ALLEN COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2015 and 2014

KATZ SAPPER & MILLER

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ALLEN COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.

CONTENTS

Independent Auditors' Report

Board of Directors
Allen County Society for the Prevention of Cruelty to Animals, Inc.

We have audited the accompanying financial statements of Allen County Society for the Prevention of Cruelty to Animals, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statement of activities, statement of 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 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.

Auditors' 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 auditors' 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 auditors consider 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.

Katz, Sapper & Miller, LLP
Certified Public Accountants
6509 Mutual Drive
Fort Wayne, IN 46825
Tel 260.496.8297
Web ksmcpa.com
An Affiliate of
KSM Business Services, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allen County Society for the Prevention of Cruelty to Animals, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

2014 Financial Statements

The financial statements of Allen County Society for the Prevention of Cruelty to Animals, Inc. as of and for the year ended December 31, 2014, were audited by Krouse, Kern & Co., Inc., who merged with Katz, Sapper & Miller, LLP as of December 1, 2015, and whose report dated November 25, 2015, expressed an unmodified opinion on those financial statements.

Katz, Sapper & Miller, LLP

Ft. Wayne, Indiana
September 21, 2016

ALLEN COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	$ 376,992	$ 269,541
Interest receivable	20	20
Grants receivable	10,000	19,465
Bequest receivable		10,520
Investments	1,805,778	1,751,055
Prepaid expenses	5,624	3,313
Total Current Assets	2,198,414	2,053,914
PROPERTY AND EQUIPMENT		
Land and building	180,687	180,687
Furniture and equipment	116,602	116,602
	297,289	297,289
Less: Accumulated depreciation	219,983	204,804
Total Property and Equipment	77,306	92,485
TOTAL ASSETS	$ 2,275,720	$ 2,146,399
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 25,330	$ 19,992
Accrued expenses	5,390	10,678
Deferred revenue	6,408	6,701
Total Current Liabilities	37,128	37,371
NET ASSETS		
Unrestricted:		
Board designated	13,187	13,187
Undesignated	2,075,202	2,031,384
Total Unrestricted	2,088,389	2,044,571
Temporarily restricted	150,203	64,457
Total Net Assets	2,238,592	2,109,028
TOTAL LIABILITIES AND NET ASSETS	$ 2,275,720	$ 2,146,399

See accompanying notes.

ALLEN COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT			
Donations, grants and bequests	$ 615,969	$ 118,026	$ 733,995
In-kind donations	48,141		48,141
Membership dues	49,727		49,727
Adoption fees	154,702		154,702
Special events	152,825		152,825
Product sales, less costs of goods sold	4,796		4,796
Miscellaneous income	5,966		5,966
Investment income, net of fees	75,333		75,333
Net realized gain (loss) on investments	(3,341)		(3,341)
Net unrealized (loss) on investments	(85,523)		(85,523)
Net assets released from restrictions	32,280	(32,280)	
Total Revenue, Gains and Other Support	1,050,875	85,746	1,136,621
EXPENSES			
Program	768,815		768,815
Management and general	80,282		80,282
Fundraising	157,960		157,960
Total Expenses	1,007,057		1,007,057
INCREASE IN NET ASSETS	43,818	85,746	129,564
NET ASSETS			
Beginning of Year	2,044,571	64,457	2,109,028
End of Year	$ 2,088,389	$ 150,203	$ 2,238,592

See accompanying notes.

2014		
Unrestricted	Temporarily Restricted	Total
$ 566,999	$ 29,395	$ 596,394
55,204		55,204
49,925		49,925
121,516		121,516
110,442		110,442
922		922
8,703		8,703
75,329		75,329
297,088		297,088
(260,196)		(260,196)
13,756	(13,756)	
1,039,688	15,639	1,055,327
705,428		705,428
67,450		67,450
132,630		132,630
905,508		905,508
134,180	15,639	149,819
1,910,391	48,818	1,959,209
$ 2,044,571	$ 64,457	$ 2,109,028

ALLEN COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2015 and 2014

	2015			
	Program	**Management and General**	**Fundraising**	**Total**
Advertising	$ 2,224			$ 2,224
Animal food, supplies and permits	111,834			111,834
Auto expense	10,445			10,445
Depreciation	14,875	$ 304		15,179
Fundraising expense			$ 84,422	84,422
Insurance		6,640		6,640
Kennel supplies	1,091			1,091
Miscellaneous	3,049			3,049
Occupancy	20,223	413		20,636
Office expense	18,529	7,126	2,851	28,506
Payroll taxes and employee benefits	60,393	16,546	5,791	82,730
Postage and printing			34,817	34,817
Professional fees		6,112		6,112
Repairs and maintenance	5,481	112		5,593
Salaries and wages	356,650	42,970	30,079	429,699
Telephone	2,915	59		2,974
Veterinary expense	161,106			161,106
TOTAL EXPENSES	$ 768,815	$ 80,282	$ 157,960	$ 1,007,057

See accompanying notes.

2014			
Program	**Management and General**	**Fundraising**	**Total**
$ 97,818			$ 97,818
10,710			10,710
14,376	$ 293		14,669
		$ 67,040	67,040
4,653	1,609		6,262
1,374			1,374
1,804			1,804
21,216	433		21,649
14,312	2,147	1,431	17,890
51,440	7,716	5,144	64,300
		27,276	27,276
	7,431		7,431
7,513	153		7,666
317,387	47,608	31,739	396,734
2,945	60		3,005
159,880			159,880
$ 705,428	$ 67,450	$ 132,630	$ 905,508

ALLEN COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING ACTIVITIES		
Increase in net assets	$ 129,564	$ 149,819
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	15,179	14,669
Net realized and unrealized (gain) loss on investments	88,864	(36,892)
(Increase) decrease in certain current assets:		
Interest receivable		749
Grants receivable	9,465	(11,965)
Bequest receivable	10,520	8,366
Prepaid expenses	(2,311)	536
Increase (decrease) in certain current liabilities:		
Accounts payable	5,338	19,007
Accrued expenses	(5,288)	(2,842)
Deferred revenue	(293)	
Net Cash Provided by Operating Activities	251,038	141,447
INVESTING ACTIVITIES		
Proceeds from sale or redemption of investments	146,555	1,729,234
Purchases of investments	(290,142)	(1,872,240)
Purchases of property and equipment		(7,551)
Net Cash Used by Investing Activities	(143,587)	(150,557)
INCREASE (DECREASE) IN CASH	107,451	(9,110)
CASH		
Beginning of Year	269,541	278,651
End of Year	$ 376,992	$ 269,541

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: The Allen County Society for the Prevention of Cruelty to Animals, Inc. (the Organization) is an Indiana non-for-profit corporation which was formed in 1949 to promote the prevention of cruelty to animals by providing a safe haven for animals, an effective and comprehensive adoption program, education and outreach programs for the community, and deep and broad membership and volunteer programs. The Organization receives its funding primarily from adoption fees and donations from the general public.

Basis of Accounting: The Organization prepares its financial statements using the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United State of America (GAAP).

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets Classification: The Organization reports information regarding its financial position and activities according to the three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

- ***Unrestricted Net Assets*** represent unrestricted resources available to support the Organization's operations.

- ***Temporarily Restricted Net Assets*** represent gifts that are subject to donor-imposed purpose or time restrictions that can be fulfilled either by actions of the Organization pursuant to those restrictions, with the passage of time, or both. Upon satisfaction of such restrictions, net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.

- ***Permanently Restricted Net Assets*** represent gifts with donor-imposed restrictions that the original gift amounts be maintained in perpetuity as an endowment. The Organization had no permanently restricted net assets as of December 31, 2015 and 2014.

Contributions and Grants are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from prior year restrictions.

Cash consists of cash on hand or in demand deposit accounts. The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organization has not experienced any losses from its bank accounts.

Money market funds included in investment accounts are reported as short-term investments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment: Expenditures for property and equipment are stated at cost for purchased assets, or at fair value at the date of donation for donated assets, less accumulated depreciation. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives as follows:

Building and improvements	15-40 years
Furniture and equipment	3-15 years

The Organization's property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. To date, no adjustments to the carrying amount of property and equipment have been required.

Bequests Receivable and Promises to Give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at discounted estimated future cash flows if expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Investment Valuation and Income Recognition: Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for discussion of fair value measurements.

Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method. Realized and unrealized gains and losses on investments are included in the statements of activities.

In-kind Contributions: Contributions of services are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fundraising campaigns but which do not meet the criteria for financial statement recognition. Contributions of food, equipment, and other goods are recorded at estimated fair value when received.

Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The following program and supporting services are included in the accompanying financial statements:

- **Programs** includes the functions necessary to provide adoption, outreach and rehabilitation and medical services for abandoned animals.

- **Management and General** includes the functions necessary for management and overall direction of the Organization.

- **Fundraising** provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

Advertising Costs are expensed as incurred. Advertising expenses amounted to $2,224 in 2015. There were no advertising costs in 2014.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the financial statements. In addition, the Organization 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. There was no unrelated business income for the years ended December 31, 2015 and 2014.

The Organization files U.S. federal and Indiana information tax returns. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

Reclassifications: Certain amounts in the 2014 financial statements have been reclassified to conform to the presentation of the 2015 financial statements.

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through September 21, 2016, the date the financial statements were available to be issued.

NOTE 2 - FAIR VALUE MEASUREMENTS

The Organization categorizes its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the Organization makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Assets Measured at Fair Value on a Recurring Basis: Following is a description of the valuation methodology used by the Organization for assets that are measured at fair value on a recurring basis. There have been no changes in the methodology used at December 31, 2015 and 2014.

Mutual Fund Shares and Money Market Fund Shares: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds are deemed to be actively traded.

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Organization's assets that are measured at fair value on a recurring basis as of December 31, 2015 and 2014:

2015	**Level 1**	**Total**
Assets		
Investments:		
Money market fund shares	$ 79,311	$ 79,311
Mutual fund shares - equity	1,015,158	1,015,158
Mutual fund shares - exchange traded funds	711,309	711,309
Total Assets at Fair Value	$1,805,778	$1,805,778
2014		
Assets		
Investments:		
Money market fund shares	$ 49,494	$ 49,494
Mutual fund shares - equity	983,666	983,666
Mutual fund shares - exchange traded funds	717,895	717,895
Total Assets at Fair Value	$1,751,055	$1,751,055

At December 31, 2015 and 2014, the Organization had no other assets and no liabilities that are measured at fair value on a recurring basis.

NOTE 3 - INVESTMENTS

The investments are carried at fair market value and consisted of the following as of December 31, 2015 and 2014:

	2015		**2014**	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Money market fund shares	$ 79,311	$ 79,311	$ 49,494	$ 49,494
Mutual fund shares - equity	1,114,899	1,015,158	1,015,908	983,666
Mutual fund shares - exchange traded funds	735,293	711,309	723,863	717,895
Total Investments	$1,929,503	$1,805,778	$1,789,262	$1,751,055

The Organization's investment income, gains and losses consisted of the following for the years ended December 31, 2015 and 2014, as classified in the statements of activities:

	2015	**2014**
Investment Income:		
Interest and dividends	$ 85,600	$ 85,210
Investment management fees	(10,267)	(9,881)
Net realized gains (losses)	(3,341)	297,088
Net unrealized (losses)	(85,523)	(260,196)
Net Investment Income (Loss)	$(13,531)	$ 112,221

NOTE 4 - BEQUESTS RECEIVABLE

Bequests receivable at December 31, 2014 totaled $10,520, were unrestricted and were due in less than one year. There were no bequests receivable at December 31, 2015.

NOTE 5 - NET ASSETS

Unrestricted Net Assets:

Unrestricted net assets consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Designated by the Board for building renovations	$ 13,187	$ 13,187
Undesignated	2,075,202	2,031,384
Total Unrestricted Net Assets	$2,088,389	$2,044,571

Temporarily Restricted Net Assets:

Temporarily restricted net assets consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Outdoor kennels	$ 6,530	$ 6,530
New building	33,255	28,736
Angel fund	31,947	16,212
Cat tower	654	654
Future operations	10,000	10,000
PetPromise	65,492	
Golf outing	125	125
Technology improvements	2,200	2,200
Total Temporarily Restricted Net Assets	$150,203	$64,457

For the years ended December 31, 2015 and 2014, net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors were as follows:

	2015	2014
Angel funds	$14,390	$ 6,256
PetPromise	7,890	
Future operations	10,000	7,500
Total Net Assets Released from Restrictions	$32,280	$13,756

NOTE 6 - OPERATING LEASES

The Organization has an agreement to lease office equipment. The agreement expires in 2019 and requires monthly payments over the term of the lease of $275 with variable amounts due based on usage. Lease expense was $4,618 in 2015 and $5,086 in 2014.

NOTE 6 - OPERATING LEASES (CONTINUED)

The future minimum lease payments required by all long-term noncancellable operating leases as of December 31, 2015, were as follows:

Payable In	Lease Payments
2016	$ 3,300
2017	3,300
2018	3,300
2019	3,300
Total	$13,200