

NEW HAMPSHIRE HUMANE SOCIETY

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015
AND
INDEPENDENT AUDITORS' REPORT**

*Leone,
McDonnell
& Roberts*
PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS

NEW HAMPSHIRE HUMANE SOCIETY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

TABLE OF CONTENTS

| | <u>Page(s)</u> |
|----------------------------------|-----------------------|
| Independent Auditors' Report | 1 - 2 |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Cash Flows | 5 |
| Statement of Functional Expenses | 6 |
| Notes to Financial Statements | 7 - 15 |

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, 2016, 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, 2016, 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 2015 financial statements, and our report dated June 24, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Leone, McDonnell & Roberts
Professional Association*

June 16, 2017
Wolfeboro, New Hampshire

NEW HAMPSHIRE HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 WITH SUMMARIZED
COMPARATIVE INFORMATION AS OF DECEMBER 31, 2015

| <u>ASSETS</u> | DECEMBER 31, 2016 | | | | DECEMBER 31, 2015 TOTAL |
|--|--------------------------|-----------------------------------|-----------------------------------|--------------|------------------------------------|
| | UNRESTRICTED | TEMPORARILY RESTRICTED | PERMANENTLY RESTRICTED | TOTAL | |
| CURRENT ASSETS | | | | | |
| Cash and equivalents | \$ 25,576 | \$ 88,978 | \$ 32,133 | \$ 146,687 | \$ 118,563 |
| Contributions receivable | 2,555 | - | - | 2,555 | 1,695 |
| Employee advances | 299 | - | - | 299 | 338 |
| Investments | 2,711,515 | - | - | 2,711,515 | 2,769,669 |
| Inventory | 5,951 | - | - | 5,951 | 5,951 |
| Prepaid insurance and other expenses | 9,122 | - | - | 9,122 | 7,963 |
| Total current assets | 2,755,018 | 88,978 | 32,133 | 2,876,129 | 2,904,179 |
| PROPERTY | | | | | |
| Land and land improvements | 172,602 | - | - | 172,602 | 172,602 |
| Buildings and improvements | 2,433,916 | - | - | 2,433,916 | 2,432,502 |
| Furniture, equipment, vehicle and construction in progress | 310,224 | - | - | 310,224 | 260,098 |
| Total property | 2,916,742 | - | - | 2,916,742 | 2,865,202 |
| Less accumulated depreciation | (875,813) | - | - | (875,813) | (794,102) |
| Property - net | 2,040,929 | - | - | 2,040,929 | 2,071,100 |
| OTHER ASSETS | | | | | |
| Loan reserves - cash | 3,021 | - | - | 3,021 | 1,670 |
| Loan reserves - investments | 122,327 | - | - | 122,327 | 105,207 |
| Total other assets | 125,348 | - | - | 125,348 | 106,877 |
| Total | \$ 4,921,295 | \$ 88,978 | \$ 32,133 | \$ 5,042,406 | \$ 5,082,156 |
| <u>LIABILITIES AND NET ASSETS</u> | | | | | |
| CURRENT LIABILITIES | | | | | |
| Current portion of long term debt | \$ 52,963 | \$ - | \$ - | \$ 52,963 | \$ 50,520 |
| Accounts payable and accrued expenses | 18,374 | - | - | 18,374 | 11,812 |
| Accrued payroll and related liabilities | 15,506 | - | - | 15,506 | 11,803 |
| Refundable advances | 16,750 | - | - | 16,750 | 17,400 |
| Total current liabilities | 103,593 | - | - | 103,593 | 91,535 |
| LONG TERM DEBT, less current portion shown above | 1,360,035 | - | - | 1,360,035 | 1,413,688 |
| Total liabilities | 1,463,628 | - | - | 1,463,628 | 1,505,223 |
| NET ASSETS | | | | | |
| Unrestricted | 3,457,667 | - | - | 3,457,667 | 3,485,644 |
| Temporarily restricted | - | 88,978 | - | 88,978 | 59,156 |
| Permanently restricted | - | - | 32,133 | 32,133 | 32,133 |
| Total net assets | 3,457,667 | 88,978 | 32,133 | 3,578,778 | 3,576,933 |
| Total | \$ 4,921,295 | \$ 88,978 | \$ 32,133 | \$ 5,042,406 | \$ 5,082,156 |

See Notes to Financial Statements

NEW HAMPSHIRE HUMANE SOCIETY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016 WITH SUMMARIZED
COMPARATIVE INFORMATION FOR 2015**

| | DECEMBER 31, 2016 | | | | |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|------------------------------------|
| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>TOTAL</u> | <u>DECEMBER 31, 2015 TOTAL</u> |
| REVENUES, GAINS AND OTHER SUPPORT | | | | | |
| Program service fees | | | | | |
| Shelter income | \$ 226,637 | \$ - | \$ - | \$ 226,637 | \$ 213,068 |
| Town and city assessments | 72,600 | - | - | 72,600 | 72,600 |
| Contributions | 486,756 | 48,908 | - | 535,664 | 409,893 |
| Grants | 26,000 | - | - | 26,000 | - |
| Bequests | 72,122 | - | - | 72,122 | 77,407 |
| Memorial gifts | 23,203 | - | - | 23,203 | 47,574 |
| Fundraising and special events | 153,759 | - | - | 153,759 | 193,321 |
| Investment return | 242,667 | - | - | 242,667 | (62,995) |
| Net assets released from restrictions - Satisfied by payments and donor permission | <u>19,086</u> | <u>(19,086)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues, gains and other support | <u>1,322,830</u> | <u>29,822</u> | <u>-</u> | <u>1,352,652</u> | <u>950,868</u> |
| EXPENSES | | | | | |
| Program services | | | | | |
| Shelter operations | 811,302 | - | - | 811,302 | 668,371 |
| Medical operations | 205,662 | - | - | 205,662 | 205,673 |
| Supporting activities | | | | | |
| Management and general | 142,130 | - | - | 142,130 | 139,754 |
| Fundraising | <u>191,713</u> | <u>-</u> | <u>-</u> | <u>191,713</u> | <u>204,633</u> |
| Total expenses | <u>1,350,807</u> | <u>-</u> | <u>-</u> | <u>1,350,807</u> | <u>1,218,431</u> |
| CHANGES IN NET ASSETS | (27,977) | 29,822 | - | 1,845 | (267,563) |
| NET ASSETS, BEGINNING OF YEAR | <u>3,485,644</u> | <u>59,156</u> | <u>32,133</u> | <u>3,576,933</u> | <u>3,844,496</u> |
| NET ASSETS, END OF YEAR | <u>\$ 3,457,667</u> | <u>\$ 88,978</u> | <u>\$ 32,133</u> | <u>\$ 3,578,778</u> | <u>\$ 3,576,933</u> |

See Notes to Financial Statements

NEW HAMPSHIRE HUMANE SOCIETY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 WITH SUMMARIZED
COMPARATIVE INFORMATION FOR 2015**

| | DECEMBER 31, 2016 | | | TOTAL | DECEMBER 31, 2015 TOTAL |
|--|-------------------|---------------------------|---------------------------|-------------------|----------------------------|
| | UNRESTRICTED | TEMPORARILY RESTRICTED | PERMANENTLY RESTRICTED | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Changes in net assets | \$ (27,977) | \$ 29,822 | \$ - | \$ 1,845 | \$ (267,563) |
| Adjustments to reconcile changes in net assets to net cash from operating activities: | | | | | |
| Depreciation | 81,711 | - | - | 81,711 | 82,790 |
| Realized losses on sale of investments | 80,015 | - | - | 80,015 | 29,252 |
| Unrealized (gains) losses on investments | (215,271) | - | - | (215,271) | 164,919 |
| Restricted contributions | (48,908) | - | - | (48,908) | (7,821) |
| (Increase) decrease in assets: | | | | | |
| Contributions receivable | (860) | - | - | (860) | (410) |
| Employee advances | (39) | - | - | (39) | (304) |
| Prepaid insurance and other expenses | (1,159) | - | - | (1,159) | 10,242 |
| (Decrease) increase in liabilities: | | | | | |
| Cash overdraft | - | - | - | - | (1,191) |
| Accounts payable and accrued expenses | 6,562 | - | - | 6,562 | (133) |
| Accrued payroll and related liabilities | 3,703 | - | - | 3,703 | (370) |
| Refundable advances | (650) | - | - | (650) | 1,650 |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | <u>(122,873)</u> | <u>29,822</u> | <u>-</u> | <u>(93,051)</u> | <u>11,061</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of property | (51,540) | - | - | (51,540) | (540) |
| Proceeds from sale of investments | 1,209,081 | - | - | 1,209,081 | 2,295,358 |
| Purchases of investments, net | (1,032,713) | - | - | (1,032,713) | (2,245,004) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>124,828</u> | <u>-</u> | <u>-</u> | <u>124,828</u> | <u>49,814</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Repayment of long term debt | (51,210) | - | - | (51,210) | (48,430) |
| Restricted contributions | 48,908 | - | - | 48,908 | 7,821 |
| NET CASH USED IN FINANCING ACTIVITIES | <u>(2,302)</u> | <u>-</u> | <u>-</u> | <u>(2,302)</u> | <u>(40,609)</u> |
| NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS | <u>(347)</u> | <u>29,822</u> | <u>-</u> | <u>29,475</u> | <u>20,266</u> |
| CASH AND EQUIVALENTS, BEGINNING OF YEAR | <u>28,944</u> | <u>59,156</u> | <u>32,133</u> | <u>120,233</u> | <u>99,967</u> |
| CASH AND EQUIVALENTS, END OF YEAR | <u>\$ 28,597</u> | <u>\$ 88,978</u> | <u>\$ 32,133</u> | <u>\$ 149,708</u> | <u>\$ 120,233</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | | | |
| Cash paid during the year for interest | <u>\$ 63,050</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 63,050</u> | <u>\$ 65,154</u> |

See Notes to Financial Statements

NEW HAMPSHIRE HUMANE SOCIETY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016 WITH SUMMARIZED
COMPARATIVE INFORMATION FOR 2015**

| | DECEMBER 31, 2016 | | | | | DECEMBER 31, 2015 TOTAL |
|------------------------------|--------------------------------------|--------------------------------------|--|---------------------------|---------------------|------------------------------------|
| | <u>SHELTER OPERATIONS</u> | <u>MEDICAL OPERATIONS</u> | <u>MANAGEMENT AND GENERAL</u> | <u>FUNDRAISING</u> | <u>TOTAL</u> | |
| Salaries and wages | \$ 221,262 | \$ 54,945 | \$ 61,358 | \$ 72,353 | \$ 409,918 | \$ 431,864 |
| Payroll taxes | 18,978 | 4,962 | 4,915 | 6,040 | 34,895 | 34,654 |
| Employee benefits | <u>7,814</u> | <u>3,833</u> | <u>6,199</u> | <u>11,623</u> | <u>29,469</u> | <u>28,962</u> |
| Total personnel costs | 248,054 | 63,740 | 72,472 | 90,016 | 474,282 | 495,480 |
| Advertising and promotion | 275,814 | 341 | - | 155 | 276,310 | 150,644 |
| Animal care | 46,768 | 104,672 | - | - | 151,440 | 96,331 |
| Depreciation | 49,026 | 12,257 | 8,171 | 12,257 | 81,711 | 82,790 |
| Professional fees | 27,862 | 1,051 | 40,692 | 8,054 | 77,659 | 86,419 |
| Utilities | 38,692 | 8,373 | 7,069 | 9,327 | 63,461 | 72,609 |
| Interest | 38,106 | 9,354 | 6,236 | 9,354 | 63,050 | 65,154 |
| Special events | - | - | - | 52,606 | 52,606 | 58,625 |
| Vehicle expenses | 30,823 | - | - | - | 30,823 | 26,778 |
| Repairs and maintenance | 23,483 | 3,084 | 595 | 870 | 28,032 | 30,485 |
| Supplies and materials | 12,449 | 557 | - | 5,184 | 18,190 | 15,330 |
| Insurance | 6,979 | 1,995 | 5,112 | 2,533 | 16,619 | 22,097 |
| Office expense | 5,609 | 238 | 959 | 923 | 7,729 | 7,055 |
| Bank and credit card charges | 4,742 | - | 524 | - | 5,266 | 4,284 |
| Dues and subscriptions | 1,065 | - | - | 317 | 1,382 | 1,896 |
| Training and conventions | 720 | - | 175 | - | 895 | 171 |
| Uniforms | 52 | - | - | - | 52 | 198 |
| Other | <u>1,058</u> | <u>-</u> | <u>125</u> | <u>117</u> | <u>1,300</u> | <u>2,085</u> |
| Total functional expenses | <u>\$ 811,302</u> | <u>\$ 205,662</u> | <u>\$ 142,130</u> | <u>\$ 191,713</u> | <u>\$ 1,350,807</u> | <u>\$ 1,218,431</u> |

See Notes to Financial Statements

NEW HAMPSHIRE HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015, amounted to \$81,711 and \$82,790, 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 2013 through 2015. 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 market determined by the first-in, first-out method and consist of medical supplies and various pet supplies.

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, 2015, 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, 2016 and 2015:

| | <u>2016</u> | | <u>2015</u> | |
|---------------------------|---------------------|---------------------|---------------------|--------------------|
| | <u>Market Value</u> | <u>Cost</u> | <u>Market Value</u> | <u>Cost</u> |
| Corporate Bonds and Notes | \$ 122,871 | \$ 125,811 | \$ 69,003 | \$ 65,492 |
| Equity Securities | 1,367,205 | 1,149,937 | 1,254,578 | 1,148,457 |
| Equity Mutual Funds | 1,045,038 | 1,061,075 | 1,222,481 | 1,311,033 |
| Exchange Traded Funds | 297,482 | 271,217 | 327,568 | 337,711 |
| Accrued Interest | <u>1,246</u> | <u>1,246</u> | <u>1,246</u> | <u>1,246</u> |
| | <u>\$ 2,833,842</u> | <u>\$ 2,609,286</u> | <u>\$ 2,874,876</u> | <u>\$2,863,939</u> |

Components of Investment Return:

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|--------------------|
| Interest and dividend income | \$ 107,411 | \$ 131,176 |
| Unrealized gain (losses) on investments | 215,271 | (164,919) |
| Realized losses on investments | <u>(80,015)</u> | <u>(29,252)</u> |
| | <u>\$ 242,667</u> | <u>\$ (62,995)</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 table below segregates all financial assets and liabilities as of December 31, 2016 and 2015 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:

| | Quoted Prices In Active Markets for Identical Assets (Level One) | Significant Other Observable Inputs (Level Two) | Significant Unobservable Inputs (Level Three) | Total 12/31/2016 |
|-----------------------------------|---|--|--|-----------------------------|
| Equities: | | | | |
| Consumer Discretionary | \$ 100,479 | \$ - | \$ - | \$ 100,479 |
| Consumer Staples | 73,028 | - | - | 73,028 |
| Energy | 81,947 | - | - | 81,947 |
| Financials | 93,494 | - | - | 93,494 |
| Health Care | 106,578 | - | - | 106,578 |
| Industrials | 109,964 | - | - | 109,964 |
| Information Technology | 196,034 | - | - | 196,034 |
| Materials | 13,651 | - | - | 13,651 |
| Telecommunications | 43,665 | - | - | 43,665 |
| Utilities | 34,853 | - | - | 34,853 |
| Others | 513,512 | - | - | 513,512 |
| 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: | | | | |
| BAA credit rated | - | 122,871 | - | 122,871 |
| | <u>\$ 2,710,971</u> | <u>\$ 122,871</u> | <u>\$ -</u> | <u>\$ 2,833,842</u> |

| | Quoted Prices In Active Markets for Identical Assets (Level One) | Significant Other Observable Inputs (Level Two) | Significant Unobservable Inputs (Level Three) | Total 12/31/2015 |
|-----------------------------------|---|---|--|---------------------|
| Equities: | | | | |
| Consumer Discretionary | \$ 125,690 | \$ - | \$ - | \$ 125,690 |
| Consumer Staples | 118,090 | - | - | 118,090 |
| Energy | 46,101 | - | - | 46,101 |
| Financials | 113,155 | - | - | 113,155 |
| Health Care | 154,868 | - | - | 154,868 |
| Industrials | 327,218 | - | - | 327,218 |
| Information Technology | 244,389 | - | - | 244,389 |
| Materials | 40,443 | - | - | 40,443 |
| Telecommunications | 52,145 | - | - | 52,145 |
| Utilities | 32,479 | - | - | 32,479 |
| Exchange Traded Funds | 322,547 | - | - | 322,547 |
| Mutual Funds: | 1,227,502 | - | - | 1,227,502 |
| Accrued Interest: | 1,246 | - | - | 1,246 |
| Corporate Bonds and Notes: | | | | |
| BAA credit rated | - | 69,003 | - | 69,003 |
| | <u>\$ 2,805,873</u> | <u>\$ 69,003</u> | <u>\$ -</u> | <u>\$ 2,874,876</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, 2016 and 2015, was \$125,348 and \$106,877, respectively.

5. NOTES PAYABLE

The notes payable at December 31, 2016 and 2015 were as follows:

| | <u>2016</u> | <u>2015</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. | \$ 1,400,581 | \$ 1,446,220 |

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>12,417</u> | <u>17,988</u> |
| | 1,412,998 | 1,464,208 |
| Less current portion due within one year | <u>(52,963)</u> | <u>(50,520)</u> |
| Long Term Debt | <u>\$ 1,360,035</u> | <u>\$ 1,413,688</u> |

The scheduled maturities of long term debt at December 31, 2016 were as follows:

| <u>Year Ending December 31</u> | <u>Amount Due</u> |
|------------------------------------|---------------------|
| 2017 | \$ 52,963 |
| 2018 | 55,337 |
| 2019 | 52,070 |
| 2020 | 53,618 |
| 2021 | 56,166 |
| Thereafter | <u>1,142,844</u> |
| | <u>\$ 1,412,998</u> |

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following unexpended, purpose and time restricted donations as of December 31, 2016 and 2015:

| <u>Time or Purpose Restrictions</u> | <u>2016</u> | <u>2015</u> |
|-------------------------------------|------------------|------------------|
| Dodge Law Fund | \$ 13,325 | \$ 13,325 |
| Spay & Neuter Fund | 15,792 | 9,682 |
| Willow Fund | <u>59,861</u> | <u>36,149</u> |
| Total | <u>\$ 88,978</u> | <u>\$ 59,156</u> |

7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following funds at December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|------------------|------------------|------------------|
| Pet Visitation | \$ 3,148 | \$ 3,148 |
| General Purpose | 7,523 | 7,523 |
| Spaying – Canine | 16,214 | 16,214 |
| Doherty Fund | <u>5,248</u> | <u>5,248</u> |
| Total | <u>\$ 32,133</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 two 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 \$265,104 and \$139,951 for the years ended December 31, 2016 and 2015, 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 \$29,193 and \$27,892 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, 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.

During February 2017, the Society established a \$1,000,000 liquidity access line of credit. Interest is stated at a base rate of 3.00% plus one month LIBOR discounted 25 points. The line of credit is collateralized by the Society's investments.

Management has evaluated subsequent events through June 16, 2017, the date the December 31, 2016 financial statements were available for issuance.