



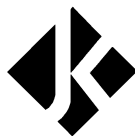
**ATLANTA, GEORGIA**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**FOR THE NINE-MONTH PERIOD ENDED  
SEPTEMBER 30, 2015**

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**INDEX TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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**Jones and Kolb  
Certified Public Accountants  
Atlanta, Georgia**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Atlanta Humane Society and Society for  
Prevention of Cruelty to Animals, Inc.  
Atlanta, Georgia

We have audited the accompanying financial statements of Atlanta Humane Society and Society for Prevention of Cruelty to Animals, Inc. (the "Society"), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and net assets and cash flows for the nine-month period 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 Society'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 Society'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 Atlanta Humane Society and Society for Prevention of Cruelty to Animals, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the nine-month period then ended in accordance with accounting principles generally accepted in the United States of America.

*Jones and Kolb*

March 3, 2016

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,846,502
Marketable securities	19,552,352
Promises to give, net	379,824
Other current assets	264,122
	<hr/>
Total current assets	22,042,800

**PROPERTY AND EQUIPMENT, NET**

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13,183,583

**OTHER ASSETS**

Promises to give, net	737,953
Beneficial interests in perpetual trusts	3,662,667
Marketable securities - permanently restricted	518,713
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Total other assets	4,919,333

Total assets

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\$ 40,145,716

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 850,599
Line of credit	4,644,620
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Total current liabilities	5,495,219

**NET ASSETS**

Unrestricted	30,056,524
Temporarily restricted	412,593
Permanently restricted	4,181,380
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Total net assets	34,650,497

Total liabilities and net assets

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\$ 40,145,716

The accompanying notes to financial statements  
are an integral part of this statement.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.  
STATEMENT OF ACTIVITIES AND NET ASSETS  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>				
Support and revenues				
Program service revenues				
Animal Shelters	\$ 1,224,228	\$ -	\$ -	\$ 1,224,228
Veterinary Center	466,433	-	-	466,433
Total program service revenues	1,690,661	-	-	1,690,661
Contributions	3,152,683	25,794	-	3,178,477
Special events	288,182	-	-	288,182
Investment spending allocation	659,880	-	-	659,880
Total support and revenues	5,791,406	25,794	-	5,817,200
Expenses				
Program service expenses				
Animal Shelters	4,329,598	-	-	4,329,598
Education	237,188	-	-	237,188
Veterinary Center	685,376	-	-	685,376
Total program service expenses	5,252,162	-	-	5,252,162
Administrative and general expenses	818,991	-	-	818,991
Fundraising expenses	919,280	-	-	919,280
Costs of direct benefits to donors	165,535	-	-	165,535
Total expenses	7,155,968	-	-	7,155,968
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	302,883	(302,883)	-	-
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	(1,061,679)	(277,089)	-	(1,338,768)
<b>NON-OPERATING ACTIVITIES</b>				
Net realized and unrealized loss on marketable securities and beneficial interests in perpetual trusts	(1,091,440)	(47,194)	(231,852)	(1,370,486)
Investment income, net of expenses of \$100,794	232,196	12,796	-	244,992
Investment spending allocation	(659,880)	-	-	(659,880)
Loss on disposal of equipment	(1,549)	-	-	(1,549)
<b>CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>	(1,520,673)	(34,398)	(231,852)	(1,786,923)
<b>CHANGE IN NET ASSETS</b>	(2,582,352)	(311,487)	(231,852)	(3,125,691)
<b>NET ASSETS, Beginning of year</b>	32,638,876	724,080	4,413,232	37,776,188
<b>NET ASSETS, End of year</b>	<u>\$ 30,056,524</u>	<u>\$ 412,593</u>	<u>\$ 4,181,380</u>	<u>\$ 34,650,497</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets \$ (3,125,691)

ADJUSTMENTS TO RECONCILE CHANGE IN NET  
ASSETS TO NET CASH AND CASH EQUIVALENTS  
USED IN OPERATING ACTIVITIES:

Depreciation	583,716
In-kind contributions of investments	(2,111)
Bad debt expense	39,680
Net realized and unrealized losses on marketable securities	1,138,634
Change in fair value of beneficial interests in perpetual trusts	231,852
Loss on disposal of equipment	1,549
Increase in promises to give, net	(843,657)
Decrease in other current assets	36,353
Increase in accounts payable and accrued expenses	<u>333,561</u>

Total adjustments 1,519,577

Net cash and cash equivalents used in operating activities (1,606,114)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Payments for the purchase of property and equipment	(339,565)
Purchases of marketable securities	(4,480,901)
Proceeds from sales of marketable securities	<u>4,516,531</u>

Net cash and cash equivalents used in investing activities (303,935)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Capital campaign contributions	<u>100,000</u>
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Net cash and cash equivalents provided by financing activities 100,000

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (1,810,049)

**CASH AND CASH EQUIVALENTS, Beginning of period** 3,656,551

**CASH AND CASH EQUIVALENTS, End of period** \$ 1,846,502

**SUPPLEMENTAL CASH FLOW DISCLOSURE:**

Interest paid	<u><u>\$ 41,594</u></u>
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The accompanying notes to financial statements  
are an integral part of this statement.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. The Atlanta Humane Society and Society for Prevention of Cruelty to Animals, Inc. (the "Society"), is a not-for-profit organization that promotes the humane treatment of animals. The principal services performed by the Society are housing, alteration and adoption of homeless animals and veterinarian services at the public veterinary center. Services are funded through gifts and bequests, contributions, fundraising and veterinary center and adoption fees.

Effective September 17, 2015, the Society changed its fiscal year end from December 31 to September 30.

B. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. The Society classifies net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions using three classifications: unrestricted, temporarily restricted and permanently restricted. These three classifications are defined as follows:

Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired.

Temporarily restricted net assets are those net assets subject to donor-imposed restrictions that permit the Society to use or expend the donated assets as specified and are satisfied either by the passage of time and/or by actions of the Society.

Permanently restricted net assets are those net assets subject to donor-imposed restrictions that stipulate resources be maintained permanently, but permit the Society to use or expend part or all of the income derived from the donated assets for specified or unspecified purposes.

The Society records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Net Assets as net assets released from restrictions. The Society's policy is to record temporarily restricted contributions received and expended in the same period as unrestricted contributions.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
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Contributions that the donor requires to be used to acquire long-lived assets are reported as temporarily restricted contributions. Once the asset has been placed in service, the Society reflects the expiration of the donor-imposed restriction as net assets released from restrictions.

D. Unpaid volunteers have made significant contributions of time to the Society. The value of this contributed time is not reflected in the accompanying statements since it does not create or enhance non-financial assets or require specialized skills.

E. The Society considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. At times, the Society's cash balances are in excess of the Federally insured limit. However, given the strength of the financial institutions where the deposits are held, management believes such excess deposits do not create any significant loss exposure. Management periodically reviews the financial viability of the financial institutions and does not anticipate nonperformance.

G. Marketable securities and beneficial interests in perpetual trusts are recorded at fair value net of all fees, paid or accrued. Marketable securities include investments in stocks, corporate obligations, equity funds, government related securities and U.S. treasuries. Realized and unrealized gains and losses on marketable securities are computed using the specific identification method. Beneficial interests in perpetual trusts include only the Society's proportional share of the perpetual trusts.

H. Trade accounts receivable, which are included in other current assets in the accompanying Statement of Financial Position, are recorded at the amounts of cash estimated as realizable. The Society provides reserves for uncollectible accounts when specific accounts are deemed uncollectible. Trade accounts receivable balances are considered delinquent based upon how recently payments have been received. At September 30, 2015, the Society considered all trade accounts receivable collectible.

I. Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are initially recorded at fair value, estimated by discounting them to their present value of estimated future cash flows at a risk-adjusted rate. Due to the nature of these promises to give, previous experience and analysis of specific promises to give, the Society has reserved a balance of \$19,680 at September 30, 2015.

J. The Society capitalizes property and equipment over \$1,000 with expected useful lives greater than one year. Purchased property and equipment are capitalized at cost and depreciated over the estimated useful lives of the assets, ranging from three to forty years. Donated assets



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are capitalized at the fair market value of the asset on the date of contribution. Additions and replacements are charged to property accounts, while repairs and maintenance are charged to expense as incurred. Depreciation is recorded on the straight-line method for financial reporting purposes.

K. The Society is exempt from income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. The Society is subject to examinations of its tax returns by the U.S. Federal, state and local authorities for three years after the returns are filed. Currently, the 2012 through 2015 tax years are subject to examination. However, the Society is not currently under audit nor has it been contacted by the taxing authorities.

L. Subsequent events have been evaluated by management through March 3, 2016, the date these financial statements were available to be issued.

**2. PROMISES TO GIVE**

Promises to give at September 30, 2015 are due as follows:

Receivable in less than one year	\$ 398,670
Receivable in one to five years	508,333
Receivable in more than five years	<u>300,000</u>
Gross promises to give	1,207,003
Reserve for uncollectible accounts	(19,680)
Discount to present value	<u>(69,546)</u>
Promises to give, net	<u><u>\$ 1,117,777</u></u>

**3. FAIR VALUE MEASUREMENTS**

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 within the hierarchy states that valuations are based on observable inputs other than Level 1 prices, such as quoted market prices for similar assets, quoted market prices in inactive markets and other inputs that may be corroborated by observable market data. Level 3 within the hierarchy states that valuations are based upon

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unobservable inputs. At September 30, 2015, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are marketable securities and beneficial interests in perpetual trusts.

Stocks, equity funds and U.S. treasuries are valued at the closing price reported on the active market on which the individual securities are traded. Corporate obligations and government related securities are valued based on quoted prices for similar assets. Beneficial interests in perpetual trusts are valued utilizing net asset valuation of the underlying funds, which value securities and other financial instruments on a mark-to-market basis of accounting.

The following table presents by level, within the fair value hierarchy, the Society's marketable securities and beneficial interests in perpetual trusts at fair value at September 30, 2015:

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Marketable securities				
Stocks	\$ 8,306,375	\$ -	\$ -	\$ 8,306,375
Equity funds	5,155,606	-	-	5,155,606
U.S. treasuries	1,522,959	-	-	1,522,959
Corporate obligations	-	2,559,620	-	2,559,620
Government related securities	-	2,526,505	-	2,526,505
Total marketable securities	14,984,940	5,086,125	-	20,071,065
Beneficial interests in perpetual trusts	-	-	3,662,667	3,662,667
Total	<u>\$ 14,984,940</u>	<u>\$ 5,086,125</u>	<u>\$ 3,662,667</u>	<u>\$ 23,733,732</u>

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015**

The table below sets forth a summary of changes in the fair value of the Society's Level 3 assets, which consist of beneficial interests in perpetual trusts, for the nine-month period ended September 30, 2015:

Balance, beginning of period	\$ 3,894,519
Net realized and unrealized loss	<u>(231,852)</u>
Balance, end of period	<u><u>\$ 3,662,667</u></u>

**4. PROPERTY AND EQUIPMENT**

Property and equipment at September 30, 2015 consisted of the following:

Buildings	\$ 15,038,873
Land	2,074,979
Furniture and equipment	1,569,690
Automotive equipment	653,108
Land improvements	271,359
Computer equipment	139,769
Software and website	<u>71,879</u>
Total	19,819,657
Less accumulated depreciation	<u>(6,636,074)</u>
Property and equipment, net	<u><u>\$ 13,183,583</u></u>

**5. LINE OF CREDIT**

The Society has a \$10,000,000 line of credit with a bank, with interest of LIBOR plus 1% per annum. The interest rate was 1.19% at September 30, 2015. This agreement is collateralized by the Society's marketable securities and renews automatically each January. At September 30, 2015, the Society had outstanding borrowings of \$4,644,620.

**6. EMPLOYEE BENEFIT PLAN**

The Society has a 401(k) plan for the benefit of its employees. The Society matches 100% of employee contributions up to six percent of the employee's salary. Employer contributions to the plan totaled \$63,378 for the nine-month period ended September 30, 2015.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015**

**7. CONCENTRATIONS**

One donor provided approximately 16% of total support and revenues for the nine-month period ended September 30, 2015 and approximately 74% of total promises to give at September 30, 2015.

**8. NET ASSET CLASSIFICATIONS**

Temporarily restricted net assets consisted of the following at September 30, 2015:

Endowment funds with unrestricted income	\$ 187,158
Dog fighting prevention	72,043
High volume spay/neuter	51,804
Endowment funds for veterinary care for unowned animals	42,759
Endowment funds for veterinarian extern	26,650
Cruelty investigation	15,633
Other	<u>16,546</u>
Total	<u><u>\$ 412,593</u></u>

Permanently restricted net assets consisted of the following at September 30, 2015:

Beneficial interests in perpetual trusts with unrestricted income	\$ 3,662,667
Endowment funds for veterinary care for unowned animals	242,498
Endowment funds with unrestricted income	224,859
Endowment funds for veterinarian extern	<u>51,356</u>
Total	<u><u>\$ 4,181,380</u></u>

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During the nine-month period ended September 30, 2015, net assets were released from temporary restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donor as follows:

High volume spay/neuter	\$ 242,711
Veterinary Guideline Renovations	25,000
Foster care	24,232
Other	<u>10,940</u>
Total	<u><u>\$ 302,883</u></u>

**9. ENDOWMENT**

At September 30, 2015, the Society's endowment consisted of three donor-restricted funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of the Society has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2006 ("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 Society classifies 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 as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Directors will appropriate funds from the endowment funds based on specific needs and budgeting requirements from year to year. UPMIFA does not apply to beneficial interests in perpetual trusts.

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Society and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
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- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Society; and,
- (7) The investment policies of the Society.

The Society has adopted investment and spending policies that attempt to preserve endowment assets by using funding only when operating cash is insufficient. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed common benchmarks for a balanced portfolio, while assuming a moderate level of risk.

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

The composition of and changes in endowment net assets for the nine-month period ended September 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of period	\$ -	\$ 290,965	\$ 518,713	\$ 809,678
Investment return:				
Investment income	-	12,796	-	12,796
Net realized and unrealized loss	-	(47,194)	-	(47,194)
Endowment net assets, end of period	<u>\$ -</u>	<u>\$ 256,567</u>	<u>\$ 518,713</u>	<u>\$ 775,280</u>

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 Society to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported as reductions in unrestricted net assets. At September 30, 2015, no such deficiencies existed.