

YAVAPAI COUNTY HUMANE SOCIETY

**FINANCIAL STATEMENTS AND
AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE
YEAR ENDED DECEMBER 31, 2015)**

April 26, 2017

Lumbard & Associates, P.L.L.C.
(A Division of The Pun Group, LLP)
4143 North 12th Street, Suite 100
Phoenix, AZ 85014
(602) 274-9966
Fax (602) 265-0021
www.llumbard.com

Yavapai County Humane Society
Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 14
Supplementary Information	
Schedule of Functional Expenses	15

Lisa B. Lumbard, C.P.A., C.G.F.M.
Kenneth H. Pun, C.P.A., C.G.M.A.

Frances Kuo, C.P.A., C.G.M.A.
Jeffrey D. Cospier
Andan (Jake) Litwiller
Maria G. Ward, C.P.A.

Stephanie M. Canez

American Institute of
Certified Public
Accountants
Government Audit
Quality Center
Government Finance
Officers Association
Arizona Society of
Certified Public
Accountants
Association of
Government
Accountants
Arizona Hispanic
Chamber of
Commerce

Independent Auditors' Report

Board of Directors
Yavapai County Humane Society
Prescott, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Yavapai County Humane Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows 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 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.

Board of Directors
Yavapai County Humane Society
Prescott, Arizona

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yavapai County Humane Society as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Yavapai County Humane Society's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other-Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lombard & Associates, PLLC

(A Division of The Pun Group, LLP)
Phoenix, Arizona
April 26, 2017

FINANCIAL STATEMENTS

Yavapai County Humane Society
Statement of Financial Position
December 31, 2016
(with Comparative Totals as of December 31, 2015)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 503,225	\$ 714,004
Accounts receivable	3,954	1,398
Prepaid expenses	18,969	17,829
Other assets	4,950	4,950
Total current assets	531,098	738,181
Investments	876,132	1,121,938
Property and equipment, net	2,766,688	2,222,731
Total assets	\$ 4,173,918	\$ 4,082,850
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 87,422	\$ 48,636
Accrued expenses	100,988	70,821
Deferred revenue	-	14,818
Current portion of long-term debt	21,588	17,198
Total current liabilities	209,998	151,473
Long-term debt, net of current portion	292,295	308,663
Net assets:		
Unrestricted		
Board designated	1,121,938	1,121,938
Undesignated	2,425,063	2,398,630
Temporarily restricted	112,279	89,801
Permanently restricted	12,345	12,345
Total net assets	3,671,625	3,622,714
Total liabilities and net assets	\$ 4,173,918	\$ 4,082,850

Read the accompanying Notes to the Financial Statements.

Yavapai County Humane Society
Statement of Activities
For the Year Ended December 31, 2016
(with Comparative Totals for the Year Ended December 31, 2015)

	2016			Total	2015
	Unrestricted	Temporarily Restricted	Permanently Restricted		Summarized Totals
CHANGES IN NET ASSETS:					
REVENUES AND OTHER SUPPORT:					
Contributions	\$ 730,991	\$ 299,603	\$ -	\$ 1,030,594	\$ 1,020,433
Program grants	294,566	-	-	294,566	305,094
In-kind contributions	394,627	-	-	394,627	39,154
Fundraising and event revenue	63,162	-	-	63,162	89,465
Program revenue					
Animal control	361,133	-	-	361,133	333,518
Clinic	450,119	-	-	450,119	432,739
Shelter	149,192	-	-	149,192	155,143
Thrift store	291,213	-	-	291,213	313,925
Investment income/(loss)	44,232	-	-	44,232	(17,856)
Other revenue	40,374	-	-	40,374	45,203
Net assets released from restrictions	277,125	(277,125)	-	-	-
Total revenues and other support	3,096,734	22,478	-	3,119,212	2,716,818
EXPENSES:					
Program services					
Animal control	\$ 313,293	-	-	313,293	\$ 301,864
Clinic	1,147,433	-	-	1,147,433	1,054,839
Shelter	680,912	-	-	680,912	637,823
Thrift store	249,873	-	-	249,873	246,642
Equine center	113,797	-	-	113,797	6,421
Support services					
Administrative support	276,173	-	-	276,173	221,967
Fund development	288,820	-	-	288,820	305,607
Total expenses	3,070,301	-	-	3,070,301	2,775,163
Changes in net assets	26,433	22,478	-	48,911	(58,345)
NET ASSETS:					
Beginning of year	3,520,568	89,801	12,345	3,622,714	3,681,059
End of year	<u>\$ 3,547,001</u>	<u>\$ 112,279</u>	<u>\$ 12,345</u>	<u>\$ 3,671,625</u>	<u>\$ 3,622,714</u>

Yavapai County Humane Society
Statement of Cash Flows
For the Year Ended December 31, 2016
(with Comparative Totals For the Year Ended December 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 48,911	\$ (58,345)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	142,359	134,430
Unrealized (gain)/loss on investments	66,642	64,585
Changes in operating assets and liabilities		
Accounts receivable	(2,556)	1,116
Prepaid expenses	(1,140)	927
Other asset	-	2,200
Accounts payable	38,786	7,732
Accrued expenses	30,167	26,348
Deferred revenue	(14,818)	14,818
Net cash provided by operating activities	308,351	193,811
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(142,038)	(55,425)
Proceeds from redemption of investments	321,202	195,099
Acquisition of property and equipment	(674,352)	(280,958)
Net cash used in investing activities	(495,188)	(141,284)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(23,942)	(20,122)
Net cash used in financing activities	(23,942)	(20,122)
Net increase in cash and cash equivalents	(210,779)	32,405
CASH AND CASH EQUIVALENTS:		
Beginning of year	714,004	681,599
End of year	\$ 503,225	\$ 714,004
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid for the year	\$ 14,565	\$ 15,829
NON-CASH INVESTING AND FINANCING:		
Acquisition of property and equipment		
Cost of equipment	\$ 11,964	\$ -
Notes payable	(11,964)	-

Yavapai County Humane Society
Notes To The Financial Statements
For The Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

Note 1 – Organization

Yavapai County Humane Society (the “Organization”), a not-for-profit corporation located in Prescott, Arizona, was incorporated on April 3, 1972. The mission of the Organization is to promote and protect the health, safety, and welfare of companion animals. The major sources of income include donations from the general public, adoptions from the shelter by the general public, revenue from clinic operations for the care of animals, animal control operations for local communities, and the operation of a thrift store.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues and gains are recognized in the period in which they are earned and expenses and losses are recognized in the period in which the liability is incurred.

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Financial Accounting Standards Board (“FASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based on the following criteria:

Unrestricted Net Assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets, i.e. the donor-stipulated purpose have been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Temporarily Restricted Net Assets consist of contributed funds, subject to specific donor imposed restrictions, contingent upon specific performance of future event or a specific passage of time before the Organization may spend the funds.

Permanently Restricted Net Assets are assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes.

The Organization was deeded a parcel of land from the City of Prescott in 1976. The condition of the deed was that the land be used for a nonprofit animal hospital and/or shelter, and that the land would revert to the City upon demise or termination of existence of the Organization.

Yavapai County Humane Society
Notes To The Financial Statements
For The Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

Note 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. This will affect the reported amount of assets and liabilities, 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.

Prior Year Summarized 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of fees due from program services and are non-interest bearing. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At December 31, 2016, the Organization expects all accounts receivable to be fully collectible.

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service. Contributions and pledges receivable that are expected to be collected over one year are recorded at their net realizable value.

In-Kind Contributions

The Organization records various types of in-kind contributions including professional services, advertising and materials. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or property and equipment.

Yavapai County Humane Society
Notes To The Financial Statements
For The Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

Note 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

The Organization's policy is to record purchases of property and equipment at costs in excess of \$1,000. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Repair and maintenance costs are expensed as incurred.

Impairment of Long-Lived Assets

Long-lived assets, such as 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. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from federal and state income tax on related activities under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Under the guidance of *Accounting for Uncertainty in Income Taxes*, the Center utilizes a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement.

At December 31, 2016, management believes there were no uncertain tax positions.

Yavapai County Humane Society
Notes To The Financial Statements
For The Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments and, with none being held for trading purposes, approximate the carry values of such amounts.

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value and establish disclosures about fair value measurements. Assets and liabilities recorded at fair value in the Statement of Financial Position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

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

- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets or liabilities.

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

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

For cash and cash equivalents, the Organization uses the carrying amounts, which approximate fair value due to their short maturity.

For long-term debt borrowings, the fair values are estimated using discounted cash flow analysis, based on the Organization's current incremental borrowing rates for similar types of borrowing arrangements. As of December 31, 2016 and 2015, the fair values of long-term debt borrowings were not considered to be materially different from the recorded values.

Yavapai County Humane Society
Notes To The Financial Statements
For The Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

Investment held at Arizona Community Foundation: Valued based upon the fair value of the underlying pooled investments in marketable equity and fixed income securities held at the Arizona Community Foundation.

Note 3 – Investments

The following table presents securities held at Arizona Community Foundation (ACF) by the Organization measured at fair value by classification within the fair value hierarchy as of December 31, 2016 and 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2016</u>	<u>2015</u>
Investment held at ACF	<u>-</u>	<u>876,132</u>	<u>-</u>	<u>876,132</u>	<u>1,121,938</u>
Total	<u>-</u>	<u>876,132</u>	<u>-</u>	<u>876,132</u>	<u>1,121,938</u>

During the years ending December 31, 2016 and 2015, the Organization received investment income from the pooled investments held by ACF, an independent trustee, which distributes a percentage of the investments to other charitable organizations. The terms of the original contributions do not meet the definition of a split-interest agreement, thus the Organization is not required to recognize these contributions until the income is received. The amount of unrestricted contributions received was \$119,400 and \$112,118 for the years ended December 31, 2016 and 2015, respectively.

Note 4 – Property and Equipment

Property and equipment at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 128,383	\$ 128,383
Construction in process	65,727	49,592
Buildings and improvements	2,926,407	2,300,672
Equipment	444,302	414,669
Furniture and fixtures	8,925	8,925
Software	27,119	27,119
Vehicles	<u>109,952</u>	<u>94,488</u>
Total property and equipment	3,710,815	3,023,848
Less accumulated depreciation	<u>(944,127)</u>	<u>(801,117)</u>
Net property and equipment	<u>\$ 2,766,688</u>	<u>\$ 2,222,731</u>

Yavapai County Humane Society
Notes To The Financial Statements
For The Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

Note 4 – Property and Equipment (Continued)

Depreciation expense for the years ended December 31, 2016 and 2015, was \$143,010 and \$134,430, respectively.

Construction in process is associated with architectural planning and design costs related to improvements to the main shelter. The project is expected to be long-term in nature and assets will be placed into service when completed.

Note 5 – Long-term Debt

Notes payable of the Organization activities consisted of the following at December 31,:

	2016	2015
Note payable to National Bank of Arizona, with monthly fixed principal payments, plus interest, until maturity, October 31, 2033. Interest rate is at 4.5% and the note is secured by the underlying assets.	\$ 306,419	\$ 325,861
 Note payable to Jerry Kipp, a related party and member of the board of directors, with monthly fixed principal payments until maturity, January 1, 2020. Unpaid principal after the maturity date shall accrue interest at a rate of 5% annually and the note is secured by the underlying assets.	7,464	-
Total notes payable	313,883	325,861
Less: Current portion	(21,588)	(17,198)
Total long-term portion	\$ 292,295	\$ 308,663

Future minimum payments on long-term are as followed:

Year ending December 31,	Principal	Interest	Total
2017	\$ 21,588	\$ 13,462	\$ 35,050
2018	22,415	12,636	35,051
2019	23,279	11,772	35,051
2020	20,847	10,868	31,715
2021	21,529	9,922	31,451
Thereafter	204,225	39,682	243,907
Total	\$ 313,883	\$ 98,342	\$ 412,225

Yavapai County Humane Society
Notes To The Financial Statements
For The Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

Note 6 – Revolving Line of Credit

The Organization has a \$100,000 revolving line of credit, of which \$100,000 was unused at December 31, 2016 and 2015. The unpaid interest on the outstanding balance is due monthly and is calculated at a rate of one (1) percent over prime (4.25% at December 31, 2016 and 2015). The credit line is unsecured.

Note 7 – Operating Leases

The Organization leases space for clinic program services under the terms of an operating lease. For the years ended December 31, 2016 and 2015, the operating lease was continuing on a month-to-month basis. Total rent expense, association fees, and property taxes for the leased space for the years ended December 31, 2016 and 2015, was \$29,086 and \$26,928, respectively.

Note 8 – Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2016 and 2015 was \$35,287 and \$37,562, respectively.

Note 9 – In-Kind Contributions

The Organization receives a significant amount of unskilled, contributed time which does not meet the three recognition criteria described in Note 2. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements. During the years ended December 31, 2016 and 2015, the Organization received 29,472 and 26,052 unskilled volunteer hours, respectively.

The Organization also receives a significant amount of skilled, contributed time which does meet the three recognition criteria described in Note 2. Contributed time related primarily to the construction of the Equine Center and was contributed by skilled individuals who have advanced degrees or significant professional experience in their respective fields. The Organization has estimated the value of this contributed time using rates for comparable services had the Organization been required to pay. For the year ended December 31, 2016, the total amount of skilled, contributed time was \$283,992.

Yavapai County Humane Society
Notes To The Financial Statements
For The Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

Note 10 – Restrictions on Net Assets

Restrictions on temporarily restricted net assets at December 31, 2016 and 2015, relate to contributions designated for specific purposes.

For the years ended December 31, 2016 and 2015, net assets whose use by the Organization was subject to donor-imposed restrictions were fulfilled by actions of the Organization pursuant to those restrictions. Accordingly, the expending of such net assets are shown in the statement of activities as a release of net assets from temporary restrictions.

During the year ended December 31, 2013, the Organization was bequeathed \$1,376,665 for the purpose of improving or increasing the care facilities for animals and also subsidizing adoption fees, spaying fees and other expenses of pet care improvement. The Organization initially deemed that \$1,000,000 of this bequest be designated for the above purposes and certain amounts have been undesignated as needed to support operations. As of December 31, 2016 and 2015 the Organization reported the remaining balance in the investment account of \$1,121,938 as designated.

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Low cost spay/neuter programs	\$ 11,926	\$ 14,962
Pre-adoption	35,415	23,922
Chino Valley Equine Center	-	14,023
Vaccinations	310	1,906
Special animal care	-	772
Cat care	2,751	2,251
Temporary boarding assistance	5,562	3,702
Special Treatment And Recovery (STAR)	44,820	24,010
Low cost medical surgeries	3,435	4,253
Website maintenance	<u>8,060</u>	<u>-</u>
Total	<u>\$ 112,279</u>	<u>\$ 89,801</u>

Yavapai County Humane Society
Notes To The Financial Statements
For The Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

Note 11 – Concentration of Credit Risk

Financial instruments potentially subjecting the Organization to concentration or credit risk consist primarily of bank demand deposit in excess of Federal Deposit Insurance Corporation (FDIC) insurance threshold. Demand deposits are placed with one local financial institution and management has not experienced any loss related to these demand deposits in the past. At December 31, 2016 and 2015, \$203,870 and \$394,220 were not covered by the FDIC, respectively.

Note 12 – Contingencies

General Liability and Workers' Compensation

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omission; job-related illnesses or injuries to employees; and natural disasters for which the Organization carries commercial insurance. The Organization purchases commercial insurance to cover the risk of loss for property and business liability. There are no known claims or incidents that may result in the assertion of material claims arising from potential losses.

Litigations

The Organization may from time to time be involved in litigation and regulatory investigations, which may arise in the normal course of doing business. According to consultation with legal counsel and management, there are no existing pending material matters as of December 31, 2016 and 2015.

Note 13 – Subsequent Events

The Organization has evaluated subsequent events through April 26, 2017, the date which the financial statements were available to be issued. No significant events that would be expected to materially impact the financial statements were identified.

SUPPLEMENTARY INFORMATION

Yavapai County Humane Society
Schedule of Functional Expenses
For the Year Ended December 31, 2016
(with Comparative Totals for the Year Ended December 31, 2015)

	Program Costs					Total Program Costs	Support Services			Summarized Total 2015
	Animal Control	Clinic	Shelter	Thrift Store	Equine Center		Administrative Costs	Fund Development	Total 2016	
EXPENSES:										
Adoption Expense	\$ -	\$ -	\$ 560	\$ -	\$ -	\$ 560	\$ -	\$ -	\$ 560	\$ 1,039
Advertising	-	17,522	-	8,100	203	25,825	84	9,378	35,287	37,562
Bank Charges	1,478	5,060	1,640	4,104	3	12,285	2,470	5,091	19,846	19,420
Board Expenses	-	-	-	-	94	94	2,228	-	2,322	2,151
Depreciation	2,757	48,245	54,134	20,531	3,606	129,273	8,577	5,160	143,010	134,430
Development	-	-	-	-	2,399	2,399	60	14,915	17,374	30,501
Dues/subscriptions/licenses	-	2,736	1,350	143	-	4,229	2,142	1,554	7,925	4,264
Employee Benefits	2,511	9,021	1,125	2,175	132	14,964	7,356	1,282	23,602	17,058
Employee Costs	646	3,245	1,246	-	259	5,396	37,449	352	43,197	5,904
Insurance	1,846	4,689	6,840	5,301	1,789	20,465	1,244	835	22,544	27,487
Insurance - Health	9,813	28,627	18,038	10,079	150	66,707	18,388	6,162	91,257	55,355
Interest	-	-	-	14,565	-	14,565	-	-	14,565	15,828
Maintenance and Repairs	5,796	15,282	18,273	8,193	25,545	73,089	4,781	4,854	82,724	65,828
Medical Supplies	-	157,790	-	-	-	157,790	-	-	157,790	146,696
Municipalities Expense	10,882	16,072	-	-	-	26,954	-	-	26,954	36,084
Office Expense	1,270	3,609	1,168	221	67	6,335	2,856	822	10,013	7,888
Payroll	195,734	545,769	413,074	132,829	38,825	1,326,231	139,820	95,331	1,561,382	1,509,134
Payroll Taxes	26,226	84,685	56,146	14,121	4,244	185,422	11,018	10,187	206,627	137,128
Postage and Printing	978	842	5,501	355	97	7,773	1,134	101,910	110,817	84,269
Professional fees	-	83	-	-	6,854	6,937	29,606	79	36,622	25,687
Rent	-	29,086	3,783	1,962	-	34,831	-	486	35,317	30,935
Supplies	30,868	69,200	61,941	5,574	20,344	187,927	1,849	21,708	211,484	238,935
Utilities	22,268	12,808	34,139	18,290	3,194	90,699	2,676	5,991	99,366	89,235
Vehicles	220	1,562	1,648	3,330	2,449	9,209	2,435	1,878	13,522	16,015
Veterinary Services	-	91,450	306	-	3,497	95,253	-	-	95,253	34,615
Volunteer expenses	-	50	-	-	46	96	-	845	941	1,715
Total expenses	\$ 313,293	\$ 1,147,433	\$ 680,912	\$ 249,873	\$ 113,797	\$ 2,505,308	\$ 276,173	\$ 288,820	\$ 3,070,301	\$ 2,775,163