KPMG

THE AMERICAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Consolidated Financial Statements

December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
The American Society for the Prevention of Cruelty to Animals:

We have audited the accompanying consolidated financial statements of the American Society for the Prevention of Cruelty to Animals (the ASPCA), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated financial statements.

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

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of the American 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.

KPMG LLP

June 23, 2016

THE AMERICAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Consolidated Balance Sheets

December 31, 2015 and 2014

Assets		2015	2014
Cash and cash equivalents	$	20,972,302	14,434,579
Bequests and contributions receivable		10,997,247	11,280,361
Other receivables, net of allowance of $181,000 in 2015 and $223,000 in 2014		8,995,705	4,536,182
Prepaid expenses and other assets		2,160,548	3,702,250
Investments (note 3)		133,525,878	134,079,712
Beneficial interest in trusts held by others (notes 4 and 10)		18,958,299	20,781,144
Land, buildings, and equipment, net (note 5)		51,418,168	44,326,842
Total assets	$	247,028,147	233,141,070
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	12,895,044	9,476,729
Grants payable		3,357,868	2,928,818
Deferred rent and other (note 7)		4,634,939	3,464,110
Annuity obligations		6,967,042	5,046,642
Unfunded pension obligation (note 6)		5,118,319	5,609,753
Total liabilities		32,973,212	26,526,052
Commitments and contingencies (note 7)			
Net assets (notes 10 and 11):			
Unrestricted		141,439,635	140,188,321
Temporarily restricted		47,721,885	40,365,414
Permanently restricted		24,893,415	26,061,283
Total net assets		214,054,935	206,615,018
Total liabilities and net assets	$	247,028,147	233,141,070

See accompanying notes to consolidated financial statements.

THE AMERICAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Consolidated Statement of Activities

Year ended December 31, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating support and revenues:				
Contributions, memberships, grants, and sponsorships	$ 131,803,621	8,601,012	—	140,404,633
Animal health services fees	15,914,207	—	—	15,914,207
Bequests and trusts	12,702,999	20,320,865	—	33,023,864
Royalties, licenses, and other	5,722,821	2,410,427	—	8,133,248
Net assets released from restrictions (note 10)	23,632,173	(23,632,173)	—	—
Total operating support and revenues	189,775,821	7,700,131	—	197,475,952
Operating expenses (note 8):				
Program expenses:				
Animal health services	42,139,017	—	—	42,139,017
Public education and communications	40,630,292	—	—	40,630,292
Anticruelty programs	20,272,986	—	—	20,272,986
Community outreach	24,085,398	—	—	24,085,398
Grants (note 9)	13,476,946	—	—	13,476,946
Total program expenses	140,604,639	—	—	140,604,639
Supporting expenses:				
Membership development and fund-raising	39,207,983	—	—	39,207,983
Management and general	9,598,668	—	—	9,598,668
Total supporting expenses	48,806,651	—	—	48,806,651
Total operating expenses	189,411,290	—	—	189,411,290
Change in net assets from operating activities	364,531	7,700,131	—	8,064,662
Nonoperating activities:				
Investment return less than amounts designated for operations (note 3)	(3,597,426)	(247,158)	—	(3,844,584)
Net depreciation on beneficial interest in trusts held by others (note 4)	—	(96,502)	(1,219,382)	(1,315,884)
Contributions related to endowment (note 11)	—	—	51,514	51,514
Contributions of net assets of Humane Alliance (note 1)	4,482,544	—	—	4,482,544
Pension-related charges other than net periodic pension cost (note 6)	1,665	—	—	1,665
Change in net assets	1,251,314	7,356,471	(1,167,868)	7,439,917
Net assets at beginning of year	140,188,321	40,365,414	26,061,283	206,615,018
Net assets at end of year	$ 141,439,635	47,721,885	24,893,415	214,054,935

See accompanying notes to consolidated financial statements.

THE AMERICAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Consolidated Statement of Activities

Year ended December 31, 2014

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating support and revenues:				
Contributions, memberships, grants, and sponsorships	$ 128,267,214	8,560,115	—	136,827,329
Animal health services fees	14,585,922	—	—	14,585,922
Bequests and trusts	14,297,431	12,412,822	—	26,710,253
Royalties, licenses, and other	4,431,672	—	—	4,431,672
Investment income designated for operations (note 3)	5,272,000	—	—	5,272,000
Net assets released from restrictions (note 10)	17,648,146	(17,648,146)	—	—
Total operating support and revenues	184,502,385	3,324,791	—	187,827,176
Operating expenses (note 8):				
Program expenses:				
Animal health services	36,325,919	—	—	36,325,919
Public education and communications	33,606,739	—	—	33,606,739
Anticruelty programs	22,399,770	—	—	22,399,770
Community outreach	22,800,090	—	—	22,800,090
Grants (note 9)	15,445,879	—	—	15,445,879
Total program expenses	130,578,397	—	—	130,578,397
Supporting expenses:				
Membership development and fund-raising	35,542,646	—	—	35,542,646
Management and general	9,069,156	—	—	9,069,156
Total supporting expenses	44,611,802	—	—	44,611,802
Total operating expenses	175,190,199	—	—	175,190,199
Change in net assets from operating activities	9,312,186	3,324,791	—	12,636,977
Nonoperating activities:				
Investment return (less than) in excess of amounts designated for operations (note 3)	(1,409,354)	382,807	—	(1,026,547)
Net (depreciation) appreciation on beneficial interest in trusts held by others (note 4)	—	(267,247)	326,868	59,621
Contributions related to endowment (note 11)	—	—	62,521	62,521
Pension-related charges other than net periodic pension cost (note 6)	(3,029,274)	—	—	(3,029,274)
Change in net assets	4,873,558	3,440,351	389,389	8,703,298
Net assets at beginning of year	135,314,763	36,925,063	25,671,894	197,911,720
Net assets at end of year	$ 140,188,321	40,365,414	26,061,283	206,615,018

See accompanying notes to consolidated financial statements.

THE AMERICAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Consolidated Statement of Functional Expenses

Year ended December 31, 2015

	Program expenses						Supporting expenses			
	Animal health services	Public education and communications	Anticruelty programs	Community outreach	Grants	Total program expenses	Membership development and fund-raising	Management and general	Total supporting expenses	Total expenses
Compensation	$ 22,429,974	3,526,102	8,131,837	12,107,448	438,755	46,634,116	4,904,806	4,449,924	9,354,730	55,988,846
Employee benefits	8,174,167	1,084,487	2,341,312	3,960,805	138,680	15,699,451	1,591,782	1,341,088	2,932,870	18,632,321
Supplies	736,462	115,354	582,027	1,659,257	158,117	3,251,217	122,598	67,731	190,329	3,441,546
Telephone	438,424	54,106	173,248	167,599	6,577	839,954	80,030	124,279	204,309	1,044,263
Postage and shipping	59,242	5,982,787	149,492	22,736	310	6,214,567	4,631,148	80,825	4,711,973	10,926,540
Rent	841,601	734,816	1,171,481	274,366	69,354	3,091,618	585,284	594,836	1,180,120	4,271,738
Repairs and maintenance	520,801	24,761	113,268	471,574	2,444	1,132,848	21,159	81,959	103,118	1,235,966
Data processing	712,150	4,078,576	336,890	413,052	93,009	5,633,677	6,640,856	461,237	7,102,093	12,735,770
Printing	21,556	4,188,987	55,757	1,172	2	4,267,474	3,127,145	46,089	3,173,234	7,440,708
Auto expenses	223,539	16	178,687	97,785	3	500,030	31	776	807	500,837
Travel, conferences, and seminars	576,974	212,256	1,929,354	1,094,196	40,272	3,853,052	242,090	188,462	430,552	4,283,604
Insurance	313,250	57,423	303,359	144,449	6,590	825,071	51,556	107,794	159,350	984,421
Utilities	278,829	63,639	127,160	297,784	6,068	773,480	51,522	87,449	138,971	912,451
Veterinary and medical services	3,706,175	—	1,282,277	441,449	—	5,429,901	—	—	—	5,429,901
Media buys, promotion, and related costs	157,516	17,435,843	355,674	88,563	—	18,037,596	13,794,251	203,294	13,997,545	32,035,141
Professional services	1,017,813	2,777,786	2,209,443	1,123,824	46,784	7,175,650	2,848,276	1,120,181	3,968,457	11,144,107
Grants	—	—	—	—	12,422,325	12,422,325	—	—	—	12,422,325
Other	443,940	25,971	71,160	120,708	26,767	688,546	163,947	140,892	304,839	993,385
Total expenses before depreciation and amortization	40,652,413	40,362,910	19,512,426	22,486,767	13,456,057	136,470,573	38,856,481	9,096,816	47,953,297	184,423,870
Depreciation and amortization	1,486,604	267,382	760,560	1,598,631	20,889	4,134,066	351,502	501,852	853,354	4,987,420
Total expenses	$ 42,139,017	40,630,292	20,272,986	24,085,398	13,476,946	140,604,639	39,207,983	9,598,668	48,806,651	189,411,290

See accompanying notes to consolidated financial statements.

THE AMERICAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Consolidated Statement of Functional Expenses

Year ended December 31, 2014

	Program expenses						Supporting expenses			
	Animal health services	**Public education and communications**	**Anticruelty programs**	**Community outreach**	**Grants**	**Total program expenses**	**Membership development and fund-raising**	**Management and general**	**Total supporting expenses**	**Total expenses**
Compensation	$ 19,744,282	3,763,844	7,979,892	11,379,476	585,949	43,453,443	4,627,314	3,682,112	8,309,426	51,762,869
Employee benefits	6,988,505	1,127,378	2,275,124	3,549,345	165,038	14,105,390	1,406,603	1,026,990	2,433,593	16,538,983
Supplies	635,443	110,864	506,887	1,161,990	5,190	2,420,374	149,402	67,807	217,209	2,637,583
Telephone	388,007	57,509	185,640	267,117	11,607	909,880	46,496	181,105	227,601	1,137,481
Postage and shipping	57,183	4,717,275	182,192	25,973	1,293	4,983,916	4,202,130	79,423	4,281,553	9,265,469
Rent	726,791	615,514	1,414,887	339,876	87,013	3,184,081	697,855	558,868	1,256,723	4,440,804
Repairs and maintenance	362,288	14,011	105,075	614,340	2,201	1,097,915	15,808	76,963	92,771	1,190,686
Data processing	346,838	3,396,584	365,017	533,125	109,352	4,750,916	5,783,735	525,456	6,309,191	11,060,107
Printing	12,856	3,091,537	89,877	3,586	866	3,198,722	2,633,990	41,755	2,675,745	5,874,467
Auto expenses	206,931	14	234,314	32,266	5	473,530	3,610	816	4,426	477,956
Travel, conferences, and seminars	562,004	202,451	2,072,432	1,315,312	65,199	4,217,398	246,307	107,190	353,497	4,570,895
Insurance	283,195	45,092	336,003	108,799	7,399	780,488	67,029	81,526	148,555	929,043
Utilities	274,457	55,597	135,324	265,754	8,012	739,144	62,981	94,767	157,748	896,892
Veterinary and medical services	3,064,214	—	1,428,520	297,486	—	4,790,220	—	—	—	4,790,220
Media buys, promotion, and related costs	140,790	13,510,755	691,342	67,823	—	14,410,710	12,332,125	198,004	12,530,129	26,940,839
Professional services	931,309	2,627,425	3,494,944	1,198,253	80,858	8,332,789	2,880,125	1,857,212	4,737,337	13,070,126
Grants	—	—	—	—	14,244,160	14,244,160	—	—	—	14,244,160
Other	314,284	14,102	67,645	109,491	26,269	531,791	209,629	86,883	296,512	828,303
Total expenses before depreciation and amortization	35,039,377	33,349,952	21,565,115	21,270,012	15,400,411	126,624,867	35,365,139	8,666,877	44,032,016	170,656,883
Depreciation and amortization	1,286,542	256,787	834,655	1,530,078	45,468	3,953,530	177,507	402,279	579,786	4,533,316
Total expenses	$ 36,325,919	33,606,739	22,399,770	22,800,090	15,445,879	130,578,397	35,542,646	9,069,156	44,611,802	175,190,199

See accompanying notes to consolidated financial statements.

THE AMERICAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Consolidated Statements of Cash Flows

Years ended December 31, 2015 and 2014

		2015	2014
Cash flows from operating activities:			
Change in net assets	$	7,439,917	8,703,298
Adjustments to reconcile change in net assets to net provided by operating activities:			
Depreciation		4,987,250	4,406,100
Net investment losses (gains)		5,591,150	(2,194,757)
Unrealized loss (gain) on beneficial interests in perpetual trusts held by others		1,219,382	(326,868)
Contributions restricted for endowments		(51,514)	(62,521)
Contribution of net assets of Humane Alliance		(4,482,544)	—
Loss on disposal of land, building, and equipment		169	53,846
Changes in assets and liabilities:			
Bequests and contributions receivable		283,114	(3,377,231)
Other receivables, net		(86,006)	(605,472)
Prepaid expenses and other assets		1,541,702	(637,606)
Beneficial interests in charitable remainder trusts held by others		603,463	207,884
Accounts payable and accrued expenses		3,010,347	(3,462,077)
Grants payable		429,050	460,628
Unfunded pension obligation		(491,434)	2,505,233
Other liabilities		2,285,049	1,110,302
Net cash provided by operating activities		22,279,095	6,780,759
Cash flows from investing activities:			
Additions to land, building, and equipment		(7,165,840)	(3,409,558)
Cash received from Human Alliance contribution		537,935	—
Purchases of investments		(38,419,997)	(42,365,771)
Proceeds from sales of investments		33,382,681	42,089,154
(Increase) decrease in other receivables related to investments		(4,326,488)	400,457
Increase (decrease) in accounts payable related to land, buildings, and equipment		358,771	(774,362)
Net cash used in investing activities		(15,632,938)	(4,060,080)
Cash flows from financing activity:			
Contributions restricted for endowments		51,514	62,521
Loan repayment		(159,948)	—
Net change in cash and cash equivalents		6,537,723	2,783,200
Cash and cash equivalents, beginning of year		14,434,579	11,651,379
Cash and cash equivalents, end of year	$	20,972,302	14,434,579
Supplemental disclosures:			
Contribution of other receivables	$	(47,029)	—
Contribution of land, buildings, and equipment, net		(4,912,905)	—
Assumption of accounts payable and accrued expenses		49,197	—
Assumption of loans payable		966,128	—

See accompanying notes to consolidated financial statements.

(1) Description of the Organization

The American Society for the Prevention of Cruelty to Animals (the ASPCA) is North America's first humane organization. The ASPCA provides effective means for the prevention of cruelty to animals throughout the United States. It has been headquartered in New York City since its founding in 1866 where it maintains a strong local presence. The ASPCA's activities are focused on five primary program areas: animal health services, public education and communications, anticruelty programs, community outreach and grants and sponsorships to other animal welfare-related organizations. The ASPCA is a privately funded 501(c)(3) not-for-profit corporation. The ASPCA's vision is that all animals are to be treated with respect and kindness.

In August 2015, the ASPCA entered into a contract to purchase substantially all of the assets and assume specific liabilities of Humane Alliance of WNC, Inc. (Humane Alliance), a North Carolina nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) (the Transaction). Humane Alliance is a nationally recognized organization that focuses on high-volume, high-quality, low-cost companion animal sterilization since 1994.

The financial position and changes in net assets of Humane Alliance have been included in the consolidated financial statements of the ASPCA since the date of the Transaction. The Transaction has been accounted for as an acquisition under ASC 958-805, *Not-for-Profit Entities – Business Combinations*. No consideration was paid by the ASPCA. The Transaction resulted in an excess of assets acquired over liabilities assumed, or an inherent contribution of Humane Alliance to ASPCA of approximately $4,483,000. The inherent contribution is included in nonoperating activities in the accompanying consolidated statements of activities.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis in accordance with United States generally accepted accounting principles (U.S. GAAP) applicable to not-for-profit entities.

(b) Net Asset Classifications

The ASPCA's net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the ASPCA and changes therein are classified and reported as follows:

Unrestricted – Resources that are available for the general support of the ASPCA's operations. The ASPCA's Board of Directors (the Board) has approved the establishment of a long-term investment policy for operating reserves (designated fund) to ensure the stability of the mission, programs, employment, and ongoing operations of the ASPCA and to provide a source of internal funds for organization priorities.

Temporarily Restricted – Net assets of which the use has been restricted by donors to specific purposes and/or the passage of time. In addition, temporarily restricted net assets also include endowment gains which have not been appropriated for expenditure. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or a purpose is accomplished, or endowment funds are appropriated through an action of the Board, those temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net asset released from restrictions.

Permanently Restricted – Net assets whereby donors have stipulated that the principal contributed be invested and retained in perpetuity, with investment return available for expenditure according to the restrictions, if any, imposed by those donors. Such resources also include the ASPCA's beneficial interests in perpetual trusts held by others.

(c) Cash and Cash Equivalents

Cash equivalents are defined as short-term highly liquid investments with original maturities of three months or less, except for those cash equivalents included in the ASPCA's investment portfolio that are held for long-term investment purposes.

(d) Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The ASPCA measures the fair value of its financial assets using a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy is categorized into three levels using the following guidelines:

Level 1 – Inputs are quoted prices in active markets for identical assets, which are directly observable at year-end.

Level 2 – Inputs are other than quoted prices in active markets, which may be directly or indirectly observable at year-end.

Level 3 – Holdings that have little or no pricing observability at year-end. These are measured using management's best estimate of fair value, where inputs to determine fair value are not observable and require significant management judgment and estimation.

The carrying value of cash and cash equivalents approximates fair value as of December 31, 2015 and 2014 and is considered Level 1 in the fair value hierarchy. The carrying amounts of the ASPCA's investments and beneficial interest in trusts held by others approximate fair value and are presented in the fair value hierarchy in notes 3 and 4, respectively. The other financial instruments approximate fair value as of December 31, 2015 and 2014 due to the relative short maturities of these instruments and would be considered Level 3.

In May, 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value (NAV) per share as a practical expedient. It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The ASPCA elected to early adopt the ASU as of and for the year ended December 31, 2015. ASPCA applied the provisions of the ASU retrospectively to 2014.

(e) Investments

The ASPCA's investments in debt and equity securities are reported at fair value and are based upon quoted market prices. The alternative investments are reported at estimated fair value using the investee's NAV per share or its equivalent, as a practical expedient. These values are provided by the fund managers. The values are reviewed by the ASPCA for reasonableness. Due to the inherent uncertainty of these estimates, these values may differ significantly from values that would have been used had a readily available market for such investments existed, and such differences could be material.

Investment transactions are accounted for on the dates the purchases or sales are executed (trade date). Dividend income is recorded on the ex-dividend date; interest income is recorded as earned on the accrual basis.

(f) Split-Interest Agreements

The ASPCA has recognized the following type of split-interest agreements:

Beneficial Interests in Perpetual Trusts Held by Others

Donors have established and funded trusts that are administered by third-party organizations. Under the terms of these trusts, the ASPCA has the irrevocable right to receive all or a portion of the income earned on the trust assets either in perpetuity or for the life of the trust. The ASPCA does not control the assets held by the respective third-party trustees. Accordingly, the ASPCA recognizes its interest in such trusts, based on the fair value of the assets contributed to the trusts and records them as permanently restricted contributions.

Charitable Remainder Trusts

Donors have established and funded trusts under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trusts' term. Upon termination of the trusts' term, the ASPCA receives their interest in the assets remaining in those trusts. Trusts are recorded as increases to net assets at the fair value of trust assets, less the present value of the estimated future payments to be made under the specific terms of the trusts.

Charitable Gift Annuities

Donors have contributed assets to the ASPCA in exchange for a promise by the ASPCA to pay a fixed amount or percentage for a specified period of time to such donors or to individuals or organizations designated by those donors. Under the terms of such agreements, no trusts exist as the assets received are held by, and the annuity liability is an obligation of, the ASPCA. The discount rates used to measure the liabilities ranged from 1.8% to 2.2% at December 31, 2015 and 2.0% to 2.4% at December 31, 2014.

Split-interest agreements are recognized as revenue when notification of an irrevocable split-interest agreement exists and when fair value can reasonably be determined.

(g) Land, Buildings, and Equipment

Land owned by the ASPCA is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation that is calculated using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. At the time fixed assets are retired or disposed of, the fixed asset and related accumulated depreciation accounts are relieved of the applicable amounts, and any gain or loss is credited or charged to operations.

Land, buildings, and equipment contributed to the ASPCA is reported at fair value in the consolidated financial statements at the time of the contribution. Depreciation is calculated on buildings and equipment using the straight-line method over the estimated useful lives of the assets.

(h) Accrued Vacation

Employees accrue vacation based on tenure and salary band, which results in up to 200 hours of vacation per year. Employees are allowed to accumulate up to 300 hours of their yearly allotment, at which time accumulation ceases until vacation time is taken. Unused vacation balances carry over to future years. At December 31, 2015 and 2014, accrued vacation obligations were approximately $3,396,000 and $3,020,000, respectively.

The ASPCA's obligation for accrued vacation is included as a liability in the accompanying balance sheet and represents the cost of unused employee vacation time payable in the event of employee terminations.

(i) Revenue Recognition

Contributions and memberships are considered to be available for unrestricted use, unless they are specifically restricted by the donor. Contributions are recognized as income, at their fair value, when they become unconditional promises to give. Contributions of securities and other tangible assets are recorded at fair value at the date of gift. Conditional contributions and promises to give are recorded as revenue when the conditions on which they depend have been substantially met. Bequests are recorded as income when notification of an irrevocable right to receive such assets exists and when a fair value can reasonably be determined. Bequests and contributions receivable are expected to be received within one year.

Animal health service fee revenues, primarily from the animal hospital and animal poison control center, are recognized when services have been performed.

The ASPCA enters into various grant and sponsorship agreements. Revenue relating to these agreements is recognized in accordance with the terms and conditions included therein. Grants are evaluated to determine if they represent an exchange transaction or contribution. If determined to be an exchange transaction, the grant is recognized as expenses are incurred. In addition, the ASPCA enters into various agreements that provide royalty and licensing revenues. Revenues relating to royalty contracts are recognized in accordance with the terms and conditions included therein.

Contributed services are reported at fair value in the consolidated financial statements only when those services (1) create or enhance nonfinancial assets, or (2) require specialized skills provided by individuals possessing those skills and are services, which would be typically purchased if not provided by donation. The ASPCA reported no contributed services revenue or related expense for the years ended December 31, 2015 and 2014.

Donated materials are reported at fair value at the date of the donation. The ASPCA reported donated materials and service revenue and related expense for the years ended December 31, 2015 and 2014, of approximately $282,000 primarily in pet food, and $184,000 primarily in donated advertising, respectively.

(j) Functional Allocation of Expenses

Expenses are presented according to the programs for which they were incurred and are summarized on a functional basis in the accompanying consolidated statements of activities. The various programs and supporting services of the ASPCA are as follows:

Animal health services – Includes the ASPCA Animal Hospital, Spay/Neuter clinics in New York City, and the Animal Poison Control Center, a 24-hour animal poison control telephone hotline in Urbana, Illinois.

Public education and communications – Includes activities to create public awareness of animal-related issues.

Anticruelty programs – Includes Humane Law Enforcement in New York and national, state, and local legislative initiatives, as well as animal behavior, animal field investigations and response, and animal forensic activities.

Community outreach – Includes a state-of-the-art Adoptions center in New York City and extensive outreach, education, and training programs in communities throughout the United States.

Grants – Represents programs designed to ensure the ASPCA's leadership in serving the animal welfare field.

Membership development and fund-raising – Involves the direction of the overall fund-raising affairs of the ASPCA, which include development and related areas.

Management and general – Includes the direction of the overall affairs of the ASPCA, such as portions of accounting, human resources, administration, and related areas.

(k) Concentration of Market and Credit Risks

Financial instruments that potentially subject the ASPCA to concentrations of credit risk consist principally of cash, cash equivalents, and investments. The ASPCA maintains its cash and cash equivalents in various bank deposit accounts that may exceed federally insured limits at times. To minimize risk, the ASPCA's cash accounts are placed with high-credit quality financial institutions, while the ASPCA's investment portfolio is diversified with several investment managers in a variety of asset classes. The ASPCA regularly evaluates its depository arrangements and investments, including performance thereof.

(l) Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant estimates relate to the valuation of the pension benefit obligation, alternative investments, annuity obligations, and the beneficial interest in third-party trusts, the useful lives of fixed assets, the functional allocation of expenses, and the collectibility of receivables. Actual results could differ from those estimates.

(m) Measure of Operations

The ASPCA uses the "change in net assets from operating activities" as the measure of net assets that are available to support current and future programs and services. Operating activities include all revenues and expenses related to carrying out the ASPCA's mission. Nonoperating activities include bequest and trust income restricted for endowment, changes in beneficial interests in perpetual trusts held by others, actuarial adjustments to the ASPCA's frozen pension plan, and other activities considered to be of a more unusual or nonrecurring nature. In addition, the ASPCA has a spending policy under which a predetermined amount of investment return is authorized to fund operations. The difference between the actual investment return and the amount authorized to fund operations is reported as nonoperating.

(n) Income Taxes

The ASPCA qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), and is not subject to federal income taxes. Accordingly, donors are entitled to a charitable contribution deduction as defined in the IRC. Continued qualification of tax-exempt status is contingent upon compliance with the requirements of the IRC.

The ASPCA recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required for 2015 or 2014.

(o) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(3) Investments

Investments as of December 31, 2015 and 2014 consisted of the following:

	2015	2014
Short-term investments	$ 3,270,438	7,250,280
Common stocks	20,511,669	19,324,246
Fixed-income securities	2,043,287	1,322,616
Mutual funds	61,186,323	55,222,446
Alternative investments	46,514,161	50,960,124
	$ 133,525,878	134,079,712

Investment Return

The return on investments and interest-bearing cash and cash equivalents for the years ended December 31, 2015 and 2014 consist of the following:

		2015	2014
Interest and dividends, net of expenses of $706,000 and $750,000, respectively	$	1,746,566	2,050,696
Unrealized losses		(8,089,222)	(3,192,920)
Realized gains		2,498,072	5,387,677
Net return on investments		(3,844,584)	4,245,453
Investment return designated for operations		—	(5,272,000)
Investment return less than amounts designated for operations (including temporary restricted amounts of $(247,158), and $382,807, respectively)	$	(3,844,584)	(1,026,547)

Spending Policy

The objective of the ASPCA's spending policy is to allocate in a reasonable and balanced manner the total earnings from the investment portfolio between current spending and reinvestment for future earnings and expenditures in order that the purchasing power of the investment portfolio shall be maintained or enhanced. Such purchasing power is to provide a stable source of income to the operating fund of the organization and to meet certain working capital and/or capital expenditures needs. Budgeted annual spending is generally set at the lesser of 5% of the investment portfolio's average five-year portfolio value or 5% of the beginning year balance, and is subject to approval by the Finance Committee and the Board during the annual budget review and approval process. Any overage will reduce future spending by the amount of such overage (reduction implemented over subsequent one to three years).

For the year ended December 31, 2014, the ASPCA's board-approved spending rate on investments was approximately 5% of the average historical investment balance, excluding certain restricted investment balances. The board-approved spending rate in 2014 was $5,272,000. The Finance Committee and the Board did not approve a spending amount to be used for operations in 2015.

(Continued)

The following tables present the ASPCA's fair value hierarchy for those investments measured at fair value on a recurring basis at December 31:

	2015		
	Total	**Level 1**	**Level 2**
Short-term investments:			
Cash and cash equivalents	$ 3,270,438	3,270,438	—
Common stocks:			
Large cap equity	14,639,280	14,639,280	—
Small and mid cap equity	5,872,389	5,872,389	—
	20,511,669	20,511,669	—
Fixed-income securities:			
Domestic corporate bonds	211,887	—	211,887
U.S. government bonds	1,716,140	1,716,140	—
Municipal bonds	115,260	—	115,260
	2,043,287	1,716,140	327,147
Mutual funds:			
Total fixed income	17,981,544	17,981,544	—
Small and mid cap equity	4,159,355	4,159,355	—
Large cap equity	10,257,307	10,257,307	—
Other equity	1,434,837	1,434,837	—
International equity	12,698,149	12,698,149	—
Global asset allocation	14,655,131	14,655,131	—
	61,186,323	$ 61,186,323	—
Alternative investments reported at net asset value:			
Equity long	10,199,682		
Global asset allocation	13,033,405		
Fund of funds – private equity	2,224,435		
Fund of funds – capital appreciation	6,605,446		
Private equity	9,435,217		
Emerging markets	5,015,976		
	46,514,161		
	$ 133,525,878		

(Continued)

	2014		
	Total	**Level 1**	**Level 2**
Short-term investments:			
Cash and cash equivalents	$ 7,250,280	7,250,280	—
Common stocks:			
Large cap equity	12,987,501	12,987,501	—
Small and mid cap equity	6,336,745	6,336,745	—
	19,324,246	19,324,246	—
Fixed-income securities:			
Domestic corporate bonds	197,527	—	197,527
U.S. government bonds	939,040	939,040	—
Municipal bonds	186,049	—	186,049
	1,322,616	939,040	383,576
Mutual funds:			
Total fixed income	15,985,357	15,985,357	—
Small and mid cap equity	3,978,412	3,978,412	—
Large cap equity	10,426,155	10,426,155	—
Other equity	1,611,213	1,611,213	—
International equity	10,950,195	10,950,195	—
Global asset allocation	12,271,114	12,271,114	—
	55,222,446	$ 55,222,446	—
Alternative investments reported at net asset value:			
Equity long	8,252,116		
Distressed debt	6,607,544		
Global asset allocation	8,419,334		
Funds of funds	5,941,534		
Fund of funds – private equity	2,516,110		
Fund of funds – capital appreciation	6,603,192		
Private equity	6,637,478		
Emerging markets	5,982,816		
	50,960,124		
	$ 134,079,712		

Investments with a fair value of $10,481,122 and $10,019,347 and cash equivalents of $250,455 and $274,807 at December 31, 2015 and 2014, respectively, were held in investment accounts relating to charitable gift annuities, in compliance with the insurance laws of various states. The ASPCA maintains separate and distinct reserve funds adequate to meet the future payments of all outstanding charitable gift annuities administered by the ASPCA.

Certain information regarding the liquidity and redemption features of the ASPCA's alternative investments (measured at NAV) is as follows:

	2015 Net asset value	2014 Net asset value	2015 Unfunded commitments	2015 Redemption frequency	2015 Redemption notice period
Equity long (a)	$ 10,199,682	8,252,116	—	Monthly	30 days
Distressed debt (b)	—	6,607,544	—	Quarterly	90 days
Global asset allocation (c)	13,033,405	8,419,334	—	Weekly	5 days
Funds of funds (d)	—	5,941,534	—	Annual	60 days
Fund of funds – private equity (e)	2,224,435	2,516,110	709,334	None	N/A
Fund of funds – capital appreciation (f)	6,605,446	6,603,192	—	Quarterly	90 days
Private equity (g)	9,435,217	6,637,478	9,728,617	None	N/A
Emerging markets (h)	5,015,976	5,982,816	—	Daily	3–5 days
	$ 46,514,161	50,960,124	10,437,951		

(a) This category includes investments in a limited partnership that invests primarily in international equity securities.

(b) This category includes investments in a hedge fund that invests indirectly in a diversified portfolio focused on the securities of distressed companies, special situations, and related capital structure opportunities.

(c) This category includes investments in a fund that invests in a diversified portfolio exposed to global developed and emerging stocks, developed country government bonds, global inflation protected bonds, and commodities, among other exposures.

(d) This category includes investments in a fund that invests in offshore and advisory accounts that are managed outside of the United States, and domestically managed hedge funds, which are available for subscription by tax-exempt organizations.

(e) This category includes investments in a fund that invests in a diversified portfolio of interests in private investment funds, principally established global buyout, mezzanine and venture capital funds primarily through secondary market transactions.

(f) This category includes several fund of funds that invests in private investment funds that utilize a variety of alternative investment strategies that seek to produce an attractive absolute return on invested capital. These strategies include arbitrage, distressed and long/short strategies.

(g) This category includes several private equity funds that invest in privately held corporations and domestic and international venture capital and private funds. Certain of these investments can never be redeemed, and in these instances, distributions are received through the liquidation of the underlying assets of the fund.

(h) This category includes investments in a fund that invests in a diversified portfolio of emerging market securities.

(4) Beneficial Interests in Trusts Held by Others

Included as beneficial interests in trusts held by others in the accompanying consolidated balance sheets are remainder interests in several irrevocable trusts. The present value of the ASPCA's share of future interests in charitable remainder trusts amounted to approximately $968,000 and $1,572,000 at December 31, 2015 and 2014, respectively, and has been included in temporarily restricted net assets. The present values of the trusts are calculated using discount rates ranging from 4.0% to 10.6%, respectively, at December 31, 2015 and 2014. Beneficial interests in perpetual third-party trusts of approximately $17,990,000 and $19,209,000 valued at the ASPCA's share of the fair value of the underlying trust assets, are included in permanently restricted net assets at December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, the ASPCA's beneficial interests in trusts held by third-party trustees were classified as Level 3 instruments within the fair value hierarchy. The following table summarizes the changes in the ASPCA's Level 3 beneficial interests in trusts held by third-party trustees for the years ended December 31, 2015 and 2014:

		Charitable remainder trusts	Perpetual trusts	Total
Balance at December 31, 2013	$	1,779,786	18,882,374	20,662,160
Acquisitions		103,805	—	103,805
Dispositions		(44,442)	—	(44,442)
Net (depreciation) appreciation		(267,247)	326,868	59,621
Balance at December 31, 2014		1,571,902	19,209,242	20,781,144
Dispositions		(506,961)	—	(506,961)
Net (depreciation)		(96,502)	(1,219,382)	(1,315,884)
Balance at December 31, 2015	$	968,439	17,989,860	18,958,299

(5) Land, Buildings, and Equipment, Net

Land, buildings, and equipment as of December 31, 2015 and 2014 consisted of the following:

	Estimated useful lives		2015	2014
Land	—	$	5,321,057	5,041,057
Buildings	20–40 years		18,781,877	14,761,877
Building improvements	10–25 years		37,316,595	33,153,514
Furniture, fixtures, and equipment	3–10 years		19,989,945	17,163,257
Transportation equipment	4–6 years		5,458,057	5,056,940
Construction in progress			334,153	1,226,100
Total cost			87,201,684	76,402,745
Accumulated depreciation and amortization			(35,783,516)	(32,075,903)
Net book value		$	51,418,168	44,326,842

The ASPCA owns a building and land adjoining its headquarters facility in New York City, which was occupied by a commercial tenant under a 10-year lease. Total rental income recognized by the ASPCA in 2014 was $112,408. Effective April 29, 2014, the ASPCA and its tenant, entered into an agreement to terminate the lease. Pursuant to the agreement, the lease was terminated as of May 12, 2014 and the ASPCA paid $642,533 to the tenant. This space is being used by the ASPCA and will include a high-volume kitten nursery to provide life-saving care for kittens to survive on their own, as well as a specialized recovery ward to care for the increased number of canine cruelty victims rescued by the New York City Police Department.

In 2014, the ASPCA purchased land for the purpose of building a permanent behavioral rehabilitation center for approximately $600,000.

In 2015, the ASPCA acquired land, two buildings, and equipment located in Asheville, North Carolina in connection with the Transaction. The value of the acquired land, buildings, and equipment was approximately $4,900,000.

(6) Pension Plan

The ASPCA has a defined benefit pension plan that was frozen effective June 30, 2006. All participants will receive benefits accrued through that date. Benefits under the plan are generally based on years of service and average compensation during the highest five years of employment. Annual contributions are determined by the ASPCA based upon calculations performed by the plan’s actuary.

(Continued)

The actuarial present value of the benefit obligation recognized in the accompanying consolidated balance sheets at December 31 is as follows:

		2015	2014
Projected benefit obligation, beginning of year	$	18,349,208	16,505,360
Interest cost		675,268	719,126
Actuarial gain		(73,644)	(200,398)
Assumption change		(784,520)	2,670,174
Benefits paid		(1,132,439)	(1,345,054)
Projected and accumulated benefit obligation, end of year		17,033,873	18,349,208
Fair value of plan assets, beginning of year		12,739,455	13,400,840
Return on plan assets		(751,442)	120,169
Employer contributions		1,059,980	563,500
Benefits paid		(1,132,439)	(1,345,054)
Fair value of plan assets, end of year		11,915,554	12,739,455
Funded status of plan, end of year	$	(5,118,319)	(5,609,753)

		2015	2014
Amounts included in the consolidated balance sheets:			
Unfunded pension obligation	$	(5,118,319)	(5,609,753)
Net accumulated actuarial loss within unrestricted net assets		9,054,246	9,055,911

Components of net periodic pension cost in the consolidated statements of activities consist of the following:

		2015	2014
Interest cost	$	675,268	719,126
Expected return on plan assets		(618,075)	(989,088)
Actuarial loss		513,018	309,421
Net periodic pension cost	$	570,211	39,459

The weighted average rates used to determine net periodic pension cost and the year-end benefit obligation for the years ended December 31, 2015 and 2014 were:

	2015	2014
Discount rate – benefit obligation	4.40%	3.90%
Discount rate – net periodic benefit cost	3.90	4.56
Expected long-term rate of return on plan assets	7.20	7.50

(Continued)

Other changes in plan assets and benefit obligation recognized in unrestricted net assets were as follows:

		2015	2014
Net actuarial loss arising during measurement period	$	(511,353)	(3,338,695)
Amortization of net actuarial gain		513,018	309,421
	$	1,665	(3,029,274)

The net accumulated actuarial loss within unrestricted net assets expected to be recognized in net periodic benefit cost during 2016 is $510,378.

The Finance Committee of the Board of Directors determines the allocation of plan assets and the external money managers based on recommendations of an independent investment advisor. The investment strategy for pension assets has a long-term horizon, with a preference for lower volatility, in keeping with the long-term nature of the benefit liabilities. The following tables categorize the inputs used to report the fair value of the plan's investments within the fair value hierarchy as of December 31, 2015 and 2014:

		2015		
		Total	Level 1	Level 2
Cash and cash equivalents	$	2,935	2,935	—
Separate pooled accounts:				
Bond market index		1,240,149	1,240,149	—
Capital appreciation		2,230,648	2,230,648	—
International		2,164,437	2,164,437	—
Money market		253,287	253,287	—
SAM balanced		1,861,580	1,861,580	—
SAM consolidated		1,799,505	1,799,505	—
Small cap value		1,092,054	1,092,054	—
Core plus		1,270,959	1,270,959	—
Total investments	$	11,915,554	11,915,554	—

(Continued)

		2014	
	Total	**Level 1**	**Level 2**
Equity – domestic common stock:			
Large cap equity	$ 2,546,636	2,546,636	—
Fixed-income securities:			
Domestic corporate bonds	622,255	—	622,255
U.S. government bonds	1,302,110	1,302,110	—
Mutual funds:			
Small cap equity	2,445,361	2,445,361	—
International equity	2,239,080	2,239,080	—
Global asset allocation	3,393,351	3,393,351	—
Cash and cash equivalents	190,662	190,662	—
	$ 12,739,455	12,117,200	622,255

The plan's weighted average asset allocation at December 31, 2015 and 2014, by asset category, is as follows:

	2015	**2014**
Equities	18.7%	20.0%
Fixed income	21.1	15.1
Mutual funds	58.1	63.4
Cash and cash equivalents	2.1	1.5
	100.0%	100.0%

Plan benefits are expected to be paid as follows:

2016	$ 1,420,000
2017	1,220,000
2018	1,370,000
2019	1,530,000
2020	1,230,000
2021–2025	6,860,000

Projected contributions for 2016 are estimated to be $500,000.

The ASPCA also sponsors a 401(k) defined contribution retirement plan. Substantially all full-time employees over age 21 are eligible to participate. The ASPCA matches 100% of pretax employee contributions up to 4% of eligible compensation in each pay period. Employee and matching employer contributions are immediately 100% vested. Additional employer contributions are also made as a percentage of compensation in each pay period. These additional contributions are fully vested for employees who have attained at least three years of eligible service. Employer contributions, representing matching employee contributions plus additional employer contributions, totaled approximately $3,255,000 and $3,092,000 in 2015 and 2014, respectively.

(7) Commitments and Contingencies

The ASPCA holds leases in Queens, New York, Washington DC, and Urbana, Illinois. The aggregate commitment under these leases will be charged to expense on a straight-line basis over the terms of respective leases. The ASPCA's approximate aggregate annual minimum rental obligations at December 31, 2015 for facilities under operating leases expiring through 2026 are:

2016	$	3,709,924
2017		3,207,958
2018		3,274,067
2019		3,144,420
2020		3,014,139
Thereafter		19,327,896
	$	35,678,404

The difference between rent expense incurred by the ASPCA on an accrual basis and the rent amounts paid in cash is reported as deferred rent payable in the accompanying consolidated balance sheets.

In addition, the ASPCA is a defendant in several lawsuits arising in the normal course of operations. While outside counsel cannot predict the outcome of such litigation, management does not expect the outcome to have a material effect on the financial position, changes in net assets, and cash flows of the ASPCA.

The ASPCA entered in to a revolving line of credit with TD Bank on June 8, 2015 in the amount of $15,000,000 with an interest rate of 1.25% percentage points in excess of the London Inter Bank Offered Rate (LIBOR); or a fluctuating interest rate equal to prime. The purpose of the line of credit is for the short term working capital needs of the ASPCA. There was no balance on the line of credit as of December 31, 2015.

The ASPCA assumed two loans previously held by the Humane Alliance as part of the acquisition on August 1, 2015. The balance of those loans at acquisition were $160,000 and 806,000. The first loan has an interest rate of 4.5% with principle and interest payment made monthly. This loan was paid in full in 2015. The second loan has an interest rate of 3.5%, with principle payments made annually in July and interest payments made monthly. The balance of that loan is included in deferred rent and other as of December 31, 2015 was $806,000.

(8) Allocation of Joint Costs

Direct appeal program joint costs incurred in connection with mailing educational and informational materials are allocated to program and supporting services on the basis of the content of the respective materials. For the years ended December 31, 2015 and 2014, these costs were allocated as follows:

		2015	2014
Program	$	32,889,229	25,584,593
Membership development and fund-raising		29,135,551	26,546,549
Management and general		389,601	377,602
	$	62,414,381	52,508,744

(9) Grants

Grants are recorded as an expense and a liability based on funds committed per the grant agreements once final approval by the grants department has occurred. No grant payments may be made prior to the final approval.

ASPCA granted approximately $12,422,000 and $14,244,000 during 2015 and 2014, respectively. The grants were spent in furtherance of the mission in the following program areas:

		2015	2014
Anti cruelty:			
Anti cruelty response	$	1,747,484	2,511,431
Disaster/emergency		105,840	108,593
Equine		1,004,000	1,241,896
Farm animals		143,924	180,467
		3,001,248	4,042,387
Community outreach:			
Intake reduction		—	862,226
Live release		4,748,330	5,077,514
Relocation		30,550	752,149
Spay/Neuter		580,613	3,702,687
Return to owner		3,229,097	—
Surrender prevention		254,400	—
Other		765,683	28,700
		9,608,673	10,423,276
Grant refunds		(187,596)	(221,503)
Total amount granted		12,422,325	14,244,160
Other grant expenses		1,054,621	1,201,719
Total grants expense	$	13,476,946	15,445,879

(10) Net Assets

Net assets available by fund designations are for the following purposes at December 31, 2015 and 2014:

(a) Unrestricted Net Assets

		2015	2014
Operating	$	97,345,210	94,522,123
Board-designated endowment funds		44,094,425	45,666,198
	$	141,439,635	140,188,321

(b) Temporarily Restricted Net Assets

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

		2015	2014
Animal health services	$	27,614,518	25,533,566
Grants and sponsorships		8,494,451	5,208,657
Restricted for use in future periods		10,675,812	8,236,799
Other		937,104	1,386,392
	$	47,721,885	40,365,414

During each year, net assets released from restriction resulted from the satisfying of the following donor restriction:

		2015	2014
Animal health services	$	4,183,379	2,219,077
Anticruelty programs		938,717	1,515,250
Grants and sponsorships		3,650,314	2,230,471
Time restrictions satisfied		13,773,949	9,831,746
Other		1,085,814	1,851,602
	$	23,632,173	17,648,146

(c) Permanently Restricted Net Assets

Permanently restricted net assets consists of the following at December 31, 2015 and 2014:

		2015	2014
Beneficial interest in perpetual trusts	$	17,989,860	19,209,242
Donor-restricted endowment funds		6,903,555	6,852,041
	$	24,893,415	26,061,283

(Continued)

(11) Endowment Net Assets

The ASPCA's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowment. The ASPCA's endowment is subject to the provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA).

(a) Return Objectives and Risk Parameters

The Board has adopted investment and spending policies for the ASPCA's endowment assets that seek to provide a predictable stream of funding to programs supported by its endowment funds, and maintain purchasing power of the endowment over time.

(b) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the ASPCA relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The ASPCA targets a diversified asset allocation within prudent risk constraints.

(c) Spending Policy

The ASPCA applies the spending policy described in note (3) to its endowment funds.

(d) Funds with Deficiencies

Due to unfavorable market fluctuations, from time-to-time the fair value of assets associated with individual donor-restricted endowment fund may decline below the historical dollar value of the donor's original, permanently restricted contribution. There were no such deficiencies in either year 2015 or 2014.

The following summarizes the ASPCA's endowment net asset composition as of December 31, 2015 and 2014:

		2015			
Endowment composition by net asset category		**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$	—	1,415,578	6,903,555	8,319,133
Board-designated endowment funds		44,094,425	—	—	44,094,425
Total endowment funds	$	44,094,425	1,415,578	6,903,555	52,413,558
Changes in endowment net assets					
Endowment net assets, beginning of year	$	45,666,198	1,662,736	6,852,041	54,180,975
Contributions and bequests		—	—	51,514	51,514
Investment return		(1,571,773)	(247,158)	—	(1,818,931)
Endowment net assets, end of year	$	44,094,425	1,415,578	6,903,555	52,413,558

(Continued)

Endowment composition by net asset category		**2014**			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$	—	1,662,736	6,852,041	8,514,777
Board-designated endowment funds		45,666,198	—	—	45,666,198
Total endowment funds	$	45,666,198	1,662,736	6,852,041	54,180,975
Changes in endowment net assets					
Endowment net assets, beginning of year	$	46,148,360	1,624,357	6,789,520	54,562,237
Contributions and bequests		—	—	62,521	62,521
Investment return		1,488,664	382,807	—	1,871,471
Appropriation of endowment assets for expenditures		(1,970,826)	(344,428)	—	(2,315,254)
Endowment net assets, end of year	$	45,666,198	1,662,736	6,852,041	54,180,975

(12) Subsequent Events

The ASPCA evaluated its December 31, 2015 consolidated financial statements for subsequent events through June 23, 2016, the date the consolidated financial statements were available to be issued and determined that there were no subsequent events that would require additional recognition or disclosure in the accompanying consolidated financial statements.