	3,445	-
Prepaid expenses	<u>2,081</u>	<u>2,777</u>
Total Current Assets	<u>1,160,215</u>	<u>689,958</u>
Fixed assets, net of accumulated depreciation of \$628,483 for 2015 and \$538,090 for 2014	<u>2,830,274</u>	<u>2,750,942</u>
Pledges receivable – long term	<u>246,500</u>	<u>-</u>
Total Assets	<u>\$ 4,236,989</u>	<u>\$ 3,440,900</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 49,520	\$ 46,631
Deferred revenue	5,306	12,513
Mortgage loans payable, current	<u>18,094</u>	<u>15,662</u>
Total Current Liabilities	72,920	74,806
Mortgage loans payable, long term	<u>416,461</u>	<u>434,555</u>
Total Liabilities	<u>489,381</u>	<u>509,361</u>
Commitments & contingencies (Note 4)		
Net Assets:		
Unrestricted	3,232,051	2,906,539
Temporarily restricted	515,557	25,000
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>3,747,608</u>	<u>2,931,539</u>
Total Liabilities & Net Assets	<u>\$ 4,236,989</u>	<u>\$ 3,440,900</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, 2015

(With Summarized Comparative Information for the Year Ended December 31, 2014)

	2015			<u>2014</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenue & Other Support:				
Foundation, corporate, and other grants	\$ 70,665	\$	\$ 70,665	\$ 134,482
Educational program revenue	310,709		310,709	291,288
Contributions	382,223		382,223	402,170
In-kind services and donated supplies (Note 8)	41,301		41,301	36,714
Fundraising revenue	254,899		254,899	185,110
Fundraising campaign		587,019	587,019	-
Rental income	12,000		12,000	6,000
Investment income	431		431	410
Net Assets released from restrictions:				
Satisfaction of donor restrictions	<u>96,462</u>	<u>(96,462)</u>	<u>-</u>	<u>-</u>
Total Revenue & Other Support	<u>1,168,690</u>	<u>490,557</u>	<u>1,659,247</u>	<u>1,056,174</u>
Expenses:				
Program expenses	578,276		578,276	553,071
Support services	125,172		125,172	111,936
Fundraising expenses	<u>139,730</u>		<u>139,730</u>	<u>83,480</u>
Total Expenses	<u>843,178</u>		<u>843,178</u>	<u>748,487</u>
Increase (decrease) in net assets	325,512	490,557	816,069	307,687
Net Assets, beginning of year	<u>2,906,539</u>	<u>25,000</u>	<u>2,931,539</u>	<u>2,623,852</u>
Net Assets, end of year	\$ <u>3,232,051</u>	\$ <u>515,557</u>	\$ <u>3,747,608</u>	\$ <u>2,931,539</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, 2015

(With Summarized Comparative Information for the Year Ended December 31, 2014)

	2015			Total	2014
	Program Expenses	Support Services	Fundraising Expenses		
Expenses:					
Employee expenses	\$ 240,570	\$ 88,429	\$	\$ 328,999	\$ 299,028
Fundraising campaign			74,767	74,767	-
Program supplies and expenses (Note 8)	48,590			48,590	48,257
Website development (Note 8)	36,987	9,247		46,234	22,200
Repairs and maintenance (Note 8)	41,810			41,810	30,276
Fundraising			33,105	33,105	83,480
Sales tax and related interest			31,858	31,858	-
Office expenses	24,486	6,122		30,608	26,363
Utilities	19,249	1,674		20,923	24,858
Advertising	20,015			20,015	13,813
Insurance	16,603	2,930		19,533	18,060
Postage	13,967	2,465		16,432	21,052
Professional fees	8,444	7,411		15,855	16,108
Interest	11,174			11,174	9,433
Travel	7,106	1,776		8,882	14,215
Miscellaneous		419		419	260
Contributions				-	750
Occupancy				-	32,364
Depreciation	<u>89,275</u>	<u>4,699</u>		<u>93,974</u>	<u>87,970</u>
Total Expenses	<u>\$ 578,276</u>	<u>\$ 125,172</u>	<u>\$ 139,730</u>	<u>\$ 843,178</u>	<u>\$ 748,487</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, 2015

(With Summarized Comparative Information for the Year Ended December 31, 2014)

(Increase (decrease) in Cash and Cash Equivalents)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Increase (decrease) in Net Assets	\$ 816,069	\$ 307,687
Adjustments to reconcile increase (decrease) in Net Assets to net cash provided (used) by operating activities:		
Depreciation	93,974	87,970
(Increase) decrease in receivables and prepaid expenses	(254,929)	(7,173)
(Increase) decrease in inventory	(42,639)	-
Increase (decrease) in accounts payable and accrued expenses	2,889	10,183
Increase (decrease) in deferred revenue	<u>(7,207)</u>	<u>(9,229)</u>
Net cash provided (used) by operating activities	<u>608,157</u>	<u>389,438</u>
Cash flows from investing activities:		
(Increase) decrease in investments	2,673	-
Purchase of fixed assets	(174,520)	(628,452)
Disposal of fixed assets	<u>1,214</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(170,633)</u>	<u>(628,452)</u>
Cash flows from financing activities		
Increase (decrease) in mortgage liability	<u>(15,662)</u>	<u>450,217</u>
Increase (decrease) in cash and cash equivalents	421,862	211,203
Cash and cash equivalents - beginning of year	<u>616,984</u>	<u>405,781</u>
Cash and cash equivalents - end of year	<u>\$ 1,038,846</u>	<u>\$ 616,984</u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$ 11,174	\$ 9,433
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, 2015

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 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, 2015, 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, 2015

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

- d. The breakdown of functional expenses into program expenses and support services and fundraising expenses is as provided by management using their best estimates as to the appropriate allocation.**
- e. 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.

- 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.**
- i. Subsequent events have been evaluated through October 24, 2016 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 2013.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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 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 & equipment and 12 years for Ambassador Wolves.

Fixed assets of the Organization consist of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,303,844	\$ 1,302,306
Leasehold improvements	575,947	448,529
Species survival plan facility	364,790	364,790
Vehicles	105,921	110,716
Buildings and sheds	980,993	980,993
Machinery & equipment	75,601	70,586
Ambassador Wolves	11,112	11,112
Furniture and fixtures	17,204	-
Capital campaign	<u>23,345</u>	<u>-</u>
Total	3,458,757	3,289,032
Accumulated depreciation	<u>(628,483)</u>	<u>(538,090)</u>
	<u>\$ 2,830,274</u>	<u>\$ 2,750,942</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 – 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 6).

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Note 6 – Mortgage Loans Payable:

The Organization is obligated for two mortgage loans which are secured by property owned by the Organization.

A mortgage in the amount of \$240,000 was received from a Board member. These funds were used to purchase the property at 7 Buck Run, South Salem, NY. The loan bears a 0% interest rate and has a maturity date of April 9, 2018.

In addition, a mortgage was assumed from the seller of 7 Buck Run, South Salem, NY at closing (See Note 5). This loan bears an interest rate of 6% and matures on June 1, 2024. The balance due as of December 31, 2015 is \$194,555.

Principal repayments over the next 5 years are as follows:

2016	\$ 18,094
2017	19,210
2018	260,395
2019	21,653
2020	22,989
Thereafter	<u>92,214</u>
Total	\$ <u>434,555</u>

Note 7 – 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 \$502,300 as of December 31, 2015 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, 2015 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, 2015

Note 8 – In-Kind Contributions:

For the year ended December 31, 2015, the Organization has recorded in-kind contributions for the following professional services received:

Website development	\$ 26,400
Veterinary services	7,353
Other services	180
Donated supplies	<u>7,368</u>
Total in-kind services	\$ <u>41,301</u>

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, 2014, from which the summarized information was derived.