



# CONSERVATION EARTH, INC.

*dba* WILDLIFE  
ASSOCIATES

**Financial Statements**

*August 31, 2017*

# CONSERVATION EARTH, INC. dba WILDLIFE ASSOCIATES

(A California Not-For-Profit Corporation)

August 31, 2017

## About Wildlife Associates

Wildlife Associates was founded in 1980 by Steven Karlin, a former National Park Service ranger and renowned environmental educator who has appeared on local and national news, PBS, CNN, Larry King Live, Discovery, Disney, Animal Planet, National Geographic Explorer and on his own nationally syndicated environmental news segment, Earth Journal.

## Mission

Wildlife Associates Mission is to:

- teach people to care for living things
- understand the natural systems on which all life depends and
- care for non-releasable, abused, abandoned, and injured wildlife that take on the role of "Wild Teachers" in our educational programs.

## Educational Programs

The focus of Wildlife Associates educational programs is to empower and awaken our compassion for living things and to develop a new knowledge base, leaving the next generation with the motivation to act responsibly toward the earth. Learning complex environmental concepts can be challenging for anyone, but having the animals, alive and breathing in front of them, delivers the most important message in a way no human can. Our programs help students learn respect and responsibility for ecological systems in a way they can relate to regardless of their age.

## Financial Results for the Fiscal Year Ended August 31, 2017

During the fiscal year ended August 31, 2017, Wildlife Associates ("WA") posted a net increase in total unrestricted net assets of \$163,208 as reflected on the statement of activities and changes in net assets.

WA finished the year in a negative cash flow position as a result of funds allocated to property and equipment acquisitions totaling \$120,561 and rebranding disbursements of \$48,147. In addition, WA paid down the line of credit by \$10,000 and remitted mortgage principal payments of \$21,841 for the year .

Since its inception more than 30 years ago, Wildlife Associates has been able to manage its financial resources in such a way as to accumulate over \$1,200,000 in equity (unrestricted net assets). WA has been able to survive difficult economic periods through careful cash flow management, by monitoring ongoing expenses, by engaging in successful fundraising activities, and by making realistic budget plans. All of these activities have been key to the success of its ongoing operational activities.

**CONSERVATION EARTH, INC. dba WILDLIFE ASSOCIATES**

(A California Not-For-Profit Corporation)  
August 31, 2017

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Conservation Earth dba Wildlife Associates

We have audited the accompanying financial statements of Wildlife Associates (a California nonprofit organization) which comprise the statements of financial position as of August 31, 2017 and the related statements of activities and changes in net assets, cash flows and functional expenses 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 Wildlife Associates as of August 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

April 19, 2018  
Danville, California

*Regalia & Associates*

**CONSERVATION EARTH, INC. dba WILDLIFE ASSOCIATES**

**Statement of Financial Position  
August 31, 2017**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 60,556
Prepaid expenses	19,778
Total current assets	<u>80,334</u>

Property and equipment:

Land	1,260,227
Buildings and sanctuary, net	724,228
Vehicles, net	67,900
Furniture and equipment, net	2,486
Total property and equipment, net	<u>2,054,841</u>

Rebranding costs, net

44,920

\$ 2,180,095

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable and accrued liabilities	\$ 4,717
Accrued payroll liabilities	79,330
Current portion of mortgage payable	22,904
Total current liabilities	<u>106,951</u>

Long-term liabilities:

Mortgage payable	802,554
Less: current portion of mortgage payable	(22,904)
Total long-term liabilities	<u>779,650</u>

Net assets:

Unrestricted	1,268,494
Temporarily restricted	25,000
Total net assets	<u>1,293,494</u>

\$ 2,180,095

**CONSERVATION EARTH, INC. dba WILDLIFE ASSOCIATES**

**Statement of Activities and Changes in Net Assets  
Year Ended August 31, 2017**

*Changes in unrestricted net assets:*

Revenue and support:

Program and assembly fees	\$ 175,867
Contributed income:	
Grants and contributions	758,967
Net assets released from restrictions	30,000
Special events	33,175
Interest income	31
Other	(1,625)
Total revenue and support	<u>996,415</u>

Expenses:

Program services:

Educational programs	251,871
Animal care	409,952
Fundraising	76,575
General and administrative	89,809
Total expenses	<u>828,207</u>

Increase in unrestricted net assets 168,208

*Changes in temporarily restricted net assets:*

Restricted contributions	25,000
Net assets released from restriction	(30,000)
Increase in temporarily restricted net assets	<u>(5,000)</u>

Increase in net assets 163,208

Net assets at beginning of year 1,130,286

Net assets at end of year \$ 1,293,494

# CONSERVATION EARTH, INC. dba WILDLIFE ASSOCIATES

## Statement of Cash Flows Year Ended August 31, 2017

*Operating activities:*

Increase in net assets	\$ 163,208
Adjustments to reconcile to cash provided by (used for) operating activities:	
Depreciation	65,240
Amortization	11,977
Net loss on disposal of property and equipment	1,625
<i>Changes in:</i>	
Accounts receivable	1,027
Prepaid expenses	(11,254)
Accounts payable and accrued liabilities	(8,827)
Accrued payroll liabilities	(45,312)
<b>Cash provided by operating activities</b>	<b>177,684</b>

*Investing activities:*

Acquisition of property and equipment, net	(120,561)
Expenditures for rebranding costs	(48,147)
<b>Cash used for investing activities</b>	<b>(168,708)</b>

*Financing activities:*

Principal payments on line of credit	(10,000)
Principal payments on mortgage loan	(21,841)
<b>Cash used for financing activities</b>	<b>(31,841)</b>

Net decrease in cash and cash equivalents	(22,865)
Cash and cash equivalents at beginning of year	83,421
<b>Cash and cash equivalents at end of year</b>	<b>\$ 60,556</b>

*Additional cash flow information:*

State registration taxes	\$ 150
<b>Interest paid</b>	<b>\$ 39,500</b>

# CONSERVATION EARTH, INC. dba WILDLIFE ASSOCIATES

## Statement of Functional Expenses Year Ended August 31, 2017

	Programs			General &		Total 2017
	Educational Programs	Animal Care	Fund- raising	Adminis- trative	Total	
Animal care, food, and supplies	\$ -	\$ 65,532	\$ -	\$ -	\$ -	65,532
Bank, finance and credit card charges	-	-	-	2,664	-	2,664
Compound maintenance and development	-	21,106	-	-	-	21,106
Depreciation and amortization	8,419	48,073	4,791	15,934	-	77,217
Interest	-	39,500	-	-	-	39,500
Marketing and special events	-	-	32,620	-	-	32,620
Office support and administration	4,957	-	2,327	2,101	-	9,385
Postage and delivery	-	-	-	2,013	-	2,013
Professional services	3,440	-	-	20,064	-	23,504
Promotion and advertising	9,815	-	-	-	-	9,815
Salaries, wages and benefits	196,316	217,418	36,837	41,767	-	492,338
Telecommunications	5,696	-	-	3,007	-	8,703
Transportation	17,438	-	-	-	-	17,438
Utilities and insurance	5,790	18,323	-	2,259	-	26,372
<b>Totals</b>	<b>\$ 251,871</b>	<b>\$ 409,952</b>	<b>\$ 76,575</b>	<b>\$ 89,809</b>	<b>\$ -</b>	<b>\$ 828,207</b>

See accompanying auditors' report and notes to financial statements.



Notes to Financial Statements  
August 31, 2017

**1. Organization**

Conservation Earth, Inc. dba Wildlife Associates is a California non-profit corporation organized in 1983 to educate the public about wildlife, nature, and to provide guardianship of non-releasable wildlife. From its office and wildlife sanctuary in Half Moon Bay, California, Wildlife Associates cares for injured and orphaned wildlife and presents educational programs throughout Northern California. Wildlife Associates' support comes primarily from fees charged for the educational programs and from donor contributions.

**2. Summary of Significant Accounting Policies**

*Basis of Accounting*

The financial statements of Wildlife Associates have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

*Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, Wildlife Associates 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. Wildlife Associates had no permanently restricted net assets as of August 31, 2017.

*Revenue Recognition*

Wildlife Associates records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities and changes in net assets as net assets released from restriction.

*Cash and Cash Equivalents*

Cash and cash equivalents are defined as cash and certificates of deposits that have a maturity of less than 90 days when initially acquired.

*Contributed Services*

Volunteers donate a substantial amount of time to Wildlife Associates. While significant in value, these services are not recorded in the financial statements since it is not susceptible to objective measurement or valuation and does not satisfy the requirements of ASC 958.605.30-11 "*Revenue Recognition of Not-For-Profit Entities*."

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

*Property and Equipment*

Property and equipment purchased by Wildlife Associates are recorded at cost. Property and equipment donated to Wildlife Associates are recorded at estimated fair value as of the date of the gift. Repairs and maintenance are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets of between 5 to 30 years.

*Income Taxes*

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, Wildlife Associates is required to report information regarding its exposure to various tax positions taken by Wildlife Associates and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that Wildlife Associates has adequately evaluated its current tax positions and has concluded that as of August 31, 2017, Wildlife Associates does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

Wildlife Associates has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that Wildlife Associates continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. Wildlife Associates may periodically receive unrelated business income (such as sublease rental income and advertising revenue) requiring Wildlife Associates to file separate tax returns under federal and state statutes. Under such conditions, Wildlife Associates calculates and accrues the applicable taxes.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts 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 reported period. Accordingly, actual results could differ from those estimates.

*Functional Allocation of Expenses*

The costs of providing Wildlife Associates' various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Notes to Financial Statements**

**3. Cash and Cash Equivalents**

Cash and cash equivalents consists of the following at August 31, 2017:

Checking account (bearing interest at 0.0501% per annum)	\$ 60,330
Money market account (bearing interest at 0.010% per annum)	226
<b>Total cash and cash equivalents</b>	<b>\$ 60,556</b>

**4. Property and Equipment**

Property and equipment consist of the following at August 31, 2017:

Office furniture and equipment	\$ 37,673
Equipment	49,695
Vehicles	150,343
Residence	543,887
Wildlife sanctuary	605,125
Barn	134,769
Land	1,260,227
	2,781,719
Less: accumulated depreciation	(726,878)
<b>Total cash and cash equivalents</b>	<b>\$ 2,054,841</b>

Depreciation expense amounted to \$65,240 for the year ended August 31, 2017. During the year ended August 31, 2017, Wildlife disposed of partially-depreciated property for \$2,500 to an unrelated third party, with an original cost basis of \$29,338 and accumulated depreciation of \$25,213, resulting in a loss on disposal of \$1,625.

**5. Rebranding Costs**

Wildlife Associates has expended \$83,148 for a Board-approved rebranding program which was designed to address elements of (a) strategic positioning, (b) media and technology, and (c) sanctuary development. Rebranding costs are being amortized over three years and amortization expense amounted to \$11,977 for the year ended August 31, 2017. Rebranding costs of \$44,920 are reflected net of accumulated amortization of \$38,228 at August 31, 2017.

Notes to Financial Statements

**6. Mortgage Payable**

Mortgage balance of \$802,554 at August 31, 2017 is payable to First National Bank, accrues interest at the fixed rate of 4.75% per annum, and requires monthly principal and interest payments in the amount of \$5,044. The mortgage loan is fully amortizing over 30 years with a maturity date of June 27, 2038 and is secured by real estate property including land, buildings and structures. Interest expense related to the mortgage payable amounted to \$39,195 for the year ended August 31, 2017.

Minimum principal payments over the next five years are as follows: \$22,904 due during fiscal year ending August 31, 2018; \$24,016 due during fiscal year ending August 31, 2019; \$25,182 due during fiscal year ending August 31, 2020; \$26,405 due during fiscal year ending August 31, 2021; \$27,687 due during fiscal year ending August 31, 2022; and \$676,360 due thereafter.

**7. Line of Credit**

In July 2015, Wildlife Associates obtained an unsecured line of credit with a bank for up to \$50,000 with a variable interest rate ("Index") based on the Prime Rate as published in the Wall Street Journal. Interest is calculated under the bank's "Interest Calculation Method" using 7.250 percentage points over the Index. The line of credit expired during the year ended August 31, 2017. Interest expense related to the line of credit amounted to \$293 during the year ended August 31, 2017.

**8. Compensated Absences (Accrued Payroll and Related Benefits)**

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, Wildlife Associates is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statement of financial position based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to \$79,330 at August 31, 2017.

**9. Retirement Plan**

Wildlife Associates maintains a salary deferral plan for eligible employees which is qualified under Internal Revenue Code Section 403(b). All contributions are made from employee compensation. The Plan does not provide for any matching contributions by Wildlife Associates.

Notes to Financial Statements

**10. Temporarily Restricted Net Assets**

Wildlife Associates recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following at August 31, 2017:

NGSS Science Program	\$ 25,000
Total temporarily restricted net assets	\$ 25,000

During the year ended August 31, 2017, temporarily restricted contributions amounted to \$25,000 and net assets released from restrictions amounted to \$30,000.

**11. Related Party Transactions**

Founder

In connection with the occupation of its facilities in Half Moon Bay, California, Wildlife Associates has an ongoing commitment to provide its Founder (and employee) with the free use of part of a building as a personal residence. The agreement provides that Wildlife Associates (as the employer) requires its founder to maintain a physical presence at the facility in order to oversee the animal facilities and promote community relations. Wildlife Associates has relied on Internal Revenue Code Section 119 and Revenue Ruling 75-540 which covers the tax ramifications regarding the value of lodging furnished by an employer for the convenience of the employer.

**12. Commitments and Contingencies**

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into and/or renew contracts related to ongoing operations, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and donor conditions which obligate Wildlife Associates to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond Wildlife Associates' control, such as general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

Notes to Financial Statements

**13. Advertising**

Advertising costs (which includes print, web and other advertising media) are expensed as incurred and are reflected as "promotion and advertising" expense on the statement of functional expenses. Advertising expense amounted to \$9,815 for the year ended August 31, 2017.

**14. Fair Values**

Wildlife Associates follows the provisions of ASC 820, *Fair Value Measurements and Disclosures*, and has estimated the fair value of its current assets using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that Wildlife Associates could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of August 31, 2017. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

**15. Subsequent Events**

In compliance with ASC 855, *Subsequent Events*, Wildlife Associates has evaluated subsequent events through April 19, 2018, the date the financial statements were available to be issued.