



**NEW HAMPSHIRE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

**CUMMINGS
LAMONT
& McNAMEE, P.A.**

October 3, 2016

The Board of Directors
New Hampshire Society for the Prevention of Cruelty to Animals
Stratham, New Hampshire

*"Trusted Advisors for
over 50 years!"*

We have audited the accompanying financial statements of the New Hampshire Society for the Prevention of Cruelty to Animals (a nonprofit organization), which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

CERTIFIED PUBLIC ACCOUNTANTS

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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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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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.


Raymond L. Bald, CPA, CFE
Cindy K. Edwards, MBA
Wanda J. Ring, CPA
Melanie Bunker, CPA
Michelle A. Goldsmith, CPA

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

Member:
American Institute of CPAs

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Hampshire Society for the Prevention of Cruelty to Animals as of March 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.

Licensed in Maine, New Hampshire
and Massachusetts

Cummings, Lamont & McNamee, P.A.

**Certified Public Accountants
Portsmouth, New Hampshire**

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FINANCIAL POSITION

MARCH 31,

ASSETS

	<u>2016</u>	<u>2015</u> <u>(as restated)</u>
CURRENT ASSETS		
Cash	\$ 21,840	\$ 6,165
Accounts receivable	22,562	25,642
Current portion of note receivable	2,430	1,620
Current portion of pledges receivable, net of allowance for doubtful accounts of \$15,000	100,210	104,767
Bequests receivable	28,500	221,341
Inventory	16,655	18,191
Prepaid expenses	68,795	66,831
	<hr/>	<hr/>
Total Current Assets	260,992	444,557
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT, NET	3,520,363	3,638,482
	<hr/>	<hr/>
OTHER ASSETS		
Investments	760,844	752,621
Investments - charitable gift annuities	33,893	26,944
Restitution receivable, net of allowance of \$27,856	31,499	32,703
Note receivable, net of current portion	-	3,240
Pledges receivable, net of current portion	375,483	461,024
Bequests receivable, net of current portion	84,991	-
Beneficial interest in NHSPCA trust	2,340,045	2,403,499
Beneficial interest in charitable trusts	345,241	358,758
Beneficial interest in assets held by others	13,179	14,432
Other assets	3,924	4,641
	<hr/>	<hr/>
Total Other Assets	3,989,099	4,057,862
	<hr/>	<hr/>
Total Assets	\$ 7,770,454	\$ 8,140,901
	<hr/>	<hr/>

See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FINANCIAL POSITION

MARCH 31,

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u> (as restated)
CURRENT LIABILITIES		
Line of credit	\$ 139,817	\$ 97,200
Accounts payable	54,434	93,533
Accrued salaries and related expenses	84,673	58,681
Annuity payment liability	16,422	12,564
Current portion of long-term debt	40,433	39,134
Deferred revenue	<u>20,723</u>	<u>8,988</u>
Total Current Liabilities	356,502	310,100
Long-term debt, net of current portion	<u>833,773</u>	<u>874,216</u>
Total Liabilities	<u>1,190,275</u>	<u>1,184,316</u>
NET ASSETS		
Unrestricted :		
Board Designated - DiBiasio Family Scholarship Fund	100,000	100,000
Board Designated - Endowment Fund	200,000	200,000
Undesignated	3,218,662	3,606,504
Temporarily restricted	925,978	937,316
Permanently restricted	<u>2,135,539</u>	<u>2,112,765</u>
Total Net Assets	<u>6,580,179</u>	<u>6,956,585</u>
Total Liabilities and Net Assets	<u>\$ 7,770,454</u>	<u>\$ 8,140,901</u>

See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT				
Shelter	\$ 294,182	\$ -	\$ -	\$ 294,182
Other operating income	186,058	-	-	186,058
Contributions	905,995	220,976	37,545	1,164,516
Special events	339,245	-	-	339,245
Bequest income	70,590	-	-	70,590
Interest and dividends	19,509	3,937	-	23,446
Gains (losses) on NHSPCA Trust	(94,919)	-	-	(94,919)
Net realized and unrealized gain (loss)	(45,787)	-	-	(45,787)
In kind donations	190,299	-	-	190,299
Net assets released from restrictions	236,251	(236,251)	-	-
Total Revenue, Gains and Other Support	2,101,423	(11,338)	37,545	2,127,630
OPERATING EXPENSES				
Shelter	1,519,066	-	-	1,519,066
Program	458,211	-	-	458,211
Management and general	205,418	-	-	205,418
Fundraising	292,842	-	-	292,842
Other expenses	13,728	-	-	13,728
Total Operating Expenses	2,489,265	-	-	2,489,265
Net Operating Income (Loss)	(387,842)	(11,338)	37,545	(361,635)
CHANGE IN BENEFICIAL INTERESTS IN TRUSTS AND ASSETS HELD BY OTHERS				
	-	-	(14,771)	(14,771)
CHANGE IN NET ASSETS	(387,842)	(11,338)	22,774	(376,406)
NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	3,906,504	937,316	2,112,765	6,956,585
NET ASSETS, END OF YEAR	\$ 3,518,662	\$ 925,978	\$ 2,135,539	\$ 6,580,179

See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2015 (AS RESTATED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT				
Shelter	\$ 293,418	\$ -	\$ -	\$ 293,418
Other operating income	195,254	-	-	195,254
Contributions	1,069,928	84,931	24,232	1,179,091
Special events	298,843	-	-	298,843
Bequest income	344,670	-	-	344,670
Interest and dividends	22,630	6,010	-	28,640
Gains (losses) on NHSPCA Trust	141,230	-	-	141,230
Net realized and unrealized gain (loss)	(1,624)	-	-	(1,624)
In kind donations	138,044	-	-	138,044
Net assets released from restrictions	157,836	(157,836)	-	-
Total Revenue, Gains and Other Support	2,660,229	(66,895)	24,232	2,617,566
OPERATING EXPENSES				
Shelter	1,454,271	-	-	1,454,271
Program	457,067	-	-	457,067
Management and general	210,115	-	-	210,115
Fundraising	281,473	-	-	281,473
Other expenses	5,073	-	-	5,073
Total Operating Expenses	2,407,999	-	-	2,407,999
Net Operating Income (Loss)	252,230	(66,895)	24,232	209,567
CHANGE IN BENEFICIAL INTERESTS IN TRUSTS AND ASSETS HELD BY OTHERS				
	-	-	8,133	8,133
CHANGE IN NET ASSETS	252,230	(66,895)	32,365	217,700
NET ASSETS, BEGINNING OF YEAR	3,654,274	1,004,211	2,080,400	6,738,885
NET ASSETS, END OF YEAR	\$ 3,906,504	\$ 937,316	\$ 2,112,765	\$ 6,956,585

See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31,

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (376,406)	\$ 217,700
Adjustments to reconcile changes in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	156,874	151,319
Noncash donation	(70,000)	(60,910)
Bad debt expense on pledges receivable	395	5,805
Bad debt expense on bequests receivable	-	13,942
Amortization of discount of pledges receivable restricted for long-term purposes	(13,092)	(23,292)
Realized and unrealized (gain) losses	45,787	1,624
(Gain) loss on NHSPCA Trust	94,919	(141,230)
Net (increase) decrease in beneficial interests in trusts and assets held by other	14,771	(8,133)
Net cash transfer (to) from NHSPCA Trust	132,783	(43,504)
Contributions restricted for investment in endowment	1,262	24,882
Change in allowance for doubtful accounts	-	19,144
Changes in operating assets and liabilities:		
Accounts receivable	3,080	(2,724)
Restitution receivable	1,204	(16,092)
Note receivable	2,430	2,430
Pledges receivable	2,662	205
Bequests receivable	192,841	(96,292)
Inventory	1,536	(2,537)
Prepaid expenses	(1,964)	(4,617)
Accounts payable	(39,099)	21,668
Accrued salaries and related expenses	25,992	75
Annuity payment liability	(1,639)	(1,420)
Deferred revenue	11,735	(13,507)
Net cash provided by (used in) operating activities	<u>186,071</u>	<u>44,536</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of securities	74,342	103,970
Purchase of securities	(314,541)	(72,617)
Proceeds from annuity	5,497	-
Purchase of property and equipment	(38,038)	(143,815)
Net cash provided by (used in) investing activities	<u>(272,740)</u>	<u>(112,462)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for investment in endowment	98,871	75,373
Net borrowings (repayments) under line of credit	42,617	17,200
Repayment of long-term debt	(39,144)	(35,070)
Net cash provided by (used in) financing activities	<u>102,344</u>	<u>57,503</u>
NET INCREASE (DECREASE) IN CASH	15,675	(10,423)
CASH, BEGINNING OF YEAR	<u>6,165</u>	<u>16,588</u>
CASH, END OF YEAR	<u>\$ 21,840</u>	<u>\$ 6,165</u>

See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31,

	<u>2016</u>	<u>2015</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest expense	<u>\$ 36,757</u>	<u>\$ 29,492</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
There were no noncash investing and financing activities in 2016.		
Purchase of assets financed with long-term debt	<u>\$ -</u>	<u>\$ 300,000</u>

See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 1 – Nature of Organization

The *New Hampshire Society For The Prevention Of Cruelty To Animals* (the Society) is a not-for-profit organization incorporated under the laws of the State of New Hampshire in 1874. Its mission is to provide shelter, adoption, education, and other progressive community services to further the humane treatment of animals. The Adoption and Learning Centers of the Society are situated in Stratham, New Hampshire and service the greater Seacoast area, Rockingham County, Northeastern Massachusetts and Southern York County Maine. The Society is supported through public contributions, investment income, and activities revenue.

Note 2 – Summary of Significant Accounting Policies

Significant accounting policies of the Society are described below:

Basis of Presentation - The accompanying financial statements of the Society have been prepared on the accrual basis of accounting. Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Society 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.

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets that are subject to donor-imposed restrictions that may or will be met by actions and/or the passage of time. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets that are subject to a donor-imposed restriction that contributed resources be maintained permanently but permits the use or expenditure of part or all of the income or other economic benefits derived from the donated assets.

Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, 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 statement of activities as net assets released from restrictions.

Accounting Estimates and Assumptions - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less that are not restricted as to use or held for investment. There were no cash equivalents at March 31, 2016 and 2015. The Society maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts and believes it is not exposed to any material risk with respect to those accounts.

Inventory - Inventories are stated at the lower of cost (on a first-in, first-out basis) or market and consist of merchandise held for resale at the Society Adoption and Learning Center.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions and Support - Contributions including unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Promises to give are reported as pledges receivable at the present value of the estimated future cash flows using a risk-free return rate. An allowance has been made in the financial statements for uncollectible promises to give based on what management believes is reasonable. Pledges deemed by management not to be collectible are written off against the allowance account in the year they are judged to be uncollectible.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management considers accounts to be delinquent based on the date of unpaid invoices. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable. The Society does not accrue interest on accounts receivable.

Bequests and Pledges Receivable - The Society records bequests receivable from decedents' estates only after having received notice from the estate administrator of their existence and minimum distribution amount. Pledges and other promises to give are recorded when pledged by the donor. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in pledges and bequests receivable. The Society has recorded an allowance for uncollectible accounts of \$15,000 at March 31, 2016 and 2015.

Property and Equipment - Property and equipment is stated at cost or at fair market value if received by donation. The Society capitalizes acquisitions and improvements, while expenditures for maintenance and repairs that do not extend the useful lives of the assets are charged to operations as incurred. The provision for depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the accompanying statement of activities and changes in net assets. Investment income that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the investment income is recognized.

Donated Investments - Donated investments consist of contributed stock received by the Society. It is the Society's policy to sell contributed securities soon after they are received.

Functional Allocation of Expenses - The expense of providing various program and supporting services have been summarized in the statement of activities on a functional basis. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. Allocations may be direct or indirect according to the type of expense incurred.

Income Taxes - The Society is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509(a), and contributions to the Society are deductible by the donors as provided in Section 170(b)(1)(A)(i).

The federal and state of New Hampshire informational tax returns of the Society are subject to examination, generally for three years after they were filed.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 2 – Summary of Significant Accounting Policies (continued)

Advertising Costs - Advertising costs are charged to expense as incurred. Advertising expenses for 2016 and 2015 totaling \$1,767 and \$12,657, has been included in the accompanying statement of activities, respectively.

Non-Cash Donations - The Society records various types of non-cash donations, including services, supplies and materials and other intangible assets. Donated non-cash goods and services are recognized as contributions in accordance with Statement of Financial Accounting Standard, *Accounting for Contributions Received and Contributions Made*. Non-cash goods are valued at the estimated fair value at the date of gift and services are similarly valued if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. The value of these services, supplies and materials and other intangible assets are included in the accompanying financial statements and the corresponding expenses were \$190,299 and \$138,044 for the years ended March 31, 2016 and 2015, respectively.

In addition, numerous other volunteers provide substantial time and effort in support of the Society's activities. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under Statement of Financial Accounting Standard, *Accounting for Contributions Received and Contributions Made*.

Note 3 – Restitution Receivable

Restitution receivable represents judgments against individuals which require them to reimburse the Society for reasonable costs and expenses for care of the animals it has incurred during animal cruelty rescue. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable. The Society does not accrue interest on restitution receivable. The Society has recorded an allowance for uncollectible accounts of \$27,856 in 2016 and 2015. 69% of restitution receivable is due from one individual as of March 31, 2016. 70% of restitution receivable is due from two individuals as of March 31, 2015.

Note 4 – Note Receivable

The Society entered into a settlement agreement with a former vendor in November 2009 related to damages incurred by the Society as a result of floods and water infiltration at the Society's premises in 2005 and 2006. According to the note agreement, the former vendor agreed to pay a total of \$23,000 over eight years. Interest will accrue on the outstanding principal amount of this note at the rate of 10% per annum if the note is in default.

As of March 31, 2016, the former vendor is in compliance with the agreement. Note receivable payments under this agreement are as follows:

	<u>2016</u>	<u>2015</u>
Note receivable in less than one year	\$ 2,430	\$ 1,620
Note receivable in one to four years	-	<u>3,240</u>
	<u>\$ 2,430</u>	<u>\$ 4,860</u>

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 5 – Pledges Receivable

The Society has pledge commitments from donors as described in the following table. All pledges are presented as temporarily or permanently restricted.

Pledge receivable at March 31, 2014	\$ 725,777
Pledge payments received during year ended March 31 2015	(100,460)
Pledge written off during year ended March 31, 2015	<u>(5,805)</u>
Pledge receivable at March 31, 2015	619,512
Pledge written off during year ended March 31, 2015	(395)
Pledge payments received during year ended March 31, 2016	<u>(102,795)</u>
Pledge receivable at March 31, 2016	<u>\$ 516,322</u>
Pledges expected to be collected in:	
Less than one year	\$ 115,210
One to four years	401,112
More than five years	<u>-</u>
	516,322
Less: discount to net present value	25,629
Less: allowance for uncollectible pledges	<u>15,000</u>
Total pledges receivable	<u>\$ 475,693</u>

Pledges receivable are primarily from corporations and individuals. Pledges from one donor make up approximately 97% of the Society's total pledges receivable at March 31, 2016. Pledges are discounted to the present value of estimated future cash flows using a discount rate of 1.78% in 2016.

Note 6 – Bequests Receivable

The Society has been notified that it is the beneficiary of several estates. Bequests receivable are based on management's best estimate and judgment of the amounts to be received by these estates. The amount that will be ultimately realized could differ materially from the amount recorded in the financial statements. At March 31, 2016, 88% of bequests receivable is due from two estates. At March 31, 2015, 76% of bequests receivable is due from two estates.

Note 7 – Property and Equipment

Property and equipment consists of the following at March 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 258,152	\$ 258,152
Buildings and building improvements	4,690,608	4,688,041
Computers and equipment	217,013	181,542
Furnishings and fixtures	214,434	214,434
Vehicle	<u>105,324</u>	<u>105,324</u>
	5,485,531	5,447,493
Less accumulated depreciation	<u>1,965,168</u>	<u>1,809,011</u>
Property and equipment, net	<u>\$ 3,520,363</u>	<u>\$ 3,638,482</u>

Depreciation expense amounted to \$156,157 in fiscal year 2016 and \$150,603 in fiscal year 2015.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 8 – Investments

Investments consisting of marketable securities are administered by the Investment Committee of the Society's Board of Directors. Investments are recorded at fair value. Fair value is based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investment revenues are presented net of investment expenses that totaled \$4,291 for fiscal year 2016 and \$5,843 for fiscal year 2015. During the fiscal year 2015, the Society transferred the entire balance of John Picketing Trust totaling \$203,983 to the NHSPCA Trust. Cost and the approximate fair value of investments are summarized below as of March 31,

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Long-term investments				
Agency account				
Money market accounts	\$ 74,223	\$ 74,223	\$ 19,564	\$ 19,564
Stocks	27,206	31,563	19,185	24,039
Mutual funds	<u>306,852</u>	<u>295,476</u>	<u>310,542</u>	<u>319,073</u>
	<u>408,281</u>	<u>401,262</u>	<u>349,291</u>	<u>362,676</u>
Lori Ward Trust				
NHSPCA investment pool	<u>16,781</u>	<u>16,610</u>	<u>16,525</u>	<u>17,537</u>
	<u>16,781</u>	<u>16,610</u>	<u>16,525</u>	<u>17,537</u>
Andy's Fund				
NHSPCA investment pool	<u>87,895</u>	<u>86,998</u>	<u>91,332</u>	<u>96,923</u>
	<u>87,895</u>	<u>86,998</u>	<u>91,332</u>	<u>96,923</u>
Ruth Winnick Fund				
NHSPCA investment pool	<u>129,846</u>	<u>128,520</u>	<u>127,865</u>	<u>135,692</u>
	<u>129,846</u>	<u>128,520</u>	<u>127,865</u>	<u>135,692</u>
DiBiasio Trust				
NHSPCA investment pool	<u>116,308</u>	<u>115,120</u>	<u>114,534</u>	<u>121,545</u>
	<u>116,308</u>	<u>115,120</u>	<u>114,534</u>	<u>121,545</u>
Koda Fund				
NHSPCA investment pool	<u>12,462</u>	<u>12,334</u>	<u>17,195</u>	<u>18,248</u>
	<u>12,462</u>	<u>12,334</u>	<u>17,195</u>	<u>18,248</u>
Total long-term investments	<u>\$ 771,573</u>	<u>\$ 760,844</u>	<u>\$ 716,742</u>	<u>\$ 752,621</u>

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 8 – Investments (continued)

The Lori Ward Trust, Andy’s Fund, Ruth Winnick Fund, DiBiasio Trust and Koda Fund noted above have investments in a common pool, NHSPCA investment pool. The types of investments in the NHSPCA investment pool consist of the following investments:

Long-term investments:	2016		2015	
	Cost	Market Value	Cost	Market Value
Money market accounts	\$ 3,383	\$ 3,383	\$ 3,711	\$ 3,714
Stocks	25,781	32,591	30,526	39,474
Mutual funds	<u>334,128</u>	<u>323,608</u>	<u>333,214</u>	<u>346,757</u>
	\$ <u>363,292</u>	\$ <u>359,582</u>	\$ <u>367,451</u>	\$ <u>389,945</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended March 31:

	2016	2015
Interest and dividends:		
Long-term investments	\$ 27,737	\$ 34,483
Less: investment fees	<u>(4,291)</u>	<u>(5,843)</u>
Total Interest and Dividends, net	23,446	28,640
Net realized and unrealized gains (losses) from long-term investments	<u>(45,787)</u>	<u>(1,624)</u>
Total Investment Return	\$ <u>(22,341)</u>	\$ <u>27,016</u>

The investments are held by an investment brokerage firm that are in excess of the amount insured by the Securities Investor Protection Company of \$500,000. As of March 31, 2016, the amount in excess of insured limits was \$260,844 and at March 31, 2015 was \$252,621. However, it is the opinion of management that the solvency of the referenced brokerage firm is not of particular concern and therefore does not feel the Society is exposed to significant risk as a result of the uninsured balance.

Note 9 – Charitable Gift Annuities

The Society has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the Society is obligated to provide an annuity to the donor or other designated beneficiaries until death. Upon the death of beneficiary, the remaining assets are available for unrestricted use of the Society.

A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value for agreements where the Society is the trustee. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables.

The Society has segregated these assets as separate and distinct funds, independent from other funds and not to be applied to payment of the debts and obligations of the Society or any other purpose other than annuity benefits specified in the agreements.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 9 – Charitable Gift Annuities (continued)

At March 31, 2016, the total assets held under charitable gift annuities agreements were \$33,893 and total liabilities of the annuity obligation were \$16,422 reported in the Society's Statement of Financial Position.

At March 31, 2015, the total assets held under charitable gift annuities agreements were \$26,944 and total liabilities of the annuity obligation were \$12,564 reported in the Society's Statement of Financial Position.

Investments consisting of marketable securities are administered by the Trust Board of Trustees. Investments are recorded at fair value. Fair value is based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investment revenues are presented net of investment expenses which totaled \$322 for fiscal year 2016. Cost and the approximate fair value of investments are summarized below as of March 31,:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Charitable gift annuity account				
Cash and cash equivalents	\$ 1,243	\$ 1,243	\$ 2,028	\$ 2,028
Stocks	-	-	3,708	4,266
Mutual funds	<u>33,156</u>	<u>32,650</u>	<u>20,261</u>	<u>20,650</u>
	<u>\$ 34,399</u>	<u>\$ 33,893</u>	<u>\$ 25,997</u>	<u>\$ 26,944</u>

The Society has annuity payment liability to donors as described in the following table.

	<u>2016</u>	<u>2015</u>
Annuity payment liability at beginning of the year	\$ 12,564	\$ 13,984
Proceeds from annuities	5,497	-
Annuity payment during year	<u>(1,639)</u>	<u>(1,420)</u>
Annuity payment liability at end of the year	<u>\$ 16,422</u>	<u>\$ 12,564</u>

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 10 – Beneficial Interest In NHSPCA Permanent Trust

The New Hampshire Society for the Prevention of Cruelty to Animals Trust (the Trust) was formed January 28, 2003 to support the vision, purpose and activities of the Society. The Trustees are made up of the Executive Committee of the Society plus four additional members at large. As of March 31, 2016, four of the eight Trustees are also members of the Board of Directors of the Society.

The Society has adopted Statement of Financial Accounting Standards, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This statement requires that a beneficiary shall recognize its rights to the assets held by a recipient organization as an asset unless the recipient organization is explicitly granted variance power. Management of the Society and the Trust have determined that the Trust has not explicitly been granted variance power, and therefore, the Society's interest in the net assets of the Trust should be recognized as an asset held by the Trust in the Society's statement of financial position.

It is the policy of the Trust to ensure investments are made consistent with the safeguards and diversity to which a prudent investor would adhere. All transactions of the Trust must be in the sole interest of the Trust. The Trust engaged an investment manager who was given full investment discretion consistent with the investment objectives and guidelines of the Trust. The investment manager has full discretion regarding the purchase and sale of individual securities and selection between asset classes including equity and cash equivalents in order to assure full flexibility in the management of the Trust. The objective of the Trust is a balanced portfolio comprised of common stocks, convertible bonds, cash and fixed income investments in accordance with the asset allocation guidelines of the Trust. The Trust is intended to be managed moderately for risk and return.

The Trustees of the Trust also, from time to time, may distribute to the Society as much of the income and principal of the Trust as they deem advisable. The distributions from the Trust were \$41,112 in 2016 and \$48,135 in 2015.

The Trust has been determined to be an exempt organization by the Internal Revenue Service under Code Section 501(c)(3).

Investments consisting of marketable securities are administered by the Trust Board of Trustees. Investments are recorded at fair value. Fair value is based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investment revenues are presented net of investment expenses which totaled \$13,842 for fiscal year 2016 and \$13,728 for fiscal year 2015. Cost and the approximate fair value of investments are summarized below as of March 31,:

	2016		2015	
	Cost	Market Value	Cost	Market Value
Trust account				
Money market accounts	\$ 76,133	\$ 76,133	\$ 61,199	\$ 61,199
Common stock	-	-	180,856	289,272
Mutual funds	<u>2,229,183</u>	<u>2,263,912</u>	<u>1,904,801</u>	<u>2,053,028</u>
	<u>\$ 2,305,316</u>	<u>\$ 2,340,045</u>	<u>\$ 2,146,856</u>	<u>\$ 2,403,499</u>

The investments are held by an investment brokerage firm that are in excess of the amount insured by the Securities Investor Protection Company of \$500,000. As March 31, 2016, the amount in excess of insured limits was \$1,640,736 and at March 31, 2015 was \$1,721,167. However, it is the opinion of management that the solvency of the referenced brokerage firm is not of particular concern and therefore does not feel the Society is exposed to significant risk as a result of the uninsured balance.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 10 – Beneficial Interest In NHSPCA Permanent Trust (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended March 31,:

Interest and dividends:		
Long-term investments	2016	2015
Less: investment fees	\$ 101,145	\$ 108,783
	<u>(15,118)</u>	<u>(13,748)</u>
Total Interest and Dividends, net	86,027	95,035
Net realized and unrealized gains (losses) from long-term investments	<u>(180,946)</u>	<u>46,195</u>
Total Investment Return	<u>\$ (94,919)</u>	<u>\$ 141,230</u>

Investment net asset composition by type of fund as of March 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,098,996	\$ 1,098,996
Board-designated endowment funds	200,000	-	-	200,000
Unrestricted funds	<u>1,041,049</u>	<u>-</u>	<u>-</u>	<u>1,041,049</u>
	<u>\$ 1,241,049</u>	<u>\$ -</u>	<u>\$ 1,098,996</u>	<u>\$ 2,340,045</u>

Changes in NHSPCA Trust's net assets as of March 31, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
NHSPCA trust, beginning of year	\$ 1,328,956	\$ -	\$ 1,074,543	\$ 2,403,499
Additions	98,330	-	24,453	122,783
Distributions and expenditures	(91,318)	-	-	(91,318)
Investment income	86,027	-	-	86,027
Realized and unrealized gain (loss)	<u>(180,946)</u>	<u>-</u>	<u>-</u>	<u>(180,946)</u>
NHSPCA trust, end of year	<u>\$ 1,241,049</u>	<u>\$ -</u>	<u>\$ 1,098,996</u>	<u>\$ 2,340,045</u>

Investment net asset composition by type of fund as of March 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,074,543	\$ 1,074,543
Board-designated endowment funds	200,000	-	-	200,000
Unrestricted funds	<u>1,128,956</u>	<u>-</u>	<u>-</u>	<u>1,128,956</u>
	<u>\$ 1,328,956</u>	<u>\$ -</u>	<u>\$ 1,074,543</u>	<u>\$ 2,403,499</u>

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 10 – Beneficial Interest In NHSPCA Permanent Trust (continued)

Changes in NHSPCA Trust’s net assets as of March 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
NHSPCA trust, beginning of year	\$ 1,152,046	\$ -	\$ 876,850	\$ 2,028,896
Additions	30,664	-	100,255	130,919
Transfer from NHSPCA to NHSPCA Trust	92,431	-	97,438	189,869
Distributions and expenditures	(87,415)	-	-	(87,415)
Investment income	95,035	-	-	95,035
Unrealized gain (loss)	46,195	-	-	46,195
NHSPCA trust, end of year	<u>\$ 1,328,956</u>	<u>\$ -</u>	<u>\$ 1,074,543</u>	<u>\$ 2,403,499</u>

Note 11 – Beneficial Interest in Charitable Trusts

Jean Noble-Neal Trust - The Society is a one-third beneficiary of the Jean Noble-Neal Charitable Trust, the assets of which are not in the possession of the Society. The Society has legally enforceable rights or claims to such assets, including the right to income. The fair value of the trust assets as reported by the trust fiduciary totaled \$181,852 as of March 31, 2016 and \$197,064 as of March 31, 2015 and is presented as a permanently restricted net asset. Appreciation in the trust is not available for expenditure by the Society unless the trustee decides to appropriate it. The Society received \$9,595 in fiscal year 2016 and \$9,384 in fiscal year 2015. This income is reported in contribution income in the statement of activities. Income received from the trust is used for the care and feeding of animals in accordance with the trust requirements.

Rhoda Hogan Trust - The Society is a one-fourth beneficiary of the Rhoda Hogan Trust, the assets of which are not in the possession of the Society. The Society has legally enforceable rights or claims to such assets including the right to income. The fair value of the assets as reported by the trust fiduciary totaled \$163,389 as of March 31, 2016 and \$161,694 as of March 31, 2015, and is presented as a permanently restricted net asset. Appreciation of the assets is not available for expenditure by the Society unless the trustee decides to appropriate it. The Society received \$3,959 in fiscal year 2016 and \$3,589 in fiscal year 2015. This income is reported in contribution income in the statement of activities. Income received from the trust is used for the care, feeding and medical needs of cats in accordance with the trust requirements.

Hobbs Trust - The Society is the beneficiary of a designated fund - the Dorothy and Paul Hobbs Trust at The New Hampshire Charitable Foundation (the Foundation). Pursuant to the terms of the resolution establishing this fund, property contributed to The New Hampshire Charitable Foundation is held as a separate fund designated for the benefit of the Society. In accordance with its spending policy the Foundation makes distributions from the fund to the Society. The distributions are approximately 4.03% of the market value of the fund per year. The fund is not included in these financial statements, since all property in the fund was contributed to The New Hampshire Charitable Foundation to be held and administered for the benefit of the Society. The Society received \$1,415 in fiscal years 2016 and \$1,385 in fiscal year 2015. This income is reported in contribution income in the statement of activities.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 12 – Beneficial Interest in Asset Held by Others

The Society is the beneficiary of an agency endowment fund - NHSPCA Endowment Fund at The New Hampshire Charitable Foundation. The Endowment Fund was established in January 2003 by the Society's transfer of \$10,000 to the New Hampshire Charitable Foundation (the Foundation). Pursuant to the terms of the resolution establishing this fund, property contributed to The New Hampshire Charitable Foundation is held as a separate fund designated for the benefit of the Society. In accordance with its spending policy the Foundation makes distributions from the fund to the Society. The distributions are approximately 4.03% of the market value of the fund per year. The estimated value of the future distributions from the fund is included in these financial statements as required under Financial Accounting Standards Board Statement, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, however all property in the fund was contributed to The New Hampshire Charitable Foundation to be held and administered for the benefit of the Society.

The Endowment Fund is presented in the statement of financial position as Beneficial Interest in Assets Held by Others. The fair market value of the Endowment Fund was \$13,179 at March 31, 2016 and \$14,432 at March 31, 2015. No additional transfers have been made to this Endowment Fund since 2003. The distributions from the Foundation were \$572 in fiscal year 2016 and \$560 in fiscal year 2015.

Note 13 - Fair Values of Assets

Effective December 15, 2008, the Society adopted Statement of Financial Accounting Standards, *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP. This standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This standard also established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

- 1) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other resources;
- 2) Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- 3) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach in which a stream of expected cash flows is discounted at an appropriate market interest rate.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 13 - Fair Values of Assets (continued)

For the year ended March 31, 2016, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following table sets forth by level, within the fair value hierarchy, the Society's investments at fair value at March 31, 2016.

<u>Description</u>	<u>Fair Values</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Pledges receivable	\$ 475,693	\$ -	\$ -	\$ 475,693
Bequests receivable	113,491	-	113,491	-
Investments	760,844	760,844	-	-
Investments – Charitable Gift Annuities	33,893	33,893	-	-
Annuity payment liability	(16,422)	-	-	(16,422)
Beneficial interest in NHSPCA Trust	2,340,045	2,340,045	-	-
Beneficial interest in Charitable Trust	345,241	345,241	-	-
Beneficial interest in Assets Held by Others	13,179	13,179	-	-
Total	<u>\$ 4,065,964</u>	<u>\$ 3,493,202</u>	<u>\$ 113,491</u>	<u>\$ 459,271</u>

Fair value for the investments and beneficial interests are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for pledges and bequests receivable are determined using present value techniques that consider historical trends of collection, the type of donor, general economic conditions, and market interest rate assumptions for individuals. See Note 5 for details on fair value of pledges receivable and Note 9 for details on annuity payment liability. There were no changes in the valuation techniques during the current year.

Note 14 – Line of Credit

The Society entered into a revolving line of credit agreement with a financial institution. The credit agreement provides a maximum amount of borrowing of \$500,000 through January 2017. Borrowings bear interest at the Wall Street Journal (WSJ) prime rate which was 3.25% at December 31, 2016 and 2015. The agreement requires monthly payments of interest only with the balance due on demand. The agreement is secured by all business assets of the Society. The amount outstanding under this line of credit was \$139,817 at March 31, 2016 and \$97,200 at March 31, 2015. Total interest paid on the line of credit was \$3,306 for the year ended March 31, 2016 and \$1,948 for the year ended March 31, 2015.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 15 – Long-term Debt

The Society has entered into the following financing agreements as of March 31,:

	<u>2016</u>	<u>2015</u>
Note payable secured by the Stratham land and buildings and due in monthly installments of \$3,004 including principal and interest at a fixed rate of 3.95%, with a final payment due in July 2019.	\$ 467,635	\$ 484,520
Note payable secured by land and building located at 102R Portsmouth Ave in Stratham and due in monthly installments of \$1,432 including principal and interest at a fixed rate of 4% with final payment due in December 2044. See note 18.	292,908	298,263
Loan payable to NH Community Loan Fund, interest only payments for six months ending June 2012 at a fixed rate of 2% beginning June 2012 with monthly installments of \$1,613 including principal and interest at a fixed rate of 2% through May 2022.	<u>113,663</u>	<u>130,567</u>
	874,206	913,350
Less: current portion	<u>40,433</u>	<u>39,134</u>
Total Long-term Debt	<u>\$ 833,773</u>	<u>\$ 874,216</u>

The note payable agreements contain various financial covenants. As of March 31, 2016, the Society is either in compliance with the covenants or has obtained a waiver from the financial institution. Total interest paid on these loans was \$33,451 for the year ended March 31, 2016 and \$26,066 for the year ended March 31, 2015.

Future minimum principal payments under these agreements are as follows for the years ending March 31:

2017	\$ 40,433
2018	41,725
2019	43,064
2020	437,199
2021	25,218
Thereafter	<u>286,567</u>
	<u>\$ 874,206</u>

Note 16 – Designated Net Assets

During the fiscal year ended March 31, 2005, the Board of Directors designated \$100,000 of the unrestricted net assets as the DiBiasio Family Scholarship Fund with the income earned from this designated amount is to be used for training in animal care.

During the fiscal year ended March 31, 2002, the Board of Directors designated \$200,000 of the unrestricted net assets to be used as an endowment. The income earned from this designated amount is to be used for operations.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 17 – Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of donor restricted contributions donated for specific uses as of March 31, as follows:

	<u>2016</u>	<u>2015</u>
Pledges receivable	\$ 516,322	\$ 619,512
Andy's fund external medical care	69,323	75,784
Training for SOS animals	1,986	1,755
Spay and neutering	10,808	14,310
Medical aids for animal care	48,238	38,271
Auction generator	99,175	-
Auction outreach expansion	-	1,749
Auction necessary medical care	37,555	49,564
Auction special project	2,943	6,935
Foster care program	21,567	22,514
Art purchase	3,214	3,514
Agility equipment and horse pen	3,526	8,000
Refurbish dog home room, transfer dogs and microchips cost	4,007	5,190
Equine and rabbits	9,386	9,386
Scholarship for animal care	8,971	7,980
Heated buckets and monitors	13,186	-
Severe animal medical services	41,409	60,493
BP2020	10,003	-
House expansion	7,971	-
Other	16,388	12,359
	<u>16,388</u>	<u>12,359</u>
Total	<u>\$ 925,978</u>	<u>\$ 937,316</u>

Permanently restricted net assets consist of assets to be held indefinitely, the income from which is to be used to support the NHSPCA and its various programs:

	<u>2016</u>	<u>2015</u>
Investments to be held in perpetuity, the income from which is expendable to support various programs and operations of the NHSPCA	\$ 1,777,119	\$ 1,739,575
NHSPCA Endowment Fund	13,179	14,432
Rhoda Hogan Trust	163,389	161,694
Jean Noble-Neal Charitable Trust	181,852	197,064
	<u>181,852</u>	<u>197,064</u>
Total	<u>\$ 2,135,539</u>	<u>\$ 2,112,765</u>

In January 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("the Staff Position"). The Staff Position provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Staff Position also requires additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 17 – Temporarily and Permanently Restricted Net Assets (continued)

The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Society has adopted the Staff Position for the year ending March 31, 2009. The Society's endowment investing policy's objective is to grow the fund over time to support the purposes as defined above. To achieve that objective, the Society has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes high quality equity and debt securities, intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund if possible. Accordingly, the Society expects its endowment assets, over time, to produce a real average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The Society spends the earnings of the above funds for their designated purposes as deemed necessary by the Society. See Notes 8 and 10 for additional information regarding the endowment fund.

Note 18 – Operating Lease

On October 17, 2015, the Society entered into agreement to purchase land and a building next to their current premises for \$410,000 of which \$300,000 was financed with the seller of the property (see note 15). On December 3, 2014, the Society entered into a rental lease agreement with the seller. The monthly gross rental income is \$1,300 for 60 months from December 2014. Tenant's right of occupancy shall be extended at the same monthly rate after a five year period if the tenant's current dogs are living, until such time as both dogs die, but the extension shall be no longer than five additional years. The tenant shall have the right to vacate the premises at any time by giving the Society a sixty (60) day notice. The Society received \$16,900 and \$5,200 in rental income in 2016 and 2015, respectively.

Note 19 – Loss contingencies and Self-Insurance Reserves

The Society participates in a self-insurance program for unemployment claims administered by Unemployment Services Trust ("the Trust"). The Trust maintains a reserve account for the Society for unemployment claims and determines the quarterly contributions needed based on current claims, claims in process and estimated future claims. Contributions to the reserve are recorded as prepaid expenses less related expenses of the Trust and the amount of any unpaid claims or liabilities directly attributable to its former employees. The Society may revoke its participation in the Trust upon ninety (90) days written notice to the Trust. If the Society were to terminate its arrangement with the Trust, the balance in the Society's reserve account would be returned to the Society after the Trust receives the final report for the year in which they revocation is effective as an offset against unpaid expenses. If the account had a deficit balance the Society would have to pay the balance due in total. The reserve balance was \$37,380 at March 31, 2016 and \$38,613 at March 31, 2015.

Note 20 – Retirement Plan

The Society has a defined contribution plan (the Plan) covering all employees that are 21 years of age or older, work at least 1,000 hours, and have attained one year of service. The Society makes participation in a 401(k) retirement plan (the Plan) available to employees through a salary reduction plan. The Plan requires the Society to contribute 4% of matching contributions equal to participants' contributions to the Plan of the individual participant's compensation. The Society may, at its discretion, make contributions to the individual accounts of employees participating in the Plan. The Society made contributions of \$26,487 and \$24,936 to the Plan in fiscal year 2016 and 2015, respectively.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016 AND 2015

Note 21 – Joint Costs

During the year ended March 31, 2016, the Society incurred joint costs of \$28,852 for informational materials and activities that included fund raising appeals. The Society allocated \$1,731 to fundraising expense, \$25,390 to program expense, and \$1,731 to management and general expense.

During the year ended March 31, 2015, the Society incurred joint costs of \$28,980 for informational materials and activities that included fund raising appeals. The Society allocated \$1,739 to fundraising expense, \$25,502 to program expense, and \$1,739 to management and general expense.

Note 22 – Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 23 – Prior Period Adjustment

During 2016 the Society determined that not all pledges receivable had been recorded as temporarily restricted net assets in prior years as a time restriction. This resulted in an understatement of temporarily restricted net assets and an overstatement of unrestricted net assets for the year ended March 31, 2015.

The effect of the restatement on net asset balances and financial position as of and for the years ended March 31, 2015 are as follows:

	<u>As previously reported</u>	<u>As restated</u>
Temporarily restricted net assets	\$ 336,071	\$ 937,316
Unrestricted: undesignated net assets	4,207,749	3,906,504
Net assets released from restrictions	\$ 54,931	\$ 157,836
Net assets, beginning of year: unrestricted	4,358,424	3,654,274
Net assets, beginning of year: Temporarily restricted	300,061	1,004,211

Note 24 – Subsequent Events

Subsequent events have been evaluated through October 3, 2016, which is the date the financial statements were available to be issued. There were no subsequent events that were material to the financial statements at October 3, 2016.