

**BLUE MOUNTAIN  
HUMANE SOCIETY**

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**Financial Statements and  
Independent Accountants'  
Review Report**

**December 31, 2016**

# Blue Mountain Humane Society

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors  
Blue Mountain Humane Society  
Walla Walla, Washington

We have reviewed the accompanying financial statements of Blue Mountain Humane Society (a nonprofit organization) (the Organization) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### *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.

### *Accountants' Responsibility*

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide reasonable basis for our conclusion.

### *Accountants' Conclusion*

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Northwest CPA Group PLLC

Tri-Cities, Washington  
February 28, 2017

**Blue Mountain Humane Society**  
**Statement of Financial Position**  
**December 31, 2016**

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**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents		\$ 83,976
Accounts receivable		8,251
Pledges receivable, <i>current</i>		3,765
Prepaid expenses		39,075
Other assets		6,205
Total current assets		141,272

**PROPERTY AND EQUIPMENT:**

Buildings and improvements	\$ 1,605,402	
Vehicles and equipment	116,523	
	1,721,925	
Less accumulated depreciation	656,234	
	1,065,691	
Construction in progress	66,951	
Land	145,156	
	1,277,798	

**OTHER ASSETS:**

Investments	2,524,345	
Pledges receivable, <i>noncurrent</i>	32,965	
Cash restricted by donors for building expansion	67,083	
Pledges receivable for building expansion	154,300	
Investments restricted for building expansion	25,001	
Investments designated by the board for building expansion	92,494	
	2,896,188	
	\$ 4,315,258	

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable		\$ 7,468
Payroll liabilities		10,812
Accrued vacation		12,912
Prepaid dog licenses		20,687
Total current liabilities		51,879

**NET ASSETS:**

Unrestricted:		
Board designated	\$ 1,845,457	
Undesignated	1,363,427	
	3,208,884	
Temporarily restricted	440,014	
Permanently restricted	614,481	
Total net assets	4,263,379	
	\$ 4,315,258	

**Blue Mountain Humane Society**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT:</b>				
Public support:				
Contributions	\$ 292,828	\$ 241,883	\$ -	\$ 534,711
Contributions, <i>in-kind</i>	116,279	41,230	-	157,509
Grants	36,000	-	-	36,000
Legacies and bequests	18,615	-	-	18,615
Fundraising	7,238	-	-	7,238
Memberships	6,865	-	-	6,865
Total public support	<u>477,825</u>	<u>283,113</u>	<u>-</u>	<u>760,938</u>
Special event revenue:				
Special event revenue	192,732	-	-	192,732
Less costs of direct benefits to donors	24,481	-	-	24,481
Net special event revenue	<u>168,251</u>	<u>-</u>	<u>-</u>	<u>168,251</u>
Other revenue:				
Contracts	93,972	-	-	93,972
Animal operations	88,844	-	-	88,844
Animal control fees	63,739	-	-	63,739
Total other revenue	<u>246,555</u>	<u>-</u>	<u>-</u>	<u>246,555</u>
Total revenues and support	<u>892,631</u>	<u>283,113</u>	<u>-</u>	<u>1,175,744</u>
Net assets released from restrictions	126,580	(126,580)	-	-
	<u>1,019,211</u>	<u>156,533</u>	<u>-</u>	<u>1,175,744</u>
<b>EXPENSES:</b>				
Program services	826,403	-	-	826,403
Management and general	47,082	-	-	47,082
Fundraising	157,294	-	-	157,294
Total expenses	<u>1,030,779</u>	<u>-</u>	<u>-</u>	<u>1,030,779</u>
<b>CHANGES IN NET ASSETS BEFORE OTHER INCOME</b>	<u>(11,568)</u>	<u>156,533</u>	<u>-</u>	<u>144,965</u>
<b>OTHER INCOME:</b>				
Interest income	101	-	-	101
Gain from sale of equipment	2,600	-	-	2,600
Net investment return	151,411	88,426	-	239,837
Total other income	<u>154,112</u>	<u>88,426</u>	<u>-</u>	<u>242,538</u>
<b>CHANGES IN NET ASSETS</b>	142,544	244,959	-	387,503
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,066,340</u>	<u>195,055</u>	<u>614,481</u>	<u>3,875,876</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,208,884</u>	<u>\$ 440,014</u>	<u>\$ 614,481</u>	<u>\$ 4,263,379</u>

**Blue Mountain Humane Society**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2016**

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	Program Services	Management and General	Fundraising	Total
Salaries	\$ 426,122	\$ 26,989	\$ 104,456	\$ 557,567
Animal care	134,745	-	-	134,745
Veterinary services and supplies	62,999	-	-	62,999
Depreciation	56,512	4,427	700	61,639
Utilities	33,757	1,777	821	36,355
Fundraising	-	-	20,922	20,922
Trap, neuter, and release	18,268	-	-	18,268
Professional fees	750	6,646	9,836	17,232
Staff development and training	15,376	-	-	15,376
Supplies	13,191	1,466	-	14,657
Advertising	4,803	-	7,614	12,417
Postage	2,072	-	7,931	10,003
Insurance	7,235	2,262	366	9,863
Dues and subscriptions	4,724	2,363	2,363	9,450
Repairs and maintenance	9,191	-	-	9,191
Bank charges	6,499	-	2,285	8,784
Rent	6,517	-	-	6,517
Animal control	6,288	-	-	6,288
Contract labor	6,105	-	-	6,105
Computer maintenance	4,608	1,152	-	5,760
Vehicle	3,506	-	-	3,506
Taxes and licenses	3,051	-	-	3,051
Offsite animal training	84	-	-	84
	<u>\$ 826,403</u>	<u>\$ 47,082</u>	<u>\$ 157,294</u>	<u>\$ 1,030,779</u>

**Blue Mountain Humane Society**  
**Statement of Cash Flows**  
**Year Ended December 31, 2016**

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***INCREASE (DECREASE) IN CASH  
AND CASH EQUIVALENTS***

***CASH FLOWS FROM OPERATING ACTIVITIES:***

Cash received from operations and donors		\$ 924,825
Cash paid to suppliers and employees		(835,739)
Interest and dividends received		101
Net cash provided by operating activities		89,187

***CASH FLOWS FROM INVESTING ACTIVITIES:***

Purchase of property and equipment	\$ (144,500)	
Proceeds from sale of equipment	2,600	
Proceeds from sales of investments	96,000	
Purchase of investments	(25,000)	
Net cash used in investing activities		(70,900)

***CASH FLOWS FROM FINANCING ACTIVITIES:***

Cash restricted for building expansion		(67,083)
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***NET INCREASE IN CASH AND CASH EQUIVALENTS*** (48,796)

***CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR*** 132,772

***CASH AND CASH EQUIVALENTS, END OF YEAR*** \$ 83,976

***Reconciliation of Changes in Net Assets to Net Cash  
Provided by Operating Activities:***

Changes in net assets		\$ 387,503
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	\$ 61,639	
Donation of stock and fixed assets	(17,061)	
Realized loss on investments	7,495	
Unrealized gain on investments	(168,045)	
Interest and dividends reinvested	(79,287)	
Gain from sale of equipment	(2,600)	
Increase in assets:		
Accounts receivable	(913)	
Pledges receivable	(99,030)	
Prepaid expenses	(11,821)	
Other assets	(3,705)	
Increase in liabilities:		
Accounts payable	5,908	
Payroll liabilities	2,955	
Accrued vacation	4,362	
Prepaid dog licenses	1,787	
Total adjustments		(298,316)
Net cash provided by operating activities		\$ 89,187

# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2016

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#### ***NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:***

##### *Organization:*

Blue Mountain Humane Society (the Organization) is a not-for-profit charitable organization that provides support services for animals in Walla Walla, Washington, and surrounding areas. The Organization's primary purpose is to prevent cruelty and promote kindness to animals in their community. This is accomplished through the operation of an animal shelter, education programs, and cruelty and neglect investigations. Funding sources include the following:

- Shelter fees
- Municipal contracts for housing animals
- Memberships and donations from caring individuals and businesses

##### *Summary of Significant Accounting Policies:*

*Basis of presentation* – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under those principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Cash and cash equivalents* – The Organization considers all highly liquid investments, with an original maturity of three months or less, to be cash equivalents. The Organization maintains its cash in bank deposit accounts with financial institutions. Cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation at various times during the year; management does not consider this to be a significant credit risk.

*Accounts receivable* – Receivables are carried at their original amount, less an estimate made for doubtful accounts based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off to the allowance when deemed uncollectible. No allowance was deemed necessary at December 31, 2016. Recoveries of receivables previously written off are recorded when received.

*Pledges receivable* – Unconditional promises to give are included in the accompanying financial statements as pledges receivable and contribution revenue. Promises to give are written off to the allowance when considered uncollectible. No allowance was deemed necessary at December 31, 2016.



# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2016

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#### **NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### *Summary of Significant Accounting Policies (continued):*

*Other assets* – Two rings were donated to the Organization during the year ended December 31, 2011. During the year ended December 31, 2016, one ring was sold, which left one ring held for sale at a consignment shop. During the year ended December 31, 2016, a lawn mower was donated to the Organization and held for subsequent sale. These assets have been recorded at their estimated fair values at the date of donation.

*Property and equipment* – Property and equipment are stated at cost or, if donated, at their approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 39 years. The Organization capitalizes all property and equipment acquired in excess of \$1,000.

*Investments* – The Organization records investments in marketable securities with readily determinable market values at their fair values in the statement of financial position. Investment securities consist of a highly-diversified portfolio of equity securities and mutual funds. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Donated investments are recorded at the fair market value on the date of the gift. The investments in marketable securities are subject to market risk.

*Financial instruments* – At December 31, 2016, the carrying value of the Organization's financial instruments approximated fair value.

*Classification of contributions and net assets* – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase 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 restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Temporarily restricted contributions received in the same period the restrictions are met are recorded as unrestricted contributions.

*Revenue recognition* – Gifts and contributions are recorded at fair value at the date of receipt or unconditional promise to give. Revenue from operations and grants is recognized when the related services are provided. Bequests are recorded when the Organization has established the right to the bequest and the proceeds are measurable.

# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2016

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#### **NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### *Summary of Significant Accounting Policies (continued):*

*In-kind contributions* – Donated goods are recorded at their estimated fair value when received. Contributions of services are recognized if the services received create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not donated. The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

*Allocation of expenses* – The costs of providing program services and other costs are reported on a functional basis in the statement of functional expenses. Accordingly, there are certain costs that are allocated among the programs and supporting service centers that benefit from such costs.

*Advertising* – Advertising cost is expensed as incurred. Advertising expense for the year ended December 31, 2016, was \$12,417.

*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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Income taxes* – Under the provisions of Section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from federal income taxes, except for net income from unrelated business activities. For the year 2016, the Organization had no unrelated business activities subject to federal income tax. Management has evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustments to the financial statements. Management believes that the Organization is no longer subject to federal, state, or local income tax examinations by tax authorities for the tax years before 2013.

## Blue Mountain Humane Society Notes to Financial Statements Year Ended December 31, 2016

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### **NOTE 2 – PLEDGES RECEIVABLE:**

During the year ended December 31, 2016, the Organization entered into a ten-year land lease that has an estimated fair value of \$6,000 per year. The lease requires annual payments of \$1,500. The remaining in-kind donation has been recorded as a pledge receivable and contribution revenue at its net present value of \$37,465, using a discount rate of 2%.

In addition, the Organization has received pledges receivable related to the capital campaign for a building expansion project.

The Organization's pledges receivable consisted of unconditional promises to give and are due as follows as of December 31, 2016:

	In-Kind Rent	Capital Campaign	Total
Receivable in less than one year	\$ 4,500	\$ 154,300	\$ 158,800
Receivable in one to five years	22,500	-	22,500
Receivable in six to ten years	13,500	-	13,500
	40,500	154,300	194,800
Less:			
Discount to net present value	3,770	-	3,770
	\$ 36,730	\$ 154,300	\$ 191,030

### **NOTE 3 – SELF INSURANCE:**

The Organization has elected to opt out of participation in the Washington State Employment Security Program. The Organization is self-insured for unemployment claims through 501(c) Agencies Trust. Contributions to 501(c) Agencies Trust are accumulated and used to pay future claims. The Organization could be required to make additional payments if claims exceed the accumulated contributions. At December 31, 2016, \$15,806 was held on deposit with 501(c) Agencies Trust, and is included in prepaid expenses. The ultimate costs of claims are accrued when incidents occur that give rise to claims.

**Blue Mountain Humane Society**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

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**NOTE 4 – CONSTRUCTION IN PROGRESS:**

Construction in progress at December 31, 2016, included costs accumulated to date for:

	Construction in Progress at December 31, 2016	Estimated Total Completed Cost	Estimated Year of Completion
Building expansion	\$ 66,951	\$ 1,100,000	2019

**NOTE 5 – FAIR VALUE MEASUREMENTS:**

The Financial Accounting Standards Board has established a fair value measurement standard, which establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Quoted prices are available in active markets for identical investments as of the measurement date. The Organization does not adjust the quoted price for these investments.

Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the measurement date, but are not the same as those used in Level 1. Fair value is determined through quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire measurement in the hierarchy.

## Blue Mountain Humane Society Notes to Financial Statements Year Ended December 31, 2016

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### *NOTE 5 – FAIR VALUE MEASUREMENTS (continued):*

The following table discloses by level, within the fair value hierarchy, the Organization's fair value measurements at December 31, 2016:

	Quoted Prices (Level 1)	Cost
Mutual Funds:		
Growth	\$ 241,842	\$ 226,970
Aggressive	33,122	40,000
Income	370,759	357,829
Growth and income	406,786	347,303
Stocks:		
Growth	264,463	227,675
Value	25,676	18,493
Growth and income	334,894	248,062
Large blend	57,660	52,429
Large Core	40,714	34,826
Mid Cap Growth	346,886	256,572
Mid Core	17,244	15,745
Exchange traded and closed-end funds:		
Aggressive income	23,275	19,526
Preferred and fixed rate cap securities:		
Bond equivalent	124,069	128,192
Growth and income	20,872	20,615
Income	110,894	115,057
Cash and cash equivalents	222,684	222,684
	\$ 2,641,840	\$ 2,331,978

There were no Level 2 or Level 3 investments at December 31, 2016.

The endowment fund consists of marketable securities valued at \$771,381 at December 31, 2016. Absent donor stipulations to the contrary, investment return related to permanently restricted net assets is recorded as temporarily restricted until appropriated by the Board of Directors.

Investment return consisted of the following for the year ended December 31, 2016:

Interest and dividends	\$ 79,287
Realized loss	(7,495)
Unrealized gain	168,045
	\$ 239,837

# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2016

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**NOTE 6 – ENDOWMENTS:**

The Organization’s endowments consist of donor-restricted funds established to provide continuing resources for the Organization’s mission. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of relevant law:*

The Board of Directors has interpreted the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 this interpretation, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment;
- The original value of subsequent gifts to the permanent endowment; and
- Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure by the Board of Directors. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- General economic conditions;
- The possible effect of inflation and deflation;
- The role that each investment or course of action plays within the overall investment portfolio of the fund;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- The needs of the Organization, or a particular fund within the Organization, to make distributions and to preserve capital; and
- An asset’s special relationship or special value, if any, to the Organization’s purposes.

Endowment funds as of December 31, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 156,900	\$ 614,481	\$ 771,381

## Blue Mountain Humane Society Notes to Financial Statements Year Ended December 31, 2016

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**NOTE 6 – ENDOWMENTS (continued):**

Changes in the endowment funds for the year ended December 31, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, December 31, 2015	\$ -	\$ 96,675	\$ 614,481	\$ 711,156
Investment return:				
Net investment income	-	20,555	-	20,555
Net appreciation (realized and unrealized)	-	67,870	-	67,870
Net endowment gain	-	88,425	-	88,425
Appropriation of endowment for expenditure	-	(28,200)	-	(28,200)
Endowment funds, December 31, 2016	\$ -	\$ 156,900	\$ 614,481	\$ 771,381

*Funds with deficiencies:*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There are no funds that have a deficiency as of December 31, 2016.

*Return objective and risk parameters:*

The Organization has adopted investment and spending policies for endowment assets with the long-term goal of preserving the asset size and for providing the same level of support in real dollars. The second long-term goal is to modestly grow the asset size of the investment portfolio by realizing a real rate of total return of 10% after administrative and management expenses. Actual results in any given year may vary from this amount.

# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2016

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**NOTE 6 – ENDOWMENTS (continued):**

*Strategies employed for achieving objectives:*

The goals of the Endowment Committee are to realize investment appreciation, consistent with safety of principal. The Organization will use an asset allocation model to define the optimum portfolio mix that relates an expected rate of total return with an expected risk profile of each investment category as well as the overall portfolio. The Organization has adopted the following asset allocation: large cap domestic stocks (25% - 45%), small/mid cap domestic stocks (10% - 30%), international stocks (0% - 20%), domestic fixed income (20% - 40%), alternative investments (0% - 10%), and cash equivalents (0% - 15%).

*Spending policy and how the investment objective relates to spending policy:*

The Organization periodically reviews the appropriate investment goal for the annual total return of assets. This goal is expressed in terms of a five-year rolling average and is net of investment fees paid to investment managers and for custodial services. The appropriate total return goal shall be established to supporting an annual spending rate of 4%.

**NOTE 7 – NET ASSET RESTRICTIONS:**

At December 31, 2016, a portion of the Organization's unrestricted net assets was designated by the Board of Directors for specific purposes, as follows:

Capital campaign reserve	\$ 92,494
Board restricted reserve	1,689,368
Building maintenance reserve	<u>63,595</u>
	<u>\$ 1,845,457</u>

Temporarily restricted net assets as of December 31, 2016, consisted of the following:

Endowment earnings available for appropriations, <i>timing restriction</i>	\$ 156,900
Pledges receivable, <i>timing restriction</i>	191,030
Capital campaign, <i>purpose restriction</i>	<u>92,084</u>
	<u>\$ 440,014</u>



# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2016

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**NOTE 8 – DONOR-DESIGNATED FUNDS:**

The Organization has been named a beneficiary of donor-designated funds maintained by the Blue Mountain Community Foundation (the Foundation). The designated funds are subject to the Foundation's variance power, which allows their Board of Directors to modify any restriction or condition placed on the gifts to the Foundation. Due to this variance power, the Organization does not record an asset or recognize revenue related to these funds until received. During the year ended December 31, 2016, the Organization received \$54,529, from the donor-designated funds that is included in contributions in the statement of activities. As of December 31, 2016, balances in donor-designated funds for the Organization that are maintained by the Foundation were \$1,728,121.

**NOTE 8 – IN-KIND CONTRIBUTIONS:**

The Organization receives a significant amount of donated goods and services from volunteers. Contributions of services are recognized if the services received create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not donated. Veterinarians have donated their time to assist in altering cats for the Cat Management Coalition program. The fair value of these services was estimated to be \$9,593 for the year ended December 31, 2016.

In-kind contributions consisted of the following during the year ended December 31, 2016:

Animal care supplies	\$ 84,785
Rent	41,230
Professional services	25,994
Equipment	5,500
Stock donation	1,031
	<u>\$ 158,540</u>

**NOTE 9 – NONCASH INVESTING ACTIVITIES:**

Each year, the Organization purchases and sells within its investment account, with no resulting cash activity. In addition, income is also automatically reinvested. The following summarizes the noncash investing transactions for the year ended December 31, 2016:

Sales	\$ 499,469
Purchases	(349,227)
Interest and dividends reinvested	76,287

# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2016

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**NOTE 10 – CONCENTRATIONS:**

During the year ended December 31, 2016, approximately 13% of revenue and support was received from two donors.

**NOTE 11 – OPERATING COMMITMENTS:**

In 2016, the Organization entered into an operating lease for land. The lease requires annual payments of \$1,500 through December 2025. The annual fair value of the lease is \$6,000. The difference between the fair value and required lease payments has been recorded as an in-kind contribution during the year ended December 31, 2016. Also, see Note 2. Rent expense for the year ended December 31, 2016, was \$6,288.

Future minimum lease payments (excluding in-kind rent) are as follows:

Years Ending December 31,	Amount
2017	\$ 1,500
2018	1,500
2019	1,500
2020	1,500
2021	1,500

**NOTE 12 – SUBSEQUENT EVENTS:**

Subsequent events have been evaluated by management through February 28, 2017, which is the date the financial statements were available to be issued.