

NEW HAMPSHIRE HUMANE SOCIETY

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017
AND
INDEPENDENT AUDITORS' REPORT**

NEW HAMPSHIRE HUMANE SOCIETY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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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, 2018, 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, 2018, 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 2017 financial statements, and our report dated June 8, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Leone, McDonnell & Roberts
Professional Association*

July 15, 2019
Wolfeboro, New Hampshire

NEW HAMPSHIRE HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 WITH SUMMARIZED
COMPARATIVE INFORMATION AS OF DECEMBER 31, 2017

ASSETS

	DECEMBER 31, 2018			DECEMBER 31, 2017 TOTAL
	Without Donor Restrictions	With Donor Restrictions	TOTAL	
CURRENT ASSETS				
Cash and equivalents	\$ 345,134	\$ 105,874	\$ 451,008	\$ 168,011
Contributions receivable	4,405	-	4,405	4,995
Employee advances	1,370	-	1,370	1,090
Investments	2,413,269	360,167	2,773,436	3,020,825
Inventory	-	-	-	3,051
Prepaid insurance and other expenses	2,550	-	2,550	5,494
Total current assets	<u>2,766,728</u>	<u>466,041</u>	<u>3,232,769</u>	<u>3,203,466</u>
PROPERTY				
Land and land improvements	172,602	-	172,602	172,602
Buildings and improvements	2,468,449	-	2,468,449	2,468,449
Furniture, equipment, and vehicles	344,669	-	344,669	318,594
Total property	2,985,720	-	2,985,720	2,959,645
Less accumulated depreciation	(1,053,212)	-	(1,053,212)	(963,745)
Property - net	<u>1,932,508</u>	<u>-</u>	<u>1,932,508</u>	<u>1,995,900</u>
OTHER ASSETS				
Loan reserves - cash	1,417	-	1,417	1,048
Loan reserves - investments	127,299	-	127,299	138,187
Total other assets	<u>128,716</u>	<u>-</u>	<u>128,716</u>	<u>139,235</u>
Total assets	<u>\$ 4,827,952</u>	<u>\$ 466,041</u>	<u>\$ 5,293,993</u>	<u>\$ 5,338,601</u>
	<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES				
Current portion of long term debt	\$ 51,999	\$ -	\$ 51,999	\$ 55,337
Line of credit	122,709	-	122,709	-
Accounts payable and accrued expenses	56,717	-	56,717	12,306
Accrued payroll and related liabilities	16,494	-	16,494	18,654
Refundable advances	16,825	-	16,825	16,910
Total current liabilities	264,744	-	264,744	103,207
LONG TERM DEBT, less current portion shown above	<u>1,251,626</u>	<u>-</u>	<u>1,251,626</u>	<u>1,304,164</u>
Total liabilities	<u>1,516,370</u>	<u>-</u>	<u>1,516,370</u>	<u>1,407,371</u>
NET ASSETS				
Without donor restrictions	3,311,582	-	3,311,582	3,708,003
With donor restrictions	-	466,041	466,041	223,227
Total net assets	<u>3,311,582</u>	<u>466,041</u>	<u>3,777,623</u>	<u>3,931,230</u>
Total liabilities and net assets	<u>\$ 4,827,952</u>	<u>\$ 466,041</u>	<u>\$ 5,293,993</u>	<u>\$ 5,338,601</u>

See Notes to Financial Statements

NEW HAMPSHIRE HUMANE SOCIETY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018 WITH SUMMARIZED
COMPARATIVE INFORMATION FOR 2017**

	DECEMBER 31, 2018			DECEMBER 31, 2017 TOTAL
	Without Donor Restrictions	With Donor Restrictions	TOTAL	
REVENUES, GAINS AND OTHER SUPPORT				
Program service fees				
Shelter income	\$ 217,460	\$ -	\$ 217,460	\$ 231,467
Town and city assessments	73,000	-	73,000	72,500
Contributions	513,508	291,725	805,233	488,683
Grants	2,250	-	2,250	2,000
Bequests	212,750	-	212,750	97,569
Memorial gifts	36,581	-	36,581	135,096
Fundraising and special events	104,845	-	104,845	142,028
Investment return	(140,036)	-	(140,036)	455,104
Net assets released from restrictions - Satisfied by payments and donor permission	48,911	(48,911)	-	-
Total revenues, gains and other support	<u>1,069,269</u>	<u>242,814</u>	<u>1,312,083</u>	<u>1,624,447</u>
EXPENSES				
Program services				
Shelter operations	912,476	-	912,476	747,670
Medical operations	247,834	-	247,834	215,250
Supporting activities				
Management and general	138,010	-	138,010	117,908
Fundraising	<u>167,370</u>	<u>-</u>	<u>167,370</u>	<u>191,167</u>
Total expenses	<u>1,465,690</u>	<u>-</u>	<u>1,465,690</u>	<u>1,271,995</u>
CHANGES IN NET ASSETS	(396,421)	242,814	(153,607)	352,452
NET ASSETS, BEGINNING OF YEAR	<u>3,708,003</u>	<u>223,227</u>	<u>3,931,230</u>	<u>3,578,778</u>
NET ASSETS, END OF YEAR	<u>\$ 3,311,582</u>	<u>\$ 466,041</u>	<u>\$ 3,777,623</u>	<u>\$ 3,931,230</u>

See Notes to Financial Statements

NEW HAMPSHIRE HUMANE SOCIETY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018 WITH SUMMARIZED
COMPARATIVE INFORMATION FOR 2017**

	DECEMBER 31, 2018			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>	<u>DECEMBER 31, 2017 TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in net assets	\$ (396,421)	\$ 242,814	\$ (153,607)	\$ 352,452
Adjustments to reconcile changes in net assets to net cash from operating activities:				
Depreciation	89,467	-	89,467	87,932
Realized gains on sale of investments	(87,940)	-	(87,940)	(293,294)
Unrealized losses (gains) on investments	320,861	-	320,861	(77,436)
Restricted contributions	(291,725)	-	(291,725)	(141,629)
(Increase) decrease in assets:				
Contributions receivable	590	-	590	(2,440)
Employee advances	(280)	-	(280)	(791)
Inventory	3,051	-	3,051	2,900
Prepaid insurance and other expenses	2,944	-	2,944	3,628
(Decrease) increase in liabilities:				
Accounts payable and accrued expenses	44,411	-	44,411	(2,319)
Accrued payroll and related liabilities	(2,160)	-	(2,160)	(601)
Refundable advances	(85)	-	(85)	160
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(317,287)</u>	<u>242,814</u>	<u>(74,473)</u>	<u>(71,438)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property	(26,075)	-	(26,075)	(42,903)
Proceeds from sale of investments	2,925,488	85,956	3,011,444	3,275,120
Purchases of investments, net	<u>(2,638,065)</u>	<u>(348,023)</u>	<u>(2,986,088)</u>	<u>(3,229,560)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>261,348</u>	<u>(262,067)</u>	<u>(719)</u>	<u>2,657</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long term debt	(55,876)	-	(55,876)	(53,497)
Net borrowings on line of credit	122,709	-	122,709	-
Restricted contributions	<u>291,725</u>	<u>-</u>	<u>291,725</u>	<u>141,629</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>358,558</u>	<u>-</u>	<u>358,558</u>	<u>88,132</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	302,619	(19,253)	283,366	19,351
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>43,932</u>	<u>125,127</u>	<u>169,059</u>	<u>149,708</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 346,551</u>	<u>\$ 105,874</u>	<u>\$ 452,425</u>	<u>\$ 169,059</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for interest	<u>\$ 61,186</u>	<u>\$ -</u>	<u>\$ 61,186</u>	<u>\$ 60,900</u>

See Notes to Financial Statements

NEW HAMPSHIRE HUMANE SOCIETY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018 WITH SUMMARIZED
COMPARATIVE INFORMATION FOR 2017**

	DECEMBER 31, 2018				TOTAL	DECEMBER 31, 2017 TOTAL
	SHELTER OPERATIONS	MEDICAL OPERATIONS	MANAGEMENT AND GENERAL	FUNDRAISING		
Salaries and wages	\$ 242,624	\$ 152,353	\$ 60,584	\$ 89,344	\$ 544,905	\$ 487,743
Payroll taxes	20,493	12,337	4,928	7,064	44,822	39,749
Employee benefits	10,619	6,028	7,787	7,677	32,111	32,890
Total personnel costs	273,736	170,718	73,299	104,085	621,838	560,382
Advertising and promotion	269,386	-	-	-	269,386	191,524
Professional fees	91,853	2,444	34,485	8,729	137,511	55,004
Depreciation	53,680	13,420	8,947	13,420	89,467	87,932
Animal care	62,428	40,267	-	-	102,695	126,477
Utilities	30,956	7,468	4,978	7,468	50,870	48,092
Interest	35,088	8,729	8,640	8,729	61,186	60,900
Repairs and maintenance	34,538	1,702	679	966	37,885	26,410
Supplies and materials	30,244	704	-	3,415	34,363	46,188
Vehicle expenses	1,775	-	-	-	1,775	1,999
Insurance	6,239	1,902	5,254	2,416	15,811	16,106
Special events	-	-	-	13,097	13,097	15,605
IT expenses	8,906	115	66	1,675	10,762	12,767
Office expense	4,916	65	619	1,060	6,660	9,238
Bank and credit card charges	4,984	-	748	-	5,732	5,323
Training and conventions	389	-	-	865	1,254	3,661
Dues and subscriptions	1,045	-	-	59	1,104	1,309
Uniforms	504	-	-	-	504	402
Other	1,809	300	295	1,386	3,790	2,676
Total functional expenses	\$ 912,476	\$ 247,834	\$ 138,010	\$ 167,370	\$ 1,465,690	\$ 1,271,995

See Notes to Financial Statements

NEW HAMPSHIRE HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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 financial statements of the Society have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Society to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Society. These net assets may be used at the discretion of the Society's management and board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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 net assets with donor restrictions. However, if a restriction is fulfilled in the period in which the contribution is received, the Society reports the support as net assets without donor restrictions.

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, costs have been allocated among the program services and supporting activities benefited. Occupancy costs have been grouped and allocated to the programs as a line item. Such allocations have been determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy	Square footage/revenues
Depreciation	Square footage
All other expenses	Direct assignment

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, 2018 and 2017, amounted to \$89,467 and \$87,932, 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 2015 through 2017. 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.

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 net assets without donor restrictions, 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 an "earned time" plan under which each eligible employee earns paid leave for each period worked. These hours of paid leave may be used for vacations, holidays, or illnesses. Hours earned, but not used, are vested with the employee. Employees can vest up to 40 hours. The Society accrues a liability for such paid leave as it is earned.

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, 2017, from which the summarized information was derived.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Society has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. AVAILABILITY AND LIQUIDITY

The following represents the Society's financial assets as of December 31, 2018 and 2017:

Financial assets at year-end:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 452,425	\$ 169,059
Contributions receivable	4,405	4,995
Employee advances	1,370	1,090
Investments	<u>2,900,735</u>	<u>3,159,012</u>
Total financial assets	<u>\$ 3,358,935</u>	<u>\$ 3,334,156</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 466,041	\$ 223,227
Less net assets with purpose and time restrictions to be met in less than a year	40,500	45,782
Cash and investments held in loan reserves	<u>128,716</u>	<u>139,235</u>
Amounts not available within one year	<u>554,257</u>	<u>316,680</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,804,678</u>	<u>\$ 3,017,476</u>

The Society's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$335,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

3. **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, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Corporate Bonds and Notes	\$ 116,646	\$ 116,422	\$ 35,538	\$ 35,374
Equity Securities	1,710,976	1,716,856	2,162,436	1,887,263
Government Securities	72,738	72,306	-	-
Municipal Bonds	308,936	304,110	-	-
Equity Mutual Funds	376,191	379,830	667,922	650,841
Exchange Traded Funds	313,546	326,521	293,116	283,541
Accrued Interest	<u>1,702</u>	<u>1,702</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,900,735</u>	<u>\$ 2,917,747</u>	<u>\$ 3,159,012</u>	<u>\$ 2,857,019</u>

Components of Investment Return:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 92,885	\$ 84,374
Unrealized (loss) gain on investments	(320,861)	77,436
Realized gain on investments	<u>87,940</u>	<u>293,294</u>
	<u>\$ (140,036)</u>	<u>\$ 455,104</u>

4. **FAIR VALUE MEASUREMENTS**

United States GAAP established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy):

Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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, 2018 and 2017.

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 and municipal 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, 2018 and 2017 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 12/31/2018
Common and Preferred Stock:	\$ 1,710,976	\$ -	\$ -	\$ 1,710,976
Exchange Traded Funds:	313,546	-	-	313,546
Mutual Funds:	376,191	-	-	376,191
Government Securities:	-	72,738	-	72,738
Municipal Bonds:	-	308,936	-	308,936
Accrued Interest:	-	1,702	-	1,702
Corporate Bonds and Notes:	-	116,646	-	116,646
	<u>\$ 2,400,713</u>	<u>\$ 500,022</u>	<u>\$ -</u>	<u>\$ 2,900,735</u>

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

5. LINE OF CREDIT

During 2017 the Society entered into a line of credit agreement with a bank. The maximum borrowing under the agreement is \$1,000,000. Interest is stated at a base rate of 3.00% plus one-month LIBOR discounted 25 points (5.27% as of December 31, 2018). The line of credit is collateralized by the Society's investments. The balance on the credit line amounted to \$122,709 as of December 31, 2018. There was no balance on the credit line as of December 31, 2017.

6. NOTES PAYABLE

The notes payable at December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</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.	\$ 1,303,101	\$ 1,352,905
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>524</u>	<u>6,596</u>
	1,303,625	1,359,501
Less current portion due within one year	<u>(51,999)</u>	<u>(55,337)</u>
Long Term Debt	<u>\$ 1,251,626</u>	<u>\$ 1,304,164</u>

The scheduled maturities of long term debt at December 31, 2018 were as follows:

<u>Year Ending December 31</u>	<u>Amount Due</u>
2019	\$ 51,999
2020	53,618
2021	56,166
2022	58,674
2023	61,293
Thereafter	<u>1,021,875</u>
	<u>\$ 1,303,625</u>

7. 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, 2018 and 2017, was \$128,716 and \$139,235, respectively.

8. NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Time Restrictions:		
Dodge Law Fund	\$ 13,325	\$ 13,325
Spay & Neuter Fund	4,512	2,641
Maintenance Director	1,355	12,500
Alarm System	441	13,500
Agility Pen Expansion	10,000	-
Roof Expansion	3,800	-
Lewyt Spay & Neuter Fund	150,000	-
Lewyt Food Pantry Fund	100,000	-
Willow Fund	34,893	39,087
Net appreciation of permanently restricted net assets:		
Sustainment of Veterinary Department	10,041	10,041
Restrictions in Perpetuity:		
Pet Visitation	3,148	3,148
General Purpose	7,523	7,523
Spaying - Canine	16,214	16,214
Patricia Haines Memorial Fund	105,541	100,000
Doherty Fund	<u>5,248</u>	<u>5,248</u>
Total net assets with donor restrictions	<u>\$ 466,041</u>	<u>\$ 223,227</u>

Net assets without donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 3,311,582	\$ 3,708,003
Total net assets without donor restrictions	<u>\$ 3,311,582</u>	<u>\$ 3,708,003</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2018</u>	<u>2017</u>
Satisfaction of Purpose Restrictions:		
Willow Fund	\$ 21,578	\$ 23,262
Spay & Neuter Fund	3,129	16,251
Maintenance Director	11,145	-
Alarm System	<u>13,059</u>	<u>-</u>
Total net assets released	<u>\$ 48,911</u>	<u>\$ 39,513</u>

9. 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.

10. 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 \$268,296 and \$188,172 for the years ended December 31, 2018 and 2017, 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 \$15,707 and \$24,904 for the years ended December 31, 2018 and 2017, respectively.

11. 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, 2018 and 2017, there were no uninsured cash balances.

12. 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.

13. 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 July 15, 2019, the date the December 31, 2018 financial statements were available for issuance.