

Peninsula Accounting Services, Inc.
A Certified Public Accountancy Firm

HOUSE RABBIT SOCIETY
ANNUAL FINANCIAL STATEMENTS
AND
ACCOUNTANT'S AUDIT REPORT
DECEMBER 31, 2016

Peninsula Accounting Services, Inc.
A Certified Public Accountancy Firm
HOUSE RABBIT SOCIETY

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PENINSULA
ACCOUNTING SERVICES, INC

INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS
HOUSE RABBIT SOCIETY
148 BROADWAY
RICHMOND, CA 94804

Report on the Financial Statements

I have audited the accompanying statement of financial position of House Rabbit Society (a California nonprofit corporation) as of December 31, 2016, and the related statements of activities, functional expenses 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 the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

61 Airport Blvd, Ste H
South San Francisco, CA 94080

T:650-588-5221
F:650-952-3062



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PENINSULA
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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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis of my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of House Rabbit Society as of December 31, 2016, and its revenue, expenses, and changes in its net assets for the year then ended, on the basis of accounting described in Note 1.

Susan M. Haase, CPA

Susan M. Haase, CPA

June 12, 2017

61 Airport Blvd, Ste H
South San Francisco, CA 94080

T:650-588-5221
F:650-952-3062

Peninsula Accounting Services, Inc.
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House Rabbit Society
Statement of Financial Position
As of December 31, 2016

ASSETS

Current Assets

| | |
|-----------------------------|------------------|
| Cash & Cash Equivalents | \$380,873 |
| Inventory | 7,766 |
| Prepaid Expenses | 2,002 |
| Total Current Assets | <u>\$390,641</u> |

Fixed Assets

| | |
|---------------------------|------------------|
| Organization Assets | 40,336 |
| Building and Improvements | 313,722 |
| Accumulated Depreciation | (125,274) |
| Total Fixed Assets | <u>\$228,784</u> |

Other Assets

| | |
|---------------------------|---------|
| Land | 53,934 |
| Total Other Assets | <u></u> |

| | |
|---------------------|------------------|
| TOTAL ASSETS | <u>\$673,359</u> |
|---------------------|------------------|

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities

| | |
|----------------------------------|-----------------|
| Accounts Payable | 28,099 |
| Credit Cards | 11,311 |
| Total Current Liabilities | <u>\$39,410</u> |

| | |
|--------------------------|-----------------|
| Other Liabilities | 5,452 |
| Total Liabilities | <u>\$44,862</u> |

Net Assets

| | |
|-------------------------|------------------|
| Unrestricted Net Assets | 421,829 |
| Net Income | 206,668 |
| Total Net Assets | <u>\$628,497</u> |

| | |
|---|------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u>\$673,359</u> |
|---|------------------|

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House Rabbit Society
Statement of Activities
January - December 2016

| SUPPORT & REVENUE | Unrestricted | Temporarily Restricted | Totals |
|--|---------------------|-----------------------------------|------------------|
| Contribution | \$446,573 | | \$446,573 |
| Program Income | 85,361 | | 85,361 |
| Sales | 91,819 | | 91,819 |
| Less: Cost of Goods Sold | (64,209) | | (64,209) |
| Total Support & Revenue | \$559,544 | 0 | \$559,544 |
| EXPENSES | | | |
| Program Services | \$315,143 | | \$315,143 |
| Management & General | 37,733 | | 37,733 |
| Total Expenses | \$352,876 | 0 | \$352,876 |
| Increase (Decrease) in Net Assets | \$206,668 | | \$206,668 |
| Net Assets at Beginning of Year | \$421,829 | | \$421,829 |
| Net Assets and End of Year | \$628,497 | | \$628,497 |

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House Rabbit Society Statement of Functional Expenses Year Ended December 31, 2016

| | PROGRAM SERVICES | SUPPORTING SERVICES | | Total |
|------------------------|---------------------|------------------------|--------------------|------------------|
| | | Management and General | Program Service | |
| Rabbit Expense | 91,940 | | 91,940 | 91,940 |
| Bank Service Charge | 4,970 | | 4,970 | 4,970 |
| Education Expense | 13,056 | | 13,056 | 13,056 |
| Outside Services | 4,613 | | 4,613 | 4,613 |
| Advertising | 137 | | 137 | 137 |
| Insurance | 15,052 | | 15,052 | 15,052 |
| Licenses | 948 | | 948 | 948 |
| Legal and Professional | 5,000 | | 5,000 | 5,000 |
| Postage | 1,281 | | 1,281 | 1,281 |
| Payroll Taxes | 12,086 | 3,021 | 9,065 | 12,086 |
| Payroll Processing Fee | 2,108 | 527 | 1,581 | 2,108 |
| Repairs | 2,256 | | 2,256 | 2,256 |
| Dues and Subscriptions | 481 | | 481 | 481 |
| Salaries and wages | 136,743 | 34,185 | 102,558 | 136,743 |
| Supplies | 3,158 | | 3,158 | 3,158 |
| Taxes | 1,534 | | 1,534 | 1,534 |
| Telephone | 2,785 | | 2,785 | 2,785 |
| Travel | 215 | | 215 | 215 |
| Utilities | 7,141 | | 7,141 | 7,141 |
| Spay& Neuter Clinic | 10,074 | | 10,074 | 10,074 |
| Volunteer Expenses | 587 | | 587 | 587 |
| Grants & Awards | 12,928 | | 12,928 | 12,928 |
| Fundraising Expenses | 4,610 | | 4,610 | 4,610 |
| Depreciation Expense | 19,173 | | 19,173 | 19,173 |
| | \$352,876 | \$37,733 | \$315,143 | \$352,876 |

61 Airport Blvd, Ste H
South San Francisco, CA 94080

T:650-588-5221
F:650-952-3062

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House Rabbit Society
Statement of Cash Flows
January - December 2016

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|-----------|
| Net Income | \$206,668 |
| Adjustments to reconcile Net Income to Net Cash provided by operations: | |
| Change in assets and liabilities: | |
| Current Assets | 2,016 |
| Current Liabilities | 7,232 |
| Net cash provided by operating activities | 215,916 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|----------|
| Purchase of property and equipment | (41,574) |
| Net cash provided by financing activities | (41,574) |
| Net cash increase for period | 174,342 |

| | |
|--|---------|
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 206,531 |
|--|---------|

| | |
|--|-----------|
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$380,873 |
|--|-----------|

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House Rabbit Society

Notes to Financial Statements

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

House Rabbit Society, Inc. (a non-profit organization) was established and incorporated under the laws of the State of California. It operates as an adoption and education center whose mission is to rescue abandoned rabbits and find permanent homes for them and to educate the public and assist humane societies, through publications on rabbit care, phone consultation, and classes upon request.

PROGRAMS

House Rabbit Society receives no government support or advertising dollars. Majority of the donation are from their generous members and volunteers, so overhead and administrative costs are minimal. The vast majority of the donations go directly to their programs: rescue and education

BASIS OF ACCOUNTING

House Rabbit Society prepares financial statements on the accrual basis method of accounting in accordance with generally accepted accounting principles.

CASH & CASH EQUIVALENTS

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value of the short maturities of those financial instruments.

USE OF ESTIMATES

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

PROPERTY & EQUIPMENT

It is House Rabbit Society policy to capitalize acquisitions of property, furniture and equipment in excess of \$2000. Purchased property, furniture and equipment are recorded at cost; or, if donated, at fair market value at the date of donation. Furniture and equipment are depreciated over five years, rental properties over 27 ½ years, and buildings and improvements over 39 years.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

In accordance with accounting principles generally accepted in the United States of America, House Rabbit Society reports information regarding its financial position and activities according to the existence and nature of donor restrictions in three classes of net assets: Unrestricted, Temporarily Restricted, and Permanently Restricted. FASB ASC 958-210-45-9 (formerly SFAS No 117, paragraph 13) requires providing information about the three classes of net assets. The

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amount for each of the three classes of net assets and total net assets are required to be reported on the face of the Statement of Financial Position. Additional information is required to be reported for temporarily and permanently restricted net assets. That information includes a description and dollar amount of the different types of permanent restrictions and temporary restrictions.

Accounting principles generally accepted in the United States of America allow House Rabbit Society to treat as unrestricted any restricted revenue where the restrictions are met in the same year. House Rabbit Society has elected to follow that reporting method. As a result, all activities in which restrictions are met during the year are recorded as unrestricted net assets in the Statement of Activities

RESTRICTED & UNRESTRICTED SUPPORT

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions”. House Rabbit Society had no Temporary or Permanent restricted net assets for the year ended December 31, 2016.

INCOME TAXES

House Rabbit Society is exempt from income taxes as a non-profit organization under Internal Revenue Code Sec. 501(c) (3) and accordingly the financial statements do not reflect a provision for income taxes. In addition, House Rabbit Society has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi) of the Internal Revenue Code. There was no unrelated business income during the year ended December 31, 2016.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the programs and activities have been summarized on a functional basis in the statement of activities. Some expenses have been allocated among the programs and management and general classifications on the basis of time records, actual expenses, and estimates made by the organization’s management.

NOTE 2 – CONCENTRATION OF CREDIT RISK

For the year ended December 31, 2016, House Rabbit Society had \$142,725 on deposit with one bank. The Dodd-Frank Act amended the Federal Deposit Insurance Corporation (FDIC) to provide temporary unlimited coverage of noninterest-bearing accounts at all FDIC –insured depository institutions. Therefore, all such deposits will be fully insured through December 31, 2016. As a result of the above amendment, for the year ended December 31, 2016, House Rabbit Society did not have a potential credit risk.

NOTE 3 – INVENTORY

61 Airport Blvd, Ste H
South San Francisco, CA 94080

T:650-588-5221
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Inventory represents rabbit supplies purchased for resale and is reported at cost based on a calendar year end.

NOTE 4 – IN KIND CONTRIBUTION

From time to time, donated services are recognized as contributions and expense in accordance with generally accepted accounting principles (GAAP). In order to meet the criteria for recognition in the financial statements, contribution of in kind services must (a) create or enhance non-financial assets or (b) require specialized skills, be performed by people with those skills, and would otherwise be purchased by the organization.

NOTE 5 – PROPERTY & EQUIPMENT

Property & equipment consists of the following:

| | | |
|-------------------------------|----|------------------|
| Land | \$ | 53,934 |
| Buildings and Improvements | | 313,722 |
| Organization Assets | | 40,336 |
| | | |
| Less Accumulated Depreciation | | <u>(125,274)</u> |
| | \$ | 282,718 |

NOTE 6 – OMB CIRCULAR A-133 AUDIT REQUIREMENTS

House Rabbit Society expended \$0 federal funds for the year ended December 31, 2016 which is below the threshold of \$500,000 which determines when an audit under OMB Circular A-133 is not required.