

SAVE-A-PET, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT 3-4

FINANCIAL STATEMENTS

Statements of Financial Position 5

Statements of Activities..... 6

Statements of Functional Expenses 7-8

Statements of Cash Flows 9

Notes to Financial Statements..... 10-17



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, 2016 and 2015, 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, 2016 and 2015, 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

June 29, 2017

STATEMENTS OF FINANCIAL POSITION

As of December 31	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 951,980	\$ 1,461,243
Investments, at Fair Value	900,033	803,866
Contributions Receivable	45,305	13,963
Bequests Receivable	18,474	35,000
Inventory	3,053	2,673
Prepaid Expenses	15,961	17,373
Total Current Assets	<u>1,934,806</u>	<u>2,334,118</u>
NONCURRENT ASSETS		
Property and Equipment, net of Accumulated Depreciation and Amortization	1,678,064	1,541,597
Website, net of Accumulated Amortization	33	2,950
Total Noncurrent Assets	<u>1,678,097</u>	<u>1,544,547</u>
	<u>\$ 3,612,903</u>	<u>\$ 3,878,665</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 78,133	\$ —
Accounts Payable	105,796	42,244
Accrued Expenses	1,695	2,226
Accrued Wages and Payroll Taxes	24,265	20,226
Accrued Vacation	8,601	8,732
Total Current Liabilities	<u>218,490</u>	<u>73,428</u>
NET ASSETS		
Unrestricted	3,357,383	3,675,140
Temporarily Restricted	32,008	125,075
Permanently Restricted	5,022	5,022
Total Net Assets	<u>3,394,413</u>	<u>3,805,237</u>
	<u>\$ 3,612,903</u>	<u>\$ 3,878,665</u>

STATEMENTS OF ACTIVITIES

For the Years Ended December 31

2016

2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
Support								
Contributions								
Donations and Grants	\$ 657,049	\$ 148,501	\$	\$ 805,550	\$ 689,148	\$ 216,820	\$	\$ 905,968
Bequests	326,798	28,474		355,272	287,616	35,000		322,616
	<u>983,847</u>	<u>176,975</u>		<u>1,160,822</u>	<u>976,764</u>	<u>251,820</u>		<u>1,228,584</u>
Merchandise Sales	7,633			7,633	9,120			9,120
Less: Cost of Sales	<u>(4,765)</u>			<u>(4,765)</u>	<u>(5,368)</u>			<u>(5,368)</u>
	<u>2,868</u>			<u>2,868</u>	<u>3,752</u>			<u>3,752</u>
Special Event Revenue	166,640			166,640	118,524			118,524
Less: Cost of Direct Benefits to Donors	<u>(67,397)</u>			<u>(67,397)</u>	<u>(41,818)</u>			<u>(41,818)</u>
	<u>99,243</u>			<u>99,243</u>	<u>76,706</u>			<u>76,706</u>
Total Support	<u>1,085,958</u>	<u>176,975</u>		<u>1,262,933</u>	<u>1,057,222</u>	<u>251,820</u>		<u>1,309,042</u>
Program Services								
Animal-Related Fees	<u>101,468</u>			<u>101,468</u>	<u>106,464</u>			<u>106,464</u>
Other Revenues								
Interest and Dividends	17,884			17,884	15,918			15,918
Realized/Unrealized Net Gains (Losses) on Investments	39,234			39,234	(26,688)			(26,688)
Miscellaneous	345			345	948			948
Total Other Revenues, net	<u>57,463</u>			<u>57,463</u>	<u>(9,822)</u>			<u>(9,822)</u>
Net Assets Released from Restrictions								
Expiration of Purpose Restrictions	235,042	(235,042)		—	157,949	(157,949)		—
Expiration of Time Restrictions	35,000	(35,000)		—	355,000	(355,000)		—
	<u>270,042</u>	<u>(270,042)</u>		<u>—</u>	<u>512,949</u>	<u>(512,949)</u>		<u>—</u>
Total Support and Revenue	<u>1,514,931</u>	<u>(93,067)</u>		<u>1,421,864</u>	<u>1,666,813</u>	<u>(261,129)</u>		<u>1,405,684</u>
EXPENSES								
Animal Welfare Program	<u>1,447,551</u>			<u>1,447,551</u>	<u>1,405,571</u>			<u>1,405,571</u>
Supporting Services								
Management and General	222,249			222,249	224,061			224,061
Fundraising and Development	162,888			162,888	146,515			146,515
Total Supporting Services	<u>385,137</u>			<u>385,137</u>	<u>370,576</u>			<u>370,576</u>
Total Expenses	<u>1,832,688</u>			<u>1,832,688</u>	<u>1,776,147</u>			<u>1,776,147</u>
CHANGE IN NET ASSETS	(317,757)	(93,067)		(410,824)	(109,334)	(261,129)		(370,463)
Net Assets, Beginning of Year	3,675,140	125,075	5,022	3,805,237	3,784,474	386,204	5,022	4,175,700
NET ASSETS, ENDING	<u>\$ 3,357,383</u>	<u>\$ 32,008</u>	<u>\$ 5,022</u>	<u>\$ 3,394,413</u>	<u>\$ 3,675,140</u>	<u>\$ 125,075</u>	<u>\$ 5,022</u>	<u>\$ 3,805,237</u>

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Animal Welfare Program	Supporting Services			Total Expenses
		Management and General	Fundraising and Development	Total Supporting Services	
Salaries	\$ 489,421	\$ 113,432	\$ 112,586	\$ 226,018	\$ 715,439
Payroll Taxes and Employee Benefits	77,936	13,407	14,489	27,896	105,832
Health, Food, and Other Shelter Supplies	258,422	—	—	—	258,422
Amortization of Website Design	1,313	291	1,313	1,604	2,917
Promotion/Advertising	5,878	839	1,295	2,134	8,012
Insurance	47,238	2,624	2,624	5,248	52,486
Office Supplies	13,052	3,915	9,136	13,051	26,103
Newsletter	19,940	525	525	1,050	20,990
Bank Charges and Credit Card Fees	8,218	4,110	4,110	8,220	16,438
Interest	—	252	—	252	252
Investment Fees	—	11,920	—	11,920	11,920
Depreciation and Amortization Expense	103,986	2,736	2,736	5,472	109,458
Dues, Subscriptions and Licenses	—	1,932	—	1,932	1,932
Loss on Disposal of Property and Equipment	3,606	3,606	3,617	7,223	10,829
Postage	9,462	537	537	1,074	10,536
Professional Fees	2,204	49,289	3,815	53,104	55,308
Telephone	5,453	303	303	606	6,059
Rent	—	6,729	—	6,729	6,729
Repairs and Maintenance	21,616	3,603	3,603	7,206	28,822
Transportation	4,146	—	—	—	4,146
Utilities	30,926	1,718	1,718	3,436	34,362
Veterinary Services	336,073	—	—	—	336,073
Miscellaneous	8,661	481	481	962	9,623
TOTAL EXPENSES	\$ 1,447,551	\$ 222,249	\$ 162,888	\$ 385,137	\$ 1,832,688

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

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
TOTAL EXPENSES	\$ 1,405,571	\$ 224,061	\$ 146,515	\$ 370,576	\$ 1,776,147

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ (410,824)</u>	<u>\$ (370,463)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	109,458	92,167
Amortization of Website Design	2,917	3,445
Loss on Disposal of Property and Equipment	10,829	—
Realized/Unrealized Net (Gains) Losses on Investments	(39,234)	26,688
Donated Stock	(110,283)	(5,123)
Donated Unsold Auction Items Included in Inventory	(380)	—
Proceeds from Sale of Donated Stock	5,761	5,065
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Contributions Receivable	(31,342)	32,969
Bequests Receivable	16,526	320,000
Inventory	—	(240)
Prepaid Expenses	1,412	4,878
Increase (Decrease) in:		
Accounts Payable	(7,686)	(83,007)
Accrued Expenses	(531)	(211)
Accrued Wages and Payroll Taxes	4,039	3,293
Accrued Vacation	(131)	1,146
Total Adjustments	<u>(38,645)</u>	<u>401,070</u>
Net Cash Provided (Used) by Operating Activities	<u>(449,469)</u>	<u>30,607</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	806,107	918,025
Purchases of Investments	(756,791)	(1,045,621)
Reinvested Dividends and Interest	(1,727)	(798)
Purchases of Property and Equipment	(185,516)	(95,809)
Net Cash Used by Investing Activities	<u>(137,927)</u>	<u>(224,203)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit Borrowing	<u>78,133</u>	<u>—</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(509,263)	(193,596)
Cash and Cash Equivalents, Beginning	1,461,243	1,654,839
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 951,980</u>	<u>\$ 1,461,243</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 252</u>	<u>\$ —</u>
Noncash Activities		
Donated Goods, Services and Facilities	<u>\$ 66,501</u>	<u>\$ 46,867</u>
Property and Equipment Additions Included in Accounts Payable	<u>\$ 71,238</u>	<u>\$ —</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

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/kennel renovations 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.

NOTES TO FINANCIAL STATEMENTS

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, 2016 and 2015. 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 \$10,352 for 2016 and \$7,435 for 2015. Amortization expense was \$2,917 in 2016 and \$3,445 in 2015. Amortization expense will be \$33 in 2017.

NOTES TO FINANCIAL STATEMENTS

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, computer and office supplies, and auction items at their estimated fair values of \$54,833 for 2016 and \$33,611 for 2015. Additionally, the Organization received donated veterinary services of \$6,403 in 2016 and \$11,506 in 2015, legal services of \$1,663 in 2016 and \$-0- in 2015 accounting services of \$2,200 in 2016 and \$1,750 in 2015, and printing services of \$1,402 in 2016 and \$-0- in 2015.

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>2016</u>	<u>2015</u>
Common Stock:		
Basic Materials.....	\$ 23,634	\$ 57,960
Technology	106,086	160,396
Financial Services	196,777	88,371
Healthcare	127,176	170,190
Industrial Goods.....	51,102	37,301
Other Services	81,211	114,893
Other	<u>197,170</u>	<u>93,894</u>
Total Common Stock	<u>783,156</u>	<u>723,005</u>
Mutual Funds:		
Large Blend	102,083	32,511
Small Blend	<u>14,794</u>	<u>—</u>
Total Mutual Funds	<u>116,877</u>	<u>32,511</u>
Exchange Traded Funds:		
Financial Services	<u>—</u>	<u>48,350</u>
	<u>\$ 900,033</u>	<u>\$ 803,866</u>
Investment income (loss) for the years ended December 31:		
	<u>2016</u>	<u>2015</u>
Net Realized Gains (Losses)	\$ (11,797)	\$ 28,496
Net Unrealized Gains (Losses)	<u>51,031</u>	<u>(55,184)</u>
	<u>\$ 39,234</u>	<u>\$ (26,688)</u>

NOTES TO FINANCIAL STATEMENTS

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.

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, 2016 and 2015.

Level 1 Fair Value Measurements

All of the Organization's investments are level 1. Fair values for the Organization's common stock, mutual funds, and exchange traded funds were based on quoted market prices at December 31, 2016 and 2015.

Level 2 Fair Value Measurements

The Organization has no level 2 investments at December 31, 2016 and 2015.

Level 3 Fair Value Measurements

The Organization has no level 3 investments at December 31, 2016 and 2015.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Land.....	\$ 174,941	\$ 174,941
Building.....	1,729,402	1,729,402
Building Improvements.....	547,599	508,097
Furniture and Equipment.....	259,282	277,251
Vehicles	24,068	24,068
Computers and Software.....	57,314	57,314
Construction in Progress.....	<u>214,260</u>	<u>-</u>
	3,006,866	2,771,073
Accumulated Depreciation and Amortization	<u>1,328,802</u>	<u>1,229,476</u>
	\$ 1,678,064	\$ 1,541,597
Depreciation and Amortization Expense	<u>\$ 109,458</u>	<u>\$ 92,167</u>

NOTE 6—LINE OF CREDIT

In 2016, the Organization entered into a \$280,000 revolving line of credit, collateralized by the assets of the Organization. Interest is payable monthly at prime (3.75% at December 31, 2016). The amount outstanding was \$78,133 at December 31, 2016. The entire balance was repaid in April, 2017.

NOTE 7—RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 were as follows:

	<u>2016</u>	<u>2015</u>
Time Restricted - Bequests.....	\$ 18,474	\$ 35,000
Training.....	5,044	3,379
Adoption	400	200
Special Needs.....	8,090	8,090
Capital Campaign		
Kennel Doors/Enclosure.....	—	48,261
Fence Project.....	—	30,145
	<u>\$ 32,008</u>	<u>\$ 125,075</u>

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

	<u>2016</u>	<u>2015</u>
Satisfaction of Time Restrictions.....	\$ 35,000	\$ 355,000
Energy Efficiency Project.....	—	12,249
Specific Pet Care.....	22,031	20,901
Fence Project.....	30,145	—
Capital Campaign		
Kennel Doors	77,326	1,443
Cat Room.....	3,000	50,301
Special Needs.....	50,450	50,025
Medical and Healthcare	<u>52,090</u>	<u>22,730</u>
	\$ 270,042	\$ 512,649

Permanently restricted net assets of \$5,022 at December 31, 2016 and 2015 are restricted to investments in perpetuity, the income from which is expendable to benefit the animals.

NOTES TO FINANCIAL STATEMENTS

NOTE 8—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.

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, 2016 and 2015 is as follows:

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

Changes in endowment net assets as of December 31, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets,				
January 1, 2016	\$ —	\$ —	\$ 5,022	\$ 5,022
Investment Income	—	1	—	1
Amounts Appropriated for Expenditure	—	(1)	—	(1)
Endowment Net Assets, December 31, 2016	\$ —	\$ —	\$ 5,022	\$ 5,022

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	—	(2)	—	(2)
Endowment Net Assets, December 31, 2015	\$ —	\$ —	\$ 5,022	\$ 5,022

NOTES TO FINANCIAL STATEMENTS

NOTE 9—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 \$10,464 for 2016 and \$13,358 for 2015, including equipment lease payments of \$3,735 for 2016 and \$4,979 for 2015 which are reported in office supplies on the statements of functional expenses, and equipment lease payments of \$-0- for 2016 and \$1,936 for 2015 which are reported in merchandise cost of sales on the statements of activities.

NOTE 10—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 11—RELATED PARTY TRANSACTIONS

Donations of \$6,568 were received from Board members during 2016. Donations of \$4,560 were received from Board members during 2015.

NOTE 12—SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 29, 2017, the date which the financial statements were available for issue. Except for Note 6, there were no subsequent events which require disclosure.