WILDLIFE REHABILITATION CENTER
OF MINNESOTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2017

WILDLIFE REHABILITATION CENTER OF MINNESOTA

FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

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Mahoney Ulbrich Christiansen Russ P.A.
CERTIFIED PUBLIC ACCOUNTANTS
10 River Park Plaza, Suite 800 | Saint Paul, MN 55107
Phone: 651.227.6695 Fax: 651.227.9796 | www.mucr.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wildlife Rehabilitation Center of Minnesota
Roseville, Minnesota

We have audited the accompanying financial statements of Wildlife Rehabilitation Center of Minnesota (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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 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 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wildlife Rehabilitation Center of Minnesota as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Wildlife Rehabilitation Center of Minnesota's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mahoney Ulbrich Christiansen Russ P.A.

October 19, 2018

WILDLIFE REHABILITATION CENTER OF MINNESOTA

STATEMENT OF FINANCIAL POSITION

December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Cash	$ -	$ 51,481
Contributions receivable	18,307	1,400
Prepaid expenses	6,081	5,859
Merchandise inventory	5,196	1,598
Cash restricted for purchase of property and equipment	16,228	33,900
Property and equipment, net	1,254,399	1,284,100
Total assets	$ 1,300,211	$ 1,378,338
LIABILITIES AND NET ASSETS		
Accounts payable	$ 21,642	$ 38,371
Accrued payroll and related expenses	12,343	11,355
Line of credit	25,000	-
Total liabilities	58,985	49,726
Net assets:		
Unrestricted:		
Undesignated	1,198,419	1,284,211
Board designated Nest Egg Fund	105,501	105,501
Designated funds borrowed for operations	(105,501)	(95,000)
Net Board designated	-	10,501
Total unrestricted	1,198,419	1,294,712
Temporarily restricted	42,807	33,900
Total net assets	1,241,226	1,328,612
Total liabilities and net assets	$ 1,300,211	$ 1,378,338

See Accompanying Notes to Financial Statements.

WILDLIFE REHABILITATION CENTER OF MINNESOTA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017			
	Unrestricted	Temporarily Restricted	Total	2016
Revenue and support:				
Contributions	$ 961,206	$ 49,307	$ 1,010,513	$ 925,579
Special events income net of direct donor benefits of $64,901 in 2017 and $64,522 in 2016	85,740	-	85,740	90,203
Other revenues	25,200	-	25,200	22,049
Net assets released from restrictions	40,400	(40,400)	-	-
Total revenue and support	1,112,546	8,907	1,121,453	1,037,831
Expenses:				
Program services	1,019,800	-	1,019,800	916,833
Management and general	73,583	-	73,583	71,064
Fundraising	115,456	-	115,456	105,535
Total expenses	1,208,839	-	1,208,839	1,093,432
Change in net assets	(96,293)	8,907	(87,386)	(55,601)
Net assets:				
Beginning of year	1,294,712	33,900	1,328,612	1,384,213
End of year	$ 1,198,419	$ 42,807	$ 1,241,226	$ 1,328,612

See Accompanying Notes to Financial Statements.

WILDLIFE REHABILITATION CENTER OF MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017				
	Program services	Management and general	Fundraising	Total	2016
Salaries	$ 511,860	$ 16,733	$ 11,335	$ 539,928	$ 485,780
Employee benefits	34,849	4,074	1,405	40,328	36,548
Payroll taxes	37,770	1,326	897	39,993	35,929
Total salaries and related expenses	584,479	22,133	13,637	620,249	558,257
Professional fees	10,971	9,242	40,763	60,976	59,998
Food	82,557	-	-	82,557	76,463
Bank charges and credit card fees	-	16,289	1,609	17,898	27,486
Telephone and internet	5,714	975	661	7,350	6,268
Printing and postage	5,042	781	38,105	43,928	37,304
Utilities	55,341	5,561	5,296	66,198	51,566
Interest	-	6,850	-	6,850	3,524
Insurance	8,472	851	811	10,134	8,936
Equipment rental and maintenance	43,041	1,944	1,852	46,837	31,993
Licenses	1,499	-	-	1,499	1,393
Depreciation	55,623	5,589	5,323	66,535	63,643
Travel	1,119	191	130	1,440	2,079
Dues and subscriptions	1,277	-	-	1,277	1,587
Staff training	7,688	772	736	9,196	7,738
Supplies:					
Medical	88,915	-	-	88,915	86,188
Lab	20,233	-	-	20,233	16,633
General	43,958	2,405	1,629	47,992	41,572
Volunteer recognition	3,628	-	-	3,628	4,946
Miscellaneous expenses	243	-	4,904	5,147	5,858
	$ 1,019,800	$ 73,583	$ 115,456	1,208,839	1,093,432
Add special events direct donor benefits				64,901	64,522
Total expenses				$ 1,273,740	$ 1,157,954

See Accompanying Notes to Financial Statements.

WILDLIFE REHABILITATION CENTER OF MINNESOTA

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

Increase (Decrease) in Cash

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ (87,386)	$ (55,601)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	66,535	63,643
Contributions for purchase of property and equipment	(31,000)	(33,900)
Changes in operating assets and liabilities:		
Contributions receivable	(16,907)	6,700
Prepaid expenses	(222)	(679)
Merchandise inventory	(3,598)	(1,598)
Accounts payable	(16,729)	23,602
Accrued expenses	988	1,130
Net cash from operating activities	(88,319)	3,297
Cash flows from investing activities:		
Purchase of property and equipment	(36,834)	(36,048)
Net cash from investing activities	(36,834)	(36,048)
Cash flows from financing activities:		
Contributions for purchase of property and equipment	31,000	33,900
Proceeds from line of credit	25,000	-
Net cash from financing activities	56,000	33,900
Net increase (decrease) in cash	(69,153)	1,149
Cash, beginning of year	85,381	84,232
Cash, end of year	$ 16,228	$ 85,381
Reconciliation to the Statement of Financial Position		
Cash	$ -	$ 51,481
Cash restricted for purchase of property and equipment	16,228	33,900
Total cash and cash equivalents	$ 16,228	$ 85,381
Supplemental disclosures of cash flow information:		
Cash paid for interest expense	$ 6,850	$ 3,524

See Accompanying Notes to Financial Statements.

1. ORGANIZATION

The Wildlife Rehabilitation Center of Minnesota (the Center) is a Minnesota nonprofit charitable corporation formed in 1997. The purpose of the Center is to provide quality medical care and rehabilitation for all injured, sick and orphaned wildlife and share its knowledge with the people who care about them. The Center is one of the largest wildlife rehabilitation clinics of its kind in the country, treating more than 12,500 animals each year (unaudited).

The Center also provides professional training and community education for individuals locally and around the world.

The Center's activities are supported primarily by individual and foundation contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - The Center is required to report information regarding its financial position and activities in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions with restrictions from donors that do not expire and that allow, in certain cases, only the income earned thereon to be expended. At this time, the Center has no permanently restricted net assets.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Contributions Receivable - Contributions receivable are recorded at the promised amount because the difference between the promised amount and the net present value of the promise is immaterial. Receivables are written off when, in management's estimation, it is probable that the receivable is worthless.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merchandise Inventory - Merchandise inventory is valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

Property and Equipment - Property and equipment are carried at cost, with the exception of donated equipment which is recorded at fair market value at date of gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized. Management evaluates these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Absent explicit donor restrictions regarding how long donated assets must be maintained, the Center reports expiration of donor restrictions when the donated or acquired assets are placed in service.

Contribution Revenue Recognition - Contributions are recognized when the donor makes an unconditional promise to give to the Center. Conditional contributions, such as bequests, are recorded when the conditions have been met and the conditional promise becomes unconditional. Contributions are considered to be unrestricted unless specifically restricted by the donor.

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a specific time restriction ends or a purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. If a temporary restriction is fulfilled during the same period in which the contribution is received, the contribution is reported as unrestricted.

Donated Materials and Services - Donated materials are recorded as contributions at their estimated fair market value. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Center recorded $14,171 contributed IT services, for IT troubleshooting, in 2017. The Center recorded no contributed services in 2016.

The Center regularly receives donated services from many volunteers (see note 8). However, no amounts have been recognized for these services because they do not meet the criteria described above.

(Continued)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Special Events - Revenue from special events is reported net of the costs of direct donor benefits.

Functional Expenses - Expenses have been allocated between program and supporting services classifications based upon direct expenditures and estimates made by management. Expenses which are common to program and to supportive services are allocated based on square footage occupied by the activities or time allocations determined by management.

Comparative Total Column - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Income Taxes - The Center is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income from activities that are not related to its exempt purpose. Management believes the Center did not have any unrelated business income or uncertain tax positions in 2017 or 2016.

3. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of December 31, 2017 are due in 2018.

(Continued)

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2017	2016	Estimated useful life - years
Land improvements	$ 5,000	$ 5,000	15
Building and building improvements	1,919,321	1,888,085	10 - 39
Equipment	233,329	227,731	3 - 10
Software	4,078	4,078	3
	2,161,728	2,124,894	
Accumulated depreciation	(907,329)	(840,794)	
	$ 1,254,399	$ 1,284,100	

5. LINE OF CREDIT

The Center has a $150,000 line of credit with Propel for Non-Profits. The line of credit matures on March 31, 2019. The interest rate on advances is 6%. The line of credit is secured by all assets of the Center. The balance outstanding on the line of credit at December 31, 2017 was $25,000. There was no balance outstanding on the line of credit at December 31, 2016.

6. BOARD DESIGNATED NET ASSETS

During 2012, the Board of Directors created a board designated fund to be known as the Nest Egg Fund. The purpose of the fund is to build sufficient cash reserves to help the Center through low periods in its cash flow cycle.

The Nest Egg Fund was established with $50,000 during 2012. These funds are held in the operating checking account. The Center had temporarily borrowed $105,501 and $95,000 from the fund at December 31, 2017 and 2016.

The first $20,000 of each bequest is allocated to operations and any remainder is allocated to the Nest Egg Fund (Note 10).

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7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 are $24,500 for additional caging, starplate-framed aviaries, and construction of a pool inside a waterfowl cage and $18,307 for time restricted contributions. The Center borrowed approximately $8,000 from temporarily restricted net assets at December 31, 2017.

Temporarily restricted net assets at December 31, 2016 are $32,500 for the replacement of an aging, hi-tech HVAC unit; the installation of a handicapped accessible front entry; and additional intensive care incubators for the growing patient load of orphaned baby animals, and $1,400 for time restricted contributions.

8. VOLUNTEER HOURS (Unaudited)

The Center relies extensively on volunteers for daily animal care services (feeding, cage cleaning, etc.), technical, and administrative services. In 2017, nearly 600 volunteers contributed approximately 67,500 hours, the equivalent of about 21 full-time employees, to the Center. The volunteer hours have not been recorded in the financial statements because they do not meet the requirements established by generally accepted accounting principles for contributed services.

9. LAND LEASE

During 2000, the Center entered into a long-term lease with the City of Roseville, Minnesota for the land the building resides on. The lease requires annual rent of $1. The lease term ends September 30, 2050. Upon termination, the building will automatically become the property of the City. The lease agreement allows the City to appoint one member to the Center's board of directors. See Note 10 for an additional commitment.

The Center has an informal lease for free use of outdoor space. The Center uses this space as a transitionary step between the nurseries or medical care and final release. The Center does not record contributions for the use of this space or the bargain lease with the City as management has a difficult time estimating the fair values.

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10. COMMITMENTS AND CONTINGENCIES

The Center depends on contributions for a significant portion of its revenue. The ability of the Center's contributors to continue giving amounts comparable to prior years may be dependent upon future economic conditions and the continued deductibility for income tax purposes of contributions to the Center. While the Center's board of directors and management believe the Center will have sufficient resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the factors noted.

The Center has been bequeathed money in the wills of several living donors. The Center is unable to value these contributions because they are not aware of all the individuals who have named the Center in their wills, and the bequests are not always a specific dollar value but rather an allocated portion of the estate, or a remainder. These conditional contributions are recorded when there is only a remote possibility that the conditions will not be met and the amount is determinable. The first $20,000 of each bequest is allocated to operations and any remainder is allocated to the Nest Egg Fund (Note 6).

The land lease agreement with the City of Roseville requires the Center to pay such funds as necessary for parking lot, driveway and related improvements including expansion and relocation to be constructed at the discretion of the City if needed. This commitment expires December 31, 2018.

11. GOING CONCERN

Wildlife Rehabilitation has always been highly reliant on contributions to continue as an organization. In 2016 and 2017, despite revenue growth of 8.3% and 7.1%, respectively, Wildlife did not receive enough contributions to keep up with the increased costs associated with the large increased in the number of admitted animals which has caused Wildlife to borrow additional funds from the Nest Egg Fund each year. At December 31, 2017 the Center borrowed all of the Nest Egg Funds and borrowed from temporarily restricted cash to fund operations. The ongoing negative operating cash flow and borrowing from restricted funds should be relieved in 2018 and a long-term plan to address cash flow issues is underway.

Management has developed a plan to begin a capital campaign in the next few years to raise funds for 1) finding additional space as the Center has outgrown their current building and 2) expand their administrative capacity. In preparation of this plan, the Center obtained additional debt in 2018 to help cover the operating shortfall and fund the capital campaign related cost. The successful outcome of this event will allow the Center to continue operations for multiple years.

(Continued)

11. GOING CONCERN (Continued)

In addition, the Center expects operations for 2018 to produce a surplus of operating cash due to continued increases in ongoing contributions as well as a one-time gift of $41,000 from Minnesota Public Radio from the proceeds of t-shirts sold related to the "MPR Raccoon".

While the capital campaign and its related contributions are not expected to affect the 2018 financial statements, the $150,000 line of credit and additional $100,000 loan for the campaign will provide sufficient funding for the Center to remain as a going concern for more than a year from October 19, 2018, even if the Center continues to record losses similar to 2016 and 2017.

12. RELATED PARTY TRANSACTIONS

Members on the Board of Directors made contributions to the Center totaling $71,500 in 2017 and $62,000 in 2016.

13. SUBSEQUENT EVENTS

In June 2018, the Center signed a $100,000 promissory note with Sunrise Banks. The interest rate on the note is 6%.

Management has evaluated subsequent events through October 19, 2018, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.