



STATE OF INDIANA
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August 25, 2016

Board of Directors
Humane Society Elkhart County
54687 County Road 19
Bristol, IN 46507

We have reviewed the audit report prepared by Kruggel, Lawton & Company, LLC, for the period January 1, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Humane Society Elkhart County, as of December 31, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner



ANNUAL REPORT
December 31, 2015

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

ANNUAL REPORT

December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Humane Society of Elkhart County, Inc.
Bristol, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Humane Society of Elkhart County, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of Elkhart County, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Humane Society of Elkhart County, Inc. as of and for the year ended December 31, 2014, were audited by other auditors whose report dated January 14, 2015, expressed an unmodified opinion on those statements.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kruggel, Lawton & Company, LLC". The signature is written in a cursive style.

Certified Public Accountants

Elkhart, Indiana
May 10, 2016

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	505,465	403,691
Certificate of deposit	2,281,063	1,045,828
Pledges receivable - current	283,051	74,110
Receivable - Elkhart County Community Foundation, Inc.	0	694,139
Grants receivable	450,000	0
Annual trust distribution receivable	34,399	9,558
Inventory	6,866	9,280
Prepaid expenses	13,861	29,987
Total Current Assets	3,574,705	2,266,593
PROPERTY AND EQUIPMENT		
Land	43,578	43,578
Buildings and building improvements	918,962	918,962
Furniture and equipment	80,377	77,216
Vehicles	69,407	69,407
Total	1,112,324	1,109,163
Accumulated depreciation	801,143	763,833
Net Property and Equipment	311,181	345,330
OTHER ASSETS		
Pledges receivable - noncurrent	61,371	32,126
TOTAL ASSETS	3,947,257	2,644,049
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	9,904	4,386
Accrued salaries and wages	14,951	36,092
Total Current Liabilities	24,855	40,478
TOTAL LIABILITIES	24,855	40,478
NET ASSETS		
Unrestricted	713,635	645,010
Board designated	96,436	80,466
Temporarily restricted	3,112,331	1,878,095
TOTAL NET ASSETS	3,922,402	2,603,571
TOTAL LIABILITIES AND NET ASSETS	3,947,257	2,644,049

The Notes to Financial Statements are an integral part of this statement.

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Elkhart County contracts	365,344	0	365,344
Annual fund	58,478	0	58,478
Special events, net of expenses	21,514	0	21,514
Adoption and other shelter fees	83,885	0	83,885
Capital campaign	0	1,259,237	1,259,237
Contributions	393,028	6,255	399,283
Grants	5,401	0	5,401
Miscellaneous	4,302	0	4,302
Euthanasia	8,010	0	8,010
Interest income	18,070	0	18,070
Membership income	2,400	0	2,400
Sales of merchandise	40,658	0	40,658
Cemetery plots	625	0	625
Equipment rental fees	336	0	336
Contributions in-kind	24,972	0	24,972
Total Revenue	1,027,023	1,265,492	2,292,515
Net assets released from restrictions:			
Satisfaction of restrictions	31,256	(31,256)	0
EXPENSES			
Program	845,762	0	845,762
Management and general	44,021	0	44,021
Fundraising	83,901	0	83,901
Total Expenses	973,684	0	973,684
INCREASE IN NET ASSETS	84,595	1,234,236	1,318,831
NET ASSETS, BEGINNING OF YEAR	725,476	1,878,095	2,603,571
NET ASSETS, END OF YEAR	810,071	3,112,331	3,922,402

The Notes to Financial Statements are an integral part of this statement.

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Elkhart County contracts	365,344	0	365,344
Annual fund	58,794	0	58,794
Special events, net of expenses	5,007	53,000	58,007
Adoption and other shelter fees	79,051	0	79,051
Capital campaign	0	1,545,688	1,545,688
Contributions	151,177	7,756	158,933
Grants	12,500	231,379	243,879
Miscellaneous	11,459	0	11,459
Euthanasia	7,735	0	7,735
Interest income	7,674	0	7,674
Membership income	2,300	0	2,300
Sales of merchandise	50,773	0	50,773
Cemetery plots	465	0	465
Equipment rental fees	736	0	736
Contributions in-kind	19,872	0	19,872
Total Revenue	772,887	1,837,823	2,610,710
Net assets released from restrictions:			
Satisfaction of restrictions	142,417	(142,417)	0
EXPENSES			
Program	844,524	0	844,524
Management and general	48,946	0	48,946
Fundraising	32,142	0	32,142
Total Expenses	925,612	0	925,612
INCREASE (DECREASE) IN NET ASSETS	(10,308)	1,695,406	1,685,098
NET ASSETS, BEGINNING OF YEAR	735,784	182,689	918,473
NET ASSETS, END OF YEAR	725,476	1,878,095	2,603,571

The Notes to Financial Statements are an integral part of this statement.

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2015

	<u>Total Program</u>	<u>Supporting Services</u>		<u>Total Support</u>	<u>Total</u>
	<u>Services</u>	<u>Management</u>	<u>Fund</u>	<u>Services</u>	<u>2015</u>
		<u>and General</u>	<u>Raising</u>		
Salaries and wages	430,812	25,342	50,684	76,026	506,838
Payroll taxes	35,074	2,063	4,126	6,189	41,263
Payroll processing fees	1,066	63	126	189	1,255
Health insurance	62,149	3,656	7,312	10,968	73,117
Health expense	1,367	80	161	241	1,608
General and workers compensation insurance	17,376	1,022	2,044	3,066	20,442
Vehicle expense	11,914	0	0	0	11,914
Utilities	25,405	1,494	2,989	4,483	29,888
Office supplies	16,620	978	1,955	2,933	19,553
Repairs and maintenance	25,300	1,488	2,977	4,465	29,765
Phone and internet	6,719	395	791	1,186	7,905
Advertising	2,317	136	273	409	2,726
Microchip expense	4,085	0	0	0	4,085
Medical waste removal	3,398	0	0	0	3,398
Uniforms	3,534	0	0	0	3,534
Printing and copying	3,438	202	404	606	4,044
Bank and credit card fees	2,227	131	262	393	2,620
Shelter operations	18,981	0	0	0	18,981
Medical care and supplies	77,708	0	0	0	77,708
Professional fees	9,311	548	1,095	1,643	10,954
Euthanasia	1,478	0	0	0	1,478
Trash and disposal	2,800	165	330	495	3,295
Custodial	10,271	0	0	0	10,271
Conferences	295	17	35	52	347
Contributions in kind	22,475	0	2,497	2,497	24,972
Retail expense	0	3,320	0	3,320	3,320
Miscellaneous	17,929	1,055	2,109	3,164	21,093
Total Expenses Before Depreciation	814,049	42,155	80,170	122,325	936,374
Depreciation	31,713	1,866	3,731	5,597	37,310
TOTAL FUNCTIONAL EXPENSES	845,762	44,021	83,901	127,922	973,684

The Notes to Financial Statements are an integral part of this statement.

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2014

	<u>Total Program Services</u>	<u>Supporting Services</u>		<u>Total Support Services</u>	<u>Total 2014</u>
		<u>Management and General</u>	<u>Fund Raising</u>		
Salaries and wages	445,502	29,700	19,799	49,499	495,001
Payroll taxes	41,895	2,793	1,862	4,655	46,550
Payroll processing fees	1,102	74	49	123	1,225
Health insurance	47,798	3,187	2,124	5,311	53,109
Health expense	1,423	95	63	158	1,581
General and workers compensation insurance	16,030	0	712	712	17,811
Vehicle expense	17,389	1,069	0	1,069	17,389
Utilities	30,367	2,024	1,350	3,374	33,741
Office supplies	21,212	1,414	943	2,357	23,569
Repairs and maintenance	18,695	1,246	831	2,077	20,772
Phone and internet	7,877	525	350	875	8,752
Advertising	2,539	169	113	282	2,821
Microchip expense	4,425	0	0	0	4,425
Special events	0	0	813	813	813
Medical waste removal	1,666	0	0	0	1,666
Uniforms	2,836	0	0	0	2,836
Printing and copying	7,617	508	339	847	8,464
Bank and credit card fees	2,537	169	113	282	2,819
Shelter operations	16,687	0	0	0	16,687
Medical care and supplies	66,297	0	0	0	66,297
Professional fees	11,759	784	523	1,307	13,066
Euthanasia	1,345	0	0	0	1,345
Trash and disposal	2,737	182	122	304	3,041
Custodial	11,394	0	0	0	11,394
Conferences	82	6	4	10	92
Contributions in kind	17,885	1,987	0	1,987	19,872
Retail expense	(334)	(37)	0	(37)	(371)
Miscellaneous	12,140	809	540	1,349	13,489
Total Expenses Before Depreciation	810,902	46,704	30,650	77,354	888,256
Depreciation	33,622	2,242	1,492	3,734	37,356
TOTAL FUNCTIONAL EXPENSES	844,524	48,946	32,142	81,088	925,612

The Notes to Financial Statements are an integral part of this statement.

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	1,318,831	1,685,098
Adjustments to reconcile net increase in net assets to net cash from operating activities:		
Depreciation	37,310	37,356
Adjustments for changes in operating assets and liabilities:		
Pledges receivable	(238,186)	(91,411)
Receivable - Elkhart County Community Foundation, Inc.	694,139	(694,139)
Grants receivable	(450,000)	0
Annual trust distribution receivable	(24,841)	(9,558)
Inventory	2,414	(1,548)
Prepaid expenses	16,126	(11,798)
Accounts payable	5,518	(4,632)
Accrued salaries and wages	(21,141)	5,329
Net Cash Flows from Operating Activities	1,340,170	914,697
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,161)	(93,156)
Purchase of certificate of deposit	(1,235,235)	(870,157)
Net Cash Flows from Investing Activities	(1,238,396)	(963,313)
INCREASE (DECREASE) IN CASH	101,774	(48,616)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	403,691	452,307
CASH AND CASH EQUIVALENTS AT END OF YEAR	505,465	403,691

The Notes to Financial Statements are an integral part of this statement.

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NATURE OF BUSINESS

The Organization is a nonprofit organization whose principal activities are to promote respect for all animals and serve the community by preventing animal abuse, cruelty and neglect in Elkhart County, Indiana. Funding is primarily provided by county contracts, grants and private donations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Organization have been prepared on the accrual basis.

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in three categories: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. Temporarily restricted net assets also include cumulative appreciation and reinvested gains on permanently restricted net assets, which have been restricted by donors but have not been appropriated by management of the Organization.

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization did not have any permanently restricted net assets as of December 31, 2015 or 2014.

FAIR VALUE MEASUREMENTS

Management accounts for all assets and liabilities that are measured and reported on a fair value basis under the Fair Value Measurements and Disclosures Topic of FASB ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The framework for measuring fair value establishes a hierarchy that 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

USE OF ESTIMATES

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

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Financial Position, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at a local bank and is insured up to the limits of the FDIC. It is common throughout the course of operations for the Organization's cash balance to exceed the insured limit.

CERTIFICATES OF DEPOSIT

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short term. Certificates of deposit with remaining maturities greater than one year are classified as long term.

RECEIVABLES

Receivables are stated at the amount management expects to collect from outstanding balances and are presented net of allowance for doubtful accounts. Management has determined that no allowance is necessary at December 31, 2015 or 2014. Factors considered in determining collectibility include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends. Differences between the amount due and the amount management expects to collect are reported as a charge to earnings in the year in which those differences are determined, with an offsetting entry to the allowance for doubtful accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. The Organization does not charge interest on past due accounts.

CONTRIBUTIONS

The Organization records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are received.

PLEDGES RECEIVABLE

The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on management's analysis of specific promises made. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until the conditions are substantially met.

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

INVENTORIES

Purchased inventories are stated at the lesser of cost or net realizable value. Donated inventories are valued at the fair market value at the date of the gift.

ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs for the years ended December 31, 2015 and 2014 were \$2,726 and \$2,821, respectively.

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as unrestricted support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Organization did not receive any donor-restricted assets during the years ended December 31, 2015 or 2014.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was \$37,310 and \$37,356 for the years ended December 31, 2015 and 2014, respectively. The Organization had \$105,975 of construction in progress included in Buildings and building improvements which was not depreciated as of December 31, 2015 and 2014, respectively.

A summary of the range of lives by asset category follows:

Buildings and building improvements	10 - 39 years
Furniture and equipment	5 - 7 years
Vehicles	5 years

CONTRIBUTED MATERIALS AND SERVICES

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-605 states that in order to recognize donated services as contributions in the Organization's financial statements the services must require special skills, be provided by individuals who possess those skills, and typically need to be purchased if not contributed. The Organization has a number of unpaid volunteers that have made significant contributions of their time to the Organization's various programs. The value of the contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the requirements for recognition under ASC 958.

Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

The Organization received in-kind contributions of \$24,972 and \$19,872 for miscellaneous shelter supplies during the years ended December 31, 2015 and 2014, respectively.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service (IRS) has determined that the Organization is not a private foundation within the meaning of Section 509(a).

The Income Taxes Topic, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740 requires an enterprise to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The entity recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, the Organization has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Organization's evaluation was performed for all federal and state tax periods still subject to examination. The Organization's 2012 through 2014 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

CONCENTRATION OF CREDIT RISK

Financial instruments with potential credit risk consists principally of cash and a certificate of deposit. Concentration of credit risk with respect to cash and the certificate of deposit generally relates to deposits held at the bank which may exceed the amount of insurance provided on the deposits and the potential inability to access liquidity in the financial institutions where the cash and certificate of deposit are concentrated. The risk is managed as the cash and certificate of deposit may be redeemed upon demand and are maintained in a financial institution with reputable credit, and, therefore, bear minimal credit risk.

NOTE 2 - FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under ASC 820 are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Organization utilized the market approach to approximate its value of Level 2 investments. These assets are not held in active markets but have quoted prices.

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments			
Certificate of deposit	0	2,281,063	0
Total	0	2,281,063	0

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments			
Certificate of deposit	0	1,045,828	0
Total	0	1,045,828	0

NOTE 3 - BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

The Organization has entered into an agreement with the Elkhart County Community Foundation in which the Community Foundation established a fund from contributions received from outside donors on behalf of the Organization. On an annual basis, the fund will be used to support the Organization's operations under the Community Foundation's spending policy, as defined. The policy calls for 5% of a defined average balance to be distributed for operational purposes. Annual distributions from the fund are reported as investment income that increase unrestricted net assets.

The total market value of the investments held and managed by the Community Foundation as of December 31, 2015 and 2014, was \$67,072 and \$71,380, respectively, all of which was contributed to the fund directly by donors or is appreciation (depreciation) on those monies. The annual distribution from the fund received during the years ended December 31, 2015 and 2014 was \$3,020 and \$2,800, respectively.

In addition, in 2014, the Organization was notified that it was an income beneficiary of a private foundation administered by Indiana Trust & Investment Management Company. The Organization has no control over the investments of the private foundation. The Organization is entitled to receive a minimum distribution of 5% of the average fair market value of the investments for the previous calendar year. Annual trust distributions receivable of \$34,399 and \$9,558 are recorded to reflect the distributions receivable at December 31, 2015 and 2014, respectively.

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 4 - CAPITAL CAMPAIGN AND PLEDGES RECEIVABLE

During 2014, the Organization started a capital campaign drive, "Unleashing the Possibilities", to raise funds for the construction of a new operating facility to replace their existing facility. The drive is expected to collect pledges over a five year period. The stated goal of the capital campaign is to raise \$4,000,000 to cover construction costs. Any remaining funds will be invested in an endowment fund to provide revenue to cover future maintenance and repair expenses of the new facility.

The Elkhart County Community Foundation collected funds from outside donors on behalf of the Organization's capital campaign during 2014. The funds are restricted for the construction and operation of a new building. A 50% Lilly Foundation matching grant up to \$250,000 was added to these donor funds. All of the donations collected by the Community Foundation will be distributed at the Organization's direction. A receivable from the Community Foundation in the amount of \$694,139 was recorded at December 31, 2014 representing the donations collected on behalf of the Organization and the eligible match funds. These funds were received by the Organization during 2015. The match program ended during 2015.

The Organization has unpaid pledge commitments extending through 2020 related to the capital campaign. The pledges are unconditional promises to give and have been discounted to the present value. Pledges receivable are unsecured and due from various donors.

Pledges receivable are due to be collected as follows for the years ending December 31:

2016	290,018
2017	52,623
2018	8,150
2019	2,025
2020	1,000
Total pledges due	353,816
Less allowance for doubtful pledges of 2%	(7,067)
Pledges receivable after discount	346,749
Less present value discounted at 1.75%	(2,427)
Pledges receivable, net	344,322

The pledges receivable are shown on the Statements of Financial Position net of allowance and present value discount, and are due as follows:

	<u>2015</u>	<u>2014</u>
Current	283,051	74,110
Non-current	61,371	32,126
Total	344,422	106,236

In addition to the capital campaign, the 2011 Paws Campaign has unpaid pledge commitments extending through 2016 which total \$450 and \$6,250 at December 31, 2015 and 2014, respectively. The pledges are unconditional promises to give associated with the shelter operations and have been discounted to the present value. These pledge receivables are unsecured and are due from various donors. The Organization feels the pledges are fully collectible; therefore no allowance has been established on these pledges.

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 5 - BOARD DESIGNATED NET ASSETS

The Organization's Board of Directors has designated net assets for the following at December 31:

	<u>2015</u>	<u>2014</u>
Capital campaign - building	96,436	80,466
Total	96,436	80,466

NOTE 6 - LINE OF CREDIT

The Organization maintains a \$100,000 revolving line of credit with a local bank. Interest is charged at prime with a floor of 4.5% resulting in an effective rate of 4.5% at December 31, 2015. The line of credit is secured by all assets of the Organization. There were no outstanding borrowings on the line of credit at December 31, 2015 or 2014.

NOTE 7 - LEASE COMMITMENTS

In January 2015, the Organization entered into a lease agreement for a color laser printer under an operating lease agreement with an initial term of thirty six months. The lease calls for monthly payments of \$51.

In January 2014, the Organization entered into a lease agreement for a copier under an operating lease agreement with an initial term of forty eight months. The lease calls for monthly payments of \$142.

Rental expense, excluding executory costs, was \$2,314 and \$1,704 for the years ended December 31, 2015 and 2014, respectively.

The future minimum lease payments under the lease agreements are as follows at December 31:

2016	2,314
2017	2,314
Total future minimum lease payments	4,628

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
Foster care	0	1,332
Food purchase	4,368	0
Capital campaign - building	3,059,779	1,823,820
Veterinary support	46,297	46,642
Computer and microscope	0	4,190
Spay and neuter	1,675	2,111
Employee lunches	200	0
Laminator	12	0
Total	3,112,331	1,878,095

HUMANE SOCIETY OF ELKHART COUNTY, INC.

Bristol, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 9 - SPECIAL EVENTS

The Organization received support from special events totaling \$26,349 and \$76,017 for the years ended December 31, 2015 and 2014, respectively. The Organization incurred event expenses totaling \$4,835 and \$18,010 for the years ended December 31, 2015 and 2014, respectively.

NOTE 10 -CONCENTRATIONS

The Organization receives a substantial amount of its support from Elkhart County for operating and maintaining an animal shelter. The Organization also receives a substantial amount of its support from the residents of Elkhart County. Any significant reduction in the level support from either of these sources could have a significant effect on the Organization's programs.

NOTE 11 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 10, 2016, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.