INTERNATIONAL WOLF CENTER

Minneapolis, Minnesota

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended December 31, 2018 and 2017

INTERNATIONAL WOLF CENTER

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
International Wolf Center
Minneapolis, Minnesota

We have audited the accompanying financial statements of International Wolf Center (the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended December 31, 2018, 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, 2018 and 2017, 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.

Emphasis of Matter

In 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
July 26, 2019

INTERNATIONAL WOLF CENTER

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash	$ 1,242,867	$ 977,150
Certificates of deposit	24,253	274,451
Accounts receivable	4,452	4,027
Grants receivable	868,000	47,254
Inventory	165,756	93,208
Prepaid expenses	30,408	33,828
Total Current Assets	2,335,736	1,429,918
PROPERTY AND EQUPMENT, NET	923,892	638,134
OTHER ASSETS		
Deferred rent asset	15,848	15,757
Security deposits	3,617	3,617
TOTAL ASSETS	$ 3,279,093	$ 2,087,426

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 119,080	$ 25,855
Accrued payroll and payroll taxes	60,000	43,162
Accrued retirement contribution	4,046	954
Credit card payable	10,674	12,428
Deferred revenue	16,803	11,397
Total Current Liabilities	210,603	93,796
NET ASSETS		
Without donor restrictions		
Undesignated	1,368,604	1,051,005
Designated	406,781	771,978
Total Net Assets Without Donor Restrictions	1,775,385	1,822,983
With donor restrictions	1,293,105	170,647
Total Net Assets	3,068,490	1,993,630
TOTAL LIABILITIES AND NET ASSETS	$ 3,279,093	$ 2,087,426

See accompanying notes to financial statements.

INTERNATIONAL WOLF CENTER

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
PUBLIC SUPPORT AND OTHER REVENUE						
Public support contributions	$ 540,304	$ 1,130,641	$ 1,670,945	$ 789,969	$ 25,744	$ 815,713
Government grants	63,637	-	63,637	98,323	-	98,323
Dues and memberships	328,148	-	328,148	287,215	-	287,215
Program income	370,581	-	370,581	182,443	-	182,443
Exhibit fees	364,729	-	364,729	348,668	-	348,668
Book and souvenir sales, net of direct costs of $175,885 in 2018 and $153,603 in 2017	158,188	-	158,188	128,779	-	128,779
Investment income	5,870	-	5,870	3,513	-	3,513
In-kind contributions	82,386	-	82,386	138,988	-	138,988
Other income	10,961	-	10,961	861	-	861
Loss on disposal of assets	(427)	-	(427)	-	-	-
Net assets released from restrictions	8,183	(8,183)	-	20,476	(20,476)	-
Total Public Support and Other Revenue	1,932,560	1,122,458	3,055,018	1,999,235	5,268	2,004,503
EXPENSES						
Program	1,703,342	-	1,703,342	1,493,168	-	1,493,168
Support	276,816	-	276,816	265,563	-	265,563
Total Expenses	1,980,158	-	1,980,158	1,758,731	-	1,758,731
Change in Net Assets	(47,598)	1,122,458	1,074,860	240,504	5,268	245,772
NET ASSETS - Beginning of Year	1,822,983	170,647	1,993,630	1,582,479	165,379	1,747,858
NET ASSETS - END OF YEAR	$ 1,775,385	$ 1,293,105	$ 3,068,490	$ 1,822,983	$ 170,647	$ 1,993,630

See accompanying notes to financial statements.

INTERNATIONAL WOLF CENTER

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	2018		
	Program	Support	Total
Salaries	$ 713,824	$ 136,253	$ 850,077
Payroll taxes and benefits	149,650	14,058	163,708
Professional services	18,211	1,301	19,512
Program costs	307,593	-	307,593
Membership and development	149,715	68,300	218,015
Occupancy and operating costs	264,408	50,286	314,694
Depreciation	84,987	5,329	90,316
Technology	14,954	1,289	16,243
Total Expenses	$ 1,703,342	$ 276,816	$ 1,980,158
Percentage of Total Expenses	86%	14%	100%

See accompanying notes to financial statements.

INTERNATIONAL WOLF CENTER

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,074,860	$ 245,772
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	90,316	90,718
Loss on dispoal of assets	427	-
Change in assets and liabilities		
Receivables	(821,171)	20,877
Inventory	(72,548)	(34,348)
Prepaid expenses	3,420	(26,583)
Deferred rent asset	(91)	3,757
Accounts payable	93,225	8,530
Accrued liabilities	18,176	(8,666)
Deferred revenue	5,406	2,965
Net Cash Flows From Operating Activities	392,020	303,022
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(376,501)	(87,642)
Proceeds from sale of certificates of deposit	250,198	-
Net Cash Flows From Investing Activities	(126,303)	(87,642)
Net Change in Cash and Cash Equivalents	265,717	215,380
CASH AND CASH EQUIVALENTS - Beginning of Year	977,150	761,770
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,242,867	$ 977,150

See accompanying notes to financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The International Wolf Center, the "Organization," formerly called the Committee for an International Wolf Center, was organized in 1985. The Organization 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 two 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:

Without Donor Restrictions - Net assets not subject to donor-imposed stipulations, which may be designated for a specific purpose by the Board of Directors.

With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by action of the Organization and/or the passage of time. Some net assets with donor restrictions may include stipulations that assets provided be maintained permanently by the Organization. Presently, there are no net assets held in perpetuity.

The Organization's Board of Directors has the ability to designate identified amounts of net assets without restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time.

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.

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	2018	2017
Leasehold improvements	5 - 40 yrs.	$ 530,883	$ 519,054
Equipment	5 - 10 yrs.	148,442	143,735
Computer equipment	3 - 10 yrs.	224,954	225,510
Exhibit materials	5 - 40 yrs.	652,599	654,047
Vehicles	5 yrs.	96,682	96,682
Construction in process		330,478	-
Total property and equipment		1,984,038	1,639,028
Less: accumulated depreciation		(1,060,146)	(1,000,894)
Property and equipment, net		$ 923,892	$ 638,134

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 contributions without donor restrictions 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 contributions with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time.

Construction in process consists primarily of costs related to the Discovery Center Project and is expected to be placed in service in summer 2019.

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

During 2018, the Organization received a $1,000,000 grant from the State of Minnesota Environment and Natural Resources Trust Fund for the Discovery Center Project, which consists of an educational exhibit located in the Organization's Ely location. As of December 31, 2018, the total grant is reported in net assets with donor restrictions and will be released from restriction upon completion of the exhibit.

Donated Materials and Services

Donated materials are reflected as in-kind 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, 2018 and 2017, the value of contributed services and materials meeting the requirements for recognition in the financial statements was $82,386 and $138,988, 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, 2018 and 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 time and effort spent, as well as activities and costs that are directly related to either program or supporting services.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled $113,810 and $164,975 for the years ended December 31, 2018 and 2017, respectively, and includes $61,788 and $115,114 of in-kind contributions, respectively.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Subsequent Events

The Organization has evaluated subsequent events occurring through July 26, 2019, the date that the financial statements were approved and available to be issued.

Recent Accounting Pronouncements Not Yet Effective

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This 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. The Organization is assessing the impact this new standard will have on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 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 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 June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU 2018-08 should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchanges (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for contributions received during annual periods beginning after December 15, 2018 and contributions made during annual periods beginning after December 15, 2019. The Organization is currently assessing the effect that ASU 2018-08 will have on its financial statements.

Accounting Pronouncement Adopted in the Current Year

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted ASU 2016-14, and has applied the changes retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources and statement of functional expenses. These disclosures have been presented for 2018 only, as allowed by ASU 2016-14. The new standard changes the following aspects of the financial statements:

- The Unrestricted net asset class has been renamed Net Assets Without Donor Restrictions
- The Temporarily and Permanently restricted net asset classes have been combined into a single net asset class called Net Assets with Donor Restrictions
- The financial statements include a disclosure about liquidity and availability of resources at December 31, 2018 (Note 2)
- The presentation of expenses by natural and functional categories is now required and therefore is included in the basic financial statements rather than supplemental information.

NOTE 2 - Liquidity and Availability of Financial Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets (level of detail is open)	
Cash and cash equivalents	$ 1,267,120
Accounts receivable	4,452
Grants receivable	868,000
Financial assets at December 31, 2018	2,139,572
Less those unavailable for general expenditures within one year:	
Restricted by donor with time or purpose restriction	(1,293,105)
Board designated assets	(406,781)
Financial assets available to meet cash needs for general purposes within one year	$ 439,686

The Organization's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due and targets a minimum of 90 days of operating expense coverage at any point in time. The Organization has plans to solicit additional contributions or apply for a line of credit in the event of unanticipated liquidity needs. Additionally, board designated assets may be released if necessary upon action from the Board.

NOTE 3 - 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 $18,500, or $24,500, 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 years ended December 31, 2018 and 2017. Employer contributions totaled $26,769 and $27,148 or the years ended December 31, 2018 and 2017, respectively.

NOTE 4 - Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

	2018	2017
Discovery Center	$ 1,000,000	$ -
Wolves at Our Door - Western Initiative	100,000	-
Tribute Fund	63,529	40,967
Wolf Care	97,546	97,546
Miscellaneous	32,030	32,134
Total	$ 1,293,105	$ 170,647

NOTE 5 - Operating Leases

At December 31, 2018, the Organization was obligated under an operating lease for office space, expiring on October 31, 2025. This lease has current rental payments of $2,048 per month plus their share of operating costs. The Organization was also obligated under an operating lease for storage space, expiring on January 15, 2021. This lease has current rental payments of $760 per month.

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 and maintenance expense charged to operations under these leases for the years ended December 31, 2018 and 2017 was $96,250 and $75,893, respectively.

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

Year Ended December 31		
2019	$	45,900
2020		34,600
2021		26,300
2022		27,000
2023		27,900
Later years		59,700
Total	$	221,400

NOTE 6 - 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 net assets with donor restrictions under the "Wolf Care Fund" and the designated fund included in net assets without donor restrictions. As the Organization is unable to obtain the appropriate information, no amounts have been released from the restricted Wolf Care Fund as of December 31, 2018 and 2017.

At December 31, 2018, the Organization had capital commitments of $767,453 related to the Discovery Center project.