

Wildlife Waystation
Financial Statements
As of and for the Years Ended
November 30, 2017 and 2016
and
Independent Auditor's Report

Wildlife Waystation
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As of and for the Years Ended November 30, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors of
Wildlife Waystation

We have audited the accompanying financial statements of Wildlife Waystation (a nonprofit organization), which comprise the statements of financial position as of November 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wildlife Waystation as of November 30, 2017 and 2016, 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.

Lawrence R. Mitchell & Company

Lawrence R. Mitchell & Company
Certified Public Accountants
A Professional Corporation
El Segundo, California

June 21, 2018

Wildlife Waystation
Statements of Financial Position
November 30, 2017 and 2016

Assets

Current assets:	2017	2016
Cash	\$ 281,667	\$ 124,709
Grants receivable	-	20,000
Total current assets	281,667	144,709
Property and equipment		
Property and equipment, net	611,466	587,789
Total assets	\$ 893,133	\$ 732,498

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 145,925	\$ 159,648
Accrued and other current liabilities	195,183	209,968
Current portion of notes payable	50,395	37,994
Total current liabilities	391,503	407,610
Long-term liabilities:		
Notes payable	805,053	689,835
Total long-term liabilities	805,053	689,835
Total liabilities	1,196,556	1,097,445
Net assets:		
Unrestricted	(303,423)	(364,947)
Total net assets	(303,423)	(364,947)
Total liabilities and net assets	\$ 893,133	\$ 732,498

The accompanying notes are an integral part of these financial statements.

Wildlife Waystation
Statements of Activities and Changes in Net Assets
For the Years Ended November 30, 2017 and 2016

	Unrestricted	
	2017	2016
Public support:		
Contributions	\$ 2,234,075	\$ 1,866,766
Appeals	299,152	492,445
Total public support	<u>2,533,227</u>	<u>2,359,211</u>
Other income:		
Royalty income	5,968	5,105
Merchandise sales	2,678	1,463
Total other income	<u>8,646</u>	<u>6,568</u>
Total public support and other income	2,541,873	2,365,779
Operating expenses:		
Program services	2,148,421	2,133,639
Support services:		
Management and general	185,693	192,767
Fundraising	146,235	170,561
Total support services	<u>331,928</u>	<u>363,328</u>
Total operating expenses	<u>2,480,349</u>	<u>2,496,967</u>
Net increase (decrease) in net assets	61,524	(131,188)
Net assets:		
Net assets, beginning of year	<u>(364,947)</u>	<u>(233,759)</u>
Net assets, end of year	<u>\$ (303,423)</u>	<u>\$ (364,947)</u>

The accompanying notes are an integral part of these financial statements.

Wildlife Waystation
Statements of Functional Expenses
For the Years Ended November 30, 2017 and 2016

November 30, 2017	Program Service	Support		Subtotal	Total
		Mgt. & General	Fund Raising		
Salaries and wages	\$ 1,035,006	\$ 127,111	\$ 41,673	\$ 168,784	\$ 1,203,790
Employee taxes and benefits	205,993	25,298	8,294	33,592	239,585
Ranch operations	353,440	-	-	-	353,440
Insurance	48,134	5,911	1,938	7,849	55,983
Interest expense and finance charges	64,826	7,962	2,610	10,572	75,398
Occupancy	311,317	7,695	3,848	11,543	322,860
Postage and delivery	-	1,193	10,734	11,927	11,927
Professional fees and contract svcs	85,301	1,959	24,130	26,089	111,390
Printing and reproduction	-	3,425	30,820	34,245	34,245
Supplies and miscellaneous	22,219	2,777	16,904	19,681	41,900
Telephone	18,892	2,362	2,361	4,723	23,615
Travel	3,293	-	2,923	2,923	6,216
	\$ 2,148,421	\$ 185,693	\$ 146,235	\$ 331,928	\$ 2,480,349
	87%	7%	6%	13%	100%

November 30, 2016	Program Service	Support		Subtotal	Total
		Mgt. & General	Fund Raising		
Salaries and wages	\$ 1,002,881	\$ 126,538	\$ 41,655	\$ 168,193	\$ 1,171,074
Employee taxes and benefits	251,984	31,794	10,466	42,260	294,244
Ranch operations	353,132	-	-	-	353,132
Insurance	68,832	8,685	2,859	11,544	80,376
Interest expense and finance charges	36,117	4,557	1,500	6,057	42,174
Occupancy	286,913	7,306	3,653	10,959	297,872
Postage and delivery	-	841	7,572	8,413	8,413
Professional fees and contract svcs	92,686	5,151	42,075	47,226	139,912
Printing and reproduction	-	2,977	26,793	29,770	29,770
Supplies and miscellaneous	23,853	2,982	29,846	32,828	56,681
Telephone	15,490	1,936	1,936	3,872	19,362
Travel	1,751	-	2,206	2,206	3,957
	\$ 2,133,639	\$ 192,767	\$ 170,561	\$ 363,328	\$ 2,496,967
	85%	8%	7%	15%	100%

The accompanying notes are an integral part of these financial statements.

Wildlife Waystation
Statement of Cash Flows
For the Years Ended November 30, 2017 and 2016

	Unrestricted	
Cash flows from operating activities:	2017	2016
Increase (decrease) in net assets	\$ 61,524	\$ (131,188)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation expense	87,355	79,717
Donated investment activity, net	-	70,369
(Increase) decrease in:		
Receivables	20,000	(20,000)
Prepaid expenses and other current assets	-	13,088
(Increase) decrease in:		
Accounts payable	(13,723)	40,922
Accrued and other current liabilities	(14,785)	88,761
Total adjustments	78,847	272,857
Net cash provided by operating activities	140,371	141,669
 Cash flows from investing activities:		
Purchases of property and equipment	(12,807)	(44,265)
Net cash used by investing activities	(12,807)	(44,265)
 Cash flows from financing activities:		
Principal payments on long-term notes payable	152,418	75,626
Additional borrowings under note payable agreements	(123,024)	(73,206)
Net cash provided by financing activities	29,394	2,420
Net increase in cash	156,958	99,824
Cash at beginning of year	124,709	24,885
Cash at end of year	\$ 281,667	\$ 124,709

The accompanying notes are an integral part of these financial statements.

Wildlife Waystation
Statement of Cash Flows
For the Years Ended November 30, 2017 and 2016

	Unrestricted	
Supplemental disclosures of cash flow information:	2017	2016
<i>Cash paid during year for:</i>		
Interest	\$ 35,086	\$ 26,564
Income taxes	\$ -	\$ -

Supplemental disclosures of noncash investing and financing activities:

During the year ended November 30, 2017, the Organization entered into two long-term notes payable with a finance company for \$98,225, in connection with a purchase of machinery and equipment (see Note 4).

During the year ended November 30, 2016, the Organization entered into a long-term note payable with a finance company for \$20,474, in connection with a purchase of transportation equipment (see Note 4).

The accompanying notes are an integral part of these financial statements.

Wildlife Waystation
Notes to the Financial Statements
As of and for the Years Ended November 30, 2017 and 2016

1. Summary of significant accounting policies

This summary of significant accounting policies of Wildlife Waystation (the Organization) is presented to assist in understanding the Organization's financial statements.

Nature of the Organization

The Wildlife Waystation is a California nonprofit corporation that operates an animal sanctuary in the Angeles National Forest. The Organization is exempt from federal and state income taxes. The mission of the Organization is to rescue, rehabilitate, relocate, and provide a sanctuary for animals from around the world. The Organization's support comes primarily from public contributions.

Basis of presentation

The Organization's financial presentation follows the United States generally accepted accounting principles promulgated by the Financial Accounting Standards Board. Under those principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

At November 30, 2017, the balance of the unrestricted, temporarily restricted, and permanently restricted net assets of the Organization is (\$303,423), \$0 and \$0, respectively.

At November 30, 2016, the balance of the unrestricted, temporarily restricted, and permanently restricted net assets of the Organization is \$(364,947), \$0 and \$0, respectively.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Cash and cash equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. There were no cash equivalents at November 30, 2017 and 2016, respectively.

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Wildlife Waystation
Notes to the Financial Statements
As of and for the Years Ended November 30, 2017 and 2016

1. Summary of significant accounting policies (continued)

Donor-restricted gifts

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. At November 30, 2017 and 2016, there was no allowance for uncollectible receivables.

Credit risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of temporary cash investments and receivables.

Temporary cash investments

The Organization places its cash and temporary cash investments with high credit quality institutions. The balances in these accounts frequently exceed the FDIC federally insured amount of \$250,000. At November 30, 2017 and 2016, the Organization had uninsured cash deposits of approximately \$36,000 and \$0, respectively.

Receivables

Credit risk with respect to receivables is also limited as such receivables are generally from reputable foundations.

Property and equipment

Property and equipment are recorded at cost. The Organization's policy is to capitalize assets with a cost of \$1,000 or more, and with estimated useful lives in excess of one year.

Expenditures for major renewal and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in the statement of activities as a change in restricted or unrestricted net assets, as appropriate.

Wildlife Waystation
Notes to the Financial Statements
As of and for the Years Ended November 30, 2017 and 2016

1. Summary of significant accounting policies (continued)

Property and equipment (continued)

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The cost of leasehold improvements is depreciated (amortized) over the lesser of the lengths of the related leases or the estimated useful lives of the assets. Depreciation expense is computed using the straight-line method over the respective estimated useful lives of assets, as follows:

Animal control facilities	15 years
Building and improvements	5-15 years
Machinery and equipment	5-7 years
Office equipment	5 years
Transportation equipment	5-7 years
Website	5 years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Investments

The Organization values its investments at fair value. Unrealized gains and losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain or loss on investments. Short-term highly liquid money market deposits that are not used for operations are treated as investments.

Donated services

The Organization recognizes 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. Additionally, a substantial number of volunteers, not meeting the criteria for recording in the financial statements, donate a significant amount of time performing tasks that assist the Organization in conducting its programs and operations.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses.

Wildlife Waystation
Notes to the Financial Statements
As of and for the Years Ended November 30, 2017 and 2016

1. Summary of significant accounting policies (continued)

Estimates (continued)

Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Income tax status

The Organization is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1986 and Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under sections 509(a)(2) and 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation.

Allocated expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services provided.

Fair value measurements

Fair value measurements are performed in accordance with the guidance provided by ASC 820, "Fair Value Measurements and Disclosures." ASC 820 defines fair value as the price that would be received from selling an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or parameters are not available, valuation models are applied.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Assets and liabilities recorded at fair value in the financial statements are categorized based upon the hierarchy of levels of judgment associated with the inputs used to measure their fair value.

Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Wildlife Waystation
Notes to the Financial Statements
As of and for the Years Ended November 30, 2017 and 2016

1. Summary of significant accounting policies (continued)

Fair value measurements (continued)

- Level 3 – Unobservable inputs that are supportable by little or no market activity and that are significant to the fair value of the asset or liability.

The carrying amounts of the Organization’s financial instruments, including cash, receivables, accounts payable, and accrued and other current liabilities approximate their respective fair values due to their short-term nature. The carrying amounts of the Organization’s long term notes payable approximate their respective fair values based on interest rates available to the Organization for similar debt instruments and similar remaining maturities.

Subsequent events

The Organization has evaluated subsequent events through June 21, 2018, the date which the financial statements were available to be issued. There were no subsequent events noted that would require adjustment to or disclosure in these financial statements.

2. Property and equipment

Following is a summary of property and equipment – at cost, less accumulated depreciation at November 30, 2017 and 2016:

	2017	2016
Land	\$ 181,168	\$ 181,168
Buildings and improvements	500,627	500,627
Animal control facilities	643,767	643,767
Machinery and equipment	259,131	160,906
Office equipment	29,848	29,848
Transportation equipment	458,392	458,392
Website	3,450	3,450
Conditional use permit	145,374	132,567
	<u>2,221,757</u>	<u>2,110,725</u>
Less: Accumulated depreciation	(1,610,291)	(1,522,936)
	<u>\$ 611,466</u>	<u>\$ 587,789</u>

Depreciation expense charged to operations was \$87,355 and \$79,717 for the years ended November 30, 2017 and 2016, respectively.

The Organization has applied for a conditional use permit with the County of Los Angeles, to open the Organization’s wildlife facilities for public enjoyment. The costs related to obtaining the conditional use permit are capitalized, and will be amortized over the life of the permit, beginning with the date of issuance. As of the date of this report, the application for the conditional use permit with the County of Los Angeles is still pending.

Wildlife Waystation
Notes to the Financial Statements
As of and for the Years Ended November 30, 2017 and 2016

3. Accrued and other current liabilities

Following is a summary of accrued and other current liabilities at November 30, 2017 and 2016:

	2017	2016
Accrued payroll and related taxes	\$ 135,250	\$ 71,633
Accrued compensated absences	59,933	63,335
3% short-term, unsecured note payable to an individual	-	75,000
	\$ 195,183	\$ 209,968

4. Notes payable

Following is a summary of long-term notes payable at November 30, 2017 and 2016:

	2017	2016
7.25% note payable to bank in monthly installments of \$1,987, including principal and interest, through August 2019. This note is secured by the guarantee of a director of the Organization.	\$ 42,190	\$ 62,633
3% note payable to a director due December 31, 2018. This note is unsecured.	687,751	647,644
11.97% note payable to a finance company in monthly installments of \$661, including principal and interest, through June 2019. This note is secured by a transportation equipment.	-	17,552
17.42% note payable to a finance company in monthly installments of \$1,603, including principal and interest, through August 2020. This note is secured by a machinery and equipment.	41,797	-
13.22% note payable to a finance company in monthly installments of \$2,154, including principal and interest, through February 2022. This note is secured by a machinery and equipment.	83,710	-
	855,448	727,829
Less: Current maturities included in current liabilities	(50,395)	(37,994)
	\$ 805,053	\$ 689,835

Wildlife Waystation
Notes to the Financial Statements
As of and for the Years Ended November 30, 2017 and 2016

4. Notes payable (continued)

Following are maturities of the long-term notes payable for each of the next five years and in the aggregate:

<i>Year ending November 30</i>	Amount
2018	\$ 50,395
2019	741,546
2020	33,874
2021	23,311
Thereafter	6,322
	<u>\$ 855,448</u>

5. Related party transactions

Lease

The founder (a director) of the Organization leases approximately 90 acres of land to the Organization. The Organization leases the property on a month-to-month basis, at \$7,500 per month.

Rental expense under this lease totaled \$90,000 during each of the years ended November 30, 2017 and 2016, respectively.

Long-term note payable

At November 30, 2017 and 2016, the Organization has an unsecured long-term note payable to a director; which was used to finance current and past operating cash flow difficulties. Interest on this note accrues at 3% per annum.

Following is the summary of the note payable to a director at November 30, 2017 and 2016:

	2017	2016
Cummulative components:		
Loans to fund payroll expenses	\$ 140,869	\$ 165,269
Unpaid rent expenses	546,882	471,738
Other operating expenses	-	10,637
Balance at end of year (Note 4)	<u>\$ 687,751</u>	<u>\$ 647,644</u>

Interest expense of \$17,144 and \$16,125 was recorded, and added back to principal, in connection with this long-term note payable, during each of the years ended November 30, 2017 and 2016, respectively.

Wildlife Waystation
Notes to the Financial Statements
As of and for the Years Ended November 30, 2017 and 2016

6. Concentrations

During the year ended November 30, 2017, the Organization received contributions from two trusts, which constituted 10% and 10% of total public support, respectively. At November 30, 2017, there were no amounts due from the two trusts.

During the year ended November 30, 2016, the Organization received a contribution from one estate and one trust, which constituted 18% and 14% of total public support, respectively. At November 30, 2017, there were no amounts due from the estate or the trust.

7. Going concern

The Organization's financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets, and liquidation of liabilities, in the normal course of business. However, as shown in the accompanying financial statements, at November 30, 2017 and 2016, the Organization had negative working capital of \$109,836 and \$262,901, respectively, and negative net assets of \$303,423 and \$364,947, respectively. This negative trend has continued through the date of this report. As such, it appears to be unlikely that the Organization will continue as a going concern, without significant changes positively affecting the Organization's net working capital and net assets. As of the date of the report, the Board has agreed to work on a comprehensive development plan, targeting large corporate and foundation giving, as well as contributions from the general public. The Board believes that, through these development efforts, the Organization will continue as a going concern.