

**WILDLIFE REHABILITATION CENTER
OF MINNESOTA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

WILDLIFE REHABILITATION CENTER OF MINNESOTA

FINANCIAL STATEMENTS

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

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Mahoney Ulbrich Christiansen Russ P.A.

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mahoney Ulbrich
Christiansen Russ P.A.*

October 24, 2019

WILDLIFE REHABILITATION CENTER OF MINNESOTA

STATEMENT OF FINANCIAL POSITION

December 31, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 170,931	\$ -
Contributions receivable	132,100	18,307
Prepaid expenses	11,280	6,081
Merchandise inventory	4,112	5,196
Cash restricted for purchase of property and equipment	24,376	16,228
Property and equipment, net	<u>1,200,356</u>	<u>1,254,399</u>
Total assets	<u>\$ 1,543,155</u>	<u>\$ 1,300,211</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 29,037	\$ 21,642
Accrued payroll and related expenses	9,505	12,343
Lines of credit	<u>250,000</u>	<u>25,000</u>
Total liabilities	<u>288,542</u>	<u>58,985</u>
Net assets:		
Without donor restrictions		
Undesignated	1,052,819	1,198,419
Board designated Nest Egg Fund	45,318	105,501
Designated funds borrowed for operations	-	(105,501)
Net Board designated	<u>45,318</u>	<u>-</u>
Total net assets without donor restrictions	<u>1,098,137</u>	<u>1,198,419</u>
With donor restrictions	<u>156,476</u>	<u>42,807</u>
Total net assets	<u>1,254,613</u>	<u>1,241,226</u>
Total liabilities and net assets	<u>\$ 1,543,155</u>	<u>\$ 1,300,211</u>

See Accompanying Notes to Financial Statements.

WILDLIFE REHABILITATION CENTER OF MINNESOTA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018			
	Without donor restrictions	With donor restrictions	Total	2017
Revenue and support:				
Contributions	\$ 1,045,973	\$ 212,600	\$ 1,258,573	\$ 1,010,513
Special events income net of direct donor benefits of \$72,028 in 2018 and \$64,901 in 2017	104,218	-	104,218	85,740
Other revenues	28,498	-	28,498	25,200
Net assets released from restrictions	98,931	(98,931)	-	-
 Total revenue and support	 1,277,620	 113,669	 1,391,289	 1,121,453
Expenses:				
Program services	1,131,754	-	1,131,754	1,019,800
Management and general	119,288	-	119,288	73,583
Fundraising	126,860	-	126,860	115,456
 Total expenses	 1,377,902	 -	 1,377,902	 1,208,839
 Change in net assets	 (100,282)	 113,669	 13,387	 (87,386)
Net assets:				
Beginning of year	1,198,419	42,807	1,241,226	1,328,612
End of year	\$ 1,098,137	\$ 156,476	\$ 1,254,613	\$ 1,241,226

See Accompanying Notes to Financial Statements.

WILDLIFE REHABILITATION CENTER OF MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018				Total	2017
	Program services	Management and general	Fundraising	Direct donor benefits		
Salaries	\$ 550,096	\$ 29,952	\$ 29,559	\$ -	\$ 609,607	\$ 539,928
Employee benefits	45,805	5,389	3,352	-	54,546	40,328
Payroll taxes	40,094	2,248	2,223	-	44,565	39,993
Total salaries and related expenses	635,995	37,589	35,134	-	708,718	620,249
Professional fees	15,868	7,641	41,773	-	65,282	60,976
Food	94,181	-	-	26,782	120,963	107,750
Bank charges and credit card fees	-	20,212	1,997	-	22,209	17,898
Telephone and internet	6,096	1,040	705	-	7,841	7,350
Printing and postage	4,560	588	30,515	-	35,663	43,928
Utilities	59,443	5,972	5,678	-	71,093	66,198
Interest	-	11,870	-	-	11,870	6,850
Insurance	8,932	898	855	-	10,685	10,134
Equipment rental and maintenance	56,081	24,591	860	-	81,532	46,837
Depreciation	58,534	5,881	5,602	-	70,017	66,535
Travel	2,600	444	301	-	3,345	1,440
Dues and subscriptions	1,755	-	-	-	1,755	1,277
Staff training	11,127	-	-	-	11,127	9,196
Supplies:						
Medical	101,334	-	-	-	101,334	86,188
Lab	16,896	-	-	-	16,896	20,233
General	42,709	2,562	1,736	-	47,007	50,719
Volunteer recognition	7,956	-	-	-	7,956	3,628
Entertainment	-	-	-	45,246	45,246	39,709
Miscellaneous expenses	7,687	-	1,704	-	9,391	6,645
	<u>\$ 1,131,754</u>	<u>\$ 119,288</u>	<u>\$ 126,860</u>	<u>\$ 72,028</u>	<u>\$ 1,449,930</u>	<u>\$ 1,273,740</u>
Less special events direct donor benefits	-	-	-	(72,028)	(72,028)	(64,901)
	<u>\$ 1,131,754</u>	<u>\$ 119,288</u>	<u>\$ 126,860</u>	<u>\$ -</u>	<u>\$ 1,377,902</u>	<u>\$ 1,208,839</u>

See Accompanying Notes to Financial Statements.

WILDLIFE REHABILITATION CENTER OF MINNESOTA

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

Increase (Decrease) in Cash

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 13,387	\$ (87,386)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	70,017	66,535
Contributions for purchase of property and equipment	(30,500)	(31,000)
Changes in operating assets and liabilities:		
Contributions receivable	(113,793)	(16,907)
Prepaid expenses	(5,199)	(222)
Merchandise inventory	1,084	(3,598)
Accounts payable	7,395	(16,729)
Accrued expenses	(2,838)	988
Net cash from operating activities	<u>(60,447)</u>	<u>(88,319)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(15,974)</u>	<u>(36,834)</u>
Net cash from investing activities	<u>(15,974)</u>	<u>(36,834)</u>
Cash flows from financing activities:		
Contributions for purchase of property and equipment	30,500	31,000
Proceeds from lines of credit, net	<u>225,000</u>	<u>25,000</u>
Net cash from financing activities	<u>255,500</u>	<u>56,000</u>
Net increase (decrease) in cash	179,079	(69,153)
Cash, beginning of year	<u>16,228</u>	<u>85,381</u>
Cash, end of year	<u>\$ 195,307</u>	<u>\$ 16,228</u>
Reconciliation to the Statement of Financial Position		
Cash	\$ 170,931	\$ -
Cash restricted for purchase of property and equipment	24,376	16,228
Total cash and cash equivalents	<u>\$ 195,307</u>	<u>\$ 16,228</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest expense	<u>\$ 11,870</u>	<u>\$ 6,850</u>

See Accompanying Notes to Financial Statements.

WILDLIFE REHABILITATION CENTER OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

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 13,000 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

Adoption of New Accounting Pronouncement - FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The Center has adjusted the presentation of its 2018 financial statements in accordance with the ASU and has applied the changes retrospectively to 2017. Accordingly, the unrestricted and temporarily restricted net assets classes have been renamed net assets without donor restrictions and net assets with donor restrictions, the financial statements include a new disclosure about liquidity and availability of resources (Note 3), and the statement of functional expenses has been updated to include all expenses by natural and functional classification. The Organization opted not to disclose liquidity and availability information as permitted under the ASU in the year of adoption.

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

- Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve called the Nest Egg Fund.
- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(Continued)

WILDLIFE REHABILITATION CENTER OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Merchandise Inventory - Merchandise inventory is valued at the lower of cost or net realizable value. 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 net assets without donor restrictions unless specifically restricted by the donor.

Donor-restricted contributions are reported as increases net assets with donor restrictions. When a specific time restriction ends, or a purpose is accomplished, restricted net assets are reclassified to net assets without donor restrictions. If a restriction is fulfilled during the same period in which the contribution is received, the contribution is reported as net assets without donor restrictions.

(Continued)

WILDLIFE REHABILITATION CENTER OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$23,687 and \$14,171 in 2018 and 2017 for contributed IT troubleshooting services.

The Center regularly receives donated services from many volunteers (see note 9). However, no amounts have been recognized for these services because they do not meet the criteria described above.

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 (insurance, depreciation, building maintenance, and utilities) or time allocations determined by management (all others).

Comparative Total Column - The financial statements include certain prior year summarized comparative information in total but not by net asset class or expense by function. 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, 2017, 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 2018 or 2017.

Reclassifications - Certain reclassifications have been made to the December 31, 2017 financial statements in order for them to conform to the December 31, 2018 presentation. These reclassifications had no effect on net assets or change in net assets.

(Continued)

WILDLIFE REHABILITATION CENTER OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the statement of financial position date are as follows:

Cash	\$ 170,931
Contributions receivable	<u>132,100</u>
Total financial assets available within one year	<u>303,031</u>
Less:	
Long-term time restricted contributions	<u>(50,000)</u>
Total financial assets available within one year	<u><u>\$ 253,031</u></u>

The Center has contributions restricted to certain programs as described in Note 8. The Center must maintain sufficient resources to meet those responsibilities to its donors, however, they anticipate meeting most of these restrictions in the next year, so these resources are included in the financial assets listed above.

The Center's program activities and related expenses primarily occur from April to September while the majority of their support is received in December. The Center adopts an annual balanced budget and maintains a rolling 12 to 18-month cash flow projection to manage liquidity and ensure that operating needs will be met. The Center utilizes the Nest Egg Fund, the lines of credit, and flexible vendor repayment terms to bridge temporary support shortfalls.

The Nest Egg Fund is an unrestricted board discretionary fund established to help the Center regulate cash flow and can be used temporarily for general expenditures at management's discretion. In addition, the Center has two lines of credit totaling \$250,000 available to meet cash flow needs.

The Center also has several large understanding vendors who work with them throughout the year to help the Center manage their cash flow. These vendors are aware of the Center's cash flow issues and are generally flexible about payment terms.

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WILDLIFE REHABILITATION CENTER OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2018 are due \$82,100 in 2019 and \$50,000 in 2020.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>	<u>Estimated useful life - years</u>
Land improvements	\$ 5,000	\$ 5,000	15
Building and building improvements	1,919,321	1,919,321	10 - 39
Equipment	113,797	233,329	3 - 10
Software	4,078	4,078	3
	<u>2,042,196</u>	<u>2,161,728</u>	
Accumulated depreciation	<u>(841,840)</u>	<u>(907,329)</u>	
	<u>\$ 1,200,356</u>	<u>\$ 1,254,399</u>	

6. LINES OF CREDIT

The Center has a \$150,000 line of credit with Propel for Non-Profits. The line of credit matures on March 31, 2020. 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, 2018 and 2017 was \$150,000 and \$25,000.

The Center acquired an additional \$100,000 line of credit in June 2018 from Sunrise Banks. The line of credit matured on September 22, 2019. The extension of the line of credit is being negotiated as part of the property acquisition described in Note 13. 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, 2018 was \$100,000.

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WILDLIFE REHABILITATION CENTER OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

7. **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. Management may borrow from this fund at their discretion as needed to fund operations, however, an action of the Board of Directors is required to permanently decrease the balance of the fund.

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 from the fund at December 31, 2017. In 2018, the board released \$60,813 from the Nest Egg Fund to cover capital expenditures in previous years.

The first \$20,000 of each bequest is allocated to operations and any remainder is allocated to the Nest Egg Fund (Note 11).

8. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2018 are \$24,376 for additional caging, surgical lights, and radiology table repairs and \$132,100 for time restricted contributions.

Net assets with donor restrictions at December 31, 2017 are \$24,500 for 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 restricted net assets at December 31, 2017.

9. **VOLUNTEER HOURS (Unaudited)**

The Center relies extensively on volunteers for daily animal care services (feeding, cage cleaning, etc.), technical, and administrative services. In 2018, nearly 650 volunteers contributed more than 67,500 hours, the equivalent of about 25 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.

(Continued)

WILDLIFE REHABILITATION CENTER OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

10. 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 11 for an additional commitment.

The Center has an informal lease for free use of outdoor space. The Center uses this space as a transitional 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.

11. 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 7).

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, 2023.

12. RELATED PARTY TRANSACTIONS

Members on the Board of Directors made contributions to the Center totaling approximately \$44,000 in 2018 and \$71,500 in 2017.

(Continued)

WILDLIFE REHABILITATION CENTER OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

13. **SUBSEQUENT EVENTS**

Management began a capital campaign in 2019 to raise funds for 1) finding additional space as the Center has outgrown their current building and 2) expand their administrative capacity. During 2019, the Center has already received a \$1 million pledge for this campaign. The Center is in the process of negotiating additional debt in 2019 to help fund the costs of the campaign. The Center entered into a \$655,000 purchase agreement in September 2019 to acquire property related to the capital campaign.

Management has evaluated subsequent events through October 24, 2019, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.