

**SANTA BARBARA
WILDLIFE CARE NETWORK
FINANCIAL STATEMENTS
DECEMBER 31, 2014**

SANTA BARBARA WILDLIFE CARE NETWORK

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Santa Barbara Wildlife Care Network
Santa Barbara, California

We have audited the accompanying statement of financial position of the Santa Barbara Wildlife Care Network (a nonprofit organization) as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 Santa Barbara Wildlife Care Network of December 31, 2014, and the change 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.

McGowan Guntermann

July 21, 2015

SANTA BARBARA WILDLIFE CARE NETWORK

STATEMENT OF FINANCIAL POSITION

December 31, 2014

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current Assets				
Cash and cash equivalents	\$ 2,242,149	\$ 101,250	\$ 100,000	\$ 2,443,399
Bequest receivable	-	400,000	-	400,000
Prepaid expenses	<u>2,683</u>	<u>-</u>	<u>-</u>	<u>2,683</u>
Total Current Assets	<u>2,244,832</u>	<u>501,250</u>	<u>100,000</u>	<u>2,846,082</u>
Property and Equipment				
Land	1,473,310	-	-	1,473,310
Building and leasehold improvements	1,552,972	-	-	1,552,972
Equipment	133,775	-	-	133,775
Less: accumulated depreciation	<u>(211,045)</u>	<u>-</u>	<u>-</u>	<u>(211,045)</u>
Property and Equipment, net	<u>2,949,012</u>	<u>-</u>	<u>-</u>	<u>2,949,012</u>
Total Assets	<u>\$ 5,193,844</u>	<u>\$ 501,250</u>	<u>\$ 100,000</u>	<u>\$ 5,795,094</u>

LIABILITIES AND NET ASSETS

Current Liabilities				
Accounts payable and accrued expenses	\$ 13,522	\$ -	\$ -	\$ 13,522
Notes payable, current portion	<u>5,832</u>	<u>-</u>	<u>-</u>	<u>5,832</u>
Total Current Liabilities	<u>19,354</u>	<u>-</u>	<u>-</u>	<u>19,354</u>
Long-Term Liabilities				
Notes payable, net of current portion	<u>429,621</u>	<u>-</u>	<u>-</u>	<u>429,621</u>
Total Liabilities	<u>448,975</u>	<u>-</u>	<u>-</u>	<u>448,975</u>
Net Assets				
Unrestricted	4,744,869	-	-	4,744,869
Temporarily restricted	-	501,250	-	501,250
Permanently restricted	-	-	100,000	100,000
Total Net Assets	<u>4,744,869</u>	<u>501,250</u>	<u>100,000</u>	<u>5,346,119</u>
Total Liabilities and Net Assets	<u>\$ 5,193,844</u>	<u>\$ 501,250</u>	<u>\$ 100,000</u>	<u>\$ 5,795,094</u>

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

SANTA BARBARA WILDLIFE CARE NETWORK

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Other Income				
Bequests	\$ 2,208,500	\$ 400,000	\$ -	\$ 2,608,500
Contributions	170,871	10,750	-	181,621
Grants	43,539	80,000	-	123,539
Special events, net of expenses of \$24,355	83,602	-	-	83,602
Interest	365	-	-	365
Net assets released from restrictions	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>
Total Support and Other Income	<u>2,526,877</u>	<u>470,750</u>	<u>-</u>	<u>2,997,627</u>
Expenses				
Program Services	282,179	-	-	282,179
Management and General	28,984	-	-	28,984
Fundraising	<u>7,397</u>	<u>-</u>	<u>-</u>	<u>7,397</u>
Total Expenses	<u>318,560</u>	<u>-</u>	<u>-</u>	<u>318,560</u>
Changes in Net Assets	2,208,317	470,750	-	2,679,067
Net Assets, Beginning of the Year	<u>2,536,552</u>	<u>30,500</u>	<u>100,000</u>	<u>2,667,052</u>
Net Assets, End of the Year	<u>\$ 4,744,869</u>	<u>\$ 501,250</u>	<u>\$ 100,000</u>	<u>\$ 5,346,119</u>

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

SANTA BARBARA WILDLIFE CARE NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries	\$ 118,985	\$ -	\$ -	\$ 118,985
Depreciation	61,979	-	-	61,979
Food and supplies	26,504	-	-	26,504
Interest	-	19,607	-	19,607
Utilities	18,815	-	-	18,815
Benefits	15,541	-	-	15,541
Payroll taxes	10,904	-	-	10,904
Veterinary	10,669	-	-	10,669
Repairs and maintenance	9,007	-	-	9,007
Insurance	2,622	4,196	-	6,818
Office and supplies	2,138	594	2,673	5,405
Printing and postage	251	277	3,665	4,193
Occupancy	3,690	399	-	4,089
Legal and professional	-	2,425	-	2,425
Bank fees	-	1,486	-	1,486
Outreach and promotion	413	-	1,059	1,472
Auto	661	-	-	661
Total Expenses	<u>\$ 282,179</u>	<u>\$ 28,984</u>	<u>\$ 7,397</u>	<u>\$ 318,560</u>

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

SANTA BARBARA WILDLIFE CARE NETWORK

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2014

Cash Flow from Operating Activities	
Change in net assets	\$ 2,679,067
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	61,979
Conversion of long-term note payable to contribution	(55,000)
Increase in bequest receivable	(400,000)
Decrease in prepaid expenses	87
Increase in accounts payable and accrued expenses	<u>108</u>
Net Cash Provided by Operating Activities	<u>2,286,241</u>
Cash Flow from Investing Activities	
Purchase of property and equipment	<u>(19,119)</u>
Net Cash Used by Investing Activities	<u>(19,119)</u>
Increase in Cash and Cash Equivalents	2,267,122
Cash at Beginning of the Year	<u>176,277</u>
Cash at End of the Year	<u>\$ 2,443,399</u>

Supplemental disclosures of cash flow information:

Cash paid during the year for interest	\$ 19,607
Non-cash transactions consisted of the following:	
Conversion of long-term note payable to contribution	\$ 55,000
In-kind donation of veterinary services	\$ 4,850

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

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 1 – ORGANIZATION AND ACTIVITIES

The Santa Barbara Wildlife Care Network (the Organization), a California nonprofit corporation, was founded in 1988 to support the present and future health of local wildlife by providing quality rescue, rehabilitation, and release services to injured, sick, oiled, orphaned, and displaced animals.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on an accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the obligation is incurred. In accordance with generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities into three net asset categories according to the existence of donor imposed restrictions as follows:

Unrestricted Net Assets:

The unrestricted group of net assets represents net property and equipment and unrestricted resources available for current support of the Organization activities.

Temporarily Restricted Net Assets

Temporarily restricted net assets include bequests receivable and gifts with donor-imposed purpose restrictions. When a restriction expires (when a stipulated time restriction ends or a purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “net assets released from restrictions”.

Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The interest income from the Endowment fund assets can be used to support the Organization’s operations and is reported as an increase in unrestricted net assets on the Statement of Activities.

Contributions and Bequests

Contributions received are recorded at their fair value on the date of donation. Contributions receivable are recognized as revenue when committed and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization accrues bequests when all the events required for the transfer of the assets from the estate of the donor to the Organization have occurred and/or the court has issued an order to transfer the assets.

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Organization classifies unrestricted short-term, highly liquid investments having original maturities of three months or less as cash equivalents.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various program, management, and fundraising activities. Expenses that can be identified with a specific function are allocated directly according to their expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

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. Significant estimates used in the preparation of these financial statements include: value of remainder interest and collectability of bequest receivable, allocation of certain expenses by function, and depreciable lives of property and equipment.

Property and Equipment

Property and equipment is stated at cost, or fair market value if donated. In general, the Organization capitalizes assets with a cost of \$1,000 or more and an expected useful life of greater than one year. Depreciation is calculated using the straight-line method over their estimated useful lives of five to forty years. Depreciation expense for the year ended December 31, 2014, totaled \$61,979.

Donated Services

Numerous individuals have donated time to the Organization to further its programs and objectives. While many volunteer services do not meet the recognition requirements of generally accepted accounting principles, donated services for veterinary care, which meet certain authoritative criteria and can be objectively valued, have been reflected as contributions and related program expense on the Statement of Activities. Donated veterinary services totaled \$4,850 for the year ended December 31, 2014.

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section number 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d). The Organization is not currently involved in any activity that is subject to unrelated business income tax; therefore, no provision for income taxes is required. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Organization evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2014, the Organization had no uncertain tax positions requiring accrual. The Organization files tax returns in U.S. federal and California jurisdictions. The Organization is no longer subject to U.S. federal and state tax examinations by tax authorities for the years ending before 2011 and 2010, respectively.

Subsequent Events

The Organization has evaluated subsequent events through July 21, 2015, the date which the financial statements were available to be issued.

Note 3 – BEQUEST RECEIVABLE

Bequests receivable are included in the financial statements as temporarily restricted net assets. These amounts are considered fully collectible and therefore no allowance for uncollectible receivables has been recorded. At December 31, 2014, bequests receivable are expected to be realized in full in the subsequent year.

Note 4 – NOTES PAYABLE

The Organization has two notes payable with local foundations in the amount of \$217,727 each. Both notes are secured by the real property located at 1460 N. Fairview Avenue in Goleta, California. The notes provide for interest only payments of 4.5% per year through February 2015, with principal and interest payments of \$1,103 each beginning March 1, 2015, with a combined final balloon payment of \$421,080 due on February 28, 2017. Maturities of notes payable for years ended December 31 are as follows:

2015	\$ 5,832
2016	7,293
2017	<u>422,328</u>
Total	<u>\$ 435,453</u>

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 5 – LEASES

The Organization leases a trailer for program related activities on a month-to-month basis. The lease requires that the Organization maintain the equipment and perform all maintenance and repairs. As of December 31, 2014, the monthly rent was \$280. Rent expense for the year ended December 31, 2014 totaled \$3,690.

Note 6 – CONCENTRATIONS AND RISKS

Concentration of Revenue and Receivables

For the year ended December 31, 2014, approximately 80% of the total support and other income was derived from one bequest. As of December 31, 2014, 100% of the bequest receivable was due from the same estate.

Credit Risk

The Organization maintains cash balances at a bank insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, balances may exceed federally insured limits. At December 31, 2014, the Organization had uninsured cash balances of approximately \$2,200,000.

Note 7 – RELATED PARTY TRANSACTIONS

In 2012, a former board member made an interest-free loan to the Organization in the amount of \$55,000. During 2014, the principal balance was converted to a contribution at the request of the former board member. As a result, \$55,000 has been recorded as a contribution on the Statement of Activities for the year ended December 31, 2014.

Note 8 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by the passage of time or by satisfying the restricted purposes specified by donors. For the year ended December 31, 2014, net assets released from restriction totaled \$20,000.

Note 9 – ENDOWMENT FUNDS

The Board of Directors has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the fair value of the original gift, as of the gift date. As a result of this interpretation, the Organization has classified with the explicit prohibition by the donor as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for prudence prescribed by UPMIFA.

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 9 – ENDOWMENT FUNDS (continued)

In accordance with California UPMIFA, the organization considers the following factors in making a determination to appropriate or invest donor restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

Endowment Investment and Spending Policies

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity for donor-specified periods. The endowment assets are currently invested in a manner that is intended to preserve capital while producing interest income to be appropriated for general operations.

The Board of Directors appropriates interest income annually from the Organization’s endowment funds to fund general operations. The amount is based upon the decision of the Board and is reviewed annually in light of investment returns. For the year ended December 31, 2014, the spending policy was equal to any interest earned on the endowment funds.

Changes in endowment net assets for the year ended December 31, 2014, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 100,000	\$ 100,000
Investment return	-	-	-	-
Contributions	-	-	-	-
Appropriation	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

The Organization did not classify any assets as board-restricted endowment funds as of December 31, 2014.

SANTA BARBARA WILDLIFE CARE NETWORK

NOTES TO FINANCIAL STATEMENTS

Note 10 – NET ASSETS

Unrestricted Net Assets

As of December 31, 2014, unrestricted net assets consist of the following:

Operating net assets	\$ 1,795,857
Property and equipment	<u>2,949,012</u>
Total Unrestricted Net Assets	<u>\$ 4,744,869</u>

Temporarily Restricted Net Assets

As of December 31, 2014, temporarily restricted net assets consist of the following:

Bequests receivable	\$ 400,000
Donations subject to program restrictions	<u>101,250</u>
Total Temporarily Restricted Net Assets	<u>\$ 501,250</u>

Permanently Restricted Net Assets

As of December 31, 2014, permanently restricted net assets consist of the following:

Donor-restricted endowments	<u>\$ 100,000</u>
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