

**NEW HAMPSHIRE HUMANE SOCIETY**

**FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016  
AND  
INDEPENDENT AUDITORS' REPORT**

*Leone,  
McDonnell  
& Roberts*  
PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS

**NEW HAMPSHIRE HUMANE SOCIETY**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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To the Board of Directors of  
New Hampshire Humane Society  
Laconia, New Hampshire

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of New Hampshire Humane Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, 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.

### **Auditors' 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 auditors' judgement, 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 New Hampshire Humane Society as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited New Hampshire Humane Society's 2016 financial statements, and our report dated June 16, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Leone, McDonnell & Roberts  
Professional Association*

June 8, 2018  
Wolfeboro, New Hampshire

**NEW HAMPSHIRE HUMANE SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017 WITH SUMMARIZED**  
**COMPARATIVE INFORMATION AS OF DECEMBER 31, 2016**

<b><u>ASSETS</u></b>	<b>DECEMBER 31, 2017</b>				<b><u>DECEMBER 31,</u></b> <b><u>2016 TOTAL</u></b>
	<b><u>UNRESTRICTED</u></b>	<b><u>TEMPORARILY</u></b> <b><u>RESTRICTED</u></b>	<b><u>PERMANENTLY</u></b> <b><u>RESTRICTED</u></b>	<b><u>TOTAL</u></b>	
<b>CURRENT ASSETS</b>					
Cash and equivalents	\$ 42,884	\$ 81,053	\$ 44,074	\$ 168,011	\$ 146,687
Contributions receivable	4,995	-	-	4,995	2,555
Employee advances	1,090	-	-	1,090	299
Investments	2,922,725	-	98,100	3,020,825	2,711,515
Inventory	3,051	-	-	3,051	5,951
Prepaid insurance and other expenses	5,494	-	-	5,494	9,122
Total current assets	2,980,239	81,053	142,174	3,203,466	2,876,129
<b>PROPERTY</b>					
Land and land improvements	172,602	-	-	172,602	172,602
Buildings and improvements	2,468,449	-	-	2,468,449	2,433,916
Furniture, equipment, vehicle and construction in progress	318,594	-	-	318,594	310,224
Total property	2,959,645	-	-	2,959,645	2,916,742
Less accumulated depreciation	(963,745)	-	-	(963,745)	(875,813)
Property - net	1,995,900	-	-	1,995,900	2,040,929
<b>OTHER ASSETS</b>					
Loan reserves - cash	1,048	-	-	1,048	3,021
Loan reserves - investments	138,187	-	-	138,187	122,327
Total other assets	139,235	-	-	139,235	125,348
Total	\$ 5,115,374	\$ 81,053	\$ 142,174	\$ 5,338,601	\$ 5,042,406
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>CURRENT LIABILITIES</b>					
Current portion of long term debt	\$ 55,337	\$ -	\$ -	\$ 55,337	\$ 52,963
Accounts payable and accrued expenses	12,306	-	-	12,306	14,625
Accrued payroll and related liabilities	18,654	-	-	18,654	19,255
Refundable advances	16,910	-	-	16,910	16,750
Total current liabilities	103,207	-	-	103,207	103,593
<b>LONG TERM DEBT, less current portion shown above</b>	1,304,164	-	-	1,304,164	1,360,035
Total liabilities	1,407,371	-	-	1,407,371	1,463,628
<b>NET ASSETS</b>					
Unrestricted	3,708,003	-	-	3,708,003	3,457,667
Temporarily restricted	-	81,053	-	81,053	88,978
Permanently restricted	-	-	142,174	142,174	32,133
Total net assets	3,708,003	81,053	142,174	3,931,230	3,578,778
Total	\$ 5,115,374	\$ 81,053	\$ 142,174	\$ 5,338,601	\$ 5,042,406

See Notes to Financial Statements

**NEW HAMPSHIRE HUMANE SOCIETY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017 WITH SUMMARIZED  
COMPARATIVE INFORMATION FOR 2016**

	DECEMBER 31, 2017			TOTAL	DECEMBER 31, 2016 TOTAL
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>		
<b>REVENUES, GAINS AND OTHER SUPPORT</b>					
Program service fees					
Shelter income	\$ 231,467	\$ -	\$ -	\$ 231,467	\$ 226,637
Town and city assessments	72,500	-	-	72,500	72,600
Contributions	457,095	31,588	-	488,683	535,664
Grants	2,000	-	-	2,000	26,000
Bequests	97,569	-	-	97,569	72,122
Memorial gifts	25,055	-	110,041	135,096	23,203
Fundraising and special events	142,028	-	-	142,028	153,759
Investment return	455,104	-	-	455,104	242,667
Net assets released from restrictions -					
Satisfied by payments and donor permission	39,513	(39,513)	-	-	-
Total revenues, gains and other support	<u>1,522,331</u>	<u>(7,925)</u>	<u>110,041</u>	<u>1,624,447</u>	<u>1,352,652</u>
<b>EXPENSES</b>					
Program services					
Shelter operations	722,766	-	-	722,766	811,302
Medical operations	215,250	-	-	215,250	205,662
Supporting activities					
Management and general	117,908	-	-	117,908	142,130
Fundraising	<u>216,071</u>	<u>-</u>	<u>-</u>	<u>216,071</u>	<u>191,713</u>
Total expenses	<u>1,271,995</u>	<u>-</u>	<u>-</u>	<u>1,271,995</u>	<u>1,350,807</u>
<b>CHANGES IN NET ASSETS</b>	250,336	(7,925)	110,041	352,452	1,845
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,457,667</u>	<u>88,978</u>	<u>32,133</u>	<u>3,578,778</u>	<u>3,576,933</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,708,003</u>	<u>\$ 81,053</u>	<u>\$ 142,174</u>	<u>\$ 3,931,230</u>	<u>\$ 3,578,778</u>

See Notes to Financial Statements

**NEW HAMPSHIRE HUMANE SOCIETY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017 WITH SUMMARIZED  
COMPARATIVE INFORMATION FOR 2016**

	DECEMBER 31, 2017				DECEMBER 31, 2016 TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Changes in net assets	\$ 250,336	\$ (7,925)	\$ 110,041	\$ 352,452	\$ 1,845
Adjustments to reconcile changes in net assets to net cash from operating activities:					
Depreciation	87,932	-	-	87,932	81,711
Realized (gains) losses on sale of investments	(293,294)	-	-	(293,294)	80,015
Unrealized gains on investments	(77,436)	-	-	(77,436)	(215,271)
Restricted contributions	(141,629)	-	-	(141,629)	(48,908)
(Increase) decrease in assets:					
Contributions receivable	(2,440)	-	-	(2,440)	(860)
Employee advances	(791)	-	-	(791)	(39)
Inventory	2,900	-	-	2,900	-
Prepaid insurance and other expenses	3,628	-	-	3,628	(1,159)
(Decrease) increase in liabilities:					
Accounts payable and accrued expenses	(2,319)	-	-	(2,319)	6,562
Accrued payroll and related liabilities	(601)	-	-	(601)	3,703
Refundable advances	160	-	-	160	(650)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(173,554)</u>	<u>(7,925)</u>	<u>110,041</u>	<u>(71,438)</u>	<u>(93,051)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property	(42,903)	-	-	(42,903)	(51,540)
Proceeds from sale of investments	3,275,120	-	-	3,275,120	1,209,081
Purchases of investments, net	(3,131,460)	-	(98,100)	(3,229,560)	(1,032,713)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>100,757</u>	<u>-</u>	<u>(98,100)</u>	<u>2,657</u>	<u>124,828</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of long term debt	(53,497)	-	-	(53,497)	(51,210)
Restricted contributions	141,629	-	-	141,629	48,908
<b>NET PROVIDED BY (CASH USED) IN FINANCING ACTIVITIES</b>	<u>88,132</u>	<u>-</u>	<u>-</u>	<u>88,132</u>	<u>(2,302)</u>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	15,335	(7,925)	11,941	19,351	29,475
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>28,597</u>	<u>88,978</u>	<u>32,133</u>	<u>149,708</u>	<u>120,233</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 43,932</u>	<u>\$ 81,053</u>	<u>\$ 44,074</u>	<u>\$ 169,059</u>	<u>\$ 149,708</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>					
Cash paid during the year for interest	<u>\$ 60,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,900</u>	<u>\$ 63,050</u>

See Notes to Financial Statements

**NEW HAMPSHIRE HUMANE SOCIETY**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017 WITH SUMMARIZED  
COMPARATIVE INFORMATION FOR 2016**

	<b>DECEMBER 31, 2017</b>					<b>DECEMBER 31, 2016 TOTAL</b>
	<b><u>SHELTER OPERATIONS</u></b>	<b><u>MEDICAL OPERATIONS</u></b>	<b><u>MANAGEMENT AND GENERAL</u></b>	<b><u>FUNDRAISING</u></b>	<b><u>TOTAL</u></b>	
Salaries and wages	\$ 223,949	\$ 112,982	\$ 55,296	\$ 95,516	\$ 487,743	\$ 409,918
Payroll taxes	18,452	9,241	4,365	7,691	39,749	34,895
Employee benefits	<u>11,403</u>	<u>5,302</u>	<u>7,822</u>	<u>9,279</u>	<u>33,806</u>	<u>29,469</u>
Total personnel costs	253,804	127,525	67,483	112,486	561,298	474,282
Advertising and promotion	200,569	608	66	1,469	202,712	276,310
Animal care	41,543	51,218	-	-	92,761	151,440
Depreciation	52,759	13,190	8,793	13,190	87,932	81,711
Interest	36,642	9,049	6,160	9,049	60,900	63,050
Utilities	39,317	7,334	3,709	10,499	60,859	63,461
Professional fees	15,538	1,236	24,570	13,660	55,004	77,659
Special events	-	-	-	40,509	40,509	52,606
Repairs and maintenance	23,000	1,892	679	839	26,410	28,032
Vehicle expenses	26,984	-	-	-	26,984	30,823
Supplies and materials	11,276	601	-	6,950	18,827	18,190
Insurance	6,961	2,095	4,440	2,610	16,106	16,619
Office expense	6,485	202	832	1,719	9,238	7,729
Bank and credit card charges	4,630	-	693	-	5,323	5,266
Dues and subscriptions	925	300	-	84	1,309	1,382
Training and conventions	857	-	-	2,804	3,661	1,012
Uniforms	402	-	-	-	402	52
Other	<u>1,074</u>	<u>-</u>	<u>483</u>	<u>203</u>	<u>1,760</u>	<u>1,183</u>
Total functional expenses	<u>\$ 722,766</u>	<u>\$ 215,250</u>	<u>\$ 117,908</u>	<u>\$ 216,071</u>	<u>\$ 1,271,995</u>	<u>\$ 1,350,807</u>

See Notes to Financial Statements

**NEW HAMPSHIRE HUMANE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

New Hampshire Humane Society is a New Hampshire nonprofit corporation formed to provide care for and prevention of cruelty to animals including population control through spaying and neutering programs. The Society operates from a facility located in Laconia, New Hampshire and serves the greater Carroll and Belknap County areas.

**Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Presentation**

The Society 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. The classes of net assets are determined by the presence or absence of donor restrictions.

Unrestricted: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted: Net assets whose use is limited by donor imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the Society.

Permanently Restricted: Reflects the historical cost of gifts (and in certain circumstances, the earnings from those gifts), subject to donor – imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes.

As of December 31, 2017 and 2016, the Society had unrestricted, temporarily restricted and permanently restricted net assets.

**Cash and Equivalents**

Cash and equivalents include short term, highly liquid investments with a maturity date of less than three months.

### **Contributions**

All contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support, depending on the nature of the restrictions. However, if a restriction is fulfilled in the period in which the contribution is received, the Society reports the support as unrestricted.

Donated marketable securities and other non cash donations are recorded as contributions at their estimated fair value at the date of the donation.

### **Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

### **Property and Depreciation**

Property is recorded at cost if purchased and at fair value at date of donation, if donated. Depreciation is computed using the straight line method over the estimated useful lives of the related assets as follows:

Land improvements	20 years
Buildings and improvements	10 - 40 years
Furniture, equipment and vehicle	5 - 15 years

Costs for repairs and maintenance are expensed when incurred and betterments are capitalized. Assets sold or otherwise disposed of are removed from the accounts, along with the related accumulated depreciation, and any gain or loss is recognized.

Depreciation expense for the years ended December 31, 2017 and 2016, amounted to \$87,932 and \$81,711, respectively.

### **Income Taxes**

The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined the Society to be other than a private foundation.

FASB ASC Topic No. 740, *Accounting for Income Taxes*, established a minimum threshold for recognizing, and a system of measuring, the benefits of tax return positions in financial statements. The Society's tax filings are subject to audit by various taxing authorities. The Society's open audit periods are 2014 through 2016. The Society believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain income tax positions that are material to the financial statements.

### **Advertising**

The Society expenses advertising costs as incurred.

### **Inventories**

Inventories are stated at lower of cost or net realizable value determined by the first-in, first-out method and consist of medical supplies and various pet supplies.

During the year ended December 31, 2017, the Company adopted the provisions of the FASB Accounting Standard Update (ASU) 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which simplifies the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price of inventory in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Company has evaluated ASU 2015-11, and has determined there is no material impact to the financial statements.

### **Investments**

Investments in equity securities with readily determinable fair values, and all investments in debt securities are recorded at fair value. The fair value of the debt and marketable securities are based on quoted market prices.

Investment income is considered a change in unrestricted net assets, unless restricted by a donor's explicit stipulation or law. Unrealized gains and losses are included in the net asset balances.

The Society's investments are subject to various risks, such as interest rate, credit and overall market volatility. As such, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported on the Statement of Financial Position and Statement of Activities.

### **Accrued Earned Time**

The Society has accrued a liability for future compensated leave time that its employees have earned and which is vested with the employee.

### **Refundable Advances**

Funds received in advance are recorded as refundable advances and recognized as revenue in the period in which the related service or expenses are incurred.

## **Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

## **2. INVESTMENTS**

The Society's investments are presented in the financial statements in the aggregate at fair value and consisted of the following as of December 31, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Corporate Bonds and Notes	\$ 35,538	\$ 35,374	\$ 122,871	\$ 125,811
Equity Securities	2,162,436	1,887,263	1,367,205	1,149,937
Equity Mutual Funds	667,922	650,841	1,045,038	1,061,075
Exchange Traded Funds	293,116	283,541	297,482	271,217
Accrued Interest	-	-	1,246	1,246
	<u>\$ 3,159,012</u>	<u>\$ 2,857,019</u>	<u>\$ 2,833,842</u>	<u>\$ 2,609,286</u>

### **Components of Investment Return:**

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 84,374	\$ 107,411
Unrealized gain on investments	77,436	215,271
Realized gain (losses) on investments	<u>293,294</u>	<u>(80,015)</u>
	<u>\$ 455,104</u>	<u>\$ 242,667</u>

## **3. FAIR VALUE MEASUREMENTS**

*FASB ASC Topic No. 820-10* provides a definition of fair value which focuses on an exit price rather than an entry price, establishes a framework in generally accepted accounting principles for measuring fair value which emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and requires expanded disclosures about fair value measurements. In accordance with *FASB ASC 820-10*, the Society may use valuation techniques consistent with market, income and cost approaches to measure fair value. As a basis for considering market participant assumptions in fair value measurements, *ASC Topic 820* establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. The three levels of the fair value hierarchy under *ASC Topic 820* are described as follows:

**Level 1** - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

**Level 2** - Inputs to the valuation methodology are other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

**Level 3** - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Corporate common and preferred stocks - Valued at the closing market price on the stock exchange where they are traded (primarily the New York Stock Exchange).

Mutual funds - Valued at the daily closing price as reported by the fund. The mutual funds held by the Society are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

Corporate bonds – Valued using pricing models which maximize the unobservable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs.

The table below segregates all financial assets and liabilities as of December 31, 2017 and 2016 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

	<b>Quoted Prices In Active Markets for Identical Assets (Level One)</b>	<b>Significant Other Observable Inputs (Level Two)</b>	<b>Significant Unobservable Inputs (Level Three)</b>	<b>Total 12/31/2017</b>
<b>Common and Preferred Stock:</b>	\$ 2,162,436	\$ -	\$ -	\$ 2,162,436
<b>Exchange Traded Funds:</b>	293,116	-	-	293,116
<b>Mutual Funds:</b>	667,922	-	-	667,922
<b>Corporate Bonds and Notes:</b>	-	35,538	-	35,538
	<u>\$ 3,123,474</u>	<u>\$ 35,538</u>	<u>\$ -</u>	<u>\$ 3,159,012</u>

	Quoted Prices In Active Markets for Identical Assets (Level One)	Significant Other Observable Inputs (Level Two)	Significant Unobservable Inputs (Level Three)	Total <u>12/31/2016</u>
Common and Preferred Stock:	\$ 1,367,205	\$ -	\$ -	\$ 1,367,205
Exchange Traded Funds:	297,482	-	-	297,482
Mutual Funds:	1,045,038	-	-	1,045,038
Accrued Interest:	1,246	-	-	1,246
Corporate Bonds and Notes:	<u>-</u>	<u>122,871</u>	<u>-</u>	<u>122,871</u>
	<u>\$ 2,710,971</u>	<u>\$ 122,871</u>	<u>\$ -</u>	<u>\$ 2,833,842</u>

#### 4. **LOAN RESERVES**

In connection with the USDA-Rural Development loan, the Society is obligated to deposit certain amounts into a reserve account to assure that the loan installments will be paid on time, for emergency maintenance, for extensions to the facilities and for the replacement of short-lived assets. The fair value of the reserve account as of December 31, 2017 and 2016, was \$139,235 and \$125,348, respectively.

#### 5. **NOTES PAYABLE**

The notes payable at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
4.375% note payable to the United States of America, through USDA-Rural Development. The note is due in monthly installments for interest and principal of \$9,000 through June of 2036. The note is collateralized by a first mortgage on the real estate, fixtures, machinery, appliances and equipment of the Society along with assignment and pledge of Society revenues, accounts and other tangibles.	\$ 1,352,905	\$ 1,400,581
4.527% note payable to a bank in monthly installments for principal and interest of \$520 through January of 2019. The obligation is secured by a company vehicle.	<u>6,596</u>	<u>12,417</u>
	1,359,501	1,412,998
Less current portion due within one year	<u>(55,337)</u>	<u>(52,963)</u>
Long Term Debt	<u>\$ 1,304,164</u>	<u>\$ 1,360,035</u>

The scheduled maturities of long term debt at December 31, 2017 were as follows:

<u>Year Ending December 31</u>	<u>Amount Due</u>
2018	\$ 55,337
2019	52,010
2020	53,618
2021	56,166
2022	58,674
Thereafter	<u>1,083,696</u>
	<u>\$ 1,359,501</u>

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following unexpended, purpose and time restricted donations as of December 31, 2017 and 2016:

<u>Time or Purpose Restrictions</u>	<u>2017</u>	<u>2016</u>
Dodge Law Fund	\$ 13,325	\$ 13,325
Spay & Neuter Fund	2,641	15,792
Maintenance Director	12,500	-
Alarm System	13,500	-
Willow Fund	<u>39,087</u>	<u>59,861</u>
Total	<u>\$ 81,053</u>	<u>\$ 88,978</u>

**7. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consisted of the following funds at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Pet Visitation	\$ 3,148	\$ 3,148
General Purpose	7,523	7,523
Spaying – Canine	16,214	16,214
Patricia Haines Memorial Fund	110,041	-
Doherty Fund	<u>5,248</u>	<u>5,248</u>
Total	<u>\$ 142,174</u>	<u>\$ 32,133</u>

**8. DONATED SERVICES**

Many individuals volunteer time to the Society. The value of these contributed services is not recorded nor recognized by the Society since the services do not meet the criteria in FASB ASC Topic 958-605 for recognition of such services. It was also deemed not practical to disclose the fair value of contributed services since a clearly measurable basis for the amount to be disclosed could not be determined.

**9. IN-KIND DONATIONS AND EXPENSES**

The Society receives contributed advertising from three local radio stations that is required to be recorded in accordance with FASB Accounting Standards Codification. The estimated fair value of this advertising was determined to be \$188,172 and \$265,104 for the years ended December 31, 2017 and 2016, respectively.

The Society also receives contributed goods that are required to be recorded in accordance with FASB Accounting Standards Codification. The estimated fair value of these goods was determined to be \$24,904 and \$29,193 for the years ended December 31, 2017 and 2016, respectively.

**10. CONCENTRATIONS**

Financial instruments that potentially subject the Society to concentrations of credit risk consist of temporary cash investments and investments. The Society places its temporary cash investments with a single financial institution. The investment portfolio consists of diversified investments, which are subject to market risk, but are not subject to concentrations in any sector.

The Society maintains their main cash account with one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017 and 2016, there were no uninsured cash balances.

**11. RECLASSIFICATIONS**

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These classifications had no effect on the previously reported results of operations or retained earnings.

**12. SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are available to be issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. Non recognized subsequent events are events that provide evidence about conditions that did not exist at the statement of financial position date, but arose after the date.

Management has evaluated subsequent events through June 8, 2018, the date the December 31, 2017 financial statements were available for issuance.