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TANNER

BUSINESS ADVISORS AND
CERTIFIED PUBLIC ACCOUNTANTS

CRITICAL KNOWLEDGE
PROACTIVE INSIGHT

HUMANE SOCIETY OF UTAH

Financial Statements
As of and for the Years Ended December 31, 2016 and 2015

Together with Independent Auditors' Report

Member of Allinial GLOBAL™
An association of legally independent firms

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TANNER
BUSINESS ADVISORS AND
CERTIFIED PUBLIC ACCOUNTANTS

Member of Allinial GLOBAL

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Humane Society of Utah

We have audited the accompanying financial statements of The Humane Society of Utah (the Organization) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 (US GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' 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 audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditors consider 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.

Basis for Qualified Opinion as of and for the year ended December 31, 2015
As more fully described in Note 2 to the financial statements, the Organization did not record the estimated fair value of its beneficial interest in an irrevocable trust as of December 31, 2015 and the change in the fair value of the beneficial interest for the year ended December 31, 2015. Accounting principles generally accepted in the United States of America require such an interest to be recorded at estimated fair value and adjusted for changes in the estimated fair value over the life of the beneficial interest. The impact on the accompanying financial statements of failing to record this beneficial interest in 2015 has not been determined.

Qualified Opinion as of and for the year ended December 31, 2015
In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements as of and for the year ended December 31, 2015, as referred to in the first paragraph, present fairly, in all material respects, the financial position of The Humane Society of Utah 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.

Unqualified Opinion as of and for the year ended December 31 2016
In our opinion, the financial statements as of and for the year ended December 31, 2016, as referred to in the first paragraph, present fairly, in all material respects, the financial position of The Humane Society of Utah as of December 31, 2016, 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.

Tanner LLC

June 30, 2017

THE HUMANE SOCIETY OF UTAH

Statements of Financial Position

For the years ended December 31,

		2016		2015
Assets				
Cash	$	886,377	$	561,846
Investments		186,076		165,420
Accounts receivable		56,376		933
Inventories		65,819		-
Prepaid expenses		9,410		6,179
Property and equipment, net		5,907,532		6,109,692
Beneficial interests in assets held by third parties		2,103,492		299,161
Total assets	$	9,215,082	$	7,143,231
Liabilities and Net Assets				
Liabilities:				
Accounts payable	$	205,052	$	158,096
Accrued liabilities		175,938		111,398
Note payable		779,855		814,196
Total liabilities		1,160,845		1,083,690
Commitments and contingencies				
Net assets:				
Unrestricted		5,925,946		5,706,586
Temporarily restricted		24,799		53,794
Permanently restricted		2,103,492		299,161
Total net assets		8,054,237		6,059,541
Total liabilities and net assets	$	9,215,082	$	7,143,231

For the years ended December 31,

	2016	2015
Change in unrestricted net assets:		
Revenues, gains, and other support:		
Contributions	$ 1,795,903	$ 1,402,778
Clinic fees	1,998,686	1,755,215
Adoption fees	1,119,682	1,072,204
Interest and dividends	22,670	17,468
Net realized and unrealized gain (loss) on investments	12,643	(6,687)
Other	556,184	435,664
Total unrestricted revenues, gains, and other support	5,505,768	4,676,642
Net assets released from restrictions	40,375	96,256
Total unrestricted revenues, gains, other support and reclassifications	5,546,143	4,772,898
Program expenses:		
Shelter	1,932,871	1,721,218
Clinic	1,698,860	1,578,217
Foster	204,648	168,859
Investigations	91,346	87,652
Education	88,697	52,313
Outreach adoptions	82,915	171,916
Supporting expenses:		
Fundraising/special events/volunteer	896,407	796,921
Management and general	331,039	359,396
Total expenses	5,326,783	4,936,492
Increase (decrease) in unrestricted net assets	219,360	(163,594)
Change in temporarily restricted net assets:		
Contributions	11,380	38,999
Net assets released from restrictions	(40,375)	(96,256)
Increase (decrease) in temporarily restricted net assets	(28,995)	(57,257)
Change in permanently restricted net assets:		
Net change in investments	(10,001)	(23,995)
Change in value of beneficial interest	39,224	-
Increase (decrease) in permanently restricted net assets before restatement of beginning of year net assets for beneficial interest in a trust (see Note 2)	29,223	(23,995)
Contribution of beneficial interest in a trust (See note 2)	1,775,108	-
Increase (decrease) in permanently restricted net assets	1,804,331	(23,995)
Increase (decrease) in net assets	1,994,696	(244,846)
Net assets, beginning of the year	6,059,541	6,304,387
Net assets, end of the year	$ 8,054,237	$ 6,059,541

See accompanying notes to financial statements.

THE HUMANE SOCIETY OF UTAH
Statement of Functional Expenses

For the Year Ended December 31, 2016

	Program Expenses							Supporting Expenses			
	Shelter	Clinic	Outreach Adoptions	Foster	Investi-gations	Education	Total	Management and General	Fundraising/ Special Events/ Volunteer	Total	Overall Total
Salaries	$ 955,043	$ 822,025	$ 52,039	$ 144,771	$ 62,284	$ 63,760	$ 2,099,922	$ 149,572	$ 289,497	$ 439,069	$ 2,538,991
Benefits	133,748	74,698	4,009	19,982	9,263	3,169	244,869	15,418	30,269	45,687	290,556
Payroll taxes	69,860	61,392	4,104	10,665	4,775	4,857	155,653	12,521	21,809	34,330	189,983
Total salaries and related expenses	1,158,651	958,115	60,152	175,418	76,322	71,786	2,500,444	177,511	341,575	519,086	3,019,530
Advertising	45,815	4,596	170	13	3	1	50,598	464	14,051	14,515	65,113
Office	11,668	14,957	313	712	121	202	27,973	7,531	252,474	260,005	287,978
Liability insurance	16,558	4,958	88	725	163	30	22,522	1,098	1,505	2,603	25,125
Animal waste removal	14,930	17,014	-	-	-	-	31,944	-	-	-	31,944
Professional services	26,028	7,654	136	1,115	252	46	35,231	1,118	2,323	3,441	38,672
Surgical	1,672	82,731	-	-	-	-	84,403	-	-	-	84,403
Vaccination	150,006	423,556	-	-	-	-	573,562	-	-	-	573,562
Outside services	7,294	6,814	10	291	19	4	14,432	23,275	85,299	108,574	123,006
Repairs and maintenance	64,374	19,002	4,655	4,492	2,647	756	95,926	6,495	6,311	12,806	108,732
Retail store	76,306	3,941	-	-	-	-	80,247	-	5,395	5,395	85,642
Supplies	75,532	28,963	696	2,332	341	157	108,021	3,150	19,568	22,718	130,739
Telephone	6,490	1,842	30	415	290	10	9,077	2,828	1,464	4,292	13,369
Utilities	72,437	21,252	377	3,101	692	129	97,988	3,866	6,454	10,320	108,308
Other expenses	27,509	35,157	6,042	9,203	3,665	5,330	86,906	49,057	153,157	202,214	289,120
Depreciation	177,601	68,308	10,246	6,831	6,831	10,246	280,063	54,646	6,831	61,477	341,540
Total expenses	$ 1,932,871	$ 1,698,860	$ 82,915	$ 204,648	$ 91,346	$ 88,697	$ 4,099,337	$ 331,039	$ 896,407	$ 1,227,446	$ 5,326,783

THE HUMANE SOCIETY OF UTAH
Statement of Functional Expenses

For the Year Ended December 31, 2015

	Program Expenses							Supporting Expenses			
	Shelter	Clinic	Outreach Adoptions	Foster	Investi-gations	Education	Total	Management and General	Fundraising/ Special Events/ Volunteer	Total	Overall Total
Salaries	$ 807,086	$ 737,753	$ 119,992	$118,085	$57,243	$ 33,175	$ 1,873,334	$ 130,786	$ 280,308	$ 411,094	$ 2,284,428
Benefits	88,853	72,853	2,588	17,691	8,710	2,395	193,090	23,772	32,523	56,295	249,385
Payroll taxes	61,726	57,418	9,417	8,884	4,459	2,570	144,474	9,852	21,487	31,339	175,813
Total salaries and related expenses	957,665	868,024	131,997	144,660	70,412	38,140	2,210,898	164,410	334,318	498,728	2,709,626
Advertising	38,286	4,313	325	83	-	-	43,007	75	68,782	68,857	111,864
Office	12,590	12,402	2,784	604	132	241	28,753	7,383	98,302	105,685	134,438
Liability insurance	15,907	5,457	444	551	245	413	23,017	2,643	1,209	3,852	26,869
Animal waste removal	15,600	12,996	-	-	-	-	28,596	-	-	-	28,596
Professional services	19,443	7,279	923	549	319	845	29,358	6,640	4,123	10,763	40,121
Surgical	1,444	70,516	-	-	-	-	71,960	-	-	-	71,960
Vaccination	150,076	410,379	-	87	-	-	560,542	-	-	-	560,542
Outside services	33,392	10,698	540	982	279	477	46,368	32,188	151,195	183,383	229,751
Repairs and maintenance	80,445	15,989	11,826	2,602	2,576	272	113,710	5,803	11,559	17,362	131,072
Retail store	59,098	4,456	-	-	-	-	63,554	-	9,562	9,562	73,116
Supplies	65,216	36,285	3,307	2,665	158	69	107,700	3,985	14,407	18,392	126,092
Telephone	5,534	1,777	131	171	478	121	8,212	4,255	1,490	5,745	13,957
Utilities	66,586	22,369	1,751	2,265	986	1,618	95,575	10,858	4,685	15,543	111,118
Other expenses	25,464	28,172	7,822	6,930	5,356	51	73,795	68,814	89,236	158,050	231,845
Depreciation	174,472	67,105	10,066	6,710	6,711	10,066	275,130	52,342	8,053	60,395	335,525
Total expenses	$ 1,721,218	$ 1,578,217	$ 171,916	$ 168,859	$ 87,652	$ 52,313	$ 3,780,175	$ 359,396	$ 796,921	$ 1,156,317	$ 4,936,492

For the Years Ended December 31,

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 1,994,696	$ (244,846)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	341,540	335,525
Contribution of beneficial interest in a trust (See note 2)	(1,814,332)	-
Loss on disposal of property and equipment	-	3,871
Net loss (gain) on investments	(2,642)	30,682
Decrease (increase) in:		
Accounts receivable	(55,443)	73,989
Prepaid expenses	(3,231)	1,514
Inventories	(65,819)	-
Increase (decrease) in:		
Accounts payable	46,956	(184,268)
Accrued liabilities	64,540	5,539
Net cash provided by operating activities	506,265	22,006
Cash flows from investing activities:		
Net change in investments	(18,014)	71,171
Net change in beneficial interest in assets held by third parties	10,001	23,995
Purchases of property and equipment	(139,380)	(94,074)
Net cash provided by (used in) investing activities	(147,393)	1,092
Cash flows from financing activities:		
Payment on note payable	(34,341)	(28,855)
Net change in cash	324,531	(5,757)
Cash at beginning of the year	561,846	567,603
Cash at end of the year	$ 886,377	$ 561,846
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 38,068	$ 39,581
Supplemental disclosure of non-cash investing and financing activities:		
Disposal of property and equipment included in accounts payable	$ -	$ (44,371)

See accompanying notes to financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

The Humane Society of Utah (the Organization) is a Utah not-for-profit organization that provides animal adoption services, medical services, cruelty investigation services related to dogs and cats, foster parent programs, and educational programs for children and adults. The Organization is supported primarily through donor contributions and fees for clinic and other services provided.

Financial Statement Presentation

The Organization reports 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.

Use of Estimates in Financial Statements

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 and disclosure of contingent 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.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of promises to give. In the normal course of its activities, the Organization receives promises to give which are recorded in accounts receivable. Accordingly, the Organization performs ongoing evaluations of promises to give and maintains allowances for possible losses, which when realized, have been within the range of management's expectations. Credit risk pertaining to promises to give is comprised of numerous factors, including the overall economic conditions in the geographic area in which the Organization's donors are located. As of December 31, 2016, management determined that an allowance for possible losses was not necessary.

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. As of December 31, 2016, the Organization had $555,150 in bank deposit accounts that exceeded federally insured limits. To date, the Organization has not experienced a material loss or lack of access to its cash; however, no assurance can be provided that access to the Organization's cash will not be impacted by adverse conditions in the financial markets.

1. Organization and Summary of Significant Accounting Policies *Continued*

***Concentration of Credit Risk** – Continued*

The Organization is dependent on certain vendors for veterinary supplies. For the years ended December 31, 2016 and 2015, aggregate purchases from the following vendors consisted of the following:

	2016	2015
Vendor A	13.6%	10.3%
Vendor B	13.1%	17.8%

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Inventories

Inventories consist primarily of clinic supplies and retail shop goods and are stated at the lower of cost or market and are accounted for on a first-in, first-out (FIFO) basis. As of December 31, 2016, the inventories balance was comprised of $50,062 of clinic supplies and $15,757 of retail shop goods. The Organization periodically reviews inventories for obsolescence and management determined that an allowance for obsolete inventories was not necessary as of December 31, 2016.

Property and Equipment

The Organization capitalizes purchases of property and equipment at cost. The fair value of donated property and equipment is similarly capitalized. The Organization capitalizes such expenditures if the purchases exceed $1,000. Minor replacements, maintenance and repairs, which do not increase the useful lives of the property and equipment, are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets or lease terms, ranging from three to thirty years.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through undiscounted future cash flows. If it is determined an impairment loss has occurred, such loss is recognized in the statement of activities.

1. Organization and Summary of Significant Accounting Policies *Continued*

Revenue Recognition

The Organization recognizes revenue at the time services are performed or goods are provided, the price is fixed or determinable, and collection is reasonably assured.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 as net assets released from restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support 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 assets are acquired or placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and assignments; however, those services do not meet the above criteria.

1. Organization and Summary of Significant Accounting Policies ***Continued***

In-Kind Contributions

During the years ended December 31, 2016 and 2015, the Organization received in-kind contributions of certain supplies, such as pet food, newspapers, and other supplies. When documentation supporting an estimated fair value can be obtained, the contributed supplies are recorded. Management has determined that the value of all in-kind contributions of supplies is not material to the overall financial statements. The effect of recording such contributions is generally to increase contribution revenue and supplies expense, which has no effect on the increase or decrease in unrestricted net assets.

In 2016 and 2015, the Organization received approximately $4,750 and $38,800, respectively, in donated advertising services. The amounts were recorded as in-kind contributions and advertising expense. Additionally, the Organization received $35,535 in donated seating and decorations for events that were held during the year ended December 31, 2016.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expense was approximately $65,000 and $112,000 for the years ended December 31, 2016 and 2015, respectively.

Income Taxes

The Organization is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah regulations, and, as such, is not subject to federal or state income taxes on related purpose income. The Organization is subject to taxation on unrelated business income, if any.

As of December 31, 2016 and 2015, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value of Financial Instruments

Fair value is defined as the exit price or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date (see Note 7).

1. Organization and Summary of Significant Accounting Policies *Continued*

Subsequent Events
Management has evaluated subsequent events through June 30, 2017, which is the date the accompanying financial statements were available to be issued.

Reclassifications
Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

2. Unrecorded Beneficial Interest

Prior to 2014, the Organization was notified that it had been named as a beneficiary of a trust. Upon the death of the trustor prior to 2014, the right to the Organization's defined remainder interest in the trust became irrevocable and unconditional. As of December 31, 2015, the Organization had not recorded the estimated fair value of its beneficial interest in the irrevocable trust, which represents a departure from accounting principles generally accepted in the United States of America (US GAAP). Subsequently, the Organization obtained the required assistance of a valuation expert and was able to determine the estimated fair value during 2016. Accordingly, the Organization has recorded its beneficial interest in the irrevocable trust in the amount of $1,775,108, by restating permanently restricted net assets as of January 1, 2016.

3. Investments

Investments are stated at fair value and consist of the following as of December 31:

	2016	2015
Money market funds	$ 522	$ 8,438
Mutual and exchange traded funds	185,554	156,982
	$ 186,076	$ 165,420

Total return (loss) on investments, including dividends, interest, and realized and unrealized gains and losses was $25,312 and ($13,214) for the years ended December 31, 2016 and 2015, respectively.

4. Property and Equipment

Property and equipment consist of the following as of December 31:

	2016	2015
Land	$ 427,516	$ 427,516
Building	7,156,262	7,097,489
Improvements and equipment	1,056,123	1,030,175
Vehicles	145,012	144,839
Land improvements	142,719	132,534
Office furniture	30,229	30,229
Total cost	8,957,861	8,862,782
Less accumulated depreciation	(3,050,329)	(2,753,090)
	$ 5,907,532	$ 6,109,692

Depreciation expense on property and equipment for the years ended December 31, 2016 and 2015 was $341,540 and $335,525, respectively.

5. Beneficial Interests in Assets Held By Third Parties

The Organization is named as a co-beneficiary in a trust. This is an irrevocable split-interest agreement for which the Organization is entitled to one-half of the trust's income in perpetuity. In addition, the Organization is named as a co-beneficiary in the assets held by a private foundation, which is an irrevocable split-interest agreement entitling the Organization to a one-third share of the foundation's income in perpetuity.

The earnings received in cash from the trust's and the foundation's investments are recognized as temporarily restricted until appropriated by the Board of Directors. The Organization's pro-rata interests in the assets held by the trust and the foundation are recorded based upon the fair value of the assets held by these parties, and are permanently restricted. The recorded values of the interests in the trust and the foundation are evaluated annually and the changes in values are recognized in the statements of activities as permanently restricted gains or losses. The total revaluation loss for the Organization's interests in the trust and the foundation was $10,001 and $23,995 for 2016 and 2015, respectively.

The Organization is also named as the beneficiary of an irrevocable trust, which has been valued by a valuation expert (see Note 2). This irrevocable trust represents a remainder interest in a trust that when distributed are required to be held in perpetuity and only the earnings thereon will be available to fund the activities of the Organization. However, these funds are not expected to be received in the near future. This trust is recorded at fair value and is permanently restricted. The changes in value are recognized in the statement of activities as permanently restricted gains or losses.

6. Note Payable

The note payable consisted of the following as of December 31:

	2016	**2015**
Note payable to a financial institution, secured by all of the Organization's property, due in monthly installments of $5,632, including interest at 4.54%, maturing November 2018 with a final balloon payment of approximately $737,000.	$ 779,855	$ 814,196

Maturities of the note payable are as follows as of December 31, 2016:

Years Ending December 31,	
2017	$ 23,523
2018	756,332
	$ 779,855

7. Fair Value Measurements

Authoritative guidance establishes 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. Observable inputs are market inputs participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability.

7. Fair Value Measurements *Continued*

The following tables summarize the Organization's financial assets that were accounted for at fair value on a recurring basis as of December 31, 2016 and 2015, and the fair value calculation input hierarchy level that the Organization has determined applies to each asset category.

As of December 31, 2016:

Investments

Description	Level 1	Level 2	Level 3	Total
Money market	$ 522	$ -	$ -	$ 522
Mutual and exchange traded funds:				
Mid cap	90,138	-	-	90,138
Large cap	24,137	-	-	24,137
Bond	19,650	-	-	19,650
International	10,997	-	-	10,997
Small cap	7,211	-	-	7,211
Other	33,421	-	-	33,421
Total	$ 186,076	$ -	$ -	$ 186,076

Beneficial Interest in Assets Held by Third Parties

Description	Level 1	Level 2	Level 3	Total
Remainder interest trust	$ -	$ -	$ 1,814,332	$ 1,814,332
Foundation under agreement	-	216,525	-	216,525
Charitable trust	-	72,635	-	72,635
Total	$ -	$ 289,160	$ 1,814,332	$ 2,103,492

As of December 31, 2015:

Investments

Description	Level 1	Level 2	Level 3	Total
Money market	$ 8,438	$ -	$ -	$ 8,438
Mutual and exchange traded funds:				
Mid cap	7,663	-	-	7,663
Large cap	48,235	-	-	48,235
Bond	56,460	-	-	56,460
International	15,581	-	-	15,581
Small cap	5,795	-	-	5,795
Other	23,248	-	-	23,248
Total	$ 165,420	$ -	$ -	$ 165,420

7. Fair Value Measurements *Continued*

Beneficial Interest in Assets Held by Third Parties

Description	Level 1	Level 2	Level 3	Total
Foundation under agreement	$ -	$ 218,053	$ -	$ 218,053
Charitable trust	-	81,108	-	81,108
Total	$ -	$ 299,161	$ -	$ 299,161

8. Temporarily Restricted Net Assets

As of December 31, 2016 and 2015, temporarily restricted net assets totaled $24,799 and $53,794, respectively. As of December 31, 2016 temporarily restricted nets assets were restricted for the Bunny Bungalow, Humane Society education outreach efforts, and for the subsidizing of future surgeries or adoptions.

9. Endowment

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958 (ASC 958), *Not-for-profit entities,* provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Utah has adopted UPMIFA.

Permanently restricted net assets (endowments) included the following as of December 31:

	2016	2015
Beneficial interest in foundation (Note 5)	$ 216,525	$ 218,053
Beneficial interest in trust (Note 5)	72,635	81,108
Beneficial interest in trust (Note 2)	1,814,332	-
	$ 2,103,492	$ 299,161

9. Endowment
Continued

Interpretation of Relevant Law

The Organization has interpreted 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 as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

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

Spending Policy

The Organization may use, for any purpose deemed appropriate by its Board of Directors in fulfilling the Organization's charitable purpose, the interest payments received from the beneficial interests in assets held by third parties.

Return Objectives and Risk Parameters

Investment decisions for the foundation and trust, which the Organization has a beneficial interest in (Note 5), are made by the donors or their agents. The primary investment objectives of these donors are (1) the long-term preservation of the real (inflation adjusted) purchasing power of portfolio assets and income, after accounting for spending, inflation, and costs of portfolio management, and (2) to earn a total rate of return that exceeds the spending rate, and at the same time to perform well when compared with selected weighted market indices. The portfolio assets are invested in a diversified pool of securities with an overall emphasis on quality, diversification, and potential for earnings growth.

9. Endowment *Continued*

Changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

	2016							
	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
Endowment net assets, beginning of the year	$	-	$	-	$	299,161	$	299,161
Increase in value		-		-		29,223		29,223
Contribution of beneficial interest in trust (see note 2)		-		-		1,775,108		1,775,108
Endowment net assets, end of year	$	-	$	-	$	2,103,492	$	2,103,492

	2015							
	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
Endowment net assets, beginning of the year	$	-	$	-	$	323,156	$	323,156
Decrease in value		-		-		(23,995)		(23,995)
Endowment net assets, end of year	$	-	$	-	$	299,161	$	299,161

10. Commitments And Contingencies

Litigation

In the normal course of operations, the Organization may become party to lawsuits or other claims. Management is not aware of any such claims for which the uninsured amount would be material to the Organization's financial position.

11. Subsequent Events

On June 14, 2017, the Organization refinanced its note payable to 59 monthly installments of $4,593, including interest at 4.62%, maturing June 2022, with a final balloon payment of approximately $444,000.