

**DELAWARE COUNTY SOCIETY
FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

YEAR ENDED DECEMBER 31, 2016 AND 2015

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware County Society for the Prevention of Cruelty to Animals
DBA Providence Animal Center
Media, Pennsylvania

We have audited the accompanying financial statements of the Delaware County Society for the Prevention of Cruelty to Animals DBA Providence Animal Center (the "Society"), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 the Delaware County Society for the Prevention of Cruelty to Animals as of December 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.



Philadelphia, Pennsylvania
April 19, 2017

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,398,331	\$ 673,103
Prepaid expenses	36,461	20,100
Accrued income	17,442	-
Contributions receivable	155,653	245,354
Bequests receivable	<u>-</u>	<u>218,323</u>
Total current assets	1,607,887	1,156,880
NONCURRENT ASSETS		
Investments	5,913,931	6,209,619
Contributions receivable	218,322	309,392
Property and equipment	2,656,548	1,621,805
Beneficial interest in perpetual and restricted trusts	<u>730,875</u>	<u>713,115</u>
Total assets	<u>\$11,127,563</u>	<u>\$10,010,811</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 216,883</u>	<u>\$ 218,382</u>
Total liabilities	<u>216,883</u>	<u>218,382</u>
NET ASSETS		
Unrestricted	8,417,953	7,973,640
Temporarily restricted	1,945,774	1,279,206
Permanently restricted	<u>546,953</u>	<u>539,583</u>
Total net assets	<u>10,910,680</u>	<u>9,792,429</u>
Total liabilities and net assets	<u>\$11,127,563</u>	<u>\$10,010,811</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2016 With Summarized Information For 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
Public Support and Revenue:					
Public Support – Received Directly:					
Contributions	\$ 820,071	\$ 698,251	\$ -	\$ 1,518,322	\$ 1,788,024
Legacies and bequests	534,322	-	-	534,322	603,344
Grants	29,800	-	-	29,800	28,907
Total public support	<u>1,384,193</u>	<u>698,251</u>	<u>-</u>	<u>2,082,444</u>	<u>2,420,275</u>
Revenue:					
Program service fees:					
Veterinarian fees	1,010,314	-	-	1,010,314	941,923
Adoption fees	555,884	-	-	555,884	347,367
Behavioral Services	6,160	-	-	6,160	-
Pet supplies fees	41,023	-	-	41,023	29,847
Miscellaneous	(3,509)	-	-	(3,509)	2,281
Investment and trust income	158,905	-	-	158,905	143,237
Net realized gain on investments	260,151	-	-	260,151	19,635
Total Revenue	<u>2,028,928</u>	<u>-</u>	<u>-</u>	<u>2,028,928</u>	<u>1,484,290</u>
Net assets released from restrictions	42,073	(42,073)	-	-	-
Total public support and revenue	<u>3,455,194</u>	<u>656,178</u>	<u>-</u>	<u>4,111,372</u>	<u>3,904,565</u>
Expenses					
Program Services:					
Prevention of cruelty to animals	2,155,711	-	-	2,155,711	2,020,920
Supporting Services:					
Management and general	853,448	-	-	853,448	866,876
Total Expenses	<u>3,009,159</u>	<u>-</u>	<u>-</u>	<u>3,009,159</u>	<u>2,887,796</u>
Excess of support and revenues over expenses	<u>446,035</u>	<u>656,178</u>	<u>-</u>	<u>1,102,213</u>	<u>1,016,769</u>
Other Changes in Net Assets					
Loss on disposal of fixed assets	(51,476)	-	-	(51,476)	(472,410)
Net unrealized gain (loss) on investments	113,141	-	-	113,141	(367,691)
Change in value of perpetual trust	-	10,390	7,370	17,760	(25,932)
Rebranding expenses	(63,387)	-	-	(63,387)	-
Total other changes	<u>(1,722)</u>	<u>10,390</u>	<u>7,370</u>	<u>16,038</u>	<u>(866,033)</u>
Changes in net assets	444,313	666,568	7,370	1,118,251	150,736
Net Assets					
Beginning of year	7,973,640	1,279,206	539,583	9,792,429	9,641,693
End of year	<u>\$ 8,417,953</u>	<u>\$ 1,945,774</u>	<u>\$ 546,953</u>	<u>\$ 10,910,680</u>	<u>\$ 9,792,429</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>
Public Support and Revenue:				
Public Support – Received Directly:				
Contributions	\$ 766,170	\$ 1,021,854	\$ -	\$ 1,788,024
Legacies and bequests	429,812	173,532	-	603,344
Grants	<u>28,907</u>	<u>-</u>	<u>-</u>	<u>28,907</u>
Total public support	<u>1,224,889</u>	<u>1,195,386</u>	<u>-</u>	<u>2,420,275</u>
Revenue:				
Program service fees:				
Veterinarian fees	941,923	-	-	941,923
Adoption fees	347,367	-	-	347,367
Pet supplies fees	29,847	-	-	29,847
Miscellaneous	2,281	-	-	2,281
Investment and trust income	143,237	-	-	143,237
Net realized gain on investments	<u>19,635</u>	<u>-</u>	<u>-</u>	<u>19,635</u>
Total Revenue	<u>1,484,290</u>	<u>-</u>	<u>-</u>	<u>1,484,290</u>
Net assets released from restrictions	<u>13,316</u>	<u>(13,316)</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>
Expenses				
Program Services:				
Prevention of cruelty to animals	2,020,920	-	-	2,020,920
Supporting Services:				
Management and general	<u>866,876</u>	<u>-</u>	<u>-</u>	<u>866,876</u>
Total Expenses	<u>2,887,796</u>	<u>-</u>	<u>-</u>	<u>2,887,796</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>
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)
Change in value of perpetual trust	<u>-</u>	<u>-</u>	<u>(25,932)</u>	<u>(25,932)</u>
Total other changes	<u>(840,101)</u>	<u>-</u>	<u>(25,932)</u>	<u>(866,033)</u>
Changes in net assets	(1,005,402)	1,182,070	(25,932)	150,736
Net Assets				
Beginning of year	<u>8,979,042</u>	<u>97,136</u>	<u>565,515</u>	<u>9,641,693</u>
End of year	<u>\$ 7,973,640</u>	<u>\$ 1,279,206</u>	<u>\$ 539,583</u>	<u>\$ 9,792,429</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016 With Summarized Information For 2015

	2016			2015 Total
	Program Services	Supporting Services	Total Expenses	
Salaries	\$ 1,171,618	\$ 518,946	\$ 1,690,564	\$ 1,608,632
Employee benefits	103,212	29,088	132,300	112,991
Payroll taxes	<u>105,255</u>	<u>41,577</u>	<u>146,832</u>	<u>142,300</u>
Total salaries and related expenses	1,380,085	589,611	1,969,696	1,863,923
Veterinary expense	369,321	-	369,321	321,880
Fundraising expense	-	136,981	136,981	133,131
Adoption/intake expense	27,926	-	27,926	29,805
Investigation/cruelty expense	19,982	-	19,982	18,401
Kennel expense	48,080	-	48,080	58,094
Building/ground expense	36,466	7,279	43,745	102,778
Office expense	48,229	9,627	57,856	57,756
Computer expense	33,349	5,955	39,304	40,520
Telephone	11,902	2,126	14,028	10,242
Utilities	28,623	5,714	34,337	28,492
Professional fees	-	13,426	13,426	16,914
Insurance	102,371	20,435	122,806	98,976
Administrative expense – other	<u>-</u>	<u>52,438</u>	<u>52,438</u>	<u>49,292</u>
Total expenses before depreciation	2,106,334	843,592	2,949,926	2,830,204
Depreciation of property and equipment	<u>49,377</u>	<u>9,856</u>	<u>59,233</u>	<u>57,592</u>
Total expenses	<u>\$ 2,155,711</u>	<u>\$ 853,448</u>	<u>\$ 3,009,159</u>	<u>\$ 2,887,796</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

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

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ <u>1,118,251</u>	\$ <u>150,736</u>
Adjustments to reconcile total change in net assets to net cash used by operating activities:		
Depreciation	59,233	57,592
Net realized and unrealized (gain) loss on long-term investments	(373,292)	348,056
Loss on disposal of fixed assets	51,476	472,410
Change in value of perpetual trust	(17,760)	25,932
Contributions of beneficial interest in restricted trust	-	(173,532)
Changes in operating assets and liabilities		
Decrease (increase) in pledges receivable	180,771	(554,746)
Increase in accrued income	(17,442)	-
Increase in prepaid expenses	(16,361)	(14,391)
Decrease in bequest receivable	218,323	35,172
Increase (decrease) in accounts payable and accrued expenses	<u>(1,499)</u>	<u>14,669</u>
Total adjustments	<u>83,449</u>	<u>211,162</u>
Net cash provided by operating activities	<u>1,201,700</u>	<u>361,898</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,145,452)	(854,260)
Purchase of investments	(1,297,066)	(1,287,730)
Proceeds from sale of investments	<u>1,966,046</u>	<u>1,672,315</u>
Net cash used for investing activities	<u>(476,472)</u>	<u>(469,675)</u>
Net increase (decrease) in cash and cash equivalents	725,228	(107,777)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>673,103</u>	<u>780,880</u>
End of year	<u>\$ 1,398,331</u>	<u>\$ 673,103</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2016 And 2015

(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. The Society underwent a re-branding in 2016 and is doing business as Providence Animal Center.

(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, 2016 and 2015, 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, 2016 and 2015. 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 DBA PROVIDENCE ANIMAL CENTER

NOTES TO FINANCIAL STATEMENTS – (Continued)

Year Ended December 31, 2016 And 2015

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.

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.

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Year Ended December 31, 2016 And 2015

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 (2013 – 2015) or expected to be taken in the Society’s 2016 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 2015 financial statements to conform to the 2016 presentation.

(3) INVESTMENTS

Investments at December 31, 2016 and 2015, consist of the following:

	<u>2016</u>		
	<u>Market Value</u>	<u>Cost</u>	<u>Appreciation</u>
Common Stocks	\$ 2,890,593	\$ 1,906,174	\$ 984,419
Fixed Income Securities	1,326,669	1,320,574	6,095
Mutual Funds and ETF’s	1,446,669	1,304,211	142,458
Certificates of Deposit	<u>250,000</u>	<u>250,000</u>	<u>-</u>
	<u>\$ 5,913,931</u>	<u>\$4,780,959</u>	<u>\$1,132,972</u>
	<u>2015</u>		
	<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 and ETF’s	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>

Returns on the securities are as follows:

	<u>2016</u>	<u>2015</u>
Realized gains	\$ 260,151	\$ 19,635
Unrealized gain (loss)	113,141	(367,691)
Interest and dividends	181,408	176,689
Investment fees	<u>(46,484)</u>	<u>(48,723)</u>
	<u>\$ 508,216</u>	<u>\$ (220,090)</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Year Ended December 31, 2016 And 2015

There were no transfers between Level 1 and Level 2 during 2016 and 2015.

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>2016</u>	<u>2015</u>
Beginning of year balance	\$ 713,115	\$ 565,515
Contributions	-	173,532
Realized/unrealized gains (losses) – net change in valuation	<u>17,760</u>	<u>(25,932)</u>
End of year balance	<u>\$ 730,875</u>	<u>\$ 713,115</u>

(5) CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ 155,653	\$ 245,354
Due in one to five years	<u>225,200</u>	<u>321,869</u>
Total contributions receivable	380,853	567,223
Less: Discount at 1.09%	<u>(6,878)</u>	<u>(12,477)</u>
Net present value of contributions receivable	<u>\$ 373,975</u>	<u>\$ 554,746</u>

No allowance for uncollectible contributions receivable has been recorded at December 31, 2016 or 2015 based on management's estimate of collectability.

(6) PROPERTY AND EQUIPMENT

Property and equipment at December 31 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 131,672	\$ 131,672
Buildings and Improvements	932,251	1,130,778
Furniture and Equipment	207,186	253,450
Vehicles	29,133	70,288
Construction-in-progress	<u>1,628,820</u>	<u>577,082</u>
	2,929,062	2,163,270
Less accumulated depreciation and amortization	<u>(272,514)</u>	<u>(541,465)</u>
	<u>\$ 2,656,548</u>	<u>\$ 1,621,805</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$59,233 and \$57,592, respectively.

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
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NOTES TO FINANCIAL STATEMENTS – (Continued)

Year Ended December 31, 2016 And 2015

(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, 2016 and 2015, the fair values of these assets were \$546,953 and \$539,583, respectively.

The trust provided \$23,982 and \$15,271 in unrestricted income in 2016 and 2015, 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, 2016 and 2015 the fair value of these assets were \$183,922 and \$173,532, respectively.

(8) NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Beneficial interest in restricted trust	\$ 183,922	\$ 173,532
Capital Campaign	1,733,610	1,088,766
Smarty Paws grant	-	500
Pet Finder grant	7,500	-
Kennel sponsorships providing shelter, food and medical	<u>20,742</u>	<u>16,408</u>
	<u>\$ 1,945,774</u>	<u>\$ 1,279,206</u>

Temporarily restricted net asset released from restriction for the years ended December 31, 2016 and 2015 comprised the following:

	<u>2016</u>	<u>2015</u>
Capital Campaign	\$25,165	\$ -
Smarty Paws grant	500	-
Kennel sponsorships providing shelter, food and medical	<u>16,408</u>	<u>13,316</u>
	<u>\$42,073</u>	<u>\$13,316</u>

Permanently restricted net assets at December 31, 2016 and 2015 are restricted for the following purposes.

	<u>2016</u>	<u>2015</u>
Beneficial interest in perpetual trust	<u>\$546,953</u>	<u>\$539,583</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:

<u>Year Ending December 31,</u>	
2017	\$ 9,945
2018	9,072
2019	4,962
2020	<u>4,140</u>
Total	<u>\$28,119</u>

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NOTES TO FINANCIAL STATEMENTS – (Continued)

Year Ended December 31, 2016 And 2015

(10) IN-KIND SUPPORT

Contributions for years ended December 31, 2016 and 2015 include in-kind contributions of the following:

	<u>2016</u>	<u>2015</u>
Rebranding and marketing services	\$ 20,000	\$ -
Office space	15,449	15,060
Supplies	2,328	24,294
Building and grounds maintenance	<u>1,207</u>	<u>70,493</u>
	<u>\$ 38,984</u>	<u>\$ 109,847</u>

(11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 19, 2017, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.