

INTERNATIONAL WOLF CENTER

REPORT ON AUDIT

DECEMBER 31, 2015



LETHERT, SKWIRA, SCHULTZ & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS ♦ BUSINESS CONSULTANTS

Helping Business Conduct Business Since 1918

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
of International Wolf Center**

We have audited the accompanying financial statements of **International Wolf Center** (a nonprofit organization), which comprise the statements of financial position as of **December 31, 2015** and 2014, 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.

Auditor's 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 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 **International Wolf Center** as of **December 31, 2015** and 2014, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 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.

August 26, 2016

Lethert, Skwira, Schultz & Co. LLP

LETHERT, SKWIRA, SCHULTZ & CO. LLP

INTERNATIONAL WOLF CENTER

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INTERNATIONAL WOLF CENTER
Statements of Financial Position
December 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
<u>Current Assets</u>		
Cash	\$ 569,061	\$ 430,208
Certificates of deposit	274,271	502,981
Accounts receivable	16,836	4,737
Grants receivable	20,833	25,482
Interest receivable	983	977
Inventory	120,251	37,833
Prepaid expenses	22,342	8,798
Total Current Assets	1,024,577	1,011,016
<u>Property and Equipment</u>		
Leasehold improvements	502,379	963,039
Equipment	137,168	236,746
Computer equipment	203,993	144,543
Exhibit materials	636,278	106,276
Vehicles	42,585	42,585
Total	1,522,403	1,493,189
Less: Accumulated depreciation	804,325	702,037
Total Property and Equipment	718,078	791,152
<u>Other Assets</u>		
Security deposits	3,617	-
TOTAL ASSETS	\$ 1,746,272	\$ 1,802,168
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	49,438	24,356
Accrued payroll and payroll taxes	39,945	59,259
Accrued retirement contribution	2,349	-
Credit card payable	2,762	949
Deferred revenue	2,719	5,571
Total Current Liabilities	97,213	90,135
<u>Net Assets</u>		
<u>Unrestricted:</u>		
Unrestricted	913,341	938,532
Designated (Note 3)	602,538	712,689
Total Unrestricted	1,515,879	1,651,221
Temporarily restricted (Note 5)	133,180	60,812
Total Net Assets	1,649,059	1,712,033
TOTAL LIABILITIES AND NET ASSETS	\$ 1,746,272	\$ 1,802,168

The accompanying notes are an integral part of this financial statement.

SUPPLEMENTARY INFORMATION

INTERNATIONAL WOLF CENTER
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 5 **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Tribute Fund	\$ 17,469	\$ 13,770
Wolf Care	107,778	40,000
Miscellaneous	7,933	7,042
Total Temporarily Restricted Net Assets	\$ <u>133,180</u>	\$ <u>60,812</u>

NOTE 6 **OPERATING LEASES**

At **December 31, 2015**, 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 International Wolf Center would occupy the structure in perpetuity. While for administrative purposes the Center'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 Center 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, 2015** and 2014, was **\$71,948** and \$69,486, respectively.

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

<u>Year Ended December 31,</u>	<u>Amount</u>
2016	\$ 62,455
2017	30,285
2018	23,927
2019	24,712
2020	25,496
After 2020	<u>134,237</u>
Total Minimum Future Lease Payments	\$ <u>301,112</u>

NOTE 7 **RECLASSIFICATIONS**

Certain amounts reported for 2014 have been reclassified to conform with **2015** presentation. The reclassifications have no effect on previously reported net assets and decrease in net assets for the year ended December 31, 2014.

INTERNATIONAL WOLF CENTER
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 8 **SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through **August 26, 2016**, the date the financial statements were available to be issued.

INTERNATIONAL WOLF CENTER
 Statements of Cash Flows
 Years Ended **December 31, 2015** and 2014

<u>Cash Flows From Operating Activities</u>	<u>2015</u>	<u>2014</u>
Decrease in net assets	\$ (62,974)	\$ (199,952)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	114,984	119,283
Loss on disposal of assets	3,046	-
Increase (decrease) in cash flows from:		
Accounts receivable	(12,099)	2,849
Grants receivable	4,649	(25,482)
Interest receivable	(6)	(977)
Inventory	(82,418)	28,582
Prepaid expenses	(13,544)	10,958
Security deposits	(3,617)	-
Accounts payable	25,082	13,245
Accrued payroll and payroll taxes	(19,314)	3,026
Accrued retirement contribution	2,349	-
Credit card payable	1,813	(12,219)
Deferred revenue	(2,852)	5,571
Net Cash Used by Operating Activities	<u>(44,901)</u>	<u>(55,116)</u>
 <u>Cash Flows From Investing Activities</u>		
Purchase of property and equipment	(44,955)	(32,970)
Proceeds from sale of investments	<u>228,709</u>	<u>50,596</u>
Net Cash Provided by Investing Activities	<u>183,754</u>	<u>17,626</u>
 Net Increase (Decrease) in Cash	138,853	(37,490)
 Cash, Beginning of Year	<u>430,208</u>	<u>467,698</u>
 Cash, End of Year	<u>\$ 569,061</u>	<u>\$ 430,208</u>

Supplemental Disclosures of Cash Flows Information

During the years ended **December 31, 2015** and 2014, the Organization made interest payments of **\$721** and **\$94**, respectively.

The accompanying notes are an integral part of this financial statement.

INTERNATIONAL WOLF CENTER
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1 NATURE OF ORGANIZATION

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.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES**

Financial Statement Presentation

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

The Organization reports information regarding financial position and activities into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows.

Unrestricted net assets have no donor imposed restrictions, or the donor imposed restrictions have expired. Unrestricted net assets may be designated for a specific purposes by the Board of Directors.

Temporarily Restricted net assets have donor imposed restrictions that are satisfied either by the passage of time or expenditures that meet the donor specified purpose.

Permanently Restricted net assets have donor imposed restrictions which do not expire.

At **December 31, 2015**, the Organization has no permanently restricted net assets.

Accounting 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.

INTERNATIONAL WOLF CENTER
Notes to Financial Statements
December 31, 2015 and 2014

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term, highly liquid investments and investments purchased with a maturity of three months or less 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 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. Depreciation is provided on the straight-line method over the following estimated useful lives:

Leasehold improvements	5 to 40 Years
Equipment	5 to 10 Years
Computer equipment	3 to 10 Years
Miscellaneous equipment	5 to 40 Years
Vehicles	5 Years

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

INTERNATIONAL WOLF CENTER
Notes to Financial Statements
December 31, 2015 and 2014

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)**

Property and Equipment (Continued)

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.

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, 2015** and 2014, the value of contributed services meeting the requirements for recognition in the financial statements was **\$113,444** and \$95,720, respectively.

INTERNATIONAL WOLF CENTER
Notes to Financial Statements
December 31, 2015 and 2014

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)**

Income Taxes

The Organization was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been provided for in these financial statements.

The Organization recognizes interest and penalties accrued related to unrecognized tax benefits in operating expenses. The amount of interest and penalties currently recognized in the Liability for Unrecognized Tax Benefits totaled **\$0** for both years ended **December 31, 2015** and 2014, respectively.

The Organization has identified no exposures concerning the liability for Unrecognized Tax Benefits. The current tax years open are 2012 through 2015. During the upcoming 12 months the Organization expects no material changes to occur related to Accounting for Uncertainty in Income Taxes.

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 **\$23,487** and **\$34,166** for the years ended **December 31, 2015** and 2014, respectively.

NOTE 3 UNRESTRICTED NET ASSETS

The Board of Directors has designated certain unrestricted funds. The funds are invested in cash and certificates of deposit. The funds are valued at cost.

NOTE 4 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 of 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 401(k) plan up to a maximum of 4% of the employee's salary.

Contributions to the plan for the years ended **December 31, 2015** and 2014 were **\$977** and **\$8,445**, respectively.

INTERNATIONAL WOLF CENTER
Schedules of Functional Expenses
December 31, 2015 and 2014

	2015				2014					
	Program	Membership Development	Fundraising	Management and General	Total All Funds	Program	Membership Development	Fundraising	Management and General	Total All Funds
Salaries	\$ 519,395	\$ 69,293	\$ 40,519	\$ 21,390	\$ 650,597	\$ 492,574	\$ 98,100	\$ 58,605	\$ 34,293	\$ 683,572
Payroll taxes	43,007	7,930	4,299	2,460	57,696	40,649	8,396	4,984	2,916	56,945
Employee benefits	32,835	7,062	4,465	2,197	46,559	24,113	7,076	3,144	2,591	36,924
Advertising and promotion	22,044	180	1,263	-	23,487	29,979	245	3,942	-	34,166
Annual report	-	-	-	-	-	-	-	104	-	104
Board meeting expense	1,750	465	465	715	3,395	1,486	296	297	395	2,474
Center program costs	25,066	-	-	-	25,066	23,528	-	-	-	23,528
Contract services	9,357	194	193	2,801	12,545	2,123	1,038	1,038	1,558	5,757
Development	3,024	3,527	3,612	-	10,163	5,249	6,245	6,125	-	17,619
Extended group programs	9,949	3	3	-	9,955	7,914	326	446	-	8,686
Graphic design and editor	12,321	-	-	-	12,321	11,471	-	-	-	11,471
Donations	58,125	-	-	-	58,125	74,283	-	-	-	74,283
Insurance	15,209	337	337	1,011	16,894	22,806	505	505	1,515	25,331
Intern costs	4,100	-	-	-	4,100	3,725	-	-	-	3,725
Membership drive	-	-	-	-	-	265	618	-	-	883
Membership maintenance	3,024	18	17	52	3,111	3,311	123	64	194	3,692
Membership premiums	2,861	6,675	-	-	9,536	3,848	8,979	-	-	12,827
Miscellaneous	4,490	463	269	202	5,424	6,967	734	-	230	9,336
Occupancy costs	99,292	8,040	8,040	8,040	123,412	107,760	7,974	1,405	-	136,932
Office expenses	2,309	76	76	76	2,537	149	5	5	5	164
Postage	38,519	4,845	988	79	44,431	39,009	4,823	1,264	161	45,257
Printing	40,049	22,705	4,182	194	67,130	41,712	12,099	12,099	123	66,033
Professional services	13,880	309	308	925	15,422	11,934	265	265	796	13,260
Staff development	4,160	27	29	80	4,296	4,529	61	61	183	4,834
Supplies	15,800	135	136	407	16,478	10,423	2,411	187	560	13,581
Telephone	6,275	461	35	105	6,876	5,973	111	111	335	6,550
Travel	22,062	72	408	740	23,282	18,923	-	335	1,340	20,598
Wolf pen supplies	3,635	-	-	-	3,635	5,982	-	-	-	5,982
Interest	649	15	14	43	721	85	2	2	5	84
Depreciation	107,396	-	-	7,588	114,984	108,549	3,576	3,580	3,578	119,283
Bank and credit card charges	16,147	3,077	3,077	192	22,493	13,603	2,706	2,706	130	19,145
Repairs and maintenance	17,571	-	-	-	17,571	9,606	-	-	-	9,606
Technology	132,956	8,691	1,890	268	143,805	114,978	5,445	1,331	709	122,463
Equipment	7,051	76	76	228	7,431	10,993	170	169	508	11,840
Total Expenses	\$ 1,294,308	\$ 144,676	\$ 74,701	\$ 49,793	\$ 1,563,478	\$ 1,258,499	\$ 172,329	\$ 110,747	\$ 65,350	\$ 1,606,925

INTERNATIONAL WOLF CENTER
 Statements of Activities
 Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support and Other Revenue						
Public support contributions	\$ 451,089	\$ 148,074	\$ 599,163	\$ 516,397	\$ 69,941	\$ 586,338
Dues and memberships	263,335	-	263,335	266,298	-	266,298
Program income	129,790	-	129,790	99,853	-	99,853
Exhibit fees	243,778	-	243,778	232,544	-	232,544
Book and souvenir sales, net of direct costs of \$124,118 in 2015 and \$107,229 in 2014	132,296	-	132,296	113,396	-	113,396
Magazine income	306	-	306	45	-	45
Investment income	9,819	-	9,819	10,070	-	10,070
In-kind contributions	124,842	-	124,842	98,319	-	98,319
Other income	221	-	221	110	-	110
Loss on disposal of assets	(3,046)	-	(3,046)	-	-	-
Net assets released from restrictions	75,706	(75,706)	-	17,971	(17,971)	-
Total Public Support and Other Revenue	1,428,136	72,368	1,500,504	1,355,003	51,970	1,406,973
Expenses						
Program Services						
Program	1,294,308	-	1,294,308	1,258,499	-	1,258,499
Supporting Services						
Membership development	144,676	-	144,676	172,329	-	172,329
Fundraising	74,701	-	74,701	110,747	-	110,747
Management and general	49,793	-	49,793	65,350	-	65,350
Total Supporting Services	269,170	-	269,170	348,426	-	348,426
Total Expenses	1,563,478	-	1,563,478	1,606,925	-	1,606,925
Increase (Decrease) in Net Assets	(135,342)	72,368	(62,974)	(251,922)	51,970	(199,952)
Net Assets, Beginning of Year	1,651,221	60,812	1,712,033	1,903,143	8,842	1,911,985
Net Assets, End of Year	\$ 1,515,879	\$ 133,180	\$ 1,649,059	\$ 1,651,221	\$ 60,812	\$ 1,712,033

The accompanying notes are an integral part of this financial statement.