

**Houston Society for the  
Prevention of Cruelty to Animals  
and Subsidiary**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**December 31, 2017 and 2016**



**CRI** CARR  
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**Houston Society for the Prevention of Cruelty to Animals**  
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Houston Society for the Prevention of Cruelty to Animals  
Houston, Texas

We have audited the accompanying consolidated financial statements of Houston Society for the Prevention of Cruelty to Animals and subsidiary (collectively, the "Organization") which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 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 of 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 entity'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 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 consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Houston Society for the Prevention of Cruelty to Animals and subsidiary as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of functional expenses on pages 19 and 20 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The consolidating information on pages 21 through 26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, activities, and changes in net assets of the individual entities, and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Carly Riggs & Ingram, L.L.C.*

Houston, Texas  
June 20, 2018

**Houston Society for the Prevention of Cruelty to Animals  
Consolidated Statements of Financial Position**

<i>December 31,</i>	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,832,397	\$ 1,635,120
Pledges receivable	2,009,863	1,291,204
Other receivables	171,455	97,500
Prepaid expenses	134,200	136,443
Total current assets	<b>5,147,915</b>	3,160,267
Property and equipment		
Land	7,005,836	7,005,836
Buildings and improvements	3,678,678	3,692,046
Property improvements	1,146,757	1,302,197
Furniture and equipment	2,261,315	1,965,576
Construction in progress	23,045,144	6,663,973
Accumulated depreciation	(4,286,170)	(4,310,792)
Property and equipment, net	<b>32,851,560</b>	16,318,836
Long-term assets		
Marketable securities	27,070,723	29,986,630
Pledges receivable	835,000	662,467
Total long-term assets	<b>27,905,723</b>	30,649,097
Total assets	<b>\$ 65,905,198</b>	\$ 50,128,200

*The accompanying notes are an integral part of these consolidated financial statements.*

## Houston Society for the Prevention of Cruelty to Animals Consolidated Statements of Financial Position (Continued)

<i>December 31,</i>	<b>2017</b>	2016
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 2,102,110	\$ 1,572,939
Accrued payroll and benefits	265,131	212,335
Deferred revenue	67,550	87,343
Note payable, current	316,668	316,668
Total current liabilities	<b>2,751,459</b>	2,189,285
Long-term liabilities		
Line of credit	1,929,495	-
Note payable	2,216,665	2,533,332
Total long-term liabilities	<b>4,146,160</b>	2,533,332
Total liabilities	<b>6,897,619</b>	4,722,617
Commitments and contingencies		
Net assets		
Unrestricted		
Property and equipment, net	32,851,560	16,318,836
Undesignated	23,710,220	15,891,934
Total unrestricted	<b>56,561,780</b>	32,210,770
Temporarily restricted	1,275,534	12,024,548
Permanently restricted	1,170,265	1,170,265
Total net assets	<b>59,007,579</b>	45,405,583
<b>Total liabilities and net assets</b>	<b>\$ 65,905,198</b>	\$ 50,128,200

*The accompanying notes are an integral part of these consolidated financial statements.*

## Houston Society for the Prevention of Cruelty to Animals Consolidated Statement of Activities

*For the year ended December 31, 2017*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Adoptions	\$ 764,532	\$ -	\$ -	\$ 764,532
Admissions	273,219	-	-	273,219
Contributions	3,978,768	2,158,861	-	6,137,629
Online contributions	5,605,309	-	-	5,605,309
Direct mail	1,540,944	43,869	-	1,584,813
Trusts and bequests	2,174,872	-	-	2,174,872
Foundations	383,825	779,045	-	1,162,870
Capital campaign	-	2,861,841	-	2,861,841
Fundraising	715,328	129,260	-	844,588
Investment income (loss)	2,762,711	(48,811)	-	2,713,900
Fees for services	206,178	-	-	206,178
Other	376,692	5,000	-	381,692
Net assets released from restrictions				
Capital projects	14,451,676	(14,451,676)	-	-
Operations	2,226,403	(2,226,403)	-	-
<b>Total revenue</b>	<b>35,460,457</b>	<b>(10,749,014)</b>	<b>-</b>	<b>24,711,443</b>
<b>Expenses</b>				
Program services	8,997,835	-	-	8,997,835
Management and general	745,917	-	-	745,917
Fundraising	1,365,695	-	-	1,365,695
<b>Total expenses</b>	<b>11,109,447</b>	<b>-</b>	<b>-</b>	<b>11,109,447</b>
Changes in net assets	24,351,010	(10,749,014)	-	13,601,996
Net assets at beginning of year	32,210,770	12,024,548	1,170,265	45,405,583
Net assets at end of year	\$ 56,561,780	\$ 1,275,534	\$ 1,170,265	\$ 59,007,579

*The accompanying notes are an integral part of these consolidated financial statements.*

## Houston Society for the Prevention of Cruelty to Animals Consolidated Statement of Activities

*For the year ended December 31, 2016*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Adoptions	\$ 915,452	\$ -	\$ -	\$ 915,452
Admissions	317,659	-	-	317,659
Contributions	1,822,394	82,029	-	1,904,423
Online contributions	695,608	-	-	695,608
Direct mail	1,515,212	-	-	1,515,212
Trusts and bequests	2,083,671	-	-	2,083,671
Foundations	277,129	118,000	-	395,129
Capital campaign	-	4,869,178	-	4,869,178
Fundraising	871,178	114,470	-	985,648
Investment income (loss)	1,156,549	(70,472)	-	1,086,077
Fees for services	265,580	-	-	265,580
Other	427,424	-	-	427,424
Net assets released from restrictions				
Capital projects	5,830,422	(5,830,422)	-	-
Operations	246,549	(246,549)	-	-
<b>Total revenue</b>	<b>16,424,827</b>	<b>(963,766)</b>	<b>-</b>	<b>15,461,061</b>
<b>Expenses</b>				
Program services	7,978,307	-	-	7,978,307
Management and general	551,952	-	-	551,952
Fundraising	1,133,331	-	-	1,133,331
<b>Total expenses</b>	<b>9,663,590</b>	<b>-</b>	<b>-</b>	<b>9,663,590</b>
<b>Net operating income</b>	<b>6,761,237</b>	<b>(963,766)</b>	<b>-</b>	<b>5,797,471</b>
<b>Net assets at beginning of year</b>	<b>25,449,533</b>	<b>12,988,314</b>	<b>1,170,265</b>	<b>39,608,112</b>
<b>Net assets at end of year</b>	<b>\$ 32,210,770</b>	<b>\$ 12,024,548</b>	<b>\$ 1,170,265</b>	<b>\$ 45,405,583</b>

*The accompanying notes are an integral part of these consolidated financial statements.*



## Houston Society for the Prevention of Cruelty to Animals Consolidated Statements of Cash Flows

<i>For the years ended December 31,</i>	<b>2017</b>	2016
<b>Operating activities</b>		
Changes in net assets	\$ 13,601,996	\$ 5,797,471
Adjustments to reconcile changes in net assets to net assets provided by (used in) operating activities		
Donated stock	(523,578)	(132,855)
Net realized and unrealized gains on investments	(2,478,942)	(808,156)
Depreciation	330,912	308,066
Loss on disposal of property and equipment	56,900	-
Contributions restricted for capital acquisitions	(2,861,841)	(4,869,178)
Donated property and equipment	(419,890)	(220,649)
Changes in operating assets and liabilities		
Pledges receivable	61,054	(250,602)
Other receivables	(73,955)	(3,250)
Prepaid expenses	2,243	20,206
Accounts payable	106,003	23,202
Accrued payroll and benefits	52,796	26,986
Deferred revenue	(19,793)	(11,944)
Net cash provided by (used in) operating activities	<b>7,833,905</b>	(120,703)
<b>Investing activities</b>		
Proceeds from sales of investments	19,596,127	11,306,062
Purchases of investments	(14,868,767)	(11,284,177)
Net change in cash and cash alternatives held as investments	1,191,067	400,624
Purchases of property and equipment	(16,077,478)	(4,746,048)
Net cash used in investing activities	<b>(10,159,051)</b>	(4,323,539)
<b>Financing activities</b>		
Repayment of long-term debt	(316,667)	(334,067)
Borrowings on line of credit	1,929,495	-
Proceeds from contributions restricted for capital acquisitions	1,909,595	4,690,931
Net cash provided by financing activities	<b>3,522,423</b>	4,356,864
<b>Net change in cash and cash equivalents</b>	<b>1,197,277</b>	(87,378)
<b>Cash and cash equivalents at beginning of year</b>	<b>1,635,120</b>	1,722,498
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,832,397</b>	<b>\$ 1,635,120</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Houston Society for the Prevention of Cruelty to Animals  
Consolidated Statements of Cash Flows (Continued)**

<i>For the years ended December 31,</i>	<b>2017</b>	<b>2016</b>
<b>Supplemental cash flow information</b>		
Cash paid for interest	\$ 119,405	\$ 103,291
<b>Noncash investing and financing activities</b>		
Refinance of long-term debt	\$ -	\$ 3,000,000
Accrued property and equipment expenditures	\$ 1,731,125	\$ 1,307,957

*The accompanying notes are an integral part of these consolidated financial statements.*

# Houston Society for the Prevention of Cruelty to Animals

## Notes to Consolidated Financial Statements

### NOTE 1: ORGANIZATION AND NATURE OF BUSINESS

The consolidated financial statements of Houston Society for the Prevention of Cruelty to Animals (collectively, the "Organization") includes Houston Society for the Prevention of Cruelty to Animals ("Houston SPCA") and its wholly owned subsidiary, The Wildlife Center of Texas ("The Wildlife Center"). All significant inter-entity balances and transactions have been eliminated.

The Houston SPCA was founded in 1924 and is the oldest and largest animal protection agency in the Gulf Coast area, providing sheltering, adoption, humane education, and cruelty relief services to more than 40,000 animals a year.

The Wildlife Center was formed in 1992 to meet the increasing need for wildlife assistance in the Greater Houston and Upper Gulf Coast. The mission of The Wildlife Center is to care for injured, ill, and orphaned wildlife through rehabilitation, public education, and release.

The Organization is funded primarily by donations.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Financial Statement Presentation*

The Organization's consolidated financial records have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted Net Assets:* Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.

*Temporarily Restricted Net Assets:* Temporarily restricted net assets include contributions restricted by the donor for specific purposes or time periods. Temporarily restricted net assets are released to unrestricted net assets when a purpose restriction is accomplished or a time restriction ends.

*Permanently Restricted Net Assets:* Permanently restricted net assets include contributions that donors have restricted in perpetuity.

#### *Cash and Cash Equivalents*

The Organization considers all highly liquid investments with initial maturities of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents held for long-term purposes totaling \$431,332 and \$12,349,107 are classified as marketable securities at December 31, 2017 and 2016, respectively.

# Houston Society for the Prevention of Cruelty to Animals

## Notes to Consolidated Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Pledges Receivable and Other Receivables***

Pledges receivable and unconditional promises to give are recorded when the Organization receives notification of the pledge or promise to give. Amounts that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Management considers all outstanding pledges receivable to be collectible. Accordingly, no allowance for doubtful accounts is considered necessary at December 31, 2017 and 2016.

#### ***Marketable Securities***

Investments in marketable securities are recorded at fair value. Investment return includes interest, dividends, and realized and unrealized gains or losses. Investment return is reported in the consolidated statements of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets until expended in accordance with the donor-imposed restrictions.

#### ***Concentration of Credit Risk***

At times throughout the years, the Organization may maintain certain bank accounts in excess of the Federal Deposit Insurance Corporation insured limits. The Organization has not experienced any losses from maintaining cash accounts in excess of the federally insured limit. Management believes that it is not exposed to any significant credit risk on cash accounts due the strength of the financial institutions in which the funds are held.

As of December 31, 2017 and 2016, pledges due from five donors accounted for 60% and four donors accounted for 65% of outstanding pledge receivables, respectively. As of December 31, 2017, a balance due from one university and two estates accounted for 91% of outstanding other receivables. As of December 31, 2016, a balance due from one university accounted for 100% of outstanding other receivables.

#### ***Property and Equipment***

Property and equipment are recorded at cost if purchased, or in the case of donated property, at the estimated fair market value at the date of donation. The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation is computed by use of the straight-line method for financial reporting purposes.

Depreciation is provided by the straight-line method over the following useful lives:

Building and improvements	30-40 years
Property improvements	20 years
Furniture and equipment	3-10 years

# Houston Society for the Prevention of Cruelty to Animals

## Notes to Consolidated Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Routine maintenance, repair, renewal and replacement costs are charged against operations in the year incurred. Expenditures, which materially increase values or extend useful lives of property and equipment, are capitalized.

#### ***Impairment of Long-Lived Assets***

The Organization's long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. Management believes no impairment has occurred with respect to long-lived assets at December 31, 2017 and 2016.

#### ***Deferred Revenue***

Deferred revenue represents sponsorships for fundraising events set to occur in a future period. Deferred revenue is recognized as revenue in the year the fundraising event is held.

#### ***Compensated Absences***

Compensated absences for sick, personal, and vacation time have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

#### ***Fair Value Considerations***

The Organization uses fair value to measure certain financial and nonfinancial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Organization did not elect the fair value option for the measurement of any eligible assets or liabilities.

Cash and cash equivalents, receivables, marketable securities, and payables are carried in the accompanying consolidated balance sheets at amounts which reasonably approximate fair value because of their short term nature. Based on market interest rates for similar loans, the fair value of long-term debt approximates their carrying value.

# Houston Society for the Prevention of Cruelty to Animals

## Notes to Consolidated Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Contributions***

The Organization's 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 net assets. When a donor stipulated time restriction ends or stipulated purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. For the year ended December 31, 2017, there was no donors that accounted for a concentration of contributions. For the year ended December 31, 2016, there was one donor which accounted for 12% of contributions.

#### ***Revenue Recognition – Program Services***

Fees collected for admissions, adoptions and other programs are recognized as being earned in the accompanying consolidated statements of activities when services are rendered.

#### ***Donated Materials and Services***

The Organization recognizes donated materials and services at their fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense for donated materials is recognized as the item is used. The related expense for donated services is recognized in the period received if the services received create or enhance nonfinancial assets that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended December 31, 2017 and 2016, the Organization recognized health care and supplies expenses for preventive medicine donated by manufacturers of approximately \$300,000 and \$343,000, respectively. Additionally, for the years ended December 31, 2017 and 2016, the Organization recognized donated architect services of approximately \$198,000 and \$145,000 related to construction of the new facility. During 2017, the Organization also received donated furniture and equipment for the new facility totaling approximately \$221,000.

A substantial number of unpaid volunteers make significant contributions of their time to develop the Organization's programs. The value of the contributed time is not reflected in these consolidated statements because it does not require a specialized skill or create or enhance a nonfinancial asset.

During 2017, a substantial amount of animal supplies, animal food and other animal care items were donated to provide support to various local organizations in their disaster relief efforts as a result of Hurricane Harvey. The value of these contributed items is not reflected in the consolidated statements as the items were distributed to other local organizations. The estimated value of these items totaled approximately \$226,000.

#### ***Functional Expenses***

The majority of expenses can generally be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among the programs and supporting services benefited based on various determinations by management.



## Houston Society for the Prevention of Cruelty to Animals Notes to Consolidated Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Advertising Costs***

The Organization uses advertising through TV, radio and other media to promote its programs in the area it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2017 and 2016, totaled \$127,328 and \$109,302, respectively.

#### ***Federal Income Taxes***

The Houston SPCA and The Wildlife Center are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax has been made in these consolidated financial statements.

The Organization accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of December 31, 2017 and 2016, management believes there were no uncertain tax positions.

#### ***Use of Estimates***

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various functions. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements. Actual results could vary from the estimates that were used.

#### ***Subsequent Events***

The Organization has evaluated subsequent events through the date the consolidated financial statements were available for issuance on June 20, 2018. No matters were identified affecting the accompanying consolidated financial statements or related disclosures.

#### ***Reclassifications***

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The reclassification had no effect on changes in net assets.

## Houston Society for the Prevention of Cruelty to Animals Notes to Consolidated Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Recent Financial Accounting Pronouncement***

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Underwater endowments will be included in net assets with donor restrictions and new or enhanced disclosures regarding the composition of net assets will be required. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the consolidated statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. Absent specific donor stipulations, the Organization will use the placed-in-service approach for reporting expirations of restrictions on long-lived assets. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the Organization's consolidated financial statements. The Organization did not elect to early adopt the standard.

### NOTE 3: PLEDGES RECEIVABLE

Pledges receivable consist of the following:

<i>December 31,</i>	<b>2017</b>	2016
Receivable in less than one year	<b>\$ 2,009,863</b>	\$ 1,291,204
Receivable in one to five years	<b>835,000</b>	662,467
	<b>\$ 2,844,863</b>	\$ 1,953,671

### NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as 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. The three tier fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity.



## Houston Society for the Prevention of Cruelty to Animals Notes to Consolidated Financial Statements

### NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

The Houston SPCA holds certain investments with UBS Financial Services, Inc. to be held for the exclusive benefit of the Houston SPCA. The Houston SPCA retains all rights to these funds and paid administrative fees totaling \$174,119 and \$175,164, for the years ended December 31, 2017 and 2016, respectively. Level 1 investments primarily consist of equity securities, which are traded in active markets. Level 2 investments consist of corporate bonds and U.S. government or agency obligations which are valued using recent executed transactions and market price quotations and asset-backed securities which are valued by the custodian using pricing models that utilize variables such as yield curves, prepayment speeds, default rates, loss severity, interest rate volatilities and spreads.

The values of assets measured at fair value on a recurring basis are as follows:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
<b>December 31, 2017</b>				
Cash and cash equivalents	\$ 1,603,830	\$ -	\$ -	\$ 1,603,830
Corporate stocks	19,688,987	-	-	19,688,987
Corporate bonds	-	1,879,074	-	1,879,074
Asset-backed securities	-	1,701,710	-	1,701,710
U.S. government or agency obligations	-	2,197,122	-	2,197,122
	<b>\$ 21,292,817</b>	<b>\$ 5,777,906</b>	<b>\$ -</b>	<b>\$ 27,070,723</b>
<b>December 31, 2016</b>				
Cash and cash equivalents	\$ 12,716,359	\$ -	\$ -	\$ 12,716,359
Corporate stocks	13,108,330	-	-	13,108,330
Corporate bonds	-	1,798,305	-	1,798,305
Asset-backed securities	-	1,575,811	-	1,575,811
U.S. government or agency obligations	-	787,825	-	787,825
	<b>\$ 25,824,689</b>	<b>\$ 4,161,941</b>	<b>\$ -</b>	<b>\$ 29,986,630</b>

The following summarizes the investment return in the consolidated statements of activities:

<i>For the years ended December 31,</i>	<b>2017</b>	2016
Interest and dividend income	<b>\$ 486,610</b>	\$ 563,629
Management and consulting fees	<b>(251,652)</b>	(285,708)
Net realized and unrealized gains	<b>2,478,942</b>	808,156
	<b>\$ 2,713,900</b>	\$ 1,086,077

## Houston Society for the Prevention of Cruelty to Animals Notes to Consolidated Financial Statements

### NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

Investments are exposed to various risks such as interest rate risk, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statements of financial position and the consolidated statements of activities.

### NOTE 5: LONG-TERM DEBT

The Houston SPCA had a note payable agreement with Cadence bank for \$3,000,000 with an annual interest rate of 3.80%. The loan matures on June 15, 2023 and is secured by all property owned by the Houston SPCA in Harris County, Texas. Interest only payments are due each month through the maturity date along with annual principal reduction payments of \$316,668 per the terms of the agreement. Unpaid interest and principal is due at maturity. The note payable balance at December 31, 2017 and 2016 was \$2,533,333 and \$2,850,000, respectively.

The following is a summary of future minimum principal payments of the note payable:

<i>Year ending December 31,</i>	
2018	\$ 316,668
2019	316,668
2020	316,668
2021	316,668
2022	316,668
Thereafter	949,993
	<u>\$ 2,533,333</u>

### NOTE 6: LINE OF CREDIT

On June 15, 2016, Houston SPCA entered into a revolving line of credit agreement with Cadence Bank totaling \$10,000,000 to finance the construction of certain real property in Houston, Texas. The line of credit is collateralized by property owned by Houston SPCA in Harris County, Texas. Borrowings under the credit agreement bear interest at the greater of the effective index rate or 3.50% and are payable monthly. As of December 31, 2017, the index rate was 4.50%. The line of credit matures on June 15, 2021 when all outstanding principal is due. Funds will be drawn as needed during construction. As of December 31, 2017, \$1,929,495 is outstanding on the line of credit.

### NOTE 7: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets totaling \$14,451,676 and \$5,830,422 were released from donor restrictions related to capital projects for the years ended December 31, 2017 and 2016, respectively. An additional \$2,226,403 and \$246,549 were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors for the years ended December 31, 2017 and 2016, respectively.

## Houston Society for the Prevention of Cruelty to Animals Notes to Consolidated Financial Statements

### NOTE 8: TEMPORARY RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

<i>December 31,</i>	<b>2017</b>	2016
Capital campaign	\$ 146,409	\$ 11,785,360
Restricted to periods ending after December 31,	<b>85,000</b>	55,000
Disaster relief	<b>662,232</b>	-
Programs	<b>381,893</b>	184,188
	<b>\$ 1,275,534</b>	<b>\$ 12,024,548</b>

### NOTE 9: ENDOWMENT

The Organization has donor-restricted endowment funds which are maintained in accordance with explicit donor stipulations. The Organization is subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) which has been enacted by the State of Texas. The management of the Organization has interpreted TUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is available for expenditure and appropriated by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, the Organization considers the following factors in making determination to appropriate accumulated donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies and objectives of the Organization

The Walter O. Caldwell, Jr. Fund Endowment and Melvin Davis Fund Endowment (collectively the "Endowments") were established to support the Organization and its mission into the future. These Endowments are held with UBS. It was the Board of Directors' objective not to be involved in the day-to-day investing of funds and to rely on the expertise of the UBS and their investment policy, objectives and guidelines. Under this policy, the endowment assets are invested in accordance with the investment policies approved by the Board of Directors.

## Houston Society for the Prevention of Cruelty to Animals Notes to Consolidated Financial Statements

### NOTE 9: ENDOWMENT (Continued)

Endowment net assets consisted of the following:

<i>December 31,</i>	<b>2017</b>	2016
Unrestricted net assets	\$ 2,731	\$ 938
Permanently restricted net assets	<b>1,170,265</b>	1,170,265
	<b>\$ 1,172,996</b>	\$ 1,171,203

Changes in endowment net assets are as follows:

	Unrestricted	Permanently Restricted	Total
<b>Endowment net assets, January 1, 2016</b>	\$ 85	\$ 1,170,265	\$ 1,170,350
Contributions	-	-	-
Investment return			
Investment income	149,808	-	149,808
Amounts appropriated for expenditure	(148,955)	-	(148,955)
<b>Endowment net assets, December 31, 2016</b>	\$ 938	\$ 1,170,265	\$ 1,171,203
Contributions	-	-	-
Investment return			
Investment income	348,011	-	348,011
Amounts appropriated for expenditure	(346,218)	-	(346,218)
<b>Endowment net assets, December 31, 2017</b>	<b>\$ 2,731</b>	<b>\$ 1,170,265</b>	<b>\$ 1,172,996</b>

### NOTE 10: DEFINED CONTRIBUTION PLAN

The Organization provides a defined contribution plan under Section 403(b) of the Internal Revenue Code. Under the plan, eligible employees may contribute up to eighty-five percent of their salary but not to exceed the legal limit. The Organization's match is equal to one hundred percent of employee contributions up to three percent of participant compensation. Organization contributions totaled \$46,134 and \$38,921 for the years ended December 31, 2017 and 2016, respectively.

### NOTE 11: COMMITMENTS AND CONTINGENCIES

On July 25, 2016, Houston SPCA entered into a construction contract for the new facility with a local contractor. Total construction costs are estimated to be \$25 million. As of December 31, 2017, construction costs of \$21 million have been incurred.

### NOTE 12: CONDITIONAL PROMISES TO GIVE

During 2017, Houston SPCA received a conditional promise to give totaling \$500,000. Payment of these funds are contingent upon compliance with the grantor's terms and conditions.



## **SUPPLEMENTARY INFORMATION**

## Houston Society for the Prevention of Cruelty to Animals Consolidated Schedule of Functional Expenses

<i>For the year ended December 31, 2017</i>	Program Services	Management and General	Fundraising	Total
Personnel expenses				
Salaries	\$ 4,303,330	\$ 292,754	\$ 330,677	\$ 4,926,761
Benefits, training, and taxes	638,334	78,791	34,606	751,731
<b>Total personnel expenses</b>	<b>4,941,664</b>	<b>371,545</b>	<b>365,283</b>	<b>5,678,492</b>
Health care and supplies	1,691,575	93	-	1,691,668
Contract veterinary and deputy services	239,738	-	-	239,738
Education and community outreach	153,382	-	784,742	938,124
Technology and other administrative support	176,821	337,111	177,896	691,828
Maintenance and security	517,881	-	-	517,881
Insurance	267,951	18,238	5,095	291,284
Depreciation	330,912	-	-	330,912
Property taxes	476	-	-	476
Interest expense	119,405	-	-	119,405
Utilities	410,938	7,432	32,679	451,049
Vehicles	147,092	11,498	-	158,590
<b>Total expenses</b>	<b>\$ 8,997,835</b>	<b>\$ 745,917</b>	<b>\$ 1,365,695</b>	<b>\$ 11,109,447</b>

## Houston Society for the Prevention of Cruelty to Animals Consolidated Schedule of Functional Expenses

<i>For the year ended December 31, 2016</i>	Program Services	Management and General	Fundraising	Total
Personnel expenses				
Salaries	\$ 3,903,250	\$ 192,734	\$ 269,264	\$ 4,365,248
Benefits, training, and taxes	590,569	75,813	30,626	697,008
<b>Total personnel expenses</b>	<b>4,493,819</b>	<b>268,547</b>	<b>299,890</b>	<b>5,062,256</b>
Health care and supplies	1,429,168	61,950	-	1,491,118
Contract veterinary and deputy services	155,481	-	-	155,481
Education and community outreach	151,055	-	677,715	828,770
Technology and other administrative support	168,662	189,827	126,786	485,275
Maintenance and security	406,473	-	-	406,473
Insurance	250,676	18,411	7,621	276,708
Depreciation	308,066	-	-	308,066
Property taxes	597	-	-	597
Interest expense	103,291	-	-	103,291
Other expenses	25,100	-	-	25,100
Utilities	361,040	8,231	21,319	390,590
Vehicles	124,879	4,986	-	129,865
<b>Total expenses</b>	<b>\$ 7,978,307</b>	<b>\$ 551,952</b>	<b>\$ 1,133,331</b>	<b>\$ 9,663,590</b>

## Houston Society for the Prevention of Cruelty to Animals Consolidating Statements of Financial Position

<i>December 31, 2017</i>	Houston SPCA	Wildlife Center of Texas	Eliminations	Consolidated Total
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 2,689,180	\$ 143,217	\$ -	\$ 2,832,397
Pledges receivable	2,009,863	-	-	2,009,863
Other receivables	171,455	-	-	171,455
Due from affiliate	266,112	-	(266,112)	-
Prepaid expenses	133,804	396	-	134,200
<b>Total current assets</b>	<b>5,270,414</b>	<b>143,613</b>	<b>(266,112)</b>	<b>5,147,915</b>
Property and equipment				
Land	7,005,836	-	-	7,005,836
Buildings and improvements	3,678,678	-	-	3,678,678
Property improvements	1,146,757	-	-	1,146,757
Furniture and equipment	2,163,651	97,664	-	2,261,315
Construction in progress	23,045,144	-	-	23,045,144
Accumulated depreciation	(4,209,298)	(76,872)	-	(4,286,170)
<b>Property and equipment, net</b>	<b>32,830,768</b>	<b>20,792</b>	<b>-</b>	<b>32,851,560</b>
Long-term assets				
Marketable securities	27,070,723	-	-	27,070,723
Pledges receivable	835,000	-	-	835,000
<b>Total long-term assets</b>	<b>27,905,723</b>	<b>-</b>	<b>-</b>	<b>27,905,723</b>
<b>Total assets</b>	<b>\$ 66,006,905</b>	<b>\$ 164,405</b>	<b>\$ (266,112)</b>	<b>\$ 65,905,198</b>



## Houston Society for the Prevention of Cruelty to Animals Consolidating Statements of Financial Position (Continued)

<i>December 31, 2017</i>	Houston SPCA	Wildlife Center of Texas	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>				
Current liabilities				
Accounts payable	\$ 2,100,832	\$ 1,278	\$ -	\$ 2,102,110
Accrued payroll and benefits	265,131	-	-	265,131
Due to affiliate	-	266,112	(266,112)	-
Deferred revenue	67,550	-	-	67,550
Note payable, current	316,668	-	-	316,668
<b>Total current liabilities</b>	<b>2,750,181</b>	<b>267,390</b>	<b>(266,112)</b>	<b>2,751,459</b>
Long-term liabilities				
Line of credit	1,929,495	-	-	1,929,495
Note payable	2,216,665	-	-	2,216,665
<b>Total long-term liabilities</b>	<b>4,146,160</b>	<b>-</b>	<b>-</b>	<b>4,146,160</b>
<b>Total liabilities</b>	<b>6,896,341</b>	<b>267,390</b>	<b>(266,112)</b>	<b>6,897,619</b>
Commitments and contingencies				
Net assets				
Unrestricted				
Property and equipment, net	32,830,768	20,792	-	32,851,560
Undesignated	23,931,229	(221,009)	-	23,710,220
<b>Total unrestricted</b>	<b>56,761,997</b>	<b>(200,217)</b>	<b>-</b>	<b>56,561,780</b>
Temporarily restricted	1,178,302	97,232	-	1,275,534
Permanently restricted	1,170,265	-	-	1,170,265
<b>Total net assets</b>	<b>59,110,564</b>	<b>(102,985)</b>	<b>-</b>	<b>59,007,579</b>
<b>Total liabilities and net assets</b>	<b>\$ 66,006,905</b>	<b>\$ 164,405</b>	<b>\$ (266,112)</b>	<b>\$ 65,905,198</b>

## Houston Society for the Prevention of Cruelty to Animals Consolidating Statements of Financial Position

<i>December 31, 2016</i>	Houston SPCA	Wildlife Center of Texas	Eliminations	Consolidated Total
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 1,563,074	\$ 72,046	\$ -	\$ 1,635,120
Pledges receivable	1,283,829	7,375	-	1,291,204
Other receivables	97,500	-	-	97,500
Due from affiliate	145,298	-	(145,298)	-
Prepaid expenses	135,830	613	-	136,443
<b>Total current assets</b>	<b>3,225,531</b>	<b>80,034</b>	<b>(145,298)</b>	<b>3,160,267</b>
Property and equipment				
Land	7,005,836	-	-	7,005,836
Buildings and improvements	3,692,046	-	-	3,692,046
Property improvements	1,302,197	-	-	1,302,197
Furniture and equipment	1,880,003	85,573	-	1,965,576
Construction in progress	6,663,973	-	-	6,663,973
Accumulated depreciation	(4,239,062)	(71,730)	-	(4,310,792)
<b>Property and equipment, net</b>	<b>16,304,993</b>	<b>13,843</b>	<b>-</b>	<b>16,318,836</b>
Long-term assets				
Marketable securities	29,986,630	-	-	29,986,630
Pledges receivable	662,467	-	-	662,467
<b>Total long-term assets</b>	<b>30,649,097</b>	<b>-</b>	<b>-</b>	<b>30,649,097</b>
<b>Total assets</b>	<b>\$ 50,179,621</b>	<b>\$ 93,877</b>	<b>\$ (145,298)</b>	<b>\$ 50,128,200</b>

## Houston Society for the Prevention of Cruelty to Animals Consolidating Statements of Financial Position (Continued)

<i>December 31, 2016</i>	Houston SPCA	Wildlife Center of Texas	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>				
Current liabilities				
Accounts payable	\$ 1,570,921	\$ 2,018	\$ -	\$ 1,572,939
Accrued payroll and benefits	212,335	-	-	212,335
Due to affiliate	-	145,298	(145,298)	-
Deferred revenue	87,343	-	-	87,343
Note payable, current	316,668	-	-	316,668
Total current liabilities	2,187,267	147,316	(145,298)	2,189,285
Long-term liabilities				
Note payable	2,533,332	-	-	2,533,332
Total liabilities	4,720,599	147,316	(145,298)	4,722,617
Commitments and contingencies				
Net assets				
Unrestricted				
Property and equipment, net	16,304,993	13,843	-	16,318,836
Undesignated	16,038,539	(146,605)	-	15,891,934
Total unrestricted	32,343,532	(132,762)	-	32,210,770
Temporarily restricted	11,945,225	79,323	-	12,024,548
Permanently restricted	1,170,265	-	-	1,170,265
Total net assets	45,459,022	(53,439)	-	45,405,583
Total liabilities and net assets	\$ 50,179,621	\$ 93,877	\$ (145,298)	\$ 50,128,200

## Houston Society for the Prevention of Cruelty to Animals Consolidating Statements of Activities

For the year ended December 31, 2017

	Houston SPCA				Wildlife Center of Texas				Eliminations	Consolidated Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		
<b>Revenue</b>										
Adoptions	\$ 764,532	\$ -	\$ -	\$ 764,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 764,532
Admissions	174,877	-	-	174,877	98,342	-	-	98,342	-	273,219
Contributions	3,600,785	2,053,371	-	5,654,156	377,983	105,490	-	483,473	-	6,137,629
Online contributions	5,605,309	-	-	5,605,309	-	-	-	-	-	5,605,309
Direct mail	1,540,944	43,869	-	1,584,813	-	-	-	-	-	1,584,813
Trusts and bequests	2,174,872	-	-	2,174,872	-	-	-	-	-	2,174,872
Foundations	372,825	779,045	-	1,151,870	11,000	-	-	11,000	-	1,162,870
Capital campaign	-	2,861,841	-	2,861,841	-	-	-	-	-	2,861,841
Fundraising	715,328	129,260	-	844,588	-	-	-	-	-	844,588
Investment income	2,762,711	(48,811)	-	2,713,900	-	-	-	-	-	2,713,900
Fees for services	206,178	-	-	206,178	-	-	-	-	-	206,178
Other	440,408	-	-	440,408	11,284	5,000	-	16,284	(75,000)	381,692
Net assets released from restrictions				-						
Capital projects	14,451,676	(14,451,676)	-	-	-	-	-	-	-	-
Operations	2,133,822	(2,133,822)	-	-	92,581	(92,581)	-	-	-	-
<b>Total revenue</b>	<b>34,944,267</b>	<b>(10,766,923)</b>	<b>-</b>	<b>24,177,344</b>	<b>591,190</b>	<b>17,909</b>	<b>-</b>	<b>609,099</b>	<b>(75,000)</b>	<b>24,711,443</b>
<b>Expenses</b>										
Program services	8,462,367	-	-	8,462,367	610,468	-	-	610,468	(75,000)	8,997,835
Management and general	722,413	-	-	722,413	23,504	-	-	23,504	-	745,917
Fundraising	1,341,022	-	-	1,341,022	24,673	-	-	24,673	-	1,365,695
<b>Total expenses</b>	<b>10,525,802</b>	<b>-</b>	<b>-</b>	<b>10,525,802</b>	<b>658,645</b>	<b>-</b>	<b>-</b>	<b>658,645</b>	<b>(75,000)</b>	<b>11,109,447</b>
Changes in net assets	24,418,465	(10,766,923)	-	13,651,542	(67,455)	17,909	-	(49,546)	-	13,601,996
Net assets at beginning of year	32,343,532	11,945,225	1,170,265	45,459,022	(132,762)	79,323	-	(53,439)	-	45,405,583
Net assets at end of year	\$ 56,761,997	\$ 1,178,302	\$ 1,170,265	\$ 59,110,564	\$ (200,217)	\$ 97,232	\$ -	\$ (102,985)	\$ -	\$ 59,007,579

See Independent Auditors' Report

## Houston Society for the Prevention of Cruelty to Animals Consolidating Statements of Activities

For the year ended December 31, 2016

	Houston SPCA				Wildlife Center of Texas				Eliminations	Consolidated Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		
<b>Revenue</b>										
Adoptions	\$ 915,452	\$ -	\$ -	\$ 915,452	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 915,452
Admissions	229,051	-	-	229,051	88,608	-	-	88,608	-	317,659
Contributions	1,548,386	27,029	-	1,575,415	274,008	55,000	-	329,008	-	1,904,423
Online contributions	695,608	-	-	695,608	-	-	-	-	-	695,608
Direct mail	1,515,212	-	-	1,515,212	-	-	-	-	-	1,515,212
Trusts and bequests	2,083,671	-	-	2,083,671	-	-	-	-	-	2,083,671
Foundations	259,629	118,000	-	377,629	17,500	-	-	17,500	-	395,129
Capital campaign	-	4,869,178	-	4,869,178	-	-	-	-	-	4,869,178
Fundraising	803,047	114,470	-	917,517	68,131	-	-	68,131	-	985,648
Investment income (loss)	1,156,549	(70,472)	-	1,086,077	-	-	-	-	-	1,086,077
Fees for services	265,580	-	-	265,580	-	-	-	-	-	265,580
Other	483,795	-	-	483,795	18,629	-	-	18,629	(75,000)	427,424
Net assets released from restrictions										
Capital projects	5,830,422	(5,830,422)	-	-	-	-	-	-	-	-
Operations	196,549	(196,549)	-	-	50,000	(50,000)	-	-	-	-
<b>Total revenue</b>	<b>15,982,951</b>	<b>(968,766)</b>	<b>-</b>	<b>15,014,185</b>	<b>516,876</b>	<b>5,000</b>	<b>-</b>	<b>521,876</b>	<b>(75,000)</b>	<b>15,461,061</b>
<b>Expenses</b>										
Program services	7,499,929	-	-	7,499,929	553,378	-	-	553,378	(75,000)	7,978,307
Management and general	528,724	-	-	528,724	23,228	-	-	23,228	-	551,952
Fundraising	1,105,031	-	-	1,105,031	28,300	-	-	28,300	-	1,133,331
<b>Total expenses</b>	<b>9,133,684</b>	<b>-</b>	<b>-</b>	<b>9,133,684</b>	<b>604,906</b>	<b>-</b>	<b>-</b>	<b>604,906</b>	<b>(75,000)</b>	<b>9,663,590</b>
Changes in net assets	6,849,267	(968,766)	-	5,880,501	(88,030)	5,000	-	(83,030)	-	5,797,471
Net assets at beginning of year	25,494,265	12,913,991	1,170,265	39,578,521	(44,732)	74,323	-	29,591	-	39,608,112
Net assets at end of year	\$ 32,343,532	\$ 11,945,225	\$ 1,170,265	\$ 45,459,022	\$ (132,762)	\$ 79,323	\$ -	\$ (53,439)	\$ -	\$ 45,405,583

See Independent Auditors' Report