

INTERNATIONAL WOLF CENTER

Minneapolis, Minnesota

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended December 31, 2017 and 2016

INTERNATIONAL WOLF CENTER

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 11
Supplementary Information	
Statements of Functional Expenses	12

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
International Wolf Center
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of International Wolf Center (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 the Organization as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
August 1, 2018

INTERNATIONAL WOLF CENTER

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2017 and 2016

		ASSETS	
		2017	2016
CURRENT ASSETS			
Cash and cash equivalents			
Cash		\$ 977,150	\$ 761,770
Certificates of deposit		274,451	274,451
Accounts receivable, net		4,027	5,277
Grants receivable		47,254	66,881
Inventory		93,208	58,860
Prepaid expenses		33,828	16,497
Total Current Assets		1,429,918	1,183,736
PROPERTY AND EQUIPMENT, NET		638,134	641,210
OTHER ASSETS			
Deferred rent asset		15,757	10,262
Security deposits		3,617	3,617
TOTAL ASSETS		\$ 2,087,426	\$ 1,838,825
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 25,855	\$ 17,325
Accrued payroll and payroll taxes		43,162	50,191
Accrued retirement contribution		954	2,126
Credit card payable		12,428	12,893
Deferred revenue		11,397	8,432
Total Current Liabilities		93,796	90,967
NET ASSETS			
Undesignated		1,051,005	1,114,396
Designated		771,978	468,083
Total Unrestricted		1,822,983	1,582,479
Temporarily restricted		170,647	165,379
Total Net Assets		1,993,630	1,747,858
TOTAL LIABILITIES AND NET ASSETS		\$ 2,087,426	\$ 1,838,825

See accompanying notes to financial statements.

INTERNATIONAL WOLF CENTER

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND OTHER REVENUE						
Public support contributions	\$ 789,969	\$ 25,744	\$ 815,713	\$ 629,715	\$ 49,311	\$ 679,026
Government grants	98,323	-	98,323	98,545	-	98,545
Dues and memberships	287,215	-	287,215	300,163	-	300,163
Program income	182,443	-	182,443	191,280	-	191,280
Exhibit fees	348,668	-	348,668	355,181	-	355,181
Book and souvenir sales, net of direct costs of \$153,603 in 2017 and \$157,876 in 2016	128,779	-	128,779	125,958	-	125,958
Investment income	3,513	-	3,513	4,149	-	4,149
In-kind contributions	138,988	-	138,988	125,979	-	125,979
Other income	861	-	861	5,366	-	5,366
Loss on disposal of assets	-	-	-	(155)	-	(155)
Net assets released from restrictions	20,476	(20,476)	-	17,112	(17,112)	-
Total Public Support and Other Revenue	1,999,235	5,268	2,004,503	1,853,293	32,199	1,885,492
EXPENSES						
Program	1,493,168	-	1,493,168	1,476,103	-	1,476,103
SUPPORTING SERVICES						
Membership development	144,260	-	144,260	165,212	-	165,212
Fundraising	83,569	-	83,569	94,781	-	94,781
Management and general	37,734	-	37,734	50,597	-	50,597
Total Expenses	1,758,731	-	1,758,731	1,786,693	-	1,786,693
Change in Net Assets	240,504	5,268	245,772	66,600	32,199	98,799
NET ASSETS - Beginning of Year	1,582,479	165,379	1,747,858	1,515,879	133,180	1,649,059
NET ASSETS - END OF YEAR	\$ 1,822,983	\$ 170,647	\$ 1,993,630	\$ 1,582,479	\$ 165,379	\$ 1,747,858

See accompanying notes to financial statements.

INTERNATIONAL WOLF CENTER

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 245,772	\$ 98,799
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	90,718	105,851
Loss on disposal of assets	-	155
Change in assets and liabilities		
Receivables	20,877	(33,506)
Inventory	(34,348)	61,391
Prepaid expenses	(26,583)	5,845
Deferred rent asset	3,757	(10,262)
Accounts payable	8,530	(32,113)
Accrued liabilities	(8,666)	20,154
Deferred revenue	2,965	5,713
Net Cash Flows From Operating Activities	<u>303,022</u>	<u>222,027</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(87,642)	(29,138)
Proceeds from sale of investments	-	(180)
Net Cash Flows From Investing Activities	<u>(87,642)</u>	<u>(29,318)</u>
Net Change in Cash and Cash Equivalents	215,380	192,709
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>761,770</u>	<u>569,061</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 977,150</u>	<u>\$ 761,770</u>

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The International Wolf Center, formerly called the Committee for an International Wolf Center, was organized in 1985. The Center has developed an ambitious mission and programmatic goal in response to international needs to promote interest and to educate the public about the importance of the wolf.

Principles of Presentation

The financial statements of the Organization have been prepared on the accrual basis.

Net Assets

For the purpose of financial reporting, the Organization classifies resources into three net asset categories pursuant to any donor-imposed restrictions. Accordingly, the net assets of the Organization are classified in the accompanying financial statements in the categories that follow:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for a specific purpose by the Board of Directors.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by action of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Presently, there are no permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid, short-term investments with a maturity of three months or less when purchased to be cash equivalents.

The Organization maintains its cash in a bank deposit which, at times, may exceed FDIC insured limits. The Organization has not experienced any losses on these accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts and Grants Receivable

The Organization considers all accounts and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, based on the best determination by management, they will be charged to operations when that determination is made. No interest is charged on past due receivables.

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists of books and souvenirs stated at the average cost, determined by the first-in, first-out method, or market.

Property and Equipment

Property and equipment are stated at cost and depreciation is provided on the straight-line method. Property and equipment balances are as follows:

	Depreciable Lives	2017	2016
Leasehold improvements	5 - 40 yrs.	\$ 519,054	\$ 508,119
Equipment	5 - 10 yrs.	143,735	140,939
Computer equipment	3 - 10 yrs.	225,510	217,009
Exhibit materials	5 - 40 yrs.	654,047	642,734
Vehicles	5 yrs.	<u>96,682</u>	<u>42,585</u>
Total Property and Equipment		1,639,028	1,551,386
Less: Accumulated Depreciation		<u>(1,000,894)</u>	<u>(910,176)</u>
Net Property and Equipment		<u>\$ 638,134</u>	<u>\$ 641,210</u>

Maintenance and repairs of property and equipment are charged to operations and major renewals are capitalized.

Donations of property and equipment are recorded as contributions at their estimated fair values. Donations are reported as unrestricted contributions unless the donor has restricted the asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor restrictions regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Donated Materials and Services

Donated materials are reflected as contributions in the financial statements at their estimated fair values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

For the years ended December 31, 2017 and 2016, the value of contributed services and materials meeting the requirements for recognition in the financial statements was \$138,988 and \$125,979, respectively.

Tax-Exempt Status

International Wolf Center has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, unrelated business income may be subject to taxation.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of December 31, 2017. The Organization's tax returns are subject to review and examination by federal and state authorities.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on allocation measures determined by management.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$164,975 and \$148,156 for the years ended December 31, 2017 and 2016, respectively, and includes \$115,114 and \$124,301 of in-kind contributions, respectively.

Subsequent Events Review

The Organization has evaluated subsequent events occurring through August 1, 2018, the date that the financial statements were approved and available to be issued.

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers. This new guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU 2014-09 is effective date for fiscal years beginning after December 15, 2018. Early application is permitted for fiscal years beginning after December 15, 2016. The Organization is assessing the impact this new standard will have on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, Leases. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Organization is assessing the impact this standard will have on its financial statements.

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit’s liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

NOTE 2 - Employee Benefit Plan

The Organization provides a defined contribution 403(b) plan for the benefit of all full-time employees who are at least 21 years old. The plan allows employees to defer up to \$18,000, or \$24,000, if over age 50. The Organization matches 100% of employee contributions to the plan up to a maximum of 5% of the employee's salary for the year ended December 31, 2017 and 2016.

NOTE 3 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	2017	2016
Tribute Fund	\$ 40,967	\$ 28,397
Wolf Care	97,546	104,879
Miscellaneous	<u>32,134</u>	<u>32,103</u>
Total	<u>\$ 170,647</u>	<u>\$ 165,379</u>

NOTE 4 - Operating Leases

At December 31, 2017, the Organization was obligated under an operating lease for office space, expiring on October 31, 2025. This lease has current rental payments of \$1,852 per month plus their share of operating costs.

The International Wolf Center in Ely, Minnesota is a state owned structure made possible by a \$1.2 million grant from the State Legislature. Those funds were dedicated exclusively for the construction of the Wolf Center with the understanding the Organization would occupy the structure in perpetuity. While for administrative purposes the Organization's tenancy in the structure is defined by a lease, the fundamental relationship is determined by the legislative intent to provide an enduring home for the Organization into the future for research and educational purposes. The lease calls for maintenance costs payment to be adjusted every 2 years and the lease can be terminated by the State of Minnesota with a 3 month written notice.

Rent/maintenance expense charged to operations under these leases for the years ended December 31, 2017 and 2016 was \$75,893 and \$82,293, respectively.

The following is a schedule of future lease payments under operating leases:

Year Ended December 31	
2018	\$ 24,581
2019	24,712
2020	25,496
2021	26,281
2022	27,065
Later years	<u>85,772</u>
Total	<u>\$ 213,907</u>

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

NOTE 5 - Commitments and Contingencies

Due to complications in the closing of the billing process with the DNR, the Organization has been unable to obtain a final invoice or an estimate of the amount that was expended that relates to the wolf care lab. Due to the uncertainty in the total amount, no asset or offsetting liability has been recorded on the statement of financial position. The funding for this project of \$163,000 is included in temporarily restricted net assets under the "Wolf Care Fund" and the designated unrestricted fund. As the Organization is unable to obtain the appropriate information, no amounts have been released from the temporarily restricted Wolf Care Fund as of December 31, 2017.

INTERNATIONAL WOLF CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2017 and 2016

	2017					2016				
	Program	Membership Development	Fundraising	Management and General	Total	Program	Membership Development	Fundraising	Management and General	Total
Salaries	\$ 676,845	\$ 74,281	\$ 31,333	\$ 15,835	\$ 798,294	\$ 627,677	\$ 91,858	\$ 52,727	\$ 21,976	\$ 794,238
Payroll taxes	63,800	6,554	2,563	1,536	74,453	50,658	9,862	5,376	3,045	68,941
Benefits	67,027	4,912	4,398	1,403	77,740	48,067	7,827	7,077	3,134	66,105
Total Salaries and Benefits	807,672	85,747	38,294	18,774	950,487	726,402	109,547	65,180	28,155	929,284
Advertising and promotion	163,108	230	1,637	-	164,975	147,427	-	729	-	148,156
Board meeting expense	1,646	523	523	859	3,551	1,365	432	432	709	2,938
Center program costs	17,892	-	-	-	17,892	26,431	-	-	-	26,431
Contract services	5,300	130	130	491	6,051	5,524	143	143	546	6,356
Development	8,972	10,467	10,757	-	30,196	4,213	4,915	4,915	-	14,043
Extended group programs	12,863	-	-	-	12,863	15,337	288	288	-	15,913
Graphic design and editor	11,062	-	-	-	11,062	12,783	-	-	-	12,783
Donations	617	-	-	-	617	60,987	-	-	-	60,987
Insurance	15,631	346	346	1,039	17,362	18,436	318	318	954	20,026
Intern costs	6,876	-	-	-	6,876	1,950	-	-	-	1,950
Membership drive	-	831	-	-	831	-	-	-	-	-
Membership maintenance	4,986	29	29	87	5,131	2,100	34	34	102	2,270
Membership premiums	3,069	7,162	-	-	10,231	2,756	6,430	-	-	9,186
Miscellaneous	6,679	1,874	5,557	144	14,254	9,477	1,776	446	59	11,758
Occupancy costs	106,847	7,903	7,903	7,903	130,556	104,278	9,815	9,815	9,815	133,723
Office expenses	2,491	82	82	82	2,737	2,134	70	70	70	2,344
Postage	35,442	5,371	2,546	90	43,449	39,924	7,214	2,152	216	49,506
Printing	38,101	14,740	10,680	117	63,638	40,897	15,555	4,163	59	60,674
Professional services	13,751	306	306	917	15,280	11,979	266	266	799	13,310
Staff development	5,665	76	76	227	6,044	5,181	41	41	123	5,386
Supplies	15,261	61	61	183	15,566	17,722	96	96	287	18,201
Telephone	9,024	621	71	212	9,928	8,564	667	67	201	9,499
Travel	31,905	22	353	829	33,109	33,108	63	566	1,106	34,843
Wolf care supplies	11,039	-	-	-	11,039	7,949	-	-	-	7,949
Interest	-	-	-	-	-	442	10	10	29	491
Depreciation	85,328	-	-	5,390	90,718	99,082	-	-	6,769	105,851
Bank and credit card charges	21,048	2,479	2,479	105	26,111	18,967	3,727	3,727	144	26,565
Repairs and maintenance	23,949	-	-	-	23,949	19,047	-	-	-	19,047
Technology	20,655	5,213	1,692	144	27,704	18,956	3,704	1,222	151	24,033
Equipment	6,289	47	47	141	6,524	12,685	101	101	303	13,190
Total Expenses	\$ 1,493,168	\$ 144,260	\$ 83,569	\$ 37,734	\$ 1,758,731	\$ 1,476,103	\$ 165,212	\$ 94,781	\$ 50,597	\$ 1,786,693
Percentage of Total Expenses	85%	8%	5%	2%	100%	83%	9%	5%	3%	100%