

WILDLIFE RESCUE & REHABILITATION, INC.

Audited Financial Statements

December 31, 2014

AKIN, DOHERTY, KLEIN & FEUGE, P.C.
Certified Public Accountants

WILDLIFE RESCUE & REHABILITATION, INC.
Table of Contents
December 31, 2014

	<u>Page</u>
Audited Financial Statements	
Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Audited Financial Statements	9



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wildlife Rescue & Rehabilitation, Inc.
Kendalia, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Wildlife Rescue & Rehabilitation, Inc. (a non-profit organization), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U. S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with U. S. generally accepted auditing standards. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wildlife Rescue & Rehabilitation, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with U. S. generally accepted accounting principles.



Akin, Doherty, Klein & Feuge, P.C.

San Antonio, Texas

May 15, 2015

WILDLIFE RESCUE & REHABILITATION, INC.
Statements of Financial Position
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 381,769	\$ 149,332
Investments, unrestricted	446,145	-
Investments, Board designated endowments	167,457	166,155
Accounts receivable, trade	-	1,802
Prepaid expenses and other current assets	4,274	12,530
Sanctuary animals	1	1
Fixed assets, net	<u>3,221,331</u>	<u>3,263,421</u>
Total Assets	<u><u>\$ 4,220,977</u></u>	<u><u>\$ 3,593,241</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 78,310	\$ 38,967
Accrued expenses	18,154	16,901
Deferred revenue	17,500	14,260
Long term debt, related-party	142,088	150,000
Long term debt, third-party	160,300	249,179
Total liabilities	<u>416,352</u>	<u>469,307</u>
Net Assets:		
Unrestricted	3,496,298	2,952,779
Unrestricted, Board designated	167,457	166,155
Temporarily restricted	140,870	5,000
Total net assets	<u>3,804,625</u>	<u>3,123,934</u>
Total Liabilities and Net Assets	<u><u>\$ 4,220,977</u></u>	<u><u>\$ 3,593,241</u></u>

See notes to audited financial statements.

WILDLIFE RESCUE & REHABILITATION, INC.
Statements of Activities
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Support and Revenues			
Support:			
Contributions	\$ 2,160,310	\$ 140,870	\$ 2,301,180
Donations, in-kind	196,922	-	196,922
Special events, net of expenses	72,392	-	72,392
Revenues:			
Thrift store, net	25,424	-	25,424
Rental income	12,895	-	12,895
Other income	16,443	-	16,443
Total support and revenues	<u>2,484,386</u>	<u>140,870</u>	<u>2,625,256</u>
Expenses			
Program service	1,586,629	-	1,586,629
General and administrative	205,945	-	205,945
Fundraising	154,689	-	154,689
Total expenses	<u>1,947,263</u>	<u>-</u>	<u>1,947,263</u>
Investment Earnings			
Earnings from investments	12,403	-	12,403
Realized gain from investments	8,429	-	8,429
Unrealized loss from investments	(18,134)	-	(18,134)
Investment earnings, net	<u>2,698</u>	<u>-</u>	<u>2,698</u>
Change in Net Assets	539,821	140,870	680,691
Net assets at beginning of year	3,118,934	5,000	3,123,934
Net assets released from restriction	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 3,663,755</u>	<u>\$ 140,870</u>	<u>\$ 3,804,625</u>

See notes to audited financial statements.

WILDLIFE RESCUE & REHABILITATION, INC.
Statements of Activities
Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Support and Revenues			
Support:			
Contributions	\$ 2,087,277	\$ 5,000	\$ 2,092,277
Donations, in-kind	162,879	-	162,879
Special events, net of expenses	105,498	-	105,498
Revenues:			
Thrift store, net	17,444	-	17,444
Rental income	17,794	-	17,794
Other income	12,317	-	12,317
Total support and revenues	<u>2,403,209</u>	<u>5,000</u>	<u>2,408,209</u>
Expenses			
Program service	1,785,895	-	1,785,895
General and administrative	132,037	-	132,037
Fundraising	209,707	-	209,707
Total expenses	<u>2,127,639</u>	<u>-</u>	<u>2,127,639</u>
Investment Earnings			
Earnings from investments	6,192	-	6,192
Realized gain from investments	973	-	973
Unrealized gain from investments	14,019	-	14,019
	<u>21,184</u>	<u>-</u>	<u>21,184</u>
Change in Net Assets	296,754	5,000	301,754
Net assets at beginning of year	2,797,180	25,000	2,822,180
Net assets released from restriction	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 3,118,934</u>	<u>\$ 5,000</u>	<u>\$ 3,123,934</u>

See notes to audited financial statements.

WILDLIFE RESCUE & REHABILITATION, INC.
Statements of Functional Expenses
Year Ended December 31, 2014

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits:				
Salaries	\$ 569,927	\$ 66,407	\$ 76,603	\$ 712,937
Payroll taxes	48,622	5,665	6,536	60,823
Employee benefits	39,569	4,610	5,320	49,499
Total salaries and benefits	<u>658,118</u>	<u>76,682</u>	<u>88,459</u>	<u>823,259</u>
Advertising and promotion	-	-	17,189	17,189
Bank service charges	-	-	11,886	11,886
Community animal rescue	130,719	-	-	130,719
Contract labor	6,240	7,671	-	13,911
Facility maintenance and repair	35,953	4,565	-	40,518
Insurance	35,256	1,090	-	36,346
Interest	667	22,994	-	23,661
Licenses and permits	410	1,623	-	2,033
Membership dues	2,157	416	-	2,573
Printing and copying	17,616	17,616	17,615	52,847
Miscellaneous	4,797	4,797	4,943	14,537
Office supplies	20,247	11,170	3,490	34,907
Postage	3,772	1,677	4,209	9,658
Professional development	2,960	5,721	1,184	9,865
Professional fees	23,583	23,582	-	47,165
Stipends	89,796	-	90	89,886
Telephone and internet	38,890	11,111	5,556	55,557
Travel, mileage	2,302	228	68	2,598
Utilities	101,375	4,224	-	105,599
Vehicle expenses	16,174	-	-	16,174
Depreciation	204,775	10,778	-	215,553
In-kind expense	<u>190,822</u>	<u>-</u>	<u>-</u>	<u>190,822</u>
Total Expenses	<u><u>\$ 1,586,629</u></u>	<u><u>\$ 205,945</u></u>	<u><u>\$ 154,689</u></u>	<u><u>\$ 1,947,263</u></u>

See notes to audited financial statements.

WILDLIFE RESCUE & REHABILITATION, INC.
Statements of Functional Expenses
Year Ended December 31, 2013

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits:				
Salaries	\$ 756,211	\$ 43,286	\$ 74,239	\$ 873,736
Payroll taxes	61,017	3,560	6,105	70,682
Employee benefits	27,202	15,349	5,583	48,134
Total salaries and benefits	<u>844,430</u>	<u>62,195</u>	<u>85,927</u>	<u>992,552</u>
Advertising and promotion	7,715	1,234	21,909	30,858
Bank service charges	-	1,513	8,476	9,989
Community animal rescue	216,074	-	-	216,074
Community education	3,017	-	-	3,017
Contract labor	14,195	3,614	-	17,809
Facility maintenance and repair	52,727	13,349	667	66,743
Fundraising	-	-	58,455	58,455
Insurance	35,966	7,682	2,093	45,741
Interest	6,947	10,255	-	17,202
Licenses and permits	1,156	13	16	1,185
Membership dues	2,125	805	217	3,147
Miscellaneous	22	2,145	-	2,167
Printing and copying	10,061	-	10,062	20,123
Office supplies	7,577	4,822	5,305	17,704
Postage	3,650	7,904	5,988	17,542
Professional development	10,304	2,023	627	12,954
Professional fees	7,126	9,939	1,688	18,753
Stipends	76,917	-	-	76,917
Telephone and internet	29,687	2,382	4,581	36,650
Travel, mileage	2,198	72	276	2,546
Utilities	62,635	1,545	3,085	67,265
Vehicle expenses	43,155	545	335	44,035
Volunteer expenses	1,585	-	-	1,585
Depreciation	183,747	-	-	183,747
In-kind expense	<u>162,879</u>	<u>-</u>	<u>-</u>	<u>162,879</u>
Total Expenses	<u><u>\$ 1,785,895</u></u>	<u><u>\$ 132,037</u></u>	<u><u>\$ 209,707</u></u>	<u><u>\$ 2,127,639</u></u>

See notes to audited financial statements.

WILDLIFE RESCUE & REHABILITATION, INC.
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Activities		
Change in net assets	\$ 680,691	\$ 301,754
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	215,553	183,747
Donated investments	(492,152)	-
Donated vehicle	(6,100)	-
Unrealized (gain) loss on investments	18,134	(14,019)
Realized (gain) on investments	(8,429)	(973)
Realized (gain) on sale of fixed assets	-	(2,970)
Changes in operating assets and liabilities:		
Accounts receivable	1,802	244
Prepaid expense and other assets	8,256	1,669
Accounts payable and accrued expenses	40,596	13,835
Deferred revenue	3,240	4,010
Net cash provided by operating activities	<u>461,591</u>	<u>487,297</u>
Investing Activities		
Purchase of investments	-	(1,528)
Purchases of fixed assets	(167,363)	(815,463)
Proceeds from sale of investments	35,000	-
Proceeds from sale of fixed assets	-	5,895
Net cash (used) by investing activities	<u>(132,363)</u>	<u>(811,096)</u>
Financing Activities		
Borrowings on long-term debt, related-party	-	150,000
Borrowings on long-term debt	25,000	102,000
Repayments on long-term debt, related party	(7,912)	-
Repayments on long-term debt	(113,879)	(21,050)
Net cash provided (used) by financing activities	<u>(96,791)</u>	<u>230,950</u>
Net change in cash	232,437	(92,849)
Cash and cash equivalents at beginning of year	<u>149,332</u>	<u>242,181</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 381,769</u></u>	<u><u>\$ 149,332</u></u>
Supplemental Disclosures		
Interest paid in cash	\$ 23,661	\$ 17,702
Income taxes paid in cash	-	-
Non-cash donations, in-kind	196,922	162,879

See notes to audited financial statements.

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2014 and 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Wildlife Rescue & Rehabilitation, Inc. (WRR or the Organization) is a not-for-profit organization founded in 1977 and is dedicated to the rescue, rehabilitation, and release of orphaned, injured, and displaced wildlife. WRR provides permanent care for non-indigenous wild animals who have been victimized by the exotic pet trade, rescued from roadside zoos, or retired from research facilities. Indigenous wild animals that are deemed non-releasable due to serious injury are also given permanent care at the sanctuary. WRR serves the areas surrounding Austin and San Antonio, Texas, and provides assistance on a national basis to wild animals in need of rescue from its 212 acre site in Kendalia, Texas.

WRR opened its Sherman Animal Care Complex in San Antonio in early January 2010. This location, which was funded by the Sherman Foundation, serves as a drop-off point for injured and orphaned wildlife, a temporary rehabilitation center for certain species of orphaned mammals and birds, a small rescue and adoption site for cats, and an education center. The immediate care available at this facility is critical in saving more animals' lives and also relieves pressure on the sanctuary clinic in Kendalia during the busiest time of year.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed restrictions. Assets restricted solely through actions of the Board are reported as designated, unrestricted net assets.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed restrictions that will be met by actions of WRR and/or the passage of time. When a restriction expires, 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: Net assets subject to donor-imposed stipulations that such assets be maintained permanently by WRR. Generally, the donors of these assets permit the use of all or part of the income earned on the investments to be used for general or specific purposes. WRR does not have any permanently restricted net assets.

Contributions: Gifts of cash are reported as restricted support if they are received with donor stipulations that limit their use. Gifts of equipment and other similar assets are reported at estimated fair value as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Gifts are reported as unrestricted support when the donor restrictions are met during the reporting period in which the gift was received.

Contributed Gifts and Services: Contributed gifts and services include in-kind contributions received by the Organization. Donated materials, which include primarily animal food, are valued based on their estimated fair market value on the date of contribution. Services are valued based on an amount determined to be appropriate if individuals were employed by the Organization to perform such services.

Functional Allocation of Expenses: Functional expenses are allocated on the basis of estimates by management. These estimates are based primarily on the nature of the expense concerned and percentages of time allocated to program services, general and administrative and fundraising.

Special Events: Special event revenues are reported net of expenses. Special event expenses amounted to approximately \$50,000 in 2014 and \$46,000 in 2013.

Cash and Cash Equivalents: Cash and cash equivalents consist of unrestricted cash deposits which are held by financial institutions and any equivalent securities with maturity of three months or less.

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments: Investments are reported at fair value. Interest and dividends are reported net of fees. Gains and losses (realized and unrealized) are included in the Statement of Activities. Donated investment instruments are recorded at estimated fair value at the date of donation.

Endowments: Board designated endowment investments are pooled under a managerial agency agreement, and include cash equivalents, corporate obligations, equity securities and other investments, and are reported at fair value. Unrealized gains and losses are reported in the Statements of Activities. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization does not have any donor-funded endowments.

Sanctuary Animals: Substantially all animals have been donated or otherwise given to the Organization. In accordance with industry practice, the sanctuary animals are recorded at the nominal amount of \$1, as there is no objective basis for establishing value.

Fixed Assets: Fixed assets are stated at cost, net of accumulated depreciation. Donated assets are recorded at fair value at the date of the gift. Depreciation is provided over the estimated useful lives, generally ranging from 3 to 30 years, using the straight-line method.

Income Taxes: The Organization is a tax-exempt under Internal Revenue Service Code Section 501(c)(3). Therefore, no provision for income taxes has been provided in these financial statements. In addition, WRR is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code; accordingly, donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. WRR is not subject to the Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its tax returns for the last four years remain subject to examination.

Retirement Plan: WRR has a 403(b) defined contribution plan in which select employees are eligible to participate. The Organization did not contribute to the Plan in 2014 or 2013.

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. WRR maintains cash deposits and investments with financial institutions and major brokerage companies and limits the amount of credit exposure, although it may from time to time have cash balances or investments in excess of that insured by the FDIC and SIPC. Management believes its risk of loss is minimized due to the diversity of the underlying investments.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

New Accounting Pronouncements: In May 2014, The Financial Accounting Standards Board issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2016. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

Use of Estimates: The preparation of financial statements in conformity with U. S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2014 and 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications: Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation. These reclassifications had no effect on the previously reported change in net assets.

NOTE B – FIXED ASSETS

Fixed assets consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 1,538,855	\$ 1,538,855
Buildings	1,247,846	1,247,847
Cages, fencing and enclosures	1,940,407	1,850,474
Vehicles	172,172	166,072
Other equipment	285,804	264,895
Construction in progress	56,522	-
Total fixed assets	<u>5,241,606</u>	<u>5,068,143</u>
Less accumulated depreciation	<u>(2,020,275)</u>	<u>(1,804,722)</u>
Net fixed assets	<u><u>\$ 3,221,331</u></u>	<u><u>\$ 3,263,421</u></u>

NOTE C – BOARD DESIGNATED ENDOWMENT INVESTMENTS

Board Designated and SPMIFA: The Organization’s endowments are established through Board designations. WRR does not have any donor-restricted endowments. Accordingly, the State of Texas Prudent Management Institutional Funds Act (SPMIFA) is not currently applicable.

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to its programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce results that equal or exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to generate a return which exceeds the rate of inflation over time. 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, the Organization 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). The Organization targets a diversified asset allocation that allows flexibility in investment options, based on market conditions, to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Board of Directors has developed a flexible spending policy that allows it to be responsive to the needs of the Organization while trying to build the endowments’ principal for future generations.

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2014 and 2013

NOTE C – BOARD DESIGNATED ENDOWMENT INVESTMENTS (continued)

A rollforward of earnings and losses for endowment investments is as follows:

	Board- Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment investments at Jan. 1, 2013	\$ 149,635	\$ -	\$ -	\$ 149,635
Interest and dividends, net of fees	3,061	-	-	3,061
Net realized gains on sales	973	-	-	973
Unrealized gains	14,019	-	-	14,019
Contributions	8,467	-	-	8,467
Appropriations	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Endowment investments at Dec. 31, 2013	166,155	-	-	166,155
Interest and dividends, net of fees	2,094	-	-	2,094
Net realized gains on sales	8,429	-	-	8,429
Unrealized losses	(9,221)	-	-	(9,221)
Contributions	-	-	-	-
Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment investments at Dec. 31, 2014	<u>\$ 167,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,457</u>

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2014 and 2013

NOTE D – LONG -TERM DEBT

Long term debt consists of the following at December 31:

	<u>2014</u>	<u>2013</u>
Note payable to Texas Heritage Bank, due in monthly installments of \$1,765, including interest of 5.50%, secured by real estate and deposit accounts, matures on November 27, 2017.	\$ 135,300	\$ 148,487
Note payable to Texas Heritage Bank, with interest only payments at 5.50% until November 13, 2015 when the outstanding balance is due, collateralized by deposit accounts.	25,000	-
Unsecured related party promissory note payable to Lynn Cuny, due in monthly installments of \$1,186, including interest at 5.00%, matures on May 1, 2028. See Note E.	142,088	150,000
Note payable to American Honda Finance Corp., with interest at 4.80%, collateralized by vehicle, paid in full in 2014.	-	3,207
Note payable to Texas Heritage Bank, due in monthly installments of \$868, including interest at 5.50%, secured by real estate, paid in full in 2014.	-	97,485
Total long-term debt	<u>\$ 302,388</u>	<u>\$ 399,179</u>

Maturities of long-term debt will require the following principal payments:

Year Ending December, 31:

2015	\$ 46,498
2016	22,673
2017	113,989
2018	8,413
2019	8,843
Thereafter	<u>101,972</u>
	<u>\$ 302,388</u>

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2014 and 2013

NOTE E – LONG -TERM DEBT, RELATED PARTY

In accordance with a long-standing agreement with its founder and CEO, Lynn Cuny, the Organization purchased a residence located on the property from the founder in 2013. The Organization paid cash of \$100,000 and entered into a \$150,000 note with Ms. Cuny and Mr. Brestrup. The note is due in monthly installments of \$1,186 including interest at 5%, and matures in 2028.

NOTE F – OPERATING LEASE

The Organization has several operating lease agreements for office equipment and its communication systems, with total payments of approximately \$675 per month through 2018. Rent expense totaled approximately \$10,000 in 2014 and \$17,000 in 2013.

NOTE G – IN-KIND REVENUE AND EXPENSES

In-kind donations consist of the following during the years ending December 31:

	<u>2014</u>	<u>2013</u>
Animal food	\$ 168,593	\$ 131,722
Program supplies	22,189	25,724
Equipment	6,100	-
Services	<u>40</u>	<u>5,433</u>
Total	<u>\$ 196,922</u>	<u>\$ 162,879</u>

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2014 and 2013

NOTE H – FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board has established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs that reflect assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

- Level 1: Quoted prices are available in active markets for identical assets or liabilities,
- Level 2: Quoted prices in active markets for similar assets and liabilities that are observable for the asset or liability; or
- Level 3: Unobservable pricing inputs that are generally less observable from objective sources, such as discounted cash flow models or valuations.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth, by level within the fair value hierarchy, the Organization's assets at fair value:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
<i>December 31, 2014:</i>				
Cash, Deposits, MMF's	\$ 3,175	\$ -	\$ -	\$ 3,175
Equities	442,970	-	-	442,970
Investments held at San Antonio Area Foundation (SAAF)	-	167,457	-	167,457
Total assets at fair value	<u>\$ 446,145</u>	<u>\$ 167,457</u>	<u>\$ -</u>	<u>\$ 613,602</u>
<i>December 31, 2013:</i>				
Cash, Deposits, MMF's	\$ -	\$ -	\$ -	\$ -
Equities	-	-	-	-
Investments held at San Antonio Area Foundation (SAAF)	-	166,155	-	166,155
Total assets at fair value	<u>\$ -</u>	<u>\$ 166,155</u>	<u>\$ -</u>	<u>\$ 166,155</u>

SAAF pooled investments are valued based on the aggregated value of the underlying investment of the beneficial interest. Accordingly, management considers this to be a Level 2 investment since there is no potential market for the beneficial interests or similar assets. The underlying investments include cash equivalents, corporate obligations, equity securities and other investments. The fair values of the underlying investments are based on quoted prices from active and inactive markets.

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2014 and 2013

NOTE I – DISCONTINUED OPERATIONS

In April 2014, WRR ceased operations of its thrift store in Boerne, The Squirrel’s Nest. Net income from this activity has not historically been a significant source of income; therefore, its discontinuance is not expected to have a negative effect on the operations of the Organization.