

**SAVE-A-PET, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Save-A-Pet, Inc.  
Grayslake, Illinois

We have audited the accompanying financial statements of SAVE-A-PET, INC. (an Illinois nonprofit Organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SAVE-A-PET, INC. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Warady & Davis LLP*

July 7, 2016

## STATEMENTS OF FINANCIAL POSITION

As of December 31	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,461,243	\$ 1,654,839
Investments, at Fair Value	803,866	702,102
Contributions Receivable	13,963	46,932
Bequests Receivable	35,000	355,000
Inventory	2,673	2,433
Prepaid Expenses	17,373	22,251
Total Current Assets	<u>2,334,118</u>	<u>2,783,557</u>
<b>NONCURRENT ASSETS</b>		
Property and Equipment, net of Accumulated Depreciation and Amortization	1,541,597	1,537,955
Website, net of Accumulated Amortization	2,950	6,395
Total Noncurrent Assets	<u>1,544,547</u>	<u>1,544,350</u>
	<u>\$ 3,878,665</u>	<u>\$ 4,327,907</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 42,244	\$ 125,251
Accrued Expenses	2,226	2,437
Accrued Wages and Payroll Taxes	20,226	16,933
Accrued Vacation	8,732	7,586
Total Current Liabilities	<u>73,428</u>	<u>152,207</u>
<b>NET ASSETS</b>		
Unrestricted	3,675,140	3,784,474
Temporarily Restricted	125,075	386,204
Permanently Restricted	5,022	5,022
Total Net Assets	<u>3,805,237</u>	<u>4,175,700</u>
	<u>\$ 3,878,665</u>	<u>\$ 4,327,907</u>

## STATEMENTS OF ACTIVITIES

For the Years Ended December 31

2015

2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>								
Support								
Contributions								
Donations and Grants	\$ 689,148	\$ 216,820	\$	\$ 905,968	\$ 714,922	\$ 122,499	\$	\$ 837,421
Bequests	287,616	35,000		322,616	513,284	280,000		793,284
	<u>976,764</u>	<u>251,820</u>		<u>1,228,584</u>	<u>1,228,206</u>	<u>402,499</u>		<u>1,630,705</u>
Merchandise Sales	9,120			9,120	9,662			9,662
Less: Cost of Sales	(5,368)			(5,368)	(6,230)			(6,230)
	<u>3,752</u>			<u>3,752</u>	<u>3,432</u>			<u>3,432</u>
Special Event Revenue	118,524			118,524	110,995			110,995
Less: Cost of Direct Benefits to Donors	(41,818)			(41,818)	(33,975)			(33,975)
	<u>76,706</u>			<u>76,706</u>	<u>77,020</u>			<u>77,020</u>
Total Support	<u>1,057,222</u>	<u>251,820</u>		<u>1,309,042</u>	<u>1,308,658</u>	<u>402,499</u>		<u>1,711,157</u>
Program Services								
Animal-Related Fees	<u>106,464</u>			<u>106,464</u>	<u>118,194</u>			<u>118,194</u>
Other Revenues								
Interest and Dividends	15,918			15,918	23,732			23,732
Realized/Unrealized Net Gains (Losses) on Investments	(26,688)			(26,688)	22,082			22,082
Miscellaneous	948			948	3,114			3,114
Total Other Revenues, net	<u>(9,822)</u>			<u>(9,822)</u>	<u>48,928</u>			<u>48,928</u>
Net Assets Released from Restrictions								
Expiration of Purpose Restrictions	157,949	(157,949)		—	223,896	(223,896)		—
Expiration of Time Restrictions	355,000	(355,000)		—	—	—		—
	<u>512,949</u>	<u>(512,949)</u>		<u>—</u>	<u>223,896</u>	<u>(223,896)</u>		<u>—</u>
Total Support and Revenue	<u>1,666,813</u>	<u>(261,129)</u>		<u>1,405,684</u>	<u>1,699,676</u>	<u>178,603</u>		<u>1,878,279</u>
<b>EXPENSES</b>								
Animal Welfare Program	<u>1,405,571</u>			<u>1,405,571</u>	<u>1,349,651</u>			<u>1,349,651</u>
Supporting Services								
Management and General	224,061			224,061	213,484			213,484
Fundraising and Development	146,515			146,515	117,766			117,766
Total Supporting Services	<u>370,576</u>			<u>370,576</u>	<u>331,250</u>			<u>331,250</u>
Total Expenses	<u>1,776,147</u>			<u>1,776,147</u>	<u>1,680,901</u>			<u>1,680,901</u>
CHANGE IN NET ASSETS	(109,334)	(261,129)		(370,463)	18,775	178,603		197,378
Net Assets, Beginning of Year	3,784,474	386,204	5,022	4,175,700	3,765,699	207,601	5,022	3,978,322
NET ASSETS, ENDING	\$ 3,675,140	\$ 125,075	\$ 5,022	\$ 3,805,237	\$ 3,784,474	\$ 386,204	\$ 5,022	\$ 4,175,700

See accompanying notes.

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Animal Welfare Program	Supporting Services			Total Expenses
		Management and General	Fundraising and Development	Total Supporting Services	
Salaries	\$ 470,696	\$ 98,655	\$ 96,266	\$ 194,921	\$ 665,617
Payroll Taxes and Employee Benefits	70,337	15,332	11,509	26,841	97,178
Health, Food, and Other Shelter Supplies	242,490	—	—	—	242,490
Amortization of Website Design	1,550	345	1,550	1,895	3,445
Promotion/Advertising	8,492	1,373	244	1,617	10,109
Insurance	43,259	3,718	3,718	7,436	50,695
Office Supplies	16,849	5,056	11,799	16,855	33,704
Newsletter	15,715	414	414	828	16,543
Bank Charges and Credit Card Fees	5,714	2,857	2,857	5,714	11,428
Investment Fees	—	11,119	—	11,119	11,119
Depreciation and Amortization Expense	87,559	2,304	2,304	4,608	92,167
Dues, Subscriptions and Licenses	—	1,300	—	1,300	1,300
Postage	7,732	430	430	860	8,592
Professional Fees	2,118	67,644	8,353	75,997	78,115
Telephone	7,921	440	440	880	8,801
Rent	—	6,443	—	6,443	6,443
Repairs and Maintenance	27,975	4,662	4,662	9,324	37,299
Training	821	—	—	—	821
Transportation	4,415	—	—	—	4,415
Utilities	30,420	1,690	1,690	3,380	33,800
Veterinary Services	356,487	—	—	—	356,487
Miscellaneous	5,021	279	279	558	5,579
<b>TOTAL EXPENSES</b>	<b>\$ 1,405,571</b>	<b>\$ 224,061</b>	<b>\$ 146,515</b>	<b>\$ 370,576</b>	<b>\$ 1,776,147</b>

See accompanying notes.

## STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2014

	Animal Welfare Program	Supporting Services			Total Expenses
		Management and General	Fundraising and Development	Total Supporting Services	
Salaries	\$ 459,949	\$ 85,714	\$ 60,043	\$ 145,757	\$ 605,706
Payroll Taxes and Employee Benefits	79,095	12,934	6,702	19,636	98,731
Health, Food, and Other Shelter Supplies	231,038	—	—	—	231,038
Amortization of Website Design	1,550	345	1,550	1,895	3,445
Promotion/Advertising	2,103	511	5,267	5,778	7,881
Insurance	40,886	3,773	3,773	7,546	48,432
Office Supplies	13,971	4,394	10,313	14,707	28,678
Newsletter	12,450	328	3,462	3,790	16,240
Bank Charges and Credit Card Fees	2,541	1,270	8,009	9,279	11,820
Investment Fees	—	11,214	—	11,214	11,214
Depreciation and Amortization Expense	81,757	2,152	2,152	4,304	86,061
Dues, Subscriptions and Licenses	—	830	—	830	830
Postage	4,932	274	2,975	3,249	8,181
Professional Fees	2,052	68,766	8,268	77,034	79,086
Telephone	6,731	374	374	748	7,479
Rent	—	7,307	—	7,307	7,307
Repairs and Maintenance	29,476	7,989	2,293	10,282	39,758
Transportation	6,466	—	—	—	6,466
Utilities	36,433	2,024	2,024	4,048	40,481
Veterinary Services	333,564	—	—	—	333,564
Miscellaneous	4,657	3,285	561	3,846	8,503
<b>TOTAL EXPENSES</b>	<b>\$ 1,349,651</b>	<b>\$ 213,484</b>	<b>\$ 117,766</b>	<b>\$ 331,250</b>	<b>\$ 1,680,901</b>

See accompanying notes.



## STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ (370,463)</u>	<u>\$ 197,378</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	92,167	86,061
Amortization of Website Design	3,445	3,445
Realized/Unrealized Net (Gains) Losses on Investments	26,688	(22,082)
Donated Stock	(5,123)	(6,442)
Proceeds from Sale of Donated Stock	5,065	—
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Contributions Receivable	32,969	5,177
Bequests Receivable	320,000	(280,000)
Inventory	(240)	1,262
Prepaid Expenses	4,878	(1,653)
Increase (Decrease) in:		
Accounts Payable	(83,007)	1,182
Accrued Expenses	(211)	1,294
Accrued Wages and Payroll Taxes	3,293	4,344
Accrued Vacation	1,146	(1,393)
Total Adjustments	<u>401,070</u>	<u>(208,805)</u>
Net Cash Provided (Used) by Operating Activities	<u>30,607</u>	<u>(11,427)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investments	918,025	580,875
Purchases of Investments	(1,046,419)	(486,149)
Purchases of Property and Equipment	(95,809)	(124,283)
Website Development Costs	—	(585)
Net Cash Used by Investing Activities	<u>(224,203)</u>	<u>(30,142)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(193,596)</u>	<u>(41,569)</u>
Cash and Cash Equivalents, Beginning	<u>1,654,839</u>	<u>1,696,408</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u><b>\$ 1,461,243</b></u>	<u><b>\$ 1,654,839</b></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Noncash Activities		
Donated Goods, Services and Facilities	<u>\$ 46,867</u>	<u>\$ 63,729</u>
Property and Equipment Additions Included in Accounts Payable	<u>\$ —</u>	<u>\$ 86,856</u>

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**NOTES TO FINANCIAL STATEMENTS**

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**ORGANIZATION ACTIVITIES**

Save-A-Pet, Inc. (the Organization) is an Illinois not-for-profit organization. The Organization was established for the purpose of maintaining an animal shelter (with a no-kill policy) for the aid, comfort, lodging, humane care, welfare and safety of animals. Major sources of revenues are contributions from the general public, fundraising events, bequests and program fees.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**BASIS OF PRESENTATION**

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**FINANCIAL STATEMENT PRESENTATION**

The financial statement presentation follows the provisions of the FASB Codification topic related to Financial Statements of Not-for-Profit Organizations. This guidance requires the Organization to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets - Amounts that are stipulated by donors for specific operating purposes, the acquisition of equipment or use in future periods. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Permanently restricted net assets - Amounts that are stipulated by donors to be maintained in perpetuity. Investment income, including realized and unrealized gains and losses, are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

**RECOGNITION OF SUPPORT AND REVENUES**

The Organization accounts for contributions received and unconditional promises to give, including bequests under the provisions of the FASB Codification topic related to contributions made and received. In accordance with the Codification, contributions are recognized as support or revenue when received. Unconditional promises to give are recognized at the estimated present value of future cash flows, net of allowances. All contributions are considered available for unrestricted use unless specifically restricted by the donor or by laws and regulations.

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NOTES TO FINANCIAL STATEMENTS

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****CASH AND CASH EQUIVALENTS**

For purposes of the statements of cash flows, the Organization considers all highly-liquid instruments purchased with original maturities of three months or less to be cash equivalents.

**INVESTMENTS**

The Organization follows the provisions of the FASB Codification for accounting for investments held by not-for-profit organizations. This standard requires that investments in marketable securities be accounted for at fair value. Fair value is based on quoted market prices. Realized gains and losses are the differences between the proceeds received and the cost of investments sold. Unrealized gains and losses are the differences between the fair value and the cost of investments and are included in earnings.

The Organization's investments are comprised of common stock, mutual funds, and exchange traded funds. Interest and dividend income, and realized and unrealized gains and losses on investments are recognized in the statements of activities.

**INVENTORY**

Inventory consists of merchandise purchased for sale at the shelter and items donated for auction at various events which remained in the Organization's possession at December 31, 2015 and 2014. Purchased inventory is reflected at cost determined on the first-in, first-out (FIFO) method.

**PROPERTY AND EQUIPMENT**

Property and equipment are carried at cost when purchased or fair value as of the date of the gift, if donated. The Organization's policy is to capitalize all purchases of property and equipment greater than \$1,000. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets as follows:

<u>Asset</u>	<u>Years</u>
Building and Building Improvements.....	5 - 40
Furniture and Equipment.....	3 - 7
Vehicles .....	5
Computers and Software.....	3 - 5

**WEBSITE**

The Organization developed a new website in November 2013 at a cost of \$9,800. In 2014, additional costs of \$585 related to the new website were capitalized. The website, and its upgrades, will be amortized over three years. Accumulated amortization was \$7,435 for 2015 and \$3,990 for 2014. Amortization expense was \$3,445 for 2015 and 2014. Amortization expense will be \$2,917 in 2016 and \$33 in 2017.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****IN-KIND DONATIONS AND CONTRIBUTED SERVICES**

The financial statements reflect amounts for in-kind contributions for which an objective basis is available to measure their value. Revenues are reflected in contributions, and the expenses are recorded in the corresponding functional expense category in the accompanying statements of activities. The Organization has recorded in-kind contributions of goods, which include pet food, medical, health, shelter, maintenance, and computer and office supplies at their estimated fair values of \$33,611 for 2015 and \$41,198 for 2014. Additionally, the Organization received donated veterinary services of \$11,506 in 2015 and \$22,398 in 2014, accounting services of \$1,750 in 2015 and \$-0- in 2014, and donated facilities of \$-0- in 2015 and \$133 in 2014.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in its programs in the furtherance of its purposes. No amounts have been recognized in the statements of activities because the criteria for recognition under the FASB Codification topic related to contributions made and received have not been satisfied.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities are presented on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management.

**NOTE 2—TAX-EXEMPT STATUS**

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly classified by the State of Illinois. The Organization has been classified as other than a private foundation by the Internal Revenue Service. Accordingly, the accompanying financial statements do not reflect income tax expense. The Organization files annual informational returns with the Internal Revenue Service and the Illinois Attorney General.

The Organization follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 3—INVESTMENTS**

Investments consist of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Common Stock:		
Basic Materials.....	\$ 57,960	\$ 65,075
Technology .....	160,396	96,278
Financial Services .....	88,371	60,746
Healthcare .....	170,190	110,938
Industrial Goods.....	37,301	63,298
Other Services .....	114,893	124,471
Other .....	<u>93,894</u>	<u>80,185</u>
Total Common Stock .....	<u>723,005</u>	<u>600,991</u>
Mutual Funds:		
Large Blend .....	32,511	33,563
Large Value .....	<u>—</u>	<u>10,764</u>
Total Mutual Funds .....	<u>32,511</u>	<u>44,327</u>
Exchange Traded Funds:		
Financial Services .....	48,350	34,631
Other .....	<u>—</u>	<u>22,153</u>
Total Exchange Traded Funds.....	<u>48,350</u>	<u>56,784</u>
	<u>\$ 803,866</u>	<u>\$ 702,102</u>

Investment income for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Net Realized Gains.....	\$ 28,496	\$ 58,471
Net Unrealized Losses.....	<u>(55,184)</u>	<u>(36,389)</u>
	<u>\$ (26,688)</u>	<u>\$ 22,082</u>

**NOTE 4—FAIR VALUE MEASUREMENTS**

The FASB Codification provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 4—FAIR VALUE MEASUREMENTS (Continued)**

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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.

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, 2015.

*Level 1 Fair Value Measurements*

Fair values for the Organization's common stock, mutual funds, and exchange traded funds were based on quoted market prices at December 31, 2015 and 2014.

*Level 2 Fair Value Measurements*

The Organization has no level 2 investments at December 31, 2015 and 2014.

*Level 3 Fair Value Measurements*

The Organization has no level 3 investments at December 31, 2015 and 2014.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**NOTE 5—PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Land.....	\$ 174,941	\$ 174,941
Building.....	1,729,402	1,729,402
Building Improvements.....	508,099	468,649
Furniture and Equipment.....	277,251	220,892
Vehicles .....	24,068	24,068
Computers and Software.....	<u>57,314</u>	<u>57,314</u>
	<b>2,771,075</b>	2,675,266
Accumulated Depreciation and Amortization .....	<u>1,229,478</u>	<u>1,137,311</u>
	<b>\$ 1,541,597</b>	<b>\$ 1,537,955</b>
Depreciation and Amortization Expense .....	<u>\$ 92,167</u>	<u>\$ 86,061</u>

## NOTES TO FINANCIAL STATEMENTS

**NOTE 6—RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31 were as follows:

	<u>2015</u>	<u>2014</u>
Time Restricted - Bequests .....	\$ 35,000	\$ 355,000
Training .....	3,379	1,200
Adoption .....	200	—
Special Needs .....	8,090	—
Capital Campaign		
Kennel Doors .....	48,261	29,704
Cat Room .....	—	300
Fence Project .....	<u>30,145</u>	<u>—</u>
	<u>\$ 125,075</u>	<u>\$ 386,204</u>

Satisfaction of restrictions for the years ended December 31 were for the following:

	<u>2015</u>	<u>2014</u>
Satisfaction of Time Restrictions .....	\$ 355,000	\$ —
Training .....	—	150
Energy Efficiency Project .....	12,249	—
Specific Pet Care .....	20,901	—
Behavior Therapy .....	—	2,495
Capital Campaign		
Kennel Doors .....	1,443	8,266
Cat Room .....	50,301	—
Roof .....	—	75,725
General .....	—	34,761
Special Needs .....	50,025	50,000
Medical and Healthcare .....	<u>22,730</u>	<u>52,499</u>
	<u>\$ 512,649</u>	<u>\$ 223,896</u>

Permanently restricted net assets of \$5,022 at December 31, 2015 and 2014 are restricted to investments in perpetuity, the income from which is expendable to benefit the animals.

**NOTE 7—ENDOWMENT FUNDS**

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 7—ENDOWMENT FUNDS (Continued)**

The Organization has not adopted investment and spending policies related to endowment funds due to the insignificant balance. The practice is to attempt to provide a predictable stream of funding to the programs supported by its endowment.

Endowment net asset composition by type of fund as of December 31, 2015 and 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted				
Endowment Funds .....	\$ <u>—</u>	\$ <u>—</u>	\$ <u>5,022</u>	\$ <u>5,022</u>

Changes in endowment net assets as of December 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets,				
January 1, 2015 .....	\$ —	\$ —	\$ 5,022	\$ 5,022
Investment Income .....	—	2	—	2
Amounts Appropriated for Expenditure .....	<u>—</u>	<u>(2)</u>	<u>—</u>	<u>(2)</u>
Endowment Net Assets, December 31, 2015 .....	\$ <u>—</u>	\$ <u>—</u>	\$ <u>5,022</u>	\$ <u>5,022</u>

Changes in endowment net assets as of December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets,				
January 1, 2014 .....	\$ —	\$ —	\$ 5,022	\$ 5,022
Investment Income .....	—	3	—	3
Amounts Appropriated for Expenditure .....	<u>—</u>	<u>(3)</u>	<u>—</u>	<u>(3)</u>
Endowment Net Assets, December 31, 2014 .....	\$ <u>—</u>	\$ <u>—</u>	\$ <u>5,022</u>	\$ <u>5,022</u>



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NOTES TO FINANCIAL STATEMENTS

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**NOTE 8—LEASE COMMITMENTS**

The Organization leases office equipment under long-term lease agreements. In 2011, the Organization entered into a new copier lease replacing the old copier lease prior to the end of the term, with the new copier lease to expire in 2016. Also commencing in 2011, the Organization entered into a vending machine lease which expired in 2015. The Organization also leases a number of storage units located throughout the northern suburbs of Illinois. These leases are renewed annually at rates varying from \$50 per month to \$394 per month. Rent expense was \$13,358 for 2015 and \$14,393 for 2014, including equipment lease payments of \$4,979 for 2015 and 2014 which are reported in office supplies on the statements of functional expenses, and equipment lease payments of \$1,932 for 2015 and \$2,107 for 2014 which are reported in merchandise cost of sales on the statements of activities.

Future minimum rental payments for these equipment leases are as follows:

Year Ending December 31	
2016 .....	\$ <u>3,735</u>

**NOTE 9—CONCENTRATION OF CREDIT AND MARKET RISK**

The Organization maintains cash and cash equivalents in various financial institutions, for which the balances may exceed federally insured limits at various times during the year. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, 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 Organization and the amounts reported in the statements of activities.

**NOTE 10—RELATED PARTY TRANSACTIONS**

Donations of \$4,560 were received from Board members during 2015. Donations of \$3,681 were received from Board members during 2014.

**NOTE 11—RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to current year presentation.

**NOTE 12—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 7, 2016, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.