

INTERNATIONAL WOLF CENTER
Minneapolis, Minnesota

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended December 31, 2019 and 2018

INTERNATIONAL WOLF CENTER

TABLE OF CONTENTS

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

Independent Auditors' Report

To the Board of Directors of
International Wolf Center

We have audited the accompanying financial statements of International Wolf Center (the Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018, 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.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
July 6, 2020

INTERNATIONAL WOLF CENTER

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2019 and 2018

ASSETS		
	2019	2018
CURRENT ASSETS		
Cash	\$ 1,037,824	\$ 1,242,867
Certificates of deposit	500,145	24,253
Accounts receivable	1,794	4,452
Grants receivable	-	868,000
Inventory	118,539	165,756
Prepaid expenses	29,948	30,408
Total Current Assets	1,688,250	2,335,736
PROPERTY AND EQUIPMENT, NET	1,905,716	923,892
OTHER ASSETS		
Deferred rent asset	15,810	15,848
Security deposits	3,617	3,617
TOTAL ASSETS	\$ 3,613,393	\$ 3,279,093
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 27,987	\$ 119,080
Accrued payroll and payroll taxes	48,976	60,000
Accrued retirement contribution	3,043	4,046
Credit card payable	11,485	10,674
Deferred revenue	10,860	16,803
Total Current Liabilities	102,351	210,603
NET ASSETS		
Without donor restrictions		
Undesignated	470,106	322,857
Investment in property and equipment	1,905,716	836,714
Designated	952,403	615,814
Total Net Assets Without Donor Restrictions	3,328,225	1,775,385
With donor restrictions	182,817	1,293,105
Total Net Assets	3,511,042	3,068,490
TOTAL LIABILITIES AND NET ASSETS	\$ 3,613,393	\$ 3,279,093

See accompanying notes to financial statements.

INTERNATIONAL WOLF CENTER

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
PUBLIC SUPPORT AND OTHER REVENUE						
Public support contributions	\$ 1,297,837	\$ 23,698	\$ 1,321,535	\$ 540,304	\$ 1,130,641	\$ 1,670,945
Government grants	-	-	-	63,637	-	63,637
Dues and memberships	238,682	-	238,682	328,148	-	328,148
Program income	225,107	-	225,107	370,581	-	370,581
Exhibit fees	363,796	-	363,796	364,729	-	364,729
Book and souvenir sales, net of direct costs of \$199,918 in 2019 and \$175,885 in 2018	156,936	-	156,936	158,188	-	158,188
Investment income	4,882	-	4,882	5,870	-	5,870
In-kind contributions	79,765	-	79,765	82,386	-	82,386
Other income	680	-	680	10,961	-	10,961
Gain (loss) on disposal of assets	9,840	-	9,840	(427)	-	(427)
Net assets released from restrictions	1,133,986	(1,133,986)	-	8,183	(8,183)	-
Total Public Support and Other Revenue	3,511,511	(1,110,288)	2,401,223	1,932,560	1,122,458	3,055,018
EXPENSES						
Program	1,507,656	-	1,507,656	1,703,046	-	1,703,046
Management and general	353,089	-	353,089	160,529	-	160,529
Fundraising	97,926	-	97,926	116,583	-	116,583
Total Expenses	1,958,671	-	1,958,671	1,980,158	-	1,980,158
Change in Net Assets						
	1,552,840	(1,110,288)	442,552	(47,598)	1,122,458	1,074,860
NET ASSETS - Beginning of Year	1,775,385	1,293,105	3,068,490	1,822,983	170,647	1,993,630
NET ASSETS - END OF YEAR	\$ 3,328,225	\$ 182,817	\$ 3,511,042	\$ 1,775,385	\$ 1,293,105	\$ 3,068,490

See accompanying notes to financial statements.

INTERNATIONAL WOLF CENTER

STATEMENT OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2019 and 2018

	2019		2018				
	Program	Management and general	Fundraising	Total			
Salaries	\$ 608,762	\$ 193,983	\$ 16,360	\$ 819,105	\$ 713,823	\$ 53,607	\$ 860,077
Payroll taxes and benefits	130,598	41,499	3,976	176,073	149,652	7,905	163,708
Professional services	19,384	5,622	3,596	28,602	18,211	1,175	19,512
Program costs	255,177	-	-	255,177	307,593	-	307,593
Membership and development	73,279	7,889	70,300	151,468	149,654	29,515	218,015
Occupancy and operating costs	265,212	93,908	3,694	362,814	264,140	35,021	314,694
Depreciation	137,212	10,093	-	147,305	84,987	15,533	90,316
Technology	18,032	95	-	18,127	14,986	566	16,243
Total Expenses	\$ 1,507,656	\$ 353,089	\$ 97,926	\$ 1,958,671	\$ 1,703,046	\$ 116,583	\$ 1,980,158
Percentage of Total Expenses	77%	18%	5%	100%	86%	6%	100%

See accompanying notes to financial statements.

INTERNATIONAL WOLF CENTER

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 442,552	\$ 1,074,860
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	147,305	90,316
Unrealized gains on certificates of deposit	(145)	-
(Gain)/loss on disposal of assets	(9,840)	427
Contributions received for long-term purposes	-	(1,000,000)
Change in assets and liabilities		
Receivables	2,658	46,829
Inventory	47,217	(72,548)
Prepaid expenses	460	3,420
Deferred rent asset	38	(91)
Accounts payable	(13,915)	6,047
Accrued liabilities	(11,216)	18,176
Deferred revenue	(5,943)	5,406
Net Cash Flows From Operating Activities	599,171	172,842
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,206,307)	(289,323)
Proceeds from the sale of equipment	9,840	-
Purchase of certificates of deposit	(500,000)	-
Proceeds from the sale of certificates of deposit	24,253	250,198
Net Cash Flows Used In Investing Activities	(1,672,214)	(39,125)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for long-term purposes	868,000	132,000
Net Cash Flows From Financing Activities	868,000	132,000
Net Change in Cash and Cash Equivalents	(205,043)	265,717
CASH AND CASH EQUIVALENTS - Beginning of Year	1,242,867	977,150
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,037,824	\$ 1,242,867
NON-CASH INVESTING ACTIVITIES		
Purchases of property and equipment with amounts in accounts payable	\$ 10,000	\$ 87,178

See accompanying notes to financial statements.

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2019 and 2018

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 of accounting.

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.

Certificates of Deposit

Certificates of deposit purchased during the year ended December 31, 2019 have original maturity dates of three, six, nine, and twelve months from the date of purchase. Certificates of deposit are considered to be carried at cost, which approximates fair value.

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

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	2019	2018
Leasehold improvements	5 - 40 yrs.	\$ 556,395	\$ 530,883
Equipment	5 - 10 yrs.	170,663	148,442
Computer equipment	3 - 10 yrs.	263,049	224,954
Exhibit materials	5 - 40 yrs.	2,026,378	652,599
Vehicles	5 yrs.	54,097	96,682
Construction in process		-	330,478
Total property and equipment		3,070,582	1,984,038
Less: accumulated depreciation		(1,164,866)	(1,060,146)
Property and equipment, net		<u>\$ 1,905,716</u>	<u>\$ 923,892</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 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 consisted primarily of costs related to the Discovery Center Project, which was placed in service in summer of 2019.

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

NOTE 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions when the relevant performance obligations under the contract are satisfied. Expenses are reported as decreases in that category. Income earned on donor restricted funds is initially classified as net assets with donor restrictions and is reclassified to net assets without donor restrictions when expenses are incurred for their intended purpose.

Contributions

Unconditional contributions, those that do not include a measurable performance-related or other barrier or are those in which the Organization has limited discretion over how the contribution should be spent, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions that include a measurable barrier or those for which the Organization has limited discretion over how the contribution should be spent and a right of return or release from future obligations are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met.

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, 2019 and 2018, the value of contributed services and materials meeting the requirements for recognition in the financial statements was \$79,765 and \$82,386, respectively.

Tax-Exempt Status

The Organization 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, 2019 and 2018. The Organization's tax returns are subject to review and examination by federal and state authorities.

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 \$122,271 and \$113,810 for the years ended December 31, 2019 and 2018, respectively, and includes \$59,182 and \$61,788 of in-kind contributions, respectively.

Reclassifications

Certain amounts appearing in the 2018 financial statements have been reclassified to conform to the 2019 presentation. The reclassifications have no effect on reported amounts of total net assets or changes in total net assets.

Subsequent Events

The Organization's 2020 budget forecast is predicted to be down approximately \$550,000 in revenue with the assumption that the Organization will not be able to open the Ely Interpretive Center until July 1, 2020 (based on the current government COVID 19 orders as of May 2020). The Organization's expenses are predicted to be down by approximately \$350,000.

In April 2020, the Organization entered into a new loan facility under the recent government enacted Paycheck Protection Program (part of the Coronavirus Aid, Relief and Economic Stability Act) administered by the Small Business Administration. The Organization borrowed \$192,300 under the loan facility. The loan carries a fixed interest rate of 1% and will mature in accordance with the provisions of the program. No payments are required for the first six months. Borrowings under this facility are unsecured. Loans under the Paycheck Protection Program have a loan forgiveness feature based on the level of payroll, rent and utilities costs over a 24-week period commencing on the date of the loan. Management anticipates that most of the outstanding balance on the loan will be forgiven.

The Organization has evaluated subsequent events occurring through July 6, 2020, 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, 2019 and 2018

NOTE 1 - Summary of Significant Accounting Policies (continued)

Accounting Pronouncements Adopted in the Current Year

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. The Organization adopted this guidance as of January 1, 2019 utilizing the modified retrospective method of adoption. There was no impact to the Organization's beginning balance of net assets as a result of the adoption of this new standard. The adoption of this standard resulted in modified disclosures used to describe the Organization's revenue streams in Note 1.

In June 2018, FASB issued ASU No. 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 No. 2018-08 should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted ASU 2018-08 as of January 1, 2019. The Organization has reflected its revised accounting policy, which is in accordance with ASU 2018-08, for the evaluation and recognition of contributions within Note 1.

Recent Accounting Pronouncement Not Yet Effective

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, 2020. 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.

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 1,037,824	\$ 1,242,867
Certificates of deposit	500,145	24,253
Accounts receivable	1,794	4,452
Grants receivable	-	868,000
	<hr/>	<hr/>
Financial assets at December 31	\$ 1,539,763	\$ 2,147,572
Less those unavailable for general expenditures within one year:		
Restricted by donor with time or purpose restriction	(182,817)	(1,293,105)
Board designated assets	(952,403)	(615,814)
	<hr/>	<hr/>
Financial assets available to meet cash needs for general purposes within one year	\$ 404,543	\$ 238,653

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 \$19,000, or \$25,000, if over age 50, and \$18,500 and \$24,500, if over age 50, for the years ended December 31, 2019 and 2018, respectively. 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, 2019 and 2018. Employer contributions totaled \$23,774 and \$26,769 on the years ended December 31, 2019 and 2018, respectively.

NOTE 4 - Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Discovery Center	\$ -	\$ 1,000,000
Wolves at Our Door - Western Initiative	-	100,000
Tribute Fund	50,441	63,529
Wolf Care	97,546	97,546
Miscellaneous	34,830	32,030
	<hr/>	<hr/>
Total	\$ 182,817	\$ 1,293,105

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

NOTE 5 - Operating Leases

At December 31, 2019, the Organization was obligated under an operating lease for office space, expiring on October 31, 2025. During the years ended December 31, 2019 and 2018, this lease had rental payments of \$2,114 and \$2,048 per month, respectively, 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, 2019 and 2018 was \$105,624 and \$96,250, respectively.

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

Year Ended December 31	
2020	\$ 34,600
2021	26,300
2022	27,100
2023	27,900
2024	28,600
Later years	<u>29,200</u>
Total	\$ <u>173,700</u>

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, 2019 and 2018.

NOTE 7 - Non-Recurring Items

An executive search firm was used in 2019, resulting in the successful hire of an Executive Director to fill the vacancy in the position since May of 2019. This is reflected in the occupancy and operating costs on the statement of functional expenses.

In an effort to further the Organization's mission for the survival of wolf populations, the Organization granted the National Parks – Lake Superior Foundation \$20,000 for the relocation of wolves to Isle Royale in spring of 2019. This is reflected in the Program costs line on the statement of functional expenses.