



**ATLANTA, GEORGIA**

**AUDITED  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2017 AND 2016**

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**INDEX TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017 AND 2016**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	
STATEMENTS OF FINANCIAL POSITION	1
STATEMENTS OF ACTIVITIES AND NET ASSETS	2-3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5-13



**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 statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and net assets and cash flows for the years 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 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 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Jones and Kolb*

February 22, 2018

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2017 AND 2016**

<b><u>ASSETS</u></b>		
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 163,477	\$ 747,587
Marketable securities	21,937,718	20,646,478
Promises to give, net	101,463	256,916
Other current assets	367,097	371,434
	<u>22,569,755</u>	<u>22,022,415</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>12,245,539</u>	<u>12,729,141</u>
<b>OTHER ASSETS</b>		
Promises to give, net	-	639,325
Beneficial interests in perpetual trusts	4,053,329	3,788,870
Marketable securities - permanently restricted	2,018,713	518,713
	<u>6,072,042</u>	<u>4,946,908</u>
<b>Total other assets</b>	<u>6,072,042</u>	<u>4,946,908</u>
<b>Total assets</b>	<u><u>\$ 40,887,336</u></u>	<u><u>\$ 39,698,464</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 511,458	\$ 859,883
Line of credit	4,654,952	4,654,952
	<u>5,166,410</u>	<u>5,514,835</u>
<b>Total current liabilities</b>	<u>5,166,410</u>	<u>5,514,835</u>
<b>NET ASSETS</b>		
Unrestricted	28,936,179	29,471,021
Temporarily restricted	712,705	405,025
Permanently restricted	6,072,042	4,307,583
	<u>35,720,926</u>	<u>34,183,629</u>
<b>Total net assets</b>	<u>35,720,926</u>	<u>34,183,629</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 40,887,336</u></u>	<u><u>\$ 39,698,464</u></u>

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

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.  
STATEMENT OF ACTIVITIES AND NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<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	\$ 2,076,150	\$ -	\$ -	\$ 2,076,150
Veterinary Center	742,887	-	-	742,887
Total program service revenues	2,819,037	-	-	2,819,037
Contributions	5,392,088	194,116	1,500,000	7,086,204
Special events	703,233	-	-	703,233
Investment spending allocation	817,500	-	-	817,500
Total support and revenues	9,731,858	194,116	1,500,000	11,425,974
Expenses				
Program service expenses				
Animal Shelters	6,896,068	-	-	6,896,068
Veterinary Center	1,146,742	-	-	1,146,742
Education and Advocacy	509,517	-	-	509,517
Total program service expenses	8,552,327	-	-	8,552,327
Administrative and general expenses	1,064,831	-	-	1,064,831
Fundraising expenses	1,673,803	-	-	1,673,803
Costs of direct benefits to donors	189,404	-	-	189,404
Total expenses	11,480,365	-	-	11,480,365
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	12,622	(12,622)	-	-
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	(1,735,885)	181,494	1,500,000	(54,391)
<b>NON-OPERATING ACTIVITIES</b>				
Net realized and unrealized gain on marketable securities and beneficial interests in perpetual trusts	2,122,013	97,337	264,459	2,483,809
Investment income, net	557,383	28,849	-	586,232
Loss on uncollectible pledge	(749,691)	-	-	(749,691)
Other income	88,838	-	-	88,838
Investment spending allocation	(817,500)	-	-	(817,500)
<b>CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>	1,201,043	126,186	264,459	1,591,688
<b>CHANGE IN NET ASSETS</b>	(534,842)	307,680	1,764,459	1,537,297
<b>NET ASSETS, Beginning of year</b>	29,471,021	405,025	4,307,583	34,183,629
<b>NET ASSETS, End of year</b>	\$ 28,936,179	\$ 712,705	\$ 6,072,042	\$ 35,720,926

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 YEAR ENDED SEPTEMBER 30, 2016**

	<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	\$ 1,835,224	\$ -	\$ -	\$ 1,835,224
Veterinary Center	757,949	-	-	757,949
Total program service revenues	2,593,173	-	-	2,593,173
Contributions	4,690,094	9,537	-	4,699,631
Special events	433,325	-	-	433,325
Investment spending allocation	876,999	-	-	876,999
Total support and revenues	8,593,591	9,537	-	8,603,128
Expenses				
Program service expenses				
Animal Shelters	6,210,154	-	-	6,210,154
Veterinary Center	1,148,255	-	-	1,148,255
Education and Advocacy	350,488	-	-	350,488
Total program service expenses	7,708,897	-	-	7,708,897
Administrative and general expenses	1,119,893	-	-	1,119,893
Fundraising expenses	1,020,800	-	-	1,020,800
Costs of direct benefits to donors	178,324	-	-	178,324
Total expenses	10,027,914	-	-	10,027,914
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	58,722	(58,722)	-	-
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	(1,375,601)	(49,185)	-	(1,424,786)
<b>NON-OPERATING ACTIVITIES</b>				
Net realized and unrealized gain on marketable securities and beneficial interests in perpetual trusts	1,218,035	22,538	126,203	1,366,776
Investment income, net	404,049	19,079	-	423,128
Other income	45,013	-	-	45,013
Investment spending allocation	(876,999)	-	-	(876,999)
<b>CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>	790,098	41,617	126,203	957,918
<b>CHANGE IN NET ASSETS</b>	(585,503)	(7,568)	126,203	(466,868)
<b>NET ASSETS, Beginning of year</b>	30,056,524	412,593	4,181,380	34,650,497
<b>NET ASSETS, End of year</b>	<u>\$ 29,471,021</u>	<u>\$ 405,025</u>	<u>\$ 4,307,583</u>	<u>\$ 34,183,629</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.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,537,297	\$ (466,868)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation	701,833	719,099
In-kind contributions of investments	(59,487)	(55,152)
Bad debt expense	749,691	44,657
Net realized and unrealized gains on marketable securities	(2,219,350)	(1,240,573)
Change in fair value of beneficial interests in perpetual trusts	(264,459)	(126,203)
(Gain) loss on disposal of equipment	20,127	(45,013)
(Increase) decrease in promises to give, net	-	56,448
(Increase) decrease in other current assets	4,337	(107,312)
Increase (decrease) in accounts payable and accrued expenses	(348,425)	9,284
Total adjustments	<u>(1,415,733)</u>	<u>(744,765)</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>121,564</u>	<u>(1,211,633)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the purchase of property and equipment	(243,700)	(265,958)
Proceeds from disposals of property and equipment	5,342	46,314
Purchases of marketable securities	(3,676,046)	(21,279,798)
Proceeds from sales of marketable securities	3,163,643	21,481,397
Net cash and cash equivalents used in investing activities	<u>(750,761)</u>	<u>(18,045)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital campaign contributions	45,087	120,431
Payments on line of credit	-	(4,644,620)
Borrowings on line of credit	-	4,654,952
Net cash and cash equivalents provided by financing activities	<u>45,087</u>	<u>130,763</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(584,110)	(1,098,915)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>747,587</u>	<u>1,846,502</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 163,477</u>	<u>\$ 747,587</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURE:</b>		
Interest paid	<u>\$ 88,637</u>	<u>\$ 68,291</u>

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

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

**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, public veterinary services including high volume spay and neuter surgeries and humane education programs. Services are funded through gifts and bequests, contributions, fundraising and fee for service revenue. 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.

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 Statements 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  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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 equity and fixed income funds. 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 Statements 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, 2017 and 2016, 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 \$17,023 and \$14,657 at September 30, 2017 and 2016, respectively.

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 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.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

K. Subsequent events have been evaluated by management through February 22, 2018, the date these financial statements were available to be issued.

**2. PROMISES TO GIVE**

Promises to give at September 30, 2017 and 2016 are due as follows:

	<b><u>2017</u></b>	<b><u>2016</u></b>
Receivable in less than one year	\$ 118,486	\$ 271,573
Receivable in one to five years	-	500,000
Receivable in more than five years	-	200,000
	<hr/>	<hr/>
Gross promises to give	118,486	971,573
Reserve for uncollectible accounts	(17,023)	(14,657)
Discount to present value	-	(60,675)
	<hr/>	<hr/>
Promises to give, net	<b><u>\$ 101,463</u></b>	<b><u>\$ 896,241</u></b>

**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 unobservable inputs. At September 30, 2017 and 2016, 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.

Equity and fixed income funds are valued at the closing price reported on the active market on which the individual securities are traded. 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.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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, 2017:

<b>Description</b>	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
Marketable securities			
Equity funds	\$ 15,741,236	\$ -	\$ 15,741,236
Fixed income funds	8,210,599	-	8,210,599
Money market funds	4,596	-	4,596
Total marketable securities	23,956,431	-	23,956,431
Beneficial interests in perpetual trusts	-	4,053,329	4,053,329
Total	<u>\$ 23,956,431</u>	<u>\$ 4,053,329</u>	<u>\$ 28,009,760</u>

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, 2016:

<b>Description</b>	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
Marketable securities			
Equity funds	\$ 14,057,595	\$ -	\$ 14,057,595
Fixed income funds	7,104,401	-	7,104,401
Money market funds	3,195	-	3,195
Total marketable securities	21,165,191	-	21,165,191
Beneficial interests in perpetual trusts	-	3,788,870	3,788,870
Total	<u>\$ 21,165,191</u>	<u>\$ 3,788,870</u>	<u>\$ 24,954,061</u>

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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 years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 3,788,870	\$ 3,662,667
Net realized and unrealized gain	264,459	126,203
	<u>                    </u>	<u>                    </u>
Balance, end of year	<u>\$ 4,053,329</u>	<u>\$ 3,788,870</u>

**4. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 15,118,821	\$ 15,090,370
Land	2,074,979	2,074,979
Furniture and equipment	1,694,377	1,637,074
Automotive equipment	545,719	591,888
Land improvements	293,409	293,409
Information technology	363,917	268,931
	<u>                    </u>	<u>                    </u>
Total	20,091,222	19,956,651
Less accumulated depreciation	<u>(7,845,683)</u>	<u>(7,227,510)</u>
	<u>                    </u>	<u>                    </u>
Property and equipment, net	<u>\$ 12,245,539</u>	<u>\$ 12,729,141</u>

**5. LINE OF CREDIT**

The Society had a \$10,000,000 line of credit with a bank, with interest of LIBOR plus 1% per annum. This agreement was collateralized by the Society's marketable securities and matured in February 2016.

In February 2016, the Society entered into a \$5,000,000 line of credit with a bank, which accrues interest at LIBOR plus 1% per annum. The maturity date of this agreement, which is collateralized by a portion of the Society's marketable securities, was extended from February 17, 2017 until March 30, 2018. The interest rate was 2.24% and 1.52% at September 30, 2017 and 2016, respectively. At September 30, 2017 and 2016, the Society had outstanding

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

borrowings of \$4,654,952. Total interest expense for the years ended September 30, 2017 and 2016 was \$88,637 and \$68,291, respectively.

**6. EMPLOYEE BENEFIT PLANS**

The Society sponsors 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 \$103,395 and \$127,289 for the years ended September 30, 2017 and 2016, respectively.

The Society sponsors a deferred compensation plan under Section 457(f) of the Internal Revenue Code ("IRC") to provide certain key employees with supplemental retirement benefits. Under the plan, key employees may elect to defer a portion of their compensation not to exceed the amount allowed by the IRC. The deferred contributions are deposited into an account that is owned by the Society until the assets are distributed to the employee in accordance with the plan document. Effective December 31, 2017, the Society amended the Plan to freeze participation and accrual of benefits.

At September 30, 2017 and 2016, the Society's liability under the 457(f) plan totaled \$77,614 and \$44,678, respectively. The amounts are included in other current assets and accounts payable and accrued expenses in the accompanying Statements of Financial Position.

**7. NET ASSET CLASSIFICATIONS**

At September 30, 2017 and 2016, temporarily restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Endowment funds with unrestricted income	\$ 269,580	\$ 209,272
Cat housing	44,116	-
Transportation grant	150,000	-
Dog fighting prevention	72,043	72,043
Endowment funds for veterinary care for unowned animals	99,842	58,074
Endowment funds for veterinarian extern	44,060	30,838
Cruelty investigation	15,633	15,633
Endowment funds for Mansell campus	10,889	-
Other	<u>6,542</u>	<u>19,165</u>
Total	<u>\$ 712,705</u>	<u>\$ 405,025</u>

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

At September 30, 2017 and 2016, permanently restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Beneficial interests in perpetual trusts with unrestricted income	\$ 4,053,329	\$ 3,788,870
Endowment fund for Mansell Adoption Center	1,500,000	-
Endowment funds for veterinary care for unowned animals	242,498	242,498
Endowment funds with unrestricted income	224,859	224,859
Endowment funds for veterinarian extern	51,356	51,356
	<u>\$ 6,072,042</u>	<u>\$ 4,307,583</u>
Total		

During the years ended September 30, 2017 and 2016, 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:

	<u>2017</u>	<u>2016</u>
Companion Pets for Vets	\$ 10,431	\$ 4,900
Critical Care	2,191	2,018
High volume spay/neuter	-	51,804
	<u>\$ 12,622</u>	<u>\$ 58,722</u>
Total		

**8. ENDOWMENT**

At September 30, 2017 and 2016, the Society's endowment consisted of four and three donor-restricted funds, respectively. 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

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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;
- (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 composition of and changes in endowment net assets for the year ended September 30, 2017 are as follows:

	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	\$ 298,184	\$ 518,713	\$ 816,897
Contribution	-	1,500,000	1,500,000
Investment return:			
Investment income, net	28,849	-	28,849
Net realized and unrealized gain	<u>97,337</u>	<u>-</u>	<u>97,337</u>
Endowment net assets, end of year	<u>\$ 424,370</u>	<u>\$ 2,018,713</u>	<u>\$ 2,443,083</u>

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

The composition of and changes in endowment net assets for the year ended September 30, 2016 are as follows:

	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	\$ 256,567	\$ 518,713	\$ 775,280
Investment return:			
Investment income, net	19,079	-	19,079
Net realized and unrealized gain	<u>22,538</u>	<u>-</u>	<u>22,538</u>
Endowment net assets, end of year	<u>\$ 298,184</u>	<u>\$ 518,713</u>	<u>\$ 816,897</u>

The Society has adopted investment and spending policies that provide support to operating and capital funding while not eroding the value of endowment assets. 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 meet or 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.

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, 2017 and 2016, no such deficiencies existed.

## **9. CONCENTRATIONS**

Approximately 52% and 82% of total promises to give at September 30, 2017 and 2016 was due from one donor, respectively. Approximately 16% of total support and revenue for the year ended September 30, 2017 was received from one donor.