

**YAVAPAI COUNTY HUMANE SOCIETY**

**FINANCIAL STATEMENTS AND  
AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2015  
(WITH COMPARATIVE TOTALS FOR THE  
YEAR ENDED DECEMBER 31, 2014)**

**April 1, 2016**

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**Yavapai County Humane Society  
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## **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, 2015, 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.

#### ***Auditor's 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, 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.

*Stumbard & Associates, PLLC*

Phoenix, Arizona  
April 1, 2016

# FINANCIAL STATEMENTS

**Yavapai County Humane Society**  
**Statement of Financial Position**  
**December 31, 2015**  
(with Comparative Totals as of December 31, 2014)

	2015	2014
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 714,004	\$ 681,599
Accounts receivable	1,398	2,514
Prepaid expenses	17,829	18,756
Other assets	4,950	7,150
Total current assets	738,181	710,019
Investments	1,121,938	1,326,197
Property and equipment, net	2,222,731	2,076,203
<b>Total assets</b>	<b>\$ 4,082,850</b>	<b>\$ 4,112,419</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 48,636	\$ 40,904
Accrued expenses	70,821	44,473
Deferred revenue	14,818	-
Current portion of long-term debt	17,198	16,242
Total current liabilities	151,473	101,619
Long-term debt, net of current portion	308,663	329,741
<b>Net assets:</b>		
Unrestricted		
Board designated	1,121,938	1,219,064
Undesignated	2,398,630	2,352,937
Temporarily restricted	89,801	96,713
Permanently restricted	12,345	12,345
<b>Total net assets</b>	<b>3,622,714</b>	<b>3,681,059</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,082,850</b>	<b>\$ 4,112,419</b>

Read the accompanying Notes to the Financial Statements.

**Yavapai County Humane Society**  
**Statement of Activities**  
**For the Year Ended December 31, 2015**  
**(with Comparative Totals for the Year Ended December 31, 2014)**

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Summarized Totals
<b>CHANGES IN NET ASSETS:</b>					
<b>REVENUES AND OTHER SUPPORT:</b>					
Contributions	\$ 705,420	\$ 315,013	\$ -	\$ 1,020,433	\$ 1,427,829
Program grants	305,094	-	-	305,094	156,195
In-kind contributions	39,154	-	-	39,154	55,273
Fundraising and event revenue	89,465	-	-	89,465	132,815
Program revenue					
Animal control	333,518	-	-	333,518	323,734
Clinic	432,739	-	-	432,739	425,575
Shelter	155,143	-	-	155,143	143,947
Thrift store	313,925	-	-	313,925	252,906
Investment Income	(17,856)	-	-	(17,856)	54,548
Other revenue	45,203	-	-	45,203	49,113
Net assets released from restrictions	321,925	(321,925)	-	-	-
<b>Total revenues and other support</b>	<u>2,723,730</u>	<u>(6,912)</u>	<u>-</u>	<u>2,716,818</u>	<u>3,021,935</u>
<b>EXPENSES:</b>					
Program services					
Animal control	\$ 301,864	-	-	301,864	\$ 291,171
Clinic	1,054,839	-	-	1,054,839	898,460
Shelter	637,823	-	-	637,823	532,128
Thrift store	246,642	-	-	246,642	243,358
Equine center	6,421	-	-	6,421	-
Support services					
Administrative support	221,967	-	-	221,967	192,291
Fund development	305,607	-	-	305,607	363,900
<b>Total expenses</b>	<u>2,775,163</u>	<u>-</u>	<u>-</u>	<u>2,775,163</u>	<u>2,521,308</u>
<b>Changes in net assets</b>	<u>(51,433)</u>	<u>(6,912)</u>	<u>-</u>	<u>(58,345)</u>	<u>500,627</u>
<b>NET ASSETS:</b>					
Beginning of year	<u>3,572,001</u>	<u>96,713</u>	<u>12,345</u>	<u>3,681,059</u>	<u>3,180,432</u>
End of year	<u>\$ 3,520,568</u>	<u>\$ 89,801</u>	<u>\$ 12,345</u>	<u>\$ 3,622,714</u>	<u>\$ 3,681,059</u>

Read the accompanying Notes to the Financial Statements.



**Yavapai County Humane Society**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**  
**(with Comparative Totals For the Year Ended December 31, 2014)**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (58,345)	\$ 500,627
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	134,430	113,233
Unrealized (gain)/loss on investments	64,585	15,118
Changes in operating assets and liabilities		
Accounts receivable	1,116	773
Prepaid expenses	927	1,255
Inventory asset	2,200	-
Accounts payable	7,732	2,242
Accrued expenses	26,348	2,170
Deferred revenue	14,818	-
<b>Net cash provided by operating activities</b>	<b>193,811</b>	<b>635,418</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(55,425)	(279,658)
Proceeds from redemption of investments	195,099	248,690
Acquisition of property and equipment	(280,958)	(321,828)
<b>Net cash used in investing activities</b>	<b>(141,284)</b>	<b>(352,796)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on long-term debt	(20,122)	(63,912)
<b>Net cash used in financing activities</b>	<b>(20,122)</b>	<b>(63,912)</b>
<b>Net increase in cash and cash equivalents</b>	<b>32,405</b>	<b>218,710</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	681,599	462,889
End of year	<b>\$ 714,004</b>	<b>\$ 681,599</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid for the year	<b>\$ 15,829</b>	<b>\$ 17,539</b>

See the accompanying Notes to the Financial Statements.

**Yavapai County Humane Society**  
**Notes To The Financial Statements**  
**For The Year Ended December 31, 2015**  
**(With Comparative Totals for the Year Ended December 31, 2014)**

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**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 pets. 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, 2015**  
**(With Comparative Totals for the Year Ended December 31, 2014)**

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**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, 2014, 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, 2015, 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, 2015**  
**(With Comparative Totals for the Year Ended December 31, 2014)**

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**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, 2015, management believes there were no uncertain tax positions.

**Yavapai County Humane Society**  
**Notes To The Financial Statements**  
**For The Year Ended December 31, 2015**  
**(With Comparative Totals for the Year Ended December 31, 2014)**

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**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, 2015 and 2014, 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, 2015**  
**(With Comparative Totals for the Year Ended December 31, 2014)**

**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.

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

**Note 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, 2015 and 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2015</u>	<u>2014</u>
Investment held at ACF	<u>-</u>	<u>1,121,938</u>	<u>-</u>	<u>1,121,938</u>	<u>1,326,197</u>
Total	<u><u>-</u></u>	<u><u>1,121,938</u></u>	<u><u>-</u></u>	<u><u>1,121,938</u></u>	<u><u>1,326,197</u></u>

During the years ending December 31, 2015 and 2014, the Organization received investment income from pooled investments held by an independent trustee which distributes a percentage of the investments to other charitable organization. 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 \$112,118 and \$107,645 for the years ended December 31, 2015 and 2014, respectively.

**Yavapai County Humane Society**  
**Notes To The Financial Statements**  
**For The Year Ended December 31, 2015**  
**(With Comparative Totals for the Year Ended December 31, 2014)**

**Note 4 – Property and Equipment**

Property and equipment at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 128,383	\$ 12,345
Construction in process	49,592	-
Buildings and improvements	2,300,672	2,275,922
Equipment	414,669	408,782
Furniture and fixtures	8,925	8,925
Software	27,119	22,945
Vehicles	94,488	13,971
	<u>3,023,848</u>	<u>2,742,890</u>
Total property and equipment		
Less accumulated depreciation	<u>(801,117)</u>	<u>(666,687)</u>
Net property and equipment	<u>\$ 2,222,731</u>	<u>\$ 2,076,203</u>

Depreciation expense for the years ended December 31, 2015 and 2014, was \$134,430 and \$113,235, respectively.

Construction in process is associated with architectural planning and design costs related to improvements to the main shelter and the Chino Valley Equine Center. 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,:

	<u>2015</u>	<u>2014</u>
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.	\$ 325,861	\$ 345,983
Less: Current portion	<u>(17,198)</u>	<u>(16,242)</u>
Total long-term portion	<u>\$ 308,663</u>	<u>\$ 329,741</u>

**Yavapai County Humane Society**  
**Notes To The Financial Statements**  
**For The Year Ended December 31, 2015**  
**(With Comparative Totals for the Year Ended December 31, 2014)**

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**Note 5 – Long-term Debt (Continued)**

Future minimum payments on long-term are as followed:

Year ending December 31,	<u>Principal</u>
2016	\$ 17,198
2017	17,988
2018	18,815
2019	19,679
2020	20,583
Thereafter	<u>231,598</u>
Total	<u>\$ 325,861</u>

**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, 2015 and 2014. The unpaid interest on outstanding balance is due monthly and is calculated at a rate of one (1) percent over prime (4.25% at December 31, 2015 and 2014). The credit line is unsecured.

**Note 7 – Operating Leases**

The Organization leases space for clinic program services under the terms of an operating lease. During July 2011, the lease was amended to reduce the monthly lease amount and extending the lease term to February 2014. The lease was extended in February 2014 on a month-to-month basis. Total rent expense, association fees, and property taxes for the leased space for the years ended December 31, 2015 and 2014, was \$26,928 and \$24,888, respectively.

The Organization had leased space for the thrift store under the terms of an operating lease. The term of the lease is for five years beginning in November 2009, and ending in November 2014. Total rent expense for the leased space for the years ended December 31, 2015 and 2014, was \$0 and \$39,840, respectively. The lease was not renewed upon expiration in November 2014.

The Organization had leased a storage space on a month-to-month basis. The storage unit was not retained for the year ending December 31, 2015. Total rent expense for the storage space for each year ending December 31, 2015 and 2014, was \$0 and \$465.

**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, 2015 and 2014 was \$37,562 and \$35,940, respectively.



**Yavapai County Humane Society**  
**Notes To The Financial Statements**  
**For The Year Ended December 31, 2015**  
**(With Comparative Totals for the Year Ended December 31, 2014)**

**Note 9 – In-Kind Contributions**

The Organization receives a significant amount of unskilled, contributed time which does not meet the two 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, 2015 and 2014, the Organization received 26,052 and 30,450 unskilled volunteer hours, respectively.

**Note 10 – Restrictions on Net Assets**

Restrictions on temporarily restricted net assets at December 31, 2015 and 2014, relate to contributions designated for specific purposes.

For the years ended December 31, 2015 and 2014, 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, 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>2015</u>	<u>2014</u>
Low cost spay/neuter programs	\$ 14,527	\$ 2,894
Enrichment/Behavior	-	6,487
D J & T	435	1,214
New Hope	3,130	-
CV Equine	14,023	-
PetCo	20,792	-
Banfield	1,906	-
Special animal care	481	481
Kuranda beds	291	291
Cattery/Cat Care	2,251	1,265
Safety Net	3,702	4,794
Barn cat program	-	(96)
2010-2015 S.T.A.R. Program	24,010	43,927
Second Chance Grants	4,253	27,749
Animal Food	-	7,707
	<u>          </u>	<u>          </u>
Total	<u>\$ 89,801</u>	<u>\$ 96,713</u>

**Yavapai County Humane Society**  
**Notes To The Financial Statements**  
**For The Year Ended December 31, 2015**  
**(With Comparative Totals for the Year Ended December 31, 2014)**

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**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, 2015 and 2014, \$394,220 and \$398,480 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, 2015 and 2014.

**Note 13 – Subsequent Events**

The Organization has evaluated subsequent events through April 1, 2016, 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, 2015**  
**(with Comparative Totals for the Year Ended December 31, 2014)**

	Program Costs					Total Program Costs	Support Services			Summarized Total 2014
	Animal Control	Clinic	Shelter	Thrift Store	Equine Center		Administrative Costs	Fund Development	Total 2015	
<b>EXPENSES:</b>										
Adoption Expense	\$ -	\$ -	\$ 1,039	\$ -	\$ -	\$ 1,039	\$ -	\$ -	\$ 1,039	\$ 356
Advertising	-	16,711	2,047	8,792	643	28,193	13	9,356	37,562	35,940
Bank Charges	1,455	5,038	2,117	4,558	-	13,168	1,926	4,326	19,420	16,732
Board Expenses	-	-	-	-	-	-	2,073	78	2,151	1,156
Depreciation	3,072	41,019	57,673	20,927	71	122,762	9,465	2,203	134,430	113,235
Development	-	-	-	100	138	238	89	30,174	30,501	46,403
Dues/subscriptions/licenses	-	42	-	-	87	129	706	3,429	4,264	3,054
Employee Benefits	104	5,277	144	280	25	5,830	9,365	1,863	17,058	9,332
Employee Costs	1,040	2,375	1,767	-	-	5,182	277	445	5,904	13,568
Insurance	2,675	4,805	6,712	6,650	846	21,688	4,878	921	27,487	26,141
Insurance - Health	6,759	19,689	12,188	2,045	-	40,681	13,142	1,532	55,355	42,050
Interest	-	-	-	15,829	-	15,829	-	-	15,829	17,538
Maintenance and Repairs	4,472	22,381	19,374	9,273	2,071	57,571	5,175	3,082	65,828	69,955
Medical Supplies	156	146,540	-	-	-	146,696	-	-	146,696	131,975
Municipalities Expense	17,789	18,295	-	-	-	36,084	-	-	36,084	42,014
Office Expense	671	1,693	1,271	638	-	4,273	2,736	879	7,888	18,690
Payroll	190,221	563,295	383,485	130,958	-	1,267,959	119,845	121,330	1,509,134	1,252,652
Payroll Taxes	17,522	50,507	35,524	12,231	-	115,784	10,475	10,869	137,128	115,472
Postage and Printing	676	1,031	5,115	1,049	1,091	8,962	526	74,781	84,269	77,659
Professional fees	-	-	-	547	855	1,402	21,623	2,662	25,687	17,885
Rent	-	26,928	-	2,027	-	28,955	-	1,979	30,934	84,249
Supplies	32,355	79,844	76,365	7,001	525	196,090	14,014	28,831	238,935	228,064
Utilities	22,879	12,120	31,925	15,836	59	82,819	3,354	3,062	89,235	84,292
Vehicles	18	2,728	983	7,901	10	11,640	2,285	2,090	16,015	9,692
Veterinary Services	-	34,521	94	-	-	34,615	-	-	34,615	60,417
Volunteer expenses	-	-	-	-	-	-	-	1,715	1,715	2,787
<b>Total expenses</b>	<b>\$ 301,864</b>	<b>\$ 1,054,839</b>	<b>\$ 637,823</b>	<b>\$ 246,642</b>	<b>\$ 6,421</b>	<b>\$ 2,247,589</b>	<b>\$ 221,967</b>	<b>\$ 305,607</b>	<b>\$ 2,775,163</b>	<b>\$ 2,521,308</b>