

**DELAWARE COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

YEAR ENDED DECEMBER 31, 2015 AND 2014

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Delaware County Society for the
Prevention of Cruelty to Animals
Media, Pennsylvania**

We have audited the accompanying financial statements of Delaware County Society for the Prevention of Cruelty to Animals (the "Society"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware County Society for the Prevention of Cruelty to Animals as of December 31, 2015 and 2014, 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.



**Philadelphia, Pennsylvania
April 28, 2016**

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 And 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 673,103	\$ 780,880
Prepaid expenses	20,100	5,709
Contributions receivable	245,354	-
Bequests receivable	<u>218,323</u>	<u>253,495</u>
Total current assets	1,156,880	1,040,084
NONCURRENT ASSETS		
Investments	6,209,619	6,942,260
Contributions receivable	309,392	-
Property and equipment	1,621,805	1,297,547
Beneficial interest in perpetual and restricted trusts	<u>713,115</u>	<u>565,515</u>
Total assets	<u>\$10,010,811</u>	<u>\$9,845,406</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 218,382</u>	<u>\$ 203,713</u>
Total liabilities	<u>218,382</u>	<u>203,713</u>
NET ASSETS		
Unrestricted	7,973,640	8,979,042
Temporarily restricted	1,279,206	97,136
Permanently restricted	<u>539,583</u>	<u>565,515</u>
Total net assets	<u>9,792,429</u>	<u>9,641,693</u>
Total liabilities and net assets	<u>\$10,010,811</u>	<u>\$9,845,406</u>

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2015 With Summarized Information For 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2015	2014
Public support and revenue:					
Public Support – Received Directly:					
Contributions	\$ 766,170	\$ 1,021,854	\$ -	\$ 1,788,024	\$ 751,922
Legacies and bequests	429,812	173,532	-	603,344	939,508
Grants	<u>28,907</u>	<u>-</u>	<u>-</u>	<u>28,907</u>	<u>9,000</u>
Total public support	<u>1,224,889</u>	<u>1,195,386</u>	<u>-</u>	<u>2,420,275</u>	<u>1,700,430</u>
Revenue:					
Program service fees:					
Veterinarian fees	941,923	-	-	941,923	809,782
Adoption fees	347,367	-	-	347,367	389,225
Humane investigation fees	1,500	-	-	1,500	30
Pet supplies fees	29,847	-	-	29,847	34,090
Miscellaneous	781	-	-	781	7,734
Investment and trust income	143,237	-	-	143,237	169,446
Net realized gain on investments	<u>19,635</u>	<u>-</u>	<u>-</u>	<u>19,635</u>	<u>197,293</u>
Total Revenue	<u>1,484,290</u>	<u>-</u>	<u>-</u>	<u>1,484,290</u>	<u>1,607,600</u>
Net assets released from restrictions	<u>13,316</u>	<u>(13,316)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>2,722,495</u>	<u>1,182,070</u>	<u>-</u>	<u>3,904,565</u>	<u>3,308,030</u>
Expenses					
Program Services:					
Prevention of cruelty to animals	2,020,920	-	-	2,020,920	1,914,998
Supporting Services:					
Management and general	<u>866,876</u>	<u>-</u>	<u>-</u>	<u>866,876</u>	<u>721,420</u>
Total Expenses	<u>2,887,796</u>	<u>-</u>	<u>-</u>	<u>2,887,796</u>	<u>2,636,418</u>
Excess (deficiency) of support and revenues over expenses	<u>(165,301)</u>	<u>1,182,070</u>	<u>-</u>	<u>1,016,769</u>	<u>671,612</u>
Other Changes in net assets					
Loss on disposal of fixed assets	(472,410)	-	-	(472,410)	-
Net unrealized gain (loss) on investments	(367,691)	-	-	(367,691)	96,543
Change in value of perpetual trust	<u>-</u>	<u>-</u>	<u>(25,932)</u>	<u>(25,932)</u>	<u>(12,383)</u>
Total other changes	<u>(840,101)</u>	<u>-</u>	<u>(25,932)</u>	<u>(866,033)</u>	<u>84,160</u>
Changes in net assets	(1,005,402)	1,182,070	(25,932)	150,736	755,772
Net assets					
Beginning of year	<u>8,979,042</u>	<u>97,136</u>	<u>565,515</u>	<u>9,641,693</u>	<u>8,885,921</u>
End of year	<u>\$ 7,973,640</u>	<u>\$ 1,279,206</u>	<u>\$ 539,583</u>	<u>\$ 9,792,429</u>	<u>\$ 9,641,693</u>

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Public support and revenue:				
Public Support – Received Directly:				
Contributions	\$ 694,786	\$ 57,136	\$ -	\$ 751,922
Legacies and bequests	939,508	-	-	939,508
Grants	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>9,000</u>
Total public support	<u>1,643,294</u>	<u>57,136</u>	<u>-</u>	<u>1,700,430</u>
Revenue:				
Program service fees:				
Veterinarian fees	809,782	-	-	809,782
Adoption fees	389,225	-	-	389,225
Animal control fees	30	-	-	30
Pet supplies fees	34,090	-	-	34,090
Miscellaneous income	7,734	-	-	7,734
Investment income	169,446	-	-	169,446
Net realized gain on investments	<u>197,293</u>	<u>-</u>	<u>-</u>	<u>197,293</u>
Total Revenue	<u>1,607,600</u>	<u>-</u>	<u>-</u>	<u>1,607,600</u>
Net assets released from restrictions	<u>19,400</u>	<u>(19,400)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>3,270,294</u>	<u>37,736</u>	<u>-</u>	<u>3,308,030</u>
Expenses				
Program Services:				
Prevention of cruelty to animals	1,914,998	-	-	1,914,998
Supporting Services:				
Management and general	<u>721,420</u>	<u>-</u>	<u>-</u>	<u>721,420</u>
Total Expenses	<u>2,636,418</u>	<u>-</u>	<u>-</u>	<u>2,636,418</u>
Excess (deficiency) of support and revenues over expenses	<u>633,876</u>	<u>37,736</u>	<u>-</u>	<u>671,612</u>
Other Changes in net assets				
Net unrealized gain on investments	96,543	-	-	96,543
Change in value of perpetual trust	<u>-</u>	<u>-</u>	<u>(12,383)</u>	<u>(12,383)</u>
Total other changes	<u>96,543</u>	<u>-</u>	<u>(12,383)</u>	<u>84,160</u>
Changes in net assets	730,419	37,736	(12,383)	755,772
Net assets				
Beginning of year	<u>8,248,623</u>	<u>59,400</u>	<u>577,898</u>	<u>8,885,921</u>
End of year	<u>\$ 8,979,042</u>	<u>\$ 97,136</u>	<u>\$ 565,515</u>	<u>\$ 9,641,693</u>

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015 With Summarized Information For 2014

	2015			2014 Total
	Program Services	Supporting Services	Total Expenses	
Salaries	\$ 1,081,583	\$527,049	\$1,608,632	\$ 1,452,575
Employee benefits	82,740	30,251	112,991	112,608
Payroll taxes	<u>99,195</u>	<u>43,105</u>	<u>142,300</u>	<u>131,470</u>
Total salaries and related expenses	1,263,518	600,405	1,863,923	1,696,653
Veterinary expense	321,880	-	321,880	318,512
Fundraising expense	-	133,131	133,131	115,757
Adoption/intake expense	29,805	-	29,805	38,447
Investigation/cruelty expense	18,401	-	18,401	18,581
Kennel expense	58,094	-	58,094	60,903
Building/ground expense	85,676	17,102	102,778	71,871
Office expense	48,145	9,611	57,756	45,193
Computer expense	32,835	7,685	40,520	41,495
Telephone	8,300	1,942	10,242	12,574
Utilities	23,751	4,741	28,492	30,918
Professional fees	-	16,914	16,914	17,068
Insurance	82,506	16,470	98,976	89,546
Administrative expense – other	<u>-</u>	<u>49,292</u>	<u>49,292</u>	<u>49,093</u>
Total expenses before depreciation	1,972,911	857,293	2,830,204	2,606,611
Depreciation of property and equipment	<u>48,009</u>	<u>9,583</u>	<u>57,592</u>	<u>29,807</u>
Total expenses	<u>\$ 2,020,920</u>	<u>\$866,876</u>	<u>\$2,887,796</u>	<u>\$2,636,418</u>

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2014

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
Salaries	\$1,024,975	\$427,600	\$1,452,575
Employee benefits	85,631	26,977	112,608
Payroll taxes	<u>96,328</u>	<u>35,142</u>	<u>131,470</u>
Total salaries and related expenses	1,206,934	489,719	1,696,653
Veterinary expense	318,512	-	318,512
Fundraising expense	-	115,757	115,757
Adoption/intake expense	38,447	-	38,447
Investigation/cruelty expense	18,581	-	18,581
Kennel expense	60,903	-	60,903
Building/ground expense	59,912	11,959	71,871
Office expense	38,413	6,780	45,193
Computer expense	35,271	6,224	41,495
Telephone	10,688	1,886	12,574
Utilities	25,773	5,145	30,918
Professional fees	2,071	14,997	17,068
Insurance	74,646	14,900	89,546
Administrative expense – other	<u>-</u>	<u>49,093</u>	<u>49,093</u>
Total expenses before depreciation	1,890,151	716,460	2,606,611
Depreciation of property and equipment	<u>24,847</u>	<u>4,960</u>	<u>29,807</u>
Total expenses	<u>\$1,914,998</u>	<u>\$721,420</u>	<u>\$2,636,418</u>

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 And 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ 150,736	\$ 755,772
Adjustments to reconcile total change in net assets to net cash used by operating activities:		
Depreciation	57,592	29,807
Net realized and unrealized loss (gain) on long-term investments	348,056	(293,836)
Loss on disposal of fixed assets	472,410	-
Donated construction in progress	-	(10,400)
Change in value of perpetual trust	25,932	12,383
Contributions of beneficial interest in restricted trust	(173,532)	-
Changes in operating assets and liabilities		
Increase in pledges receivable	(554,746)	-
(Increase) decrease in prepaid expenses	(14,391)	12,609
Decrease (increase) in bequest receivable	35,172	(163,495)
Increase in accounts payable and accrued expenses	<u>14,669</u>	<u>75,902</u>
Total adjustments	<u>211,162</u>	<u>(337,030)</u>
Net cash provided by operating activities	<u>361,898</u>	<u>418,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(854,260)	(470,089)
Purchase of investments	(1,287,730)	(1,278,137)
Proceeds from sale of investments	<u>1,672,315</u>	<u>1,517,220</u>
Net cash used for investing activities	<u>(469,675)</u>	<u>(231,006)</u>
Net (decrease) increase in cash and cash equivalents	(107,777)	187,736
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>780,880</u>	<u>593,144</u>
End of year	<u>\$ 673,103</u>	<u>\$ 780,880</u>

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2015 And 2014

(1) BACKGROUND

The Delaware County Society for the Prevention of Cruelty to Animals (the “*Society*”) a nonprofit organization, was incorporated in Pennsylvania on May 24, 1911. Its primary purpose is the prevention of cruelty to animals. Other objectives include placing animals in caring homes, providing affordable animal care services, controlling over population and promoting responsible pet ownership through education.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting and include all the accounts and funds of the Society.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related disclosures and, therefore, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash equivalents include time deposits, money market funds, and all highly liquid debt instruments with original maturities of three months or less.

CONCENTRATION OF CREDIT RISK

The Society is required to disclose significant concentrations of credit risk regardless of the degree of such risk. As of December 31, 2015 and 2014, the Society maintained bank deposits that occasionally exceeded the limit of insurability under the Federal Deposit Insurance Corporation. The risk is managed by monitoring the financial institutions in which deposits are made.

INVESTMENTS

Investments, which include marketable securities, U.S. Government and fixed income securities, and mutual funds, held for investment purposes are reported at fair value based upon quoted market prices or other valuation methodologies. Gains or losses on investments are recognized as revenues or expenses in the Statement of Activities. Accordingly, gains and losses are recorded in the net asset category where the investment income is recognized.

PROMISES TO GIVE

The Society records unconditional promises to give (pledges) as a receivable and revenue in the year pledged, net of the discount to present value of the future cash flows. An allowance is recorded based on management’s estimates of the collectability of the promises to give balance. No allowance is deemed necessary as of December 31, 2015 and 2014. Conditional promises to give are recognized when the conditions on which they depend are met.

LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are stated at cost for purchased assets and at fair market value on the date of the gift for donated assets. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets – 5-7 years for furniture, equipment and vehicles and 7-39 years for property.

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

Year Ended December 31, 2015 And 2014

BENEFICIAL INTERESTS IN PERPETUAL AND RESTRICTED TRUSTS

Beneficial interests in perpetual trusts include the Society's respective share of the fair value of the total funds held in trust by others for which the Society is the recipient of all or a percentage of the income. The Society has an irrevocable right to receive the income earned on the trust assets, but the trust assets must be held in perpetuity. The Society is also the recipient under a restricted trust whereby 25% of the corpus and any accumulated income of the trust will be distributed to the Society after all income beneficiaries are deceased.

NET ASSETS

A description of each net asset category is as follows:

Unrestricted net assets – Unrestricted net assets consist of net assets available for current operations.

Temporarily restricted net assets – Temporarily restricted net assets are those whose use by the Society has been limited by donors for a specific purpose or time period. These net assets consist of gifts for which donor-imposed restrictions have not been met. The Society reports restricted contributions whose stipulations were met in the same year as unrestricted contributions.

Permanently restricted net assets – Permanently restricted net assets consist of permanent endowment fund investments to be held indefinitely, the income from which is expendable for operations or such restrictions as noted by the donor.

Support and revenue is reported as an increase in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from temporarily restricted net assets to unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

CONTRIBUTIONS

Contributions are recorded as received and are considered available for unrestricted use unless specifically restricted by the donor. Investments, property, and other non-cash contributions are recorded at fair value at the date of gift or bequest. Temporarily and permanently restricted funds represent amounts donated or granted to the Society, the use of which is specified by the donor as a condition of the donation or grant.

The Society records "in-kind" support related to contributions of specialized services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, and would need to be purchased if they were not donated. The amounts reflected as "in-kind" support are offset by like amounts included in program expenses or recorded as fixed assets and depreciated accordingly.

A substantial number of volunteers have made significant contributions of many hours of their time to the activities of the Society. However, such contributed services do not meet the criteria for recognition of contributed services in accordance with generally accepted accounting principles and, accordingly, are not reflected in the accompanying financial statements.

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

Year Ended December 31, 2015 And 2014

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing Program Services and Supporting Services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among Program Services and Supporting Services as follows:

Program Services – Certain expenses are charged to Program Services that benefit directly from the expenditure. Salaries, employee benefits, and payroll taxes directly related to programs are charged to Program Services. Building/ground, telephone, utility, insurance and depreciation expenses are allocated based on square footage of the Society’s facility. All other program costs are allocated to the programs based on a predetermined percentage.

Supporting Services – These expenses comprise general and administrative expenses attributable to the general operations of the Society.

INCOME TAXES

The Society is exempt from income taxes as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Society has been determined by the Internal Revenue Service not to be a private foundation as defined in Section 509(a) of the Code.

Management has reviewed the tax positions for each of the open tax years (2012 – 2014) or expected to be taken in the Society’s 2015 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

(3) INVESTMENTS

Investments at December 31, 2015 and 2014, consist of the following:

	2015		
	<u>Market Value</u>	<u>Cost</u>	<u>Appreciation</u>
Common Stocks	\$ 3,124,046	\$ 2,151,093	\$ 972,953
Fixed Income Securities	1,161,373	1,139,214	22,159
Mutual Funds	1,574,200	1,549,481	24,719
Certificates of Deposit	<u>350,000</u>	<u>350,000</u>	<u>-</u>
	<u>\$ 6,209,619</u>	<u>\$ 5,189,788</u>	<u>\$ 1,019,831</u>
	2014		
	<u>Market Value</u>	<u>Cost</u>	<u>Appreciation</u>
Common Stocks	\$ 3,419,764	\$ 2,296,662	\$ 1,123,102
Fixed Income Securities	1,267,037	1,217,471	49,566
Mutual Funds	1,905,459	1,690,605	214,854
Certificates of Deposit	<u>350,000</u>	<u>350,000</u>	<u>-</u>
	<u>\$ 6,942,260</u>	<u>\$ 5,554,738</u>	<u>\$ 1,387,522</u>

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

Year Ended December 31, 2015 And 2014

Returns on the securities are as follows:

	<u>2015</u>	<u>2014</u>
Realized gains	\$ 19,635	\$ 197,293
Unrealized gain (loss)	(367,691)	96,543
Interest and dividends	176,689	193,944
Investment fees	<u>(48,723)</u>	<u>(51,310)</u>
	<u>\$(220,090)</u>	<u>\$ 436,470</u>

(4) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Society utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles established a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that Society has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instruments on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing Society’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

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

The summary of inputs used to value the Society’s investments as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
Common Stocks	\$ 3,124,046	\$ 3,124,046	\$ -	\$ -
Fixed Income Securities	1,161,373	127,917	1,033,456	-
Mutual Funds	1,574,200	1,574,200	-	-
Certificate of Deposits	<u>350,000</u>	<u>350,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,209,619</u>	<u>\$ 5,176,163</u>	<u>\$ 1,033,456</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 713,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713,115</u>

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

Year Ended December 31, 2015 And 2014

	2014			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
Common Stocks	\$ 3,419,764	\$ 3,419,764	\$ -	\$ -
Fixed Income Securities	1,267,037	145,225	1,121,812	-
Mutual Funds	1,905,459	1,905,459	-	-
Certificate of Deposits	<u>350,000</u>	<u>350,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,942,260</u>	<u>\$ 5,820,448</u>	<u>\$ 1,121,812</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 565,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 565,515</u>

There were no transfers between Level 1 and Level 2 during 2015 and 2014.

The beneficial interest in assets in trust is measured at the estimated cash flows which involve unobservable inputs. As a result, the present value technique is a Level 3 input.

The changes in investments measured at fair value for which the Society used Level 3 inputs to determine value are as follows:

	<u>2015</u>	<u>2014</u>
Beginning of year balance	\$ 565,515	\$ 577,898
Contributions	173,532	-
Realized/unrealized gains (losses) – net change in valuation	<u>(25,932)</u>	<u>(12,383)</u>
End of year balance	<u>\$ 713,115</u>	<u>\$ 565,515</u>

(5) CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	<u>2015</u>
Due in less than one year	\$ 245,354
Due in one to five years	<u>321,869</u>
Total contributions receivable	567,223
Less: Discount at 1.50%	<u>(12,477)</u>
Net present value of contributions receivable	<u>\$ 554,746</u>

No allowance for uncollectible contributions receivable has been recorded at December 31, 2015 based on management's estimate of collectability.

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

Year Ended December 31, 2015 And 2014

(6) PROPERTY AND EQUIPMENT

Property and equipment at December 31 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 131,672	\$ 131,672
Buildings and Improvements	1,130,778	1,100,141
Furniture and Equipment	253,450	220,837
Vehicles	70,288	70,288
Construction-in-progress	<u>577,082</u>	<u>476,715</u>
	2,163,270	1,999,653
Less accumulated depreciation and amortization	<u>(541,465)</u>	<u>(702,106)</u>
	<u>\$ 1,621,805</u>	<u>\$ 1,297,547</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$57,592 and \$29,807, respectively.

(7) BENEFICIAL INTEREST IN PERPETUAL AND RESTRICTED TRUSTS

The Society became the sole beneficiary of a perpetual trust as of July 10, 2013. The fair value of the assets and changes in fair value included in the trust is reported within the Society's permanently restricted net assets. As of December 31, 2015 and 2014, the fair values of these assets were \$539,583 and \$565,515, respectively.

The trust provided \$15,271 and \$26,813 in unrestricted income in 2015 and 2014, respectively.

The Society is also the recipient under a restricted trust whereby 25% of the corpus and any accumulated income of the trust will be distributed to the Society after all income beneficiaries are deceased. As of December 31, 2015 the fair value of these assets was \$173,532.

(8) NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Beneficial interest in restricted trust	\$ 173,532	\$ -
Capital Campaign	1,088,766	83,820
Smarty Paws grant	500	-
Kennel sponsorships providing shelter, food and medical	<u>16,408</u>	<u>13,316</u>
	<u>\$1,279,206</u>	<u>\$ 97,136</u>

Temporarily restricted net asset released from restriction for the years ended December 31, 2015 and 2014 comprised the following:

	<u>2015</u>	<u>2014</u>
Grants to expand low cost veterinary programs and services	\$ -	\$ 5,000
Kennel sponsorships providing shelter, food and medical	<u>13,316</u>	<u>14,400</u>
	<u>\$ 13,316</u>	<u>\$ 19,400</u>

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

Year Ended December 31, 2015 And 2014

Permanently restricted net assets at December 31, 2015 and 2014 are restricted for the following purposes.

	<u>2015</u>	<u>2014</u>
Beneficial interest in perpetual trust	<u>\$539,583</u>	<u>\$565,515</u>

(9) OPERATING LEASES

The Society leases certain office equipment under lease obligations which have been classified as operating leases. The leases require monthly payments in varying amounts.

The following are the minimum payments required under the leases:

Year Ending December 31,

2016	\$ 8,200
2017	7,521
2018	5,504
2019	<u>771</u>
Total	<u>\$21,996</u>

(10) IN-KIND SUPPORT

Contributions for years ended December 31, 2015 and 2014 include in-kind contributions of the following:

	<u>2015</u>	<u>2014</u>
Land and building improvements	\$ -	\$ 10,400
Office space	15,060	17,090
Supplies	24,294	9,860
Building and grounds maintenance	<u>70,493</u>	<u>11,768</u>
	<u>\$ 109,847</u>	<u>\$ 49,118</u>

(11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2016, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.