

INTERNATIONAL WOLF CENTER
Minneapolis, Minnesota

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended December 31, 2016 and 2015

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 statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended December 31, 2015, were audited by other auditors whose report dated August 26, 2016 expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was 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 Voichau Krause, LLP

Minneapolis, Minnesota
July 12, 2017

INTERNATIONAL WOLF CENTER
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2016 and 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and cash equivalents		
Cash	\$ 761,770	\$ 569,061
Certificates of deposit	274,451	274,271
Accounts receivable, net	5,277	16,836
Grants receivable	66,881	20,833
Interest receivable	-	983
Inventory	58,860	120,251
Prepaid expenses	16,497	22,342
Total Current Assets	1,183,736	1,024,577
PROPERTY AND EQUIPMENT, NET	641,210	718,078
OTHER ASSETS		
Deferred rent asset	10,262	-
Security deposits	3,617	3,617
TOTAL ASSETS	\$ 1,838,825	\$ 1,746,272
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 17,325	\$ 49,438
Accrued payroll and payroll taxes	50,191	39,945
Accrued retirement contribution	2,126	2,349
Credit card payable	12,893	2,762
Deferred revenue	8,432	2,719
Total Current Liabilities	90,967	97,213
NET ASSETS		
Undesignated	1,114,396	913,341
Designated	468,083	602,538
Total Unrestricted	1,582,479	1,515,879
Temporarily restricted	165,379	133,180
Total Net Assets	1,747,858	1,649,059
TOTAL LIABILITIES AND NET ASSETS	\$ 1,838,825	\$ 1,746,272

See accompanying notes to financial statements.

INTERNATIONAL WOLF CENTER

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2016 and 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Total	Total
PUBLIC SUPPORT AND OTHER REVENUE				
Public support contributions	\$ 629,715	\$ 49,311	\$ 679,026	\$ 554,843
Government grants	98,545	-	98,545	44,320
Dues and memberships	300,163	-	300,163	263,335
Program income	191,280	-	191,280	129,790
Exhibit fees	355,181	-	355,181	243,778
Book and souvenir sales, net of direct costs of \$157,876 in 2016 and \$130,859 in 2015	125,958	-	125,958	132,296
Investment income	4,149	-	4,149	9,819
In-kind contributions	125,979	-	125,979	124,842
Other income	5,366	-	5,366	527
Loss on disposal of assets	(155)	-	(155)	(3,046)
Net assets released from restrictions	17,112	(17,112)	-	-
Total Public Support and Other Revenue	1,853,293	32,199	1,885,492	1,500,504
EXPENSES				
Program	1,476,103	-	1,476,103	1,294,308
SUPPORTING SERVICES				
Membership development	165,212	-	165,212	144,676
Fundraising	94,781	-	94,781	74,701
Management and general	50,597	-	50,597	49,793
Total Expenses	1,786,693	-	1,786,693	1,563,478
Change in Net Assets	66,600	32,199	98,799	(62,974)
NET ASSETS - Beginning of Year	1,515,879	133,180	1,649,059	1,712,033
NET ASSETS - END OF YEAR	\$ 1,582,479	\$ 165,379	\$ 1,747,858	\$ 1,649,059

See accompanying notes to financial statements.

INTERNATIONAL WOLF CENTER

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 98,799	\$ (62,974)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	105,851	114,984
Loss on disposal of assets	155	3,046
Change in assets and liabilities		
Receivables	(33,506)	(7,456)
Inventory	61,391	(82,418)
Prepaid expenses	5,845	(13,544)
Security deposits	-	(3,617)
Deferred rent asset	(10,262)	-
Accounts payable	(32,113)	25,082
Accrued liabilities	20,154	(15,152)
Deferred revenue	5,713	(2,852)
Net Cash Flows From Operating Activities	<u>222,027</u>	<u>(44,901)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(29,138)	(44,955)
Proceeds from sale of investments	(180)	228,709
Net Cash Flows From Investing Activities	<u>(29,318)</u>	<u>183,754</u>
Net Change in Cash and Cash Equivalents	192,709	138,853
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>569,061</u>	<u>430,208</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 761,770</u>	<u>\$ 569,061</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ -	\$ 721

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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, 2016 and 2015

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	2016	2015
Leasehold improvements	5 - 40 yrs.	508,119	502,379
Equipment	5 - 10 yrs.	140,939	137,168
Computer equipment	3 - 10 yrs.	217,009	203,993
Exhibit materials	5 - 40 yrs.	642,734	636,278
Vehicles	5 yrs.	42,585	42,585
Total Property and Equipment		1,551,386	1,522,403
Less: Accumulated Depreciation		(910,176)	(804,325)
Net Property and Equipment		<u>\$ 641,210</u>	<u>\$ 718,078</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, 2016 and 2015

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, 2016 and 2015, the value of contributed services and materials meeting the requirements for recognition in the financial statements was \$125,979 and \$124,842, 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, 2016. 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 \$148,156 and \$136,931 for the years ended December 31, 2016 and 2015, respectively, and includes \$124,301 and \$113,443 of in-kind contributions, respectively.

Reclassifications

Certain amounts reported for 2015 have been reclassified to conform to the 2016 presentation. The reclassifications have no effect on previously reported net assets and change in net assets for the year ended December 31, 2015.

Subsequent Events Review

The Organization has evaluated subsequent events occurring through July 12, 2017, 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, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

During May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers." ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Organization may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that ASU No. 2014-09 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU No. 2016-02, "Leases." ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, with earlier application permitted. Upon adoption, the lessee will apply the new standard on a modified retrospective approach with a number of optional practical expedients to all periods presented. The practical expedients will, in effect, continue to account for leases that commenced before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases based on the present value of the remaining minimum rental payments. The Organization is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

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, with early adoption permitted. 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, 2016 and 2015

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% and 4% of the employee's salary for the year ended December 31, 2016 and 2015, respectively.

NOTE 3 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Tribute Fund	\$ 28,397	\$ 17,469
Wolf Care	104,879	107,778
Miscellaneous	<u>32,103</u>	<u>7,933</u>
Total	<u>\$ 165,379</u>	<u>\$ 133,180</u>

NOTE 4 - Operating Leases

At December 31, 2016, 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, 2016 and 2015 was \$82,293 and \$71,948, respectively.

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

Year Ended December 31	
2017	\$ 30,285
2018	24,581
2019	24,712
2020	25,496
2021	26,281
Later years	<u>112,837</u>
Total	<u>\$ 244,192</u>

INTERNATIONAL WOLF CENTER

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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 is included in temporarily restricted net assets under the "Wolf Care 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, 2016.

INTERNATIONAL WOLF CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2016 and 2015

	2016				2015					
	Program	Membership Development	Fundraising	Management and General	Total	Program	Membership Development	Fundraising	Management and General	Total
Salaries	\$ 627,677	\$ 91,858	\$ 52,727	\$ 21,976	\$ 794,238	\$ 519,395	\$ 69,293	\$ 40,519	\$ 21,390	\$ 650,597
Payroll taxes	50,658	9,862	5,376	3,045	68,941	43,007	7,930	4,299	2,460	57,696
Benefits	48,067	7,827	7,077	3,134	66,105	32,835	7,062	4,465	2,197	46,559
Total Salaries and Benefits	726,402	109,547	65,180	28,155	929,284	595,237	84,285	49,283	26,047	754,852
Advertising and promotion	147,427	-	729	-	148,156	135,488	180	1,263	-	136,931
Board meeting expense	1,365	432	432	709	2,938	1,750	465	465	715	3,395
Center program costs	26,431	-	-	-	26,431	25,066	-	-	-	25,066
Contract services	5,524	143	143	546	6,356	9,357	194	193	2,801	12,545
Development	4,213	4,915	4,915	-	14,043	3,024	3,527	3,612	-	10,163
Extended group programs	15,337	288	288	-	15,913	9,949	3	3	-	9,955
Graphic design and editor	12,783	-	-	-	12,783	12,321	-	-	-	12,321
Donations	60,987	-	-	-	60,987	58,125	-	-	-	58,125
Insurance	18,436	318	318	954	20,026	15,209	337	337	1,011	16,894
Intern costs	1,950	-	-	-	1,950	4,100	-	-	-	4,100
Membership maintenance	2,100	34	34	102	2,270	3,024	18	17	52	3,111
Membership premiums	2,756	6,430	-	-	9,186	2,861	6,675	-	-	9,536
Miscellaneous	9,477	1,776	446	59	11,778	4,490	463	269	202	5,424
Occupancy costs	104,278	9,815	9,815	9,815	133,723	99,292	8,040	8,040	8,040	123,412
Office expenses	2,134	70	70	70	2,344	2,309	76	76	76	2,537
Postage	39,924	7,214	2,152	216	49,506	38,519	4,845	988	79	44,431
Printing	40,897	15,555	4,163	59	60,674	40,049	22,705	4,182	194	67,130
Professional services	11,979	266	266	799	13,310	13,880	309	308	925	15,422
Staff development	5,181	41	41	123	5,386	4,160	27	29	80	4,296
Supplies	17,722	96	96	287	18,201	15,800	135	136	407	16,478
Telephone	8,564	667	67	201	9,499	6,275	461	35	105	6,876
Travel	33,108	63	566	1,106	34,843	22,062	72	408	740	23,282
Wolf care supplies	7,949	-	-	-	7,949	3,635	-	-	-	3,635
Interest	442	10	10	29	491	649	15	14	43	721
Depreciation	99,082	-	-	6,769	105,851	107,396	-	-	7,588	114,984
Bank and credit card charges	18,967	3,727	3,727	144	26,565	16,147	3,077	3,077	192	22,493
Repairs and maintenance	19,047	-	-	-	19,047	17,571	-	-	-	17,571
Technology	18,956	3,704	1,222	151	24,033	19,512	8,691	1,890	268	30,361
Equipment	12,655	101	101	303	13,190	7,051	76	76	228	7,431
Total Expenses	\$ 1,476,103	\$ 165,212	\$ 94,781	\$ 50,597	\$ 1,786,693	\$ 1,294,308	\$ 144,676	\$ 74,701	\$ 49,793	\$ 1,563,478
Percentage of Total Expenses	83%	9%	5%	3%	100%	83%	9%	5%	3%	100%