wildcare

and

Friends of wildcare

Significant Factors for Reviewing the Audited Financial Statements
For the Fiscal Years Ended September 30, 2017 through 2019
and Evaluating Current Financial Factors

San Rafael, California, June 30, 2020. This discussion is to provide some supplementary information that may be helpful to financial statement readers in reviewing the audited financial statements and Form 990's of WildCare and Friends of WildCare of the last several years and in looking at the current financial environment.

Fiscal 2020. In mid-March 2020 upon the advent of the world-wide pandemic, WildCare evaluated financial conditions, made necessary changes to operations, and enlisted governmental CARES Act programs for additional support. The Board and management have maintained full operations of animal care services as WildCAre was deemed an essential service and are modifying educational services to transition to virtual formats. Although there is no certainty of future financial effects of recent changes to the economy, to date WildCare appears to be financially as strong as in the comparable period of the prior year.

Fiscal 2019. The audit report of the most recent fiscal year ended September 30, 2019, reflects net income of $883K and an exceptionally strong current ratio of 4.52: 1 (i.e., $1,689K in current assets were 450% of current liabilities of $374K.) Total assets were $2.7 million and total net assets were $2.4 million; there was no long-term debt. Included in current assets was a significant bequest receivable which was received in the current fiscal year.

Three factors in analysis of ratios on the Statements of Functional Expenses warrant discussion regarding the effect of audit and accounting rules (GAAP—Generally Accepted Accounting Principles in the United States) on results, considering that program expenses at 61% of total expenses appear to be down compared to prior years. One effecting factor is in-kind legal expenses (value of the non-cash donations of pro-bono legal services) which is classified entirely as Management and General expense. Another factor affecting allocation percentages is a non-cash posting of allowance to doubtful accounts/bad debt expense of $115,000 against pledges from fiscal year 2017 which is classified entirely as Fundraising Expense. Lastly, WildCare would have significant in-kind revenue/expense from the donated services of volunteer animal care hospital workers which would be entirely categorized in the Program Expenses category and which would increase the overall percentage of Program Activities Expense if these donated services could be posted to financial records; however, unlike in-kind legal services, GAAP does not allow the value of these donated hospital volunteer services to be recognized in the accounting records. All of these items are correctly accounted for, but they should be considered in understanding total allocations as percentages.

Fiscal 2018. There was a significant delay in release of the 2018 audit report and Form 990's because the prior Director of Finance worked while suffering periodic long hiatuses during an extended illness, finally passing away in November, 2018. His condition resulted in deficiencies in completion and quality of accounting records over an 18-month period which were not fully understood until after his passing. Upon realization of the extent of the reporting problems, the Board and management identified and hired accounting staff able to update records, upgrade systems and procedures, and produce documentation required for completion of the audit report and filing of Form 990's.

Fiscal 2018 and 2017. Over several years WildCare underwent a campaign to obtain new facilities at a long-term leasehold property, subsequently determining the revised estimated cost of improvements would be prohibitive. Settlement costs from the discontinued operation resulted in large losses in years ending September 2017 and 2018. In December 2017 the Board established a separate not-for-profit corporation, Friends of WildCare, having the sole purpose of holding assets of about $1.5 million in cash and pledges restricted to identifying and securing a new facility to advance the mission of caring for injured wildlife and educating the public on living well with wildlife and continuing fund-raising efforts for the project which is ongoing.

Please contact Executive Director Ellyn Weisel with questions at (415) 453 – 1000, Ext. 31 or **Ellyn@discoverwildcare.org**.

Robert Kendall,
Director of Finance
(A Florida CPA from 1983 to 2018)

wildcare

Financial Statements

For the Year Ended
September 30, 2017

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

WILDCARE

(A California Not-For-Profit Corporation)
September 30, 2017

CONTENTS

WildCare
76 Albert Park Lane
San Rafael, California 94901
415.456.7283
Web Site Address: www.discoverWildCare.org
Email: info@discoverWildCare.org

CERTIFIED PUBLIC ACCOUNTANTS
103 TOWN & COUNTRY DRIVE, SUITE K, DANVILLE, CALIFORNIA 94526
DOUGLAS REGALIA, CPA
MARIANNE RYAN
JANICE TAYLOR, CPA
LISA CLOVEN, CPA
JENNY SO, CPA
JENNIFER JENSEN
DANA CHAVARRIA, CPA
TRICIA WILSON
WENDY THOMAS, CPA
LISA PARKER, CPA [inactive]
JEANNINE REGALIA, CPA
VALERIE REGALIA
WEB: WWW.MRCPA.COM OFFICE: 925.314.0390 FAX: 925.314.0469

INDEPENDENT AUDITORS' REPORT

The Board of Directors
WildCare

We have audited the accompanying financial statements of WildCare (a California nonprofit organization) which comprise the statement of financial position as of September 30, 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 WildCare as of September 30, 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.

Regalia & Associates

Danville, California
November 16, 2018

Statement of Financial Position
September 30, 2017

ASSETS

Current assets:	
Cash and cash equivalents	$ 2,408,232
Accounts, grants and pledges receivable	175,198
Prepaid expenses and other assets	52,649
Total current assets	2,636,079
Non-current assets:	
Grants and pledges receivable, net	1,083,074
Investments	123,505
Deposits	1,900
Property and equipment, net	52,572
Total noncurrent assets	1,261,051
	$ 3,897,130

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued liabilities	$ 102,508
Payroll liabilities	101,295
Discontinued project liabilities	1,313,516
Unearned revenue	16,552
Total current liabilities	1,533,871
Net assets:	
Unrestricted	765,415
Temporarily restricted	1,502,982
Permanently restricted	94,862
Total net assets	2,363,259
	$ 3,897,130

Statement of Activities and Changes in Net Assets
Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets:				
Support:				
Grants and awards	$ 408,388	$ -	$ -	$ 408,388
Donations	2,315,554	667,559	-	2,983,113
Bequests	201,314	-	-	201,314
In-kind donations	356,148	-	-	356,148
Special events	290,858	-	-	290,858
Change in discount on long-term pledges	-	(47,872)	-	(47,872)
Net assets released from restrictions	1,858,799	(1,858,799)	-	-
Total support	5,431,061	(1,239,112)	-	4,191,949
Revenue:				
Program fees	281,422	-	-	281,422
Merchandise sales	22,971	-	-	22,971
Loss on disposal of property and equipment	(1,861)	-	-	(1,861)
Unrealized gains on investments	18,876	-	-	18,876
Interest and dividends	21,583	-	-	21,583
Other	17,626	-	-	17,626
Total revenue	360,617	-	-	360,617
Total support and revenue	5,791,678	(1,239,112)	-	4,552,566
Expenses:				
Program	2,022,357	-	-	2,022,357
General and administrative	2,595,155	-	-	2,595,155
Fundraising	293,818	-	-	293,818
Total expenses	4,911,330	-	-	4,911,330
Increase (decrease) in net assets	880,348	(1,239,112)	-	(358,764)
Net assets at beginning of year	2,002,349	2,742,094	94,862	4,839,305
Prior period adjustment	(2,117,282)	-	-	(2,117,282)
Net assets at end of year	$ 765,415	$ 1,502,982	$ 94,862	$ 2,363,259

Statement of Cash Flows
Year Ended September 30, 2017

Operating activities:	
Decrease in net assets	$ (358,764)
Adjustments to reconcile to cash used for operating activities:	
Depreciation	20,746
Unrealized gains on investments	(18,876)
Change in discount on long-term pledges	47,872
Loss on disposal of property and equipment	1,861
Changes in:	
Grants, pledges, and accounts receivable	(483,743)
Prepaid expenses and other assets	(13,679)
Deposits	25,147
Accounts payable and accrued liabilities	(34,814)
Payroll liabilities	6,766
Discontinued project liability	1,313,516
Unearned revenue	(25,787)
Cash provided by operating activities	480,245
Investing activities:	
Acquisition of property and equipment	(9,085)
Disposition of investments, net	2,548
Cash used for investing activities	(6,537)
Net increase in cash and cash equivalents	473,708
Cash and cash equivalents at beginning of year	1,934,524
Cash and cash equivalents at end of year	$ 2,408,232
Additional cash flow information:	
State registration taxes paid	$ 150
Interest paid	$ -

Statement of Functional Expenses
Year Ended September 30, 2017

	Program	General and Admin-istrative	Fund-raising	Total
Salaries and wages	$ 1,151,274	$ 305,170	$ 102,384	$ 1,558,828
Payroll taxes and other staffing costs	92,218	24,444	8,201	124,863
Employee benefits	127,607	33,825	11,348	172,780
Total salaries, taxes, and benefits	1,371,099	363,439	121,933	1,856,471
Advertising and promotion	11,561	3,025	1,015	15,601
Animal care and food	67,664	-	-	67,664
Bad debt expense	-	56,185	-	56,185
Depreciation	15,322	4,061	1,363	20,746
Direct Mail	66,976	-	46,722	113,698
Dues, fees, and other charges	31,802	7,519	36	39,357
Equipment leases and purchase	18,054	4,786	1,606	24,446
Discontinued project expenses	-	1,313,516	-	1,313,516
Hospital supplies and services	54,358	-	-	54,358
In-kind services	-	339,568	5,922	345,490
Insurance	19,887	5,271	1,769	26,927
Maintenance and repair	21,839	3,752	1,259	26,850
Meetings and conferences	-	543	-	543
Miscellaneous	12,994	3,444	1,156	17,594
Occupancy	6,123	150,707	30,160	186,990
Outside services	138,819	306,956	58,530	504,305
Postage and delivery	8,550	918	8,884	18,352
Printing and publications	23,405	6,204	2,081	31,690
Program materials	11,768	-	-	11,768
Property taxes	8,325	2,207	740	11,272
Scholarships, grants and awards	37,367	-	2,908	40,275
Supplies	5,525	1,464	491	7,480
Telephone and internet	27,339	7,247	2,431	37,017
Transportations and travel costs	17,771	2,200	738	20,709
Utilities	32,504	8,616	2,891	44,011
Volunteer expenses	13,305	3,527	1,183	18,015
Total expenses	$ 2,022,357	$ 2,595,155	$ 293,818	$ 4,911,330

Notes to Financial Statements
September 30, 2017

1. Organization

WildCare is a California-based non-profit public benefit corporation which was created in 1994 as the result of a merger between the California Center for Wildlife and the Terwilliger Nature Education Center. The predecessor organization had been operating on the same site since 1954.

WildCare is a 501(c)(3) nonprofit wildlife hospital and environmental education center based in San Rafael, California. For over 60 years, WildCare has been a first responder to wildlife that share the same habitat as humans. Annually, its hospital provides emergency and ongoing medical care to more than 40,000 animals from more than 200 distinct species. Nearly 99% of the wild animals assisted by the organization have been injured in some way as a result of human interaction. In addition to giving sick and injured wild animals and birds a second chance at life, WildCare works to encourage humans to live well with wildlife. To that end, its environmental education programs reach approximately 52,000 school children and adults annually, a hotline responds to callers seeking information about local wildlife, and it operates a service that humanely removes unwanted wildlife from residential and commercial properties. Because of the large number of wild animals it treats and due to its large geographical reach in the San Francisco Bay Area, WildCare is in a special position to contribute to scientific exploration of linkages between wild animal diseases and environmental health.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of WildCare have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America 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, WildCare 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. WildCare has also adopted the provisions of ASC 958.205.55.31 thru 958.205.55.53, *Presentation of Financial Statements – Endowment Disclosures*.

Revenue Recognition

WildCare 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.

Notes to Financial Statements

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

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 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 support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

WildCare considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. WildCare maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. WildCare has not experienced any losses in such accounts.

Investments and Endowment

WildCare follows the provisions of ASC 958.320, *Investments – Debt and Equity Securities of Not-for-Profit Entities* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that WildCare 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 September 30, 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.

Investments include cash, stocks, and mutual funds. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statement of activities and changes in net assets.

As required by ASC 958.320, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. WildCare seeks to conform to the principles set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in adopting policies for management of its endowment funds.

As a result of this interpretation, WildCare classifies as permanently restricted net assets the original value of all gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as either temporarily restricted net assets or unrestricted net assets until those amounts are appropriated for expenditure by WildCare in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

Inventory

Inventory consists of logo merchandise and educational books related to Wildcare's mission, and is stated at cost which is averaged over the number of units purchased. Management uses the first in, first out method of accounting for inventory. Inventory at September 30, 2017 amounted to $11,860 and is included with prepaid expenses and other assets on the statement of financial position.

Property, Equipment, and Improvements

Property and equipment are valued at cost or, if donated, at fair market value on the date of donation. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets. The cost of property and equipment which benefit future periods is capitalized and depreciated over the estimated useful life of each class of depreciable asset.

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Accordingly, WildCare recognized $356,148 during the year ended September 30, 2017 principally for in-kind services and facilities.

Net Assets

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets if they are designated as support for future periods or future projects when they are received.

WildCare reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Permanently restricted net assets include those net assets that must be maintained in perpetuity in accordance with donor restrictions (see Note 12). The investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, the income from such investments is not restricted and is included in unrestricted net assets.

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

Net Assets (continued)

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Directors may elect certain unrestricted funds to be set aside as Board designated funds, which may not be spent without approval by the Board.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in unrestricted net assets. WildCare reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions in which the donor restrictions are never relieved because of endowment instruments and instructions are recorded as permanently restricted support. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Advertising

Advertising costs (which includes advertising, marketing, and direct mail) are expensed as incurred. Advertising costs amounted to $15,601 for the year ended September 30, 2017 and is reported on the statement of functional expenses.

Functional Allocation of Expenses

The costs of providing WildCare's 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.

Indirect Expense Allocations

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated to the various functional area based on work assignments of personnel and square footage of the facility, as estimated by management.

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

Income Taxes
Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, WildCare is required to report information regarding its exposure to various tax positions taken by WildCare 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 WildCare has adequately evaluated its current tax positions and has concluded that as of September 30, 2017, WildCare does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

WildCare 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 WildCare continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. WildCare may periodically receive unrelated business income (such as program advertising income) requiring WildCare to file separate tax returns under federal and state statutes. If such conditions exist, WildCare will calculate the applicable taxes, remit any amounts owed, and file the appropriate tax returns.

3. Cash and Cash Equivalents

Cash and cash equivalents (including cash reserves) include all funds in banks (checking, savings, and certificates of deposit) at the time of acquisition which have a maturity date of three months or less. The components of cash and cash equivalents are as follows at September 30, 2017:

Checking and cash accounts	$ 378,259
Money market accounts	2,029,973
Total cash and cash equivalents and cash reserves	$ 2,408,232

Deposits in money market accounts earn interest at rates averaging between .04% and 0.05% per annum as of September 30, 2017.

Concentration:
WildCare maintains a majority of its cash in bank deposit accounts which, at times, may exceed federally insured limits of $250,000. WildCare attempts to limit its credit risk associated with cash equivalents by utilizing highly rated financial institutions and has not experienced any losses in such accounts. Management believes the organization is not exposed to any significant credit risk relating to its cash deposits. As of September 30, 2017, the uninsured portion of all cash balances amounted to $2,158,232.

Notes to Financial Statements

4. Accounts, Grants and Pledges Receivable

Accounts, grants and pledges receivable are expected to be collected as follows at September 30, 2017:

Accounts, grants and pledges receivable within one year	$	175,198
Accounts, grants and pledges receivable within one to five years		1,171,531
Subtotal		1,346,729
Less: Allowance for doubtful accounts		(26,935)
Less: Unamortized discount		(61,522)
Subtotal		1,258,272
Total amounts due within one year (net)		(175,198)
Total Accounts, grants and pledges receivable long-term (net)	$	1,083,074

Grants and pledges receivable represent amounts due from various sources, including foundations, individuals, and others. Grants and pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4% per annum (based on certain relevant data regarding the type of receivable). During the year ended September 30, 2017, the change in the discount for multi-year contributions receivable amounted to $47,872 and is reflected on the statement of activities and changes in net assets as a change in the value of temporarily restricted net assets.

At September 30, 2017, WildCare established a 2% reserve for uncollectible accounts in the amount of $26,935. During the year ended September 30, 2017, WildCare wrote off $56,185 in receivables deemed to be uncollectible and reflected this adjustment as bad debt expense on the statement of functional expenses.

5. Property and Equipment

Property and equipment consist of the following at September 30, 2017:

Land	$	15,000
Building and improvements		150,599
Furniture and equipment		473,895
Less accumulated depreciation		(586,922)
Total property and equipment, net	$	52,572

Depreciation expense for the year ended September 30, 2017 amounted to $20,746 and is reported on the statement of functional expenses. During the year ended September 30, 2017, WildCare disposed of $107,450 in property and equipment resulting in a loss on disposal of $1,861.

6. Investments and Endowment

Investments consist of the following at September 30, 2017:

	Cost	Fair Value
Money market funds	$ 5,389	$ 5,389
Equities	57,506	71,343
Investment in perpetual trust	46,773	46,773
Total investments	$ 109,668	$ 123,505

Money market funds and equities are reflected at estimated fair values as noncurrent assets on the statement of financial position and are domiciled at a local financial institution. As disclosed below, $984,862 of investments are classified as permanently restricted net assets, $9,973 as temporarily restricted net assets, and the remaining as unrestricted net assets.

During the year ended September 30, 2017, earnings on investments were generally reinvested. Estimated earnings yields for money market funds amounted 0.20% as of September 30, 2017.

Total investment income for the year ended September 30, 2017 included $21,583 in interest and dividends and $18,876 in unrealized gains. Most of the investment income (including interest, dividends, and unrealized gains/losses, were initially reflected as changes to permanently restricted net assets and then transferred to unrestricted net assets in accordance with ASC 958.205.55.31.

In addition to the money market funds and equities listed above, WildCare is a designated beneficiary of a perpetual trust administered by the Marin Community Foundation (which has variance power). The terms of the trust mandate perpetual control of the corpus by the named trustee. WildCare is entitled to receive annually a portion of the fund's investment earnings in accordance with the Marin Community Foundation's spending policy. Excess earnings are applied towards the principal balance for future distribution. During the year ended September 30, 2017, WildCare received a distribution of $2,043 for the investment in perpetual trust and $12,914 for the designated beneficiary trust.

WildCare has an Investment Committee which has the responsibility for establishing, modifying, and adjusting WildCare's investment objectives. This committee routinely oversees investment activity and performance. The Finance Committee reviews cash flows necessary to sustain WildCare's operating activities.

(continued)

6. Investments and Endowment *(continued)*

Endowment net asset composition by type of fund is summarized as follows as of September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted investments	$ 18,670	$ 9,973	$ 94,862	$ 123,505
Total investments	$ 18,670	$ 9,973	$ 94,862	$ 123,505

Changes in endowment net assets for the fiscal year ended September 30, 2017 is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 5,168	$ 7,147	$ 94,862	$ 107,177
Investment return:				
Investment income	-	364	1,621	1,876
Unrealized gains	296	5,583	12,997	18,876
Total investment return	296	5,947	14,618	20,752
Transfers	13,206	-	(13,206)	-
Investment fees	-	(3,121)	(1,303)	(4,424)
Endowment net assets at end of year	$ 18,670	$ 9,973	$ 94,862	$ 123,505

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires WildCare to retain as a fund of perpetual duration. In accordance with ASC 958.205.55.31, there were no deficiencies of this nature that are required to be reported in unrestricted net assets as of September 30, 2017. Although there were none at September 30, 2017, future deficiencies could result from unfavorable market fluctuations that occurred after the investment of new restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. WildCare's investments may decline below their original basis due to market fluctuations and unrealized losses which are beyond the control of WildCare's management. Deficiencies of this nature, if any, are reported in unrestricted net assets.

Return Objectives and Risk Parameters

The portion of the endowment funds which are not classified as permanently restricted net assets are recorded as temporarily restricted net assets until those amounts are appropriated for expenditure by WildCare management in a manner consistent with State Prudent Management of Institutional Funds Act (SPMIFA).

(continued)

6. Investments and Endowment *(continued)*

Return Objectives and Risk Parameters

WildCare has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that WildCare must hold in perpetuity or for a donor-specified period(s).

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that approximate the price and yield results of the general market conditions while assuming a moderate level of investment risk. WildCare expects its endowment funds, over time, to provide an average rate of return of approximately 3% to 4% annually before taking into consideration any unrealized gains. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, WildCare relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). WildCare targets a diversified asset mix, including equities and debt securities that places an emphasis on investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization follows Marin Community Foundation's policy of appropriating for distribution each year a flexible amount that ensures spending will continue without deterioration of endowment principal. For the year ending September 30, 2017, Marin Community Foundation approved a spending level of 4.75% of the fair market value of the invested endowment fund.

7. Fair Value Measurements

Composition of assets utilizing fair value measurements at September 30, 2017 is as follows:

	Total	Level 1	Level 2	Level 3
Money market funds	$ 5,389	$ 5,389	$ -	$ -
Equities	71,343	71,343	-	-
Investment in perpetual trust	46,773	-	-	46,773
Accounts, grants, and pledges receivable	1,258,272	-	175,198	1,083,074
Deposits	1,900	-	-	1,900
Totals	$ 1,383,677	$ 76,732	$ 175,198	$ 1,131,747

(continued)

7. Fair Value Measurements *(continued)*

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on “unobservable inputs," such as a company’s own estimates and pricing models.

Assets Classified as Level 3

The significant unobservable inputs used in the fair value measurement of the entity’s receivables are the estimated present values of the future estimated cash flows. The income approach uses valuation techniques to convert future amounts (cash flows) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques principally include present value formulas which incorporate certain rate of return assumptions. Deposit assets are reflected at book value and are not stated at net realizable value or at the estimated present value of such future amounts.

8. Discontinued Project Liabilities and Expenses

Subsequent to the year ended September 30, 2017, WildCare discontinued the site project at Smith Ranch Road where it was contractually obligated to remit rental payments under a 20-year lease agreement through March 2023. On February 9, 2018, WildCare gave notice of its intent to terminate the lease and to surrender the leased premises.

On May 7, 2018, WildCare and the land owner entered into a Confidential Settlement Agreement And Mutual General Release Agreement to resolve all outstanding liabilities. In this Agreement, WildCare agreed to settle the matter by remitting $335,000. This amount has been reflected as a short-term liability on the statement of financial position.

Also included in discontinued project liabilities is an amount equal to $978,516 representing restricted donations received in a prior year. Because these funds were not utilized for the intended donor purpose, WildCare has classified them as a current liability and will refund the grants to the original donors. Accordingly, these financial statements reflect (a) discontinued project expenses in the amount of $1,313,516 on the statement of functional expenses and (b) a liability in the amount of $1,313,516 classified with discontinued project liabilities on the statement of financial position.

Notes to Financial Statements

9. Unearned Revenue

Unearned revenue of $16,552 at September 30, 2017 represents funds received in advance for educational programs scheduled for the following fiscal year. Such amounts have been reflected as a current liability on the statements of financial position and will be recognized as earned revenue subsequent to year-end as the programs occur.

10. Lease Commitments

WildCare leases land at Smith Ranch Road in San Rafael (see construction in progress footnote) under a non-cancellable, twenty year lease agreement, expiring in March 2023, with two, seven year extension renewals. Lease payments increase annually based on the consumer price index up to a 3% maximum. Rent expense for the year ended September 30, 2017 amounted to $160,043.

As disclosed in Note 8, WildCare discontinued the site project at Smith Ranch Road subsequent to the end of the fiscal year and withdrew from the associated lease obligation. WildCare and the loan owner agreed to terminate the lease which required a payment of $335,000.

WildCare leases a photocopier under a non-cancellable agreement expiring in November 2018. Future minimum payments under this agreement amount to $1,632 for the year ending September 30, 2019 and $272 September 30, 2020.

11. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future program activities, 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) Grant restrictions and donor conditions which obligate WildCare to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond the Society's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts.

Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting organizations.

12. Net Assets

Temporarily restricted net assets consist of the following at September 30, 2017:

Restricted for facilities expansion	$ 1,169,415
Restricted for aviaries and caging	132,392
Restricted for Nature Education Center	50,000
Restricted for Hospital Building	200,000
Discount on long-term pledges	(61,522)
Endowment investment earnings	9,973
Total temporarily restricted net assets	$ 1,502,982

During the year ended September 30, 2017, the increase in temporarily restricted net assets amounted to $667,559. Temporarily restricted net assets released from restriction amounted to $1,909,395 during the year ended September 30, 2017.

Permanently restricted net assets consist of the following at September 30, 2017:

Investments-Equities	$ 58,062
Interest in perpetual trusts	36,800
Total permanently restricted net assets	$ 94,862

There were no contributions of permanently restricted net assets during the year ended September 30, 2017.

The Board of Directors of WildCare has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift absent any explicit donor stipulations to the contrary. As a result of this interpretation, WildCare classified as permanently restricted net assets: (a) the original value of the 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 gift is added to the fund.

Notes to Financial Statements

13. Special Events

A summary of the special events held for the year ended September 30, 2017 is as follows:

	Gala	Dining for Wildlife	Other Events	Total
Auction Sales	$ 41,265	$ -	$ -	$ 41,265
Ticket Sales	24,000	41,690	4,827	70,517
Donations	236,658	18,908	5,210	260,776
Gross Revenue	301,923	60,598	10,037	372,558
Direct Expenses	57,607	22,000	2,093	81,700
Special Events, net	$ 244,316	$ 38,598	$ 7,944	$ 290,858

14. Related Party Transactions

During the year ended September 30, 2017, certain members of the Board of Directors contributed a total of $224,000 in donations to WildCare. These amounts are included with contributed income under donations on the statement of activities and changes in net assets. Included in accounts, grants and pledges receivable at September 30, 2017 are $182,000 of donations made by certain members of the Board of Directors.

Subsequent to September 30, 2017, WildCare began the process of creating a new 501(c)(3) titled "Friends of WildCare." The purpose of this new organization is to support the operating activities of WildCare by receiving and holding segregated funds in order to protect the financial health of WildCare. Management anticipates receiving final approval of exempt status during the fiscal year ending September 30, 2018.

15. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, WildCare is required to record a liability for the estimated amounts of compensation and related benefits under existing employment laws. 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 statements of financial position based on compensation rates in effect at the end of the fiscal year. Accrued vacation amounted to $78,315 at September 30, 2017 and is included in payroll liabilities on the statement of financial position.

Notes to Financial Statements

16. Retirement Plans

WildCare maintains a 401(k) safe harbor profit sharing pension plan covering all eligible employees who have attained twenty-one years of age and have completed twelve months of service. Employees are eligible to make elective contributions up to the maximum amount allowed by the Internal Revenue Code. WildCare makes matching contributions up to 6% of the employees' eligible compensation. WildCare contributed $49,264 for the year ended September 30, 2017.

17. Allocation of Joint Costs

WildCare follows the provisions of ASC 958.720-05 *Other Expenses of Not-for-Profits*. Under ASC 958.720-05, WildCare incurred allocable joint costs of $113,698 for the informational materials and activities that included fundraising appeals during the year ended September 30, 2017. Of those costs, $46,722 were allocated to fundraising expense and $66,976 were allocated to public education. These allocations were based on independent analyses of the costs pertaining to the underlying direct mail program and the educational and fundraising activities were associated with various mailings.

18. Prior Period Adjustment

Subsequent to September 30, 2017, WildCare discontinued the site project at Smith Ranch Road and withdrew from the lease obligation under an agreement with the land owner (as disclosed in Note 8). Accordingly, previously capitalized costs amounting to $2,117,282 were removed from the organization's assets and reflected as a prior period adjustment on the statement of activities and change in net assets, resulting in a decrease of total net assets.

19. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, WildCare has evaluated subsequent events through December 18, 2018, the date the financial statements were available to be issued.

Subsequent to September 30, 2017, WildCare discontinued the site project at Smith Ranch Road and withdrew from the lease obligation under an agreement with the land owner. See Note 8 and Note 18.

Subsequent to September 30, 2017, WildCare began the process of creating a new 501(c)(3) titled "Friends of WildCare." See Note 14. In the opinion of management, there are no other subsequent events which need to be disclosed.