

Wildlife Waystation
Financial Statements
For the Years Ended November 30, 2013 and 2012
and
Independent Auditor's Report

Wildlife Waystation
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For the Years Ended November 30, 2013 and 2012

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LAWRENCE R. MITCHELL & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

Independent Auditor's Report

Board of Directors
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, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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, 2013 and 2012, 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.

Lawrence R. Mitchell & Company

Lawrence R. Mitchell & Company
Certified Public Accountants
A Professional Corporation

El Segundo, California

November 18, 2014

Wildlife Waystation
Statements of Financial Position
November 30, 2013 and 2012

Assets

Current assets:	2013	2012
Cash	\$ 323,475	\$ 10,826
Grants receivable	42,650	112,000
Prepaid expenses and other current assets	10,781	5,425
Total current assets	376,906	128,251
Other assets:		
Property and equipment, net	452,673	515,654
Total assets	\$ 829,579	\$ 643,905

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 219,188	\$ 213,234
Line of credit	99,903	98,921
Accrued and other current liabilities	328,343	415,494
Current portion of notes payable	9,000	9,000
Total current liabilities	656,434	736,649
Long-term liabilities:		
Notes payable	553,972	497,659
Other long-term liabilities	110,085	110,085
Total long-term liabilities	664,057	607,744
Total liabilities	1,320,491	1,344,393
Net assets:		
Unrestricted	(490,912)	(700,488)
Total net assets	(490,912)	(700,488)
Total liabilities and net assets	\$ 829,579	\$ 643,905

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, 2013 and 2012

	Unrestricted	
	2013	2012
Public support:		
Appeals	\$ 491,885	\$ 530,562
Estates and trusts	927,394	753,786
Individuals	489,450	644,683
Memorials	6,600	6,790
Public grants	297,553	223,637
Fundraisers	92,165	92,839
Professional fundraiser	2,250	69,080
Total public support	2,307,297	2,321,377
Other income:		
Interest and dividend income	5,678	-
Royalty income	1,106	1,690
Merchandise sales	2,907	8,675
Total other income	9,691	10,365
Total public support and other income	2,316,988	2,331,742
Operating expenses:		
Program services	1,746,096	1,889,317
Support services:		
Management and general	126,656	203,633
Fundraising	234,660	254,360
Total support services	361,316	457,993
Total operating expenses	2,107,412	2,347,310
Net increase (decrease) in net assets	209,576	(15,568)
Net assets:		
Net assets, beginning of year	(700,488)	(339,298)
Prior period adjustment (Note 9)	-	(345,622)
Net assets, end of year	\$ (490,912)	\$ (700,488)

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

Wildlife Waystation
Statements of Functional Expenses
For the Years Ended November 30, 2013 and 2012

November 30, 2013	Program Service	Support		Subtotal	Total
		Mgt. & General	Fund Raising		
Salaries and wages	\$ 491,242	\$ 61,398	\$ 5,846	\$ 67,244	\$ 558,486
Employee taxes and benefits	129,238	16,153	1,538	17,691	146,929
Ranch operations	473,777	-	-	-	473,777
Insurance	79,518	9,939	946	10,885	90,403
Interest expense	19,232	2,404	229	2,633	21,865
Occupancy	262,604	6,805	3,403	10,208	272,812
Postage and delivery	-	382	32,115	32,497	32,497
Professional fees and contract svcs	220,527	11,550	57,078	68,628	289,155
Publicity	-	-	1,344	1,344	1,344
Printing and reproduction	-	10,213	91,919	102,132	102,132
Supplies and miscellaneous	38,209	4,776	36,611	41,387	79,596
Telephone	24,291	3,036	3,036	6,072	30,363
Travel	7,458	-	595	595	8,053
	\$ 1,746,096	\$ 126,656	\$ 234,660	\$ 361,316	\$ 2,107,412

November 30, 2012	Program Service	Support		Subtotal	Total
		Mgt. & General	Fund Raising		
Salaries and wages	\$ 837,763	\$ 127,572	\$ 9,743	\$ 137,315	\$ 975,078
Employee taxes and benefits	191,837	29,213	2,231	31,444	223,281
Ranch operations	343,544	-	-	-	343,544
Insurance	65,883	10,033	766	10,799	76,682
Interest expense	47,685	7,261	555	7,816	55,501
Occupancy	252,830	6,188	3,094	9,282	262,112
Postage and delivery	-	287	37,791	38,078	38,078
Professional fees and contract svcs	89,629	4,265	40,853	45,118	134,747
Publicity	-	-	3,350	3,350	3,350
Printing and reproduction	-	11,743	105,690	117,433	117,433
Supplies and miscellaneous	35,568	4,446	45,770	50,216	85,784
Telephone	20,999	2,625	2,625	5,250	26,249
Travel	3,579	-	1,892	1,892	5,471
	\$ 1,889,317	\$ 203,633	\$ 254,360	\$ 457,993	\$ 2,347,310

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

Wildlife Waystation
Statements of Cash Flows
For the Years Ended November 30, 2013 and 2012

Cash flows from operating activities:	2013	2012
Increase (decrease) in net assets	\$ 209,576	\$ (15,568)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation expense	66,981	61,875
Related party lease reclassified to long-term note payable	52,500	57,800
Interest expense added to related party note payable	3,945	3,945
(Increase) decrease in:		
Receivables	69,350	(112,000)
Prepaid expenses and other current assets	(5,356)	(4,750)
Increase (decrease) in:		
Accounts payable	5,954	(72,573)
Accrued and other current liabilities	(87,151)	129,469
Bank overdrafts	-	(31,914)
Total adjustments	106,223	31,852
Net cash provided by operating activities	315,799	16,284
 Cash flows from investing activities:		
Purchases of property and equipment	(4,000)	(5,008)
Net cash used by investing activities	(4,000)	(5,008)
 Cash flows from financing activities:		
Net borrowings under line of credit agreement	982	-
Principal payments on long-term notes payable	(10,500)	(8,609)
Additional borrowings under note payable agreements	10,368	-
Net cash provided (used) by financing activities	850	(8,609)
Net increase in cash	312,649	2,667
Cash at beginning of year	10,826	8,159
Cash at end of year	\$ 323,475	\$ 10,826
 Supplemental disclosures of cash flow information:		
<i>Cash paid during year for:</i>		
Interest	\$ 10,066	\$ 12,226
Income taxes	\$ -	\$ -

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

Wildlife Waystation
Notes to the Financial Statements
For the Years Ended November 30, 2013 and 2012

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, 2013, the balance of the unrestricted, temporarily restricted, and permanently restricted net assets of the Organization is \$490,912, \$0 and \$0, respectively.

At November 30, 2012, the balance of the unrestricted, temporarily restricted, and permanently restricted net assets of the Organization is \$700,488, \$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, 2013 and 2012, 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
For the Years Ended November 30, 2013 and 2012

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, 2013 and 2012, there was no allowance for uncollectible grants receivable.

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, 2013 and 2012, the Organization had uninsured cash deposits of approximately \$74,000 and \$0, respectively.

Receivables

Credit risk with respect to receivables is also limited due to the fact that the Organization's grants receivable are 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
For the Years Ended November 30, 2013 and 2012

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.

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.

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.

Wildlife Waystation
Notes to the Financial Statements
For the Years Ended November 30, 2013 and 2012

1. Summary of significant accounting policies (continued)

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. 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.

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.

2. Property and equipment

Following is a summary of property and equipment – at cost, less accumulated depreciation at November 30, 2013 and 2012:

	2013	2012
Land	\$ 181,168	\$ 181,168
Buildings and improvements	430,250	430,250
Animal control facilities	706,731	702,731
Machinery and equipment	87,597	87,597
Office equipment	17,553	17,553
Transportation equipment	274,631	274,631
Website	3,450	3,450
	<u>1,701,380</u>	<u>1,697,380</u>
Less: Accumulated depreciation	<u>(1,248,707)</u>	<u>(1,181,726)</u>
	<u>\$ 452,673</u>	<u>\$ 515,654</u>

Depreciation expense charged to operations was \$66,981 and \$61,875 for the years ended November 30, 2013 and 2012, respectively.

3. Line of credit

Under the terms of a line of an unsecured revolving line of credit agreement with a bank, the Organization may borrow up to \$100,000, at the bank's prime rate of interest plus 2.75%. Funds from these borrowings may be used for any purpose. At November 30, 2013 and 2012, the Organization had \$97 and \$1,079 of unused credit, in connection with this agreement, to be drawn upon as needed.

Wildlife Waystation
Notes to the Financial Statements
For the Years Ended November 30, 2013 and 2012

4. Accrued and other current liabilities

Following is a summary of accrued and other current liabilities at November 30, 2013 and 2012:

	2013	2012
Accrued payroll and related taxes	\$ 247,659	\$ 312,548
Accrued compensated absences	75,439	78,254
Accrued interest	4,870	4,020
Short-term note payable	-	20,000
Other current liabilities	375	672
	<u>328,343</u>	<u>415,494</u>

Accrued payroll and related taxes

In connection with operational cash flow difficulties experienced by the Organization, the federal payroll taxes for second, third, and fourth quarters of 2013, and first quarter of 2014 were not paid timely. Subsequent to November 30, 2013, but prior to the date when the financial statements were available to be issued, the Organization reduced the \$247,659 balance due by \$204,667 by a cash payment of \$101,173, and the issuance of a \$103,494 note payable to a director of the Organization (see Note 7).

5. Notes payable

Following is a summary of long-term notes payable at November 30, 2013 and 2012:

	2013	2012
5.5% note payable to bank in monthly installments of \$750 principal plus interest. Principal and interest are due January 2017. This note is secured by the guarantees of certain directors of the Organization.	\$ 28,173	\$ 38,673
Non-interest bearing note payable to a director due November 30, 2015. This note is unsecured. Interest component not imputed as not deemed material by management.	18,668	17,000
Non-interest bearing note payable to a director due December 31, 2015. This note is unsecured. Interest component not imputed as not deemed material by management.	349,000	296,500
3% note payable to a director. Principal and accrued interest due December 31, 2015. This note is unsecured.	167,131	154,486
	<u>562,972</u>	<u>506,659</u>
Less: Current maturities included in current liabilities	(9,000)	(9,000)
	<u>\$ 553,972</u>	<u>\$ 497,659</u>

Wildlife Waystation
Notes to the Financial Statements
For the Years Ended November 30, 2013 and 2012

5. 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
2014	\$ 9,000
2015	27,668
2016	525,131
2017	1,173
Thereafter	-
	<u>\$ 562,972</u>

6. Other long-term liabilities

During the year ended November 30, 2010, the Organization reclassified \$110,085 of accounts payable to a public relations company to Other long-term liabilities. The public relations company agreed to defer payment of the liability, without interest and penalties, to facilitate cash flow for the operating activities of the Organization. The Organization expects this liability to be repaid by December 31, 2015.

7. 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 (see Note 9).

Rental expense under this lease totaled \$90,000 for each of the years ended November 30, 2013 and 2012, respectively.

Long-term notes payable

At November 30, 2013 and 2012, the Organization has an unsecured long-term note payable of \$167,131 and \$154,486 to a director; which financed operating cash flow difficulties incurred in prior years (see Note 9). Interest on this note accrues at 3% per annum. Interest expense of \$3,945 was recorded, and added back to principal, in connection with this long-term note payable, during each of the years ended November 30, 2013 and 2012, respectively.

In connection with the related party lease – in order to facilitate difficulties in operational cash flow, the Organization issues long-term non-interest bearing notes payable to a director of the Organization annually at year-end, for the respective balance due. An interest component is not imputed as it is not deemed material by management.

Wildlife Waystation
Notes to the Financial Statements
For the Years Ended November 30, 2013 and 2012

7. Related party transactions (continued)

Long-term notes payable (continued)

Following is a summary of the note payable activity in connection with the related party lease agreement during the years ended November 30, 2013 and 2012:

	2013	2012
Balance at beginning of year	\$ 296,500	\$ -
Prior period adjustment (Note 9)	-	238,700
Current year unpaid rent reclassified to note payable	52,500	57,800
Balance at end of year (Note 5)	<u>\$ 349,000</u>	<u>\$ 296,500</u>

Loan guarantee

A loan in the amount of \$28,173 and \$38,673, at November 30, 2013 and 2012, has been guaranteed by certain directors of the organization (see Note 5).

8. Concentrations

During the year ended November 30, 2013, the Organization received a contribution from an estate, which constituted 15% of total public support. At November 30, 2013, there were no amounts due from this estate.

During the year ended November 30, 2012, the Organization received a contribution from an estate, which constituted 17% of total public support. At November 30, 2012, there were no amounts due from this estate.

9. Prior period adjustment

Related party lease

During the audit for the year ended November 30, 2012, we were advised by management that, in a board of directors (BOD) meeting held July 13, 2004, the BOD approved an increase in monthly lease payments from \$4,500 to \$7,500, effective August 1, 2004. This increase was inadvertently not applied by the Organization until December 2011. As such, total unrecorded rent from August 1, 2004 through November 30, 2011 of \$238,700 was recorded as a prior period adjustment, which was financed through a non-interest bearing note payable to a director (see Note 7).

Related party loan

During the audit for the year ended November 30, 2012, we noted unrecorded interest and certain other loan adjustments aggregating \$21,889 as of November 30, 2011, in connection with a note payable to a director (see Note 7): As such, the entire balance of \$21,889 was recorded as a prior period adjustment.

Wildlife Waystation
Notes to the Financial Statements
For the Years Ended November 30, 2013 and 2012

9. Prior period adjustment (continued)

2010 and 2011 federal payroll tax penalties

During the audit for the year ended November 30, 2012, we noted unrecorded interest and penalties related to unpaid federal payroll taxes during 2010 and through November 30, 2011, totaling \$56,484 (that were paid during 2012), which was recorded as a prior period adjustment and included in accrued and other current liabilities, at November 30, 2012.

Error in capitalization of animal enclosure repairs in 2011

During the audit for the year ended November 30, 2012, we noted that \$28,549 of animal enclosure repairs were erroneously capitalized as property and equipment during the year ended November 30, 2011. As such, the entire balance of \$28,549 was written off as a prior period adjustment.

Following is a summary of prior period adjustment at November 30, 2012:

	Amount
Related party lease expense	\$ 238,700
Related party loan adjustments	21,889
2010 and 2011 federal payroll tax penalties and interest	56,484
Error in capitalization of animal enclosure repairs in 2011	28,549
	<u>\$ 345,622</u>

10. Subsequent events

The Organization has evaluated subsequent events through November 18, 2014, the date which the financial statements were available to be issued. Except for our discussion in Note 4, there were no subsequent events noted that would require adjustment to or disclosure in these financial statements.