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TANNER

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CRITICAL KNOWLEDGE



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Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

Together with Independent Auditors' Report



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TANNER
BUSINESS ADVISORS AND
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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, 2017 and 2016, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Humane Society of Utah as of December 31, 2017 and 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

July 2, 2018



THE HUMANE SOCIETY OF UTAH
Statements of Financial Position

As of December 31,

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash	\$ 1,160,521	\$ 886,377
Investments	230,699	186,076
Accounts receivable	52,412	56,376
Inventories	66,759	65,819
Prepaid expenses	29,401	9,410
Property and equipment, net	5,651,164	5,907,532
Beneficial interests in assets held by third parties	2,303,883	2,103,492
	<u>\$ 9,494,839</u>	<u>\$ 9,215,082</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 150,701	\$ 205,052
Accrued liabilities	194,523	175,938
Note payable	572,658	779,855
	<u>917,882</u>	<u>1,160,845</u>
Commitments and contingencies		
Net assets:		
Unrestricted	5,942,355	5,925,946
Temporarily restricted	330,719	24,799
Permanently restricted	2,303,883	2,103,492
	<u>8,576,957</u>	<u>8,054,237</u>
	<u>\$ 9,494,839</u>	<u>\$ 9,215,082</u>



THE HUMANE SOCIETY OF UTAH
Statements of Activities

For the years ended December 31,

	<u>2017</u>	<u>2016</u>
Change in unrestricted net assets:		
Revenues, gains, and other support:		
Clinic fees	\$ 2,247,242	\$ 1,998,686
Contributions	1,961,574	1,795,903
Adoption fees	1,110,695	1,119,682
Net realized and unrealized gain on investments	16,344	12,643
Interest and dividends	10,246	22,670
Other	572,421	556,184
Total unrestricted revenues, gains, and other support	<u>5,918,522</u>	<u>5,505,768</u>
Net assets released from restrictions	14,938	40,375
Total unrestricted revenues, gains, other support and reclassifications	<u>5,933,460</u>	<u>5,546,143</u>
Program expenses:		
Shelter	2,448,351	1,932,871
Clinic	1,793,770	1,698,860
Foster	203,696	204,648
Education	115,122	88,697
Investigations	90,166	91,346
Outreach adoptions	37,948	82,915
Supporting expenses:		
Fundraising/special events/volunteer	873,708	896,407
Management and general	354,290	331,039
Total expenses	<u>5,917,051</u>	<u>5,326,783</u>
Increase in unrestricted net assets	<u>16,409</u>	<u>219,360</u>
Change in temporarily restricted net assets:		
Contributions	320,858	11,380
Net assets released from restrictions	<u>(14,938)</u>	<u>(40,375)</u>
Increase (decrease) in temporarily restricted net assets	305,920	(28,995)
Change in permanently restricted net assets:		
Net change in investments	29,126	(10,001)
Change in value of beneficial interest	<u>171,265</u>	<u>39,224</u>
Increase in permanently restricted net assets before restatement of beginning of year net assets for beneficial interest in a trust	200,391	29,223
Contribution of beneficial interest in a trust	<u>-</u>	<u>1,775,108</u>
Increase in permanently restricted net assets	<u>200,391</u>	<u>1,804,331</u>
Increase in net assets	522,720	1,994,696
Net assets, beginning of the year	<u>8,054,237</u>	<u>6,059,541</u>
Net assets, end of the year	<u>\$ 8,576,957</u>	<u>\$ 8,054,237</u>

THE HUMANE SOCIETY OF UTAH
Statement of Functional Expenses

For the Year Ended December 31, 2017

	Program Expenses							Supporting Expenses			Overall Total
	Shelter	Clinic	Foster	Education	Investi- gations	Outreach Adoptions	Total	Management and General	Fundraising/ Special Events/ Volunteer	Total	
Salaries	\$ 1,167,125	\$ 817,630	\$ 141,889	\$ 79,791	\$ 61,225	\$ 15,410	\$ 2,283,070	\$ 177,398	\$ 301,414	\$ 478,812	\$ 2,761,882
Benefits	145,977	81,131	18,833	6,310	10,486	3,587	266,324	20,950	26,833	47,783	314,107
Payroll taxes	88,373	62,801	10,777	6,141	4,732	1,175	173,999	13,366	22,937	36,303	210,302
Total salaries and related expenses	1,401,475	961,562	171,499	92,242	76,443	20,172	2,723,393	211,714	351,184	562,898	3,286,291
Advertising	52,374	1,206	14	1	3	2	53,600	401	26,740	27,141	80,741
Office	26,303	17,719	811	1,842	131	61	46,867	5,999	247,994	253,993	300,860
Liability insurance	18,900	5,649	834	35	186	100	25,704	1,253	1,718	2,971	28,675
Animal waste removal	16,900	17,748	-	-	-	-	34,648	-	-	-	34,648
Professional services	35,445	10,605	1,556	65	350	188	48,209	2,375	3,222	5,597	53,806
Surgical	1,516	46,412	-	-	-	-	47,928	-	-	-	47,928
Vaccination	176,847	518,272	2,640	-	-	-	697,759	-	-	-	697,759
Outside services	23,952	8,411	96	336	15	8	32,818	9,178	6,670	15,848	48,666
Repairs and maintenance	95,245	27,046	4,406	167	577	220	127,661	8,967	5,691	14,658	142,319
Retail store	93,803	-	-	-	-	-	93,803	-	-	-	93,803
Supplies	190,207	40,430	6,300	1,520	435	20	238,912	5,065	13,845	18,910	257,822
Telephone	7,154	3,475	461	12	314	34	11,450	2,680	1,208	3,888	15,338
Utilities	66,099	19,475	2,873	111	642	360	89,560	5,166	5,921	11,087	100,647
Other expenses	55,121	43,833	5,013	8,002	3,877	5,994	121,840	43,950	202,322	246,272	368,112
Depreciation	187,010	71,927	7,193	10,789	7,193	10,789	294,901	57,542	7,193	64,735	359,636
Total expenses	\$ 2,448,351	\$ 1,793,770	\$ 203,696	\$ 115,122	\$ 90,166	\$ 37,948	\$ 4,689,053	\$ 354,290	\$ 873,708	\$ 1,227,998	\$ 5,917,051

THE HUMANE SOCIETY OF UTAH
Statement of Functional Expenses

For the Year Ended December 31, 2016

	Program Expenses							Supporting Expenses			Overall Total
	Shelter	Clinic	Foster	Education	Investi- gations	Outreach Adoptions	Total	Management and General	Fundraising/ Special Events/ Volunteer	Total	
Salaries	\$ 955,043	\$ 822,025	\$ 144,771	\$ 63,760	\$ 62,284	\$ 52,039	\$ 2,099,922	\$ 149,572	\$ 289,497	\$ 439,069	\$ 2,538,991
Benefits	133,748	74,698	19,982	3,169	9,263	4,009	244,869	15,418	30,269	45,687	290,556
Payroll taxes	69,860	61,392	10,665	4,857	4,775	4,104	155,653	12,521	21,809	34,330	189,983
Total salaries and related expenses	1,158,651	958,115	175,418	71,786	76,322	60,152	2,500,444	177,511	341,575	519,086	3,019,530
Advertising	45,815	4,596	13	1	3	170	50,598	464	14,051	14,515	65,113
Office	11,668	14,957	712	202	121	313	27,973	7,531	331,609	339,140	367,113
Liability insurance	16,558	4,958	725	30	163	88	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	1,115	46	252	136	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	291	4	19	10	14,432	23,275	6,164	29,439	43,871
Repairs and maintenance	64,374	19,002	4,492	756	2,647	4,655	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	2,332	157	341	696	108,021	3,150	19,568	22,718	130,739
Telephone	6,490	1,842	415	10	290	30	9,077	2,828	1,464	4,292	13,369
Utilities	72,437	21,252	3,101	129	692	377	97,988	3,866	6,454	10,320	108,308
Other expenses	27,509	35,157	9,203	5,330	3,665	6,042	86,906	49,057	153,157	202,214	289,120
Depreciation	177,601	68,308	6,831	10,246	6,831	10,246	280,063	54,646	6,831	61,477	341,540
Total expenses	\$ 1,932,871	\$ 1,698,860	\$ 204,648	\$ 88,697	\$ 91,346	\$ 82,915	\$ 4,099,337	\$ 331,039	\$ 896,407	\$ 1,227,446	\$ 5,326,783



THE HUMANE SOCIETY OF UTAH
Statements of Cash Flows

For the Years Ended December 31,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 522,720	\$ 1,994,696
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	359,636	341,540
Contribution of beneficial interest in a trust	-	(1,814,332)
Loss on disposal of property and equipment	875	-
Net loss (gain) on investments	(45,470)	(2,642)
Net change in beneficial interest in assets held by third parties	(200,391)	-
Decrease (increase) in:		
Accounts receivable	3,964	(55,443)
Prepaid expenses	(19,991)	(3,231)
Inventories	(940)	(65,819)
Increase (decrease) in:		
Accounts payable	(54,351)	46,956
Accrued liabilities	18,585	64,540
Net cash provided by operating activities	<u>584,637</u>	<u>506,265</u>
Cash flows from investing activities:		
Net change in investments	847	(18,014)
Net change in beneficial interest in assets held by third parties	-	10,001
Purchases of property and equipment	<u>(104,143)</u>	<u>(139,380)</u>
Net cash used in investing activities	<u>(103,296)</u>	<u>(147,393)</u>
Cash flows from financing activities:		
Payment on note payable	<u>(207,197)</u>	<u>(34,341)</u>
Net change in cash	274,144	324,531
Cash at beginning of the year	<u>886,377</u>	<u>561,846</u>
Cash at end of the year	<u>\$ 1,160,521</u>	<u>\$ 886,377</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 30,757</u>	<u>\$ 38,068</u>



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, 2017, 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, 2017, the Organization had \$660,521 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, 2017 and 2016, aggregate purchases from these vendors consisted of the following:

	<u>2017</u>	<u>2016</u>
Vendor A	**	13.6%
Vendor B	12.3%	13.1%

** Purchases with this vendor did not meet the threshold for disclosure in this year.

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 fair value and are accounted for on a first-in, first-out basis. The Organization periodically reviews inventories for obsolescence and management determined that an allowance for obsolete inventories was not necessary as of December 31, 2017.

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-nine 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.

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.



1. Organization and Summary of Significant Accounting Policies
Continued

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.

In-Kind Contributions

During the years ended December 31, 2017 and 2016, 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.



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

In-Kind Contributions - continued

In 2017 and 2016, the Organization received approximately \$25,000 and \$4,750, respectively, in donated advertising services. The amounts were recorded as in-kind contributions and advertising expense. Additionally, the Organization received \$106,191 in donated gift certificates, dog food, and decorations for events that were held during the year ended December 31, 2017 and 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 \$81,000 and \$65,000 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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 6).



1. Organization and Summary of Significant Accounting Policies
Continued

Subsequent Events

Management has evaluated subsequent events through July 2, 2018, which is the date the accompanying financial statements were available to be issued.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

2. Investments

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

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 10,623	\$ 522
Mutual and exchange traded funds	<u>220,076</u>	<u>185,554</u>
	<u>\$ 230,699</u>	<u>\$ 186,076</u>

Total return on investments, including dividends, interest, and realized and unrealized gains and losses was \$55,716 and \$25,312 for the years ended December 31, 2017 and 2016, respectively.

3. Property and Equipment

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

	<u>2017</u>	<u>2016</u>
Building	\$ 7,156,262	\$ 7,156,262
Improvements and equipment	1,092,991	1,056,123
Land	427,516	427,516
Vehicles	176,889	145,012
Land improvements	164,764	142,719
Office furniture	<u>42,082</u>	<u>30,229</u>
Total cost	9,060,504	8,957,861
Less accumulated depreciation	<u>(3,409,340)</u>	<u>(3,050,329)</u>
	<u>\$ 5,651,164</u>	<u>\$ 5,907,532</u>

Depreciation expense on property and equipment for the years ended December 31, 2017 and 2016 was \$359,636 and \$341,540, respectively.



4. 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 gain (loss) for the Organization's interests in the trust and foundation was \$29,126 and (\$10,001) for 2017 and 2016, respectively.

The Organization is also named as the beneficiary of an irrevocable trust, which has been valued by a valuation expert. This irrevocable trust represents a remainder interest in a trust that, when distributed, is 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.

5. Note Payable

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

	<u>2017</u>	<u>2016</u>
Note payable to a financial institution, secured by all of the Organization's property, due in monthly installments of \$4,592, including interest at 4.62%, maturing June 2022 with a final balloon payment of approximately \$329,282 (refinanced in 2017).	\$ 572,658	\$ 779,855



5. Note Payable
Continued

Maturities of the note payable are as follows as of December 31, 2017:

<u>Years Ending December 31,</u>	
2018	\$ 55,104
2019	55,104
2020	55,104
2021	55,104
2022	<u>352,242</u>
	<u>\$ 572,658</u>

6. 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.



THE HUMANE SOCIETY OF UTAH
Notes to Financial Statements
Continued

6. 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, 2017 and 2016, and the fair value calculation input hierarchy level that the Organization has determined applies to each asset category.

As of December 31, 2017:

Investments				
Description	Level 1	Level 2	Level 3	Total
Money market	\$ 10,623	\$ -	\$ -	\$ 10,623
Mutual and exchange traded funds:				
Bond	78,373	-	-	78,373
Large cap	67,236	-	-	67,236
International	22,318	-	-	22,318
Mid cap	11,007	-	-	11,007
Small cap	8,895	-	-	8,895
Other	32,247	-	-	32,247
Total	\$ 230,699	\$ -	\$ -	\$ 230,699

Beneficial Interest in Assets Held by Third Parties

Description	Level 1	Level 2	Level 3	Total
Remainder interest trust	\$ -	\$ -	\$ 1,985,597	\$ 1,985,597
Foundation under agreement	-	235,997	-	235,997
Charitable trust	-	82,289	-	82,289
Total	\$ -	\$ 318,286	\$ 1,985,597	\$ 2,303,883

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



THE HUMANE SOCIETY OF UTAH
Notes to Financial Statements
Continued

6. Fair Value Measurements
Continued

Description	Beneficial Interest in Assets Held by Third Parties			
	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

The activity of level 3 investments consisted of the following:

Balance, January 1, 2017	\$ 1,814,332
Expenses and unrealized gains	171,265
Balance, December 31, 2017	\$ 1,985,597

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Funds for care of dogs and cats	\$ 257,141	\$ -
Transportation and rescue	43,877	12,335
Shelter	20,000	-
Other	9,701	12,464
	<u>\$ 330,719</u>	<u>\$ 24,799</u>

8. 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:

	<u>2017</u>	<u>2016</u>
Beneficial interest in trust (Note 4)	\$ 1,985,597	\$ 1,814,332
Beneficial interest in foundation (Note 4)	235,997	216,525
Beneficial interest in trust (Note 4)	82,289	72,635
	<u>\$ 2,303,883</u>	<u>\$ 2,103,492</u>



8. 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 4), 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.



THE HUMANE SOCIETY OF UTAH
Notes to Financial Statements
Continued

8. **Endowment**
Continued

Return Objectives and Risk Parameters - continued

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ -	\$ -	\$ 2,103,492	\$ 2,103,492
Increase in value	-	-	200,391	200,391
Endowment net assets, end of year	\$ -	\$ -	\$ 2,303,883	\$ 2,303,883

	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	-	-	1,775,108	1,775,108
Endowment net assets, end of year	\$ -	\$ -	\$ 2,103,492	\$ 2,103,492

9. **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.