ALLEN COUNTY SPCA
YOUR COMMUNITY. YOUR SHELTER. YOUR PETS.

ALLEN COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2016 and 2015

KSM KATZ SAPPER & MILLER

ALLEN COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.

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Independent Auditors' Report

Board of Directors
Allen County Society for the Prevention of Cruelty to Animals, Inc.

We have audited the accompanying financial statements of Allen County Society for the Prevention of Cruelty to Animals, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, statements of 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 auditors' 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 auditors consider 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.

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Certified Public Accountants
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Fort Wayne, IN 46802
Tel 260.496.8297
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An Affiliate of
KSM Business Services, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allen County Society for the Prevention of Cruelty to Animals, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Katz, Sapper & Miller, LLP

Ft. Wayne, Indiana
July 24, 2017

ALLEN COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash	$ 158,167	$ 337,206
Interest receivable	20	20
Grants receivable	1,000	10,000
Investments	1,926,680	1,805,778
Prepaid expenses	6,406	5,624
Total Current Assets	2,092,273	2,158,628
PROPERTY AND EQUIPMENT		
Land, building and improvements	180,687	180,687
Furniture and equipment	138,102	116,602
	318,789	297,289
Less: Accumulated depreciation	235,325	219,983
Total Property and Equipment	83,464	77,306
OTHER ASSETS		
Cash restricted for capital assets	68,136	39,786
TOTAL ASSETS	$ 2,243,873	$ 2,275,720

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 49,756	$ 25,330
Accrued expenses	8,238	5,390
Deferred revenue	3,080	6,408
Total Current Liabilities	61,074	37,128
NET ASSETS		
Unrestricted:		
Undesignated	1,962,015	2,075,202
Board designated	13,187	13,187
Total Unrestricted	1,975,202	2,088,389
Temporarily restricted	207,597	150,203
Total Net Assets	2,182,799	2,238,592
TOTAL LIABILITIES AND NET ASSETS	$ 2,243,873	$ 2,275,720

See accompanying notes.

ALLEN COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT						
Donations, grants and bequests	$ 464,938	$ 140,289	$ 605,227	$ 615,969	$ 118,026	$ 733,995
In-kind donations	121,341		121,341	48,141		48,141
Membership dues	43,710		43,710	49,727		49,727
Adoption fees	165,570		165,570	154,702		154,702
Special events	115,585		115,585	152,825		152,825
Less: Direct expenses	(69,463)		(69,463)	(70,365)		(70,365)
Product sales, less costs of goods sold	2,547		2,547	4,796		4,796
Miscellaneous income	12,401		12,401	5,966		5,966
Investment income, net of fees	46,406		46,406	75,333		75,333
Net realized loss on investments	(57,207)		(57,207)	(3,341)		(3,341)
Net unrealized gain (loss) on investments	90,703		90,703	(85,523)		(85,523)
Net assets released from restrictions	82,895	(82,895)		32,280	(32,280)	
Total Revenue, Gains and Other Support	1,019,426	57,394	1,076,820	980,510	85,746	1,066,256
EXPENSES						
Program	874,000		874,000	768,815		768,815
Management and general	140,174		140,174	80,282		80,282
Fundraising	118,439		118,439	87,595		87,595
Total Expenses	1,132,613		1,132,613	936,692		936,692
INCREASE (DECREASE) IN NET ASSETS	(113,187)	57,394	(55,793)	43,818	85,746	129,564
NET ASSETS						
Beginning of Year	2,088,389	150,203	2,238,592	2,044,571	64,457	2,109,028
End of Year	$ 1,975,202	$ 207,597	$ 2,182,799	$ 2,088,389	$ 150,203	$ 2,238,592

See accompanying notes.

ALLEN COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2016 and 2015

	2016				2015			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Advertising	$ 4,253			$ 4,253	$ 2,224			$ 2,224
Animal food, supplies and permits	200,470			200,470	111,834			111,834
Auto expense	12,811			12,811	10,445			10,445
Depreciation	15,035	$ 307		15,342	14,875	$ 304		15,179
Insurance		8,298		8,298		6,640		6,640
Kennel supplies	4,320			4,320	1,091			1,091
Miscellaneous	1,099		$ 16,867	17,966	3,049		$ 14,057	17,106
Occupancy	20,030	409		20,439	20,223	413		20,636
Office expense	18,017	6,930	2,772	27,719	18,529	7,126	2,851	28,506
Payroll taxes and employee benefits	57,748	14,437	8,021	80,206	60,393	16,546	5,791	82,730
Postage and printing			32,398	32,398			34,817	34,817
Professional fees		20,670	8,966	29,636		6,112		6,112
Repairs and maintenance	5,147	105		5,252	5,481	112		5,593
Salaries and wages	355,786	88,946	49,415	494,147	356,650	42,970	30,079	429,699
Telephone	3,508	72		3,580	2,915	59		2,974
Veterinary expense	175,776			175,776	161,106			161,106
TOTAL EXPENSES	$ 874,000	$ 140,174	$ 118,439	$ 1,132,613	$ 768,815	$ 80,282	$ 87,595	$ 936,692

See accompanying notes.

ALLEN COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (55,793)	$ 129,564
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	15,342	15,179
Net realized and unrealized (gain) loss on investments	(33,496)	88,864
Contributions restricted for long-term purposes	(28,350)	(4,520)
(Increase) decrease in certain current assets:		
Grants receivable	9,000	9,465
Bequest receivable		10,520
Prepaid expenses	(782)	(2,311)
Increase (decrease) in certain current liabilities:		
Accounts payable	24,426	5,338
Accrued expenses	2,848	(5,288)
Deferred revenue	(3,328)	(293)
Net Cash Provided by Operating Activities	(70,133)	246,518
INVESTING ACTIVITIES		
Increase in cash restricted for capital assets	(28,350)	(4,520)
Proceeds from sale or redemption of investments	526,877	146,555
Purchases of investments	(614,283)	(290,142)
Purchases of property and equipment	(21,500)	
Net Cash Used by Investing Activities	(137,256)	(148,107)
FINANCING ACTIVITIES		
Proceeds from contributions restricted for building renovations	28,350	4,520
Net Cash Provided by Financing Activities	28,350	4,520
INCREASE (DECREASE) IN CASH	(179,039)	102,931
CASH		
Beginning of Year	337,206	234,275
End of Year	$ 158,167	$ 337,206

See accompanying notes.

ALLEN COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: The Allen County Society for the Prevention of Cruelty to Animals, Inc. (the Organization) is an Indiana not-for-profit corporation which was formed in 1949 to promote the prevention of cruelty to animals by providing a safe haven for animals, an effective and comprehensive adoption program, education and outreach programs for the community, and deep and broad membership and volunteer programs. The Organization receives its funding primarily from adoption fees and donations from the general public.

Basis of Presentation: The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and classify the Organization's activities and net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

- ***Unrestricted Net Assets*** represent unrestricted resources available to support the Organization's operations. Unrestricted net assets include funds designated by the Board for building renovations.

- ***Temporarily Restricted Net Assets*** represent gifts that are subject to donor-imposed purpose or time restrictions that can be fulfilled either by actions of the Organization pursuant to those restrictions, with the passage of time, or both. Upon satisfaction of such restrictions, net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.

- ***Permanently Restricted Net Assets*** represent gifts with donor-imposed restrictions that the original gift amounts be maintained in perpetuity as an endowment. The Organization had no permanently restricted net assets as of December 31, 2016 and 2015.

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash consists of cash on hand or in demand deposit accounts. Cash does not include cash restricted by donors for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organization has not experienced any losses from its bank accounts. Money market fund shares included in investment accounts are reported as short-term investments.

Investment Valuation and Income Recognition: Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for discussion of fair value measurements.

Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method. Realized and unrealized gains and losses on investments are included in the statements of activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants Receivable consist of unconditional promises to give that are expected to be collected in future years and grants classified as conditional promises to the extent that conditions have been met but reimbursement form the grantor has not yet been received. Contributions and grants receivable are reported as either temporarily or permanently restricted support unless explicit donor stipulations or circumstances surrounding the promise make clear the donor intended it to be used to support activities of the current period.

Contributions and grants receivable are reviewed for collectability and a provision for doubtful contributions receivable is recorded based on management's judgment and analysis of the creditworthiness of the donors, historical experience, economic conditions, and other relevant factors. Management determined that no allowance was necessary at December 31, 2016 or 2015.

Property and Equipment: Expenditures for property and equipment are stated at cost for purchased assets, or at fair value at the date of donation for donated assets, less accumulated depreciation. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives as follows:

Building and improvements	15-40 years
Furniture and equipment	3-15 years

The Organization's property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. To date, no adjustments to the carrying amount of property and equipment have been required.

Contributions and Grants are recognized as support and revenues when they are received or unconditionally pledged. The Organization reports such gifts as restricted support and revenues if they are subject to time or donor-imposed restrictions. Conditional contributions are not recorded as support and revenues until the conditions are met.

In-kind Contributions: Contributions of services are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Volunteers contribute significant amounts of time to the Organization's activities that do not meet recognition criteria, and the value of these contributed services is not reflected in the financial statements. Contributions of food, equipment, and other goods are recorded at estimated fair value when received.

Adoption Fees are recognized when earned at the time the adoption is finalized.

Membership Dues are recorded as revenue and recognized as unrestricted support in the year it is received.

Special Event Revenue, including related sponsorship revenue and other contributions, is recognized upon occurrence of the event. Revenue and support received for events occurring subsequent to the statement of financial position date is reflected as deferred revenue.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to the specific programs and supporting services benefited. Expenses related to more than one function are allocated among program and support services based on space occupied, time spent by Organization staff, or other estimates made by the Organization's management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs are expensed as incurred and totaled $4,253 in 2016 and $2,224 in 2015.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2016 and 2015.

The Organization files U.S. federal and Indiana information tax returns. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

Reclassifications: Certain amounts in the 2015 financial statements have been reclassified to conform to the presentation of the 2016 financial statements.

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through July 24, 2017, the date the financial statements were available to be issued.

NOTE 2 - FAIR VALUE MEASUREMENTS

The Organization has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy 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) and the lowest priority to unobservable inputs (Level 3). The asset 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.

The three levels of the fair value hierarchy are described as follows:

> ***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 may 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; and/or 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. In situations where there is little or no market activity for the asset or liability, the Organization makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by the Organization for assets and liabilities that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2016 and 2015.

> ***Mutual Fund Shares and Money Market Fund Shares:*** Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds are deemed to be actively traded.
>
> ***Exchange-traded Fund Shares:*** Valued at the closing price reported on the active market on which the individual securities are traded.

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Organization's assets that are measured at fair value on a recurring basis as of December 31, 2016 and 2015:

2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investments:				
Money Market Fund Shares	$ 80,148			$ 80,148
Mutual Fund Shares:				
Large cap	707,868			707,868
Mid cap	114,775			114,775
Small cap	34,192			34,192
Fixed income	609,038			609,038
Exchange-traded Fund Shares:				
Large cap	84,942			84,942
Mid cap	125,784			125,784
Small cap	47,158			47,158
Fixed income	122,775			122,775
Total Assets at Fair Value	$1,926,680			$1,926,680

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investments:				
Money Market Fund Shares	$ 79,311			$ 79,311
Mutual Fund Shares:				
Large cap	567,998			567,998
Mid cap	328,207			328,207
Small cap	23,832			23,832
Fixed income	582,806			582,806
Exchange-traded Fund Shares:				
Large cap	31,224			31,224
Mid cap	26,393			26,393
Small cap	36,733			36,733
Fixed income	129,274			129,274
Total Assets at Fair Value	$1,805,778			$1,805,778

At December 31, 2016 and 2015, the Organization had no other assets and no liabilities that are measured at fair value on a recurring basis.

NOTE 3 - INVESTMENTS

Investments consisted of the following as of December 31, 2016 and 2015:

	2016		**2015**	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Money market fund shares	$ 80,148	$ 80,148	$ 79,311	$ 79,311
Mutual fund and exchange-traded fund shares - equity	1,130,518	1,114,719	1,114,899	1,015,158
Mutual fund and exchange-traded fund shares - fixed income	749,806	731,813	735,293	711,309
Total Investments	$1,960,472	$1,926,680	$1,929,503	$1,805,778

NOTE 3 - INVESTMENTS (CONTINUED)

The Organization's investment income, gains and losses consisted of the following for the years ended December 31, 2016 and 2015, as classified in the statements of activities:

	2016	2015
Interest and dividends	$ 57,176	$ 85,600
Investment management fees	(10,770)	(10,267)
Net realized losses	(57,207)	(3,341)
Net unrealized gains (losses)	90,703	(85,523)
Net Investment Income (Loss)	$ 79,902	$(13,531)

NOTE 4 - NET ASSETS

Unrestricted Net Assets:

Unrestricted net assets consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Designated for building renovations	$ 13,187	$ 13,187
Undesignated	1,962,015	2,075,202
Total Unrestricted Net Assets	$1,975,202	$2,088,389

Temporarily Restricted Net Assets:

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

	2016	2015
Outdoor kennels	$ 6,530	$ 6,530
Building renovations	61,606	33,256
Angel fund	52,490	31,946
Cat tower	654	654
Future operations		10,000
Pet Promise	83,992	65,492
Golf outing	125	125
Technology improvements	2,200	2,200
Total Temporarily Restricted Net Assets	$207,597	$150,203

For the years ended December 31, 2016 and 2015, net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors were as follows:

	2016	2015
Angel funds	$26,824	$14,390
Pet Promise	46,071	7,890
Future operations	10,000	10,000
Total Net Assets Released from Restrictions	$82,895	$32,280

NOTE 5 - CONCENTRATION OF SUPPORT

The Organization receives a substantial amount of its support from estate gifts each year. These gifts provided 26% of the total support in 2015. Significant amounts were not received in 2016.

NOTE 6 - OPERATING LEASES

The Organization has an agreement to lease office equipment. The agreement expires in 2019 and requires monthly payments over the term of the lease of $275 with variable amounts due based on usage. Lease expense was $3,530 in 2016 and $4,618 in 2015.

At December 31, 2016, the future minimum rental payments required by all long-term operating leases are as follows:

Payable In	Lease Payments
2017	$3,300
2018	3,300
2019	3,300
Total	$9,900