

*Financial Statements*  
*Years Ended*  
*June 30, 2015 and 2014*



***Heritage Humane Society, Inc.***

***Contents***

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## ***Independent Auditors' Report***

Board of Directors  
***Heritage Humane Society, Inc.***

We have audited the accompanying financial statements of ***Heritage Humane Society, Inc.*** (Society) which comprises the statement of financial position as of June 30, 2015, and the related statements of activities and net assets, functional expenses and cash flows for the year 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 ***Heritage Humane Society, Inc.***, as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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**Prior Period Financial Statements**

The financial statements of *Heritage Humane Society, Inc.*, as of June 30, 2014, were audited by other auditors whose report dated January 8, 2015, expressed an unmodified opinion on those statements.

*Beth W. Moore, CPA, PLLC*

November 16, 2015

*Heritage Humane Society, Inc.*

*Statements of Financial Position*

<b>June 30,</b>	<b>2015</b>	<b>As Restated 2014</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 997,971	\$ 610,857
Investments - endowment	174,218	178,572
Investments - unrestricted	206,549	200,416
Employee receivable	474	2,246
Prepaid expenses	10,336	9,079
Inventory	1,763	2,234
<b>Total current assets</b>	<b>1,391,311</b>	<b>1,003,404</b>
<b>Property and equipment - net</b>	<b>2,288,112</b>	<b>2,337,404</b>
	<b>\$ 3,679,423</b>	<b>\$ 3,340,808</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 52,042	9,114
Accrued payroll	-	21,075
Accrued vacation	7,654	11,984
Payroll liabilities	3,047	328
<b>Total current liabilities</b>	<b>62,743</b>	<b>42,501</b>
<b>Net assets</b>		
Unrestricted	3,433,678	3,130,528
Temporarily restricted	38,450	23,227
Permanently restricted	144,552	144,552
<b>Total net assets</b>	<b>3,616,680</b>	<b>3,298,307</b>
	<b>\$ 3,679,423</b>	<b>\$ 3,340,808</b>

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

*Heritage Humane Society, Inc.*

*Statement of Activities and Net Assets*

**Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue</b>				
Support				
Contributions	\$ 1,008,580	\$ 8,798	\$ -	\$ 1,017,378
Contributions - United Way	9,088	-	-	9,088
In-kind contributions	2,125	-	-	2,125
Special events - net	69,217	-	-	69,217
<b>Total support</b>	<u>1,089,010</u>	<u>8,798</u>	<u>-</u>	<u>1,097,808</u>
Revenue				
Adoption fees	80,053	-	-	80,053
Government shelter management fees	54,179	-	-	54,179
Return to owner fees	4,980	-	-	4,980
Education and camps	19,252	-	-	19,252
Shop sales - net	496	-	-	496
Interest and dividend income	374	7,909	-	8,283
Net realized gain on sale of investments	2,209	-	-	2,209
Net unrealized loss on investments	(2,932)	(1,484)	-	(4,416)
<b>Total revenue</b>	<u>158,611</u>	<u>6,425</u>	<u>-</u>	<u>165,036</u>
	<u>1,247,621</u>	<u>15,223</u>	<u>-</u>	<u>1,262,844</u>
Expenses				
Program services	809,812	-	-	809,812
Management and general	75,795	-	-	75,795
Fundraising	58,864	-	-	58,864
<b>Total expenses</b>	<u>944,471</u>	<u>-</u>	<u>-</u>	<u>944,471</u>
<b>Change in net assets</b>	<u>303,150</u>	<u>15,223</u>	<u>-</u>	<u>318,373</u>
<b>Net assets - beginning of year</b>	<u>3,130,528</u>	<u>23,227</u>	<u>144,552</u>	<u>3,298,307</u>
<b>Net assets - end of year</b>	<u>\$ 3,433,678</u>	<u>\$ 38,450</u>	<u>\$ 144,552</u>	<u>\$ 3,616,680</u>

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

*Heritage Humane Society, Inc.*

*Statement of Activities and Net Assets*

**Year Ended June 30, 2014**

**As Restated**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue</b>				
Support				
Contributions	\$ 481,451	\$ 10,307	\$ -	\$ 491,758
Contributions - United Way	13,349	-	-	13,349
Special events - net	85,975	-	-	85,975
Net assets released from restriction	12,662	(12,662)	-	-
<b>Total support</b>	<u>593,437</u>	<u>(2,355)</u>	<u>-</u>	<u>591,082</u>
Revenue				
Adoption fees	82,713	-	-	82,713
Government shelter management fees	73,032	-	-	73,032
Return to owner fees	5,163	-	-	5,163
Shop sales - net	4,912	-	-	4,912
Education and camps	24,165	-	-	24,165
Interest and dividend income	1,851	3,980	-	5,831
Net realized loss on investments	(396)	-	-	(396)
Net unrealized gain on investments	389	14,488	-	14,877
<b>Total revenue</b>	<u>191,829</u>	<u>18,468</u>	<u>-</u>	<u>210,297</u>
	<u>785,266</u>	<u>16,113</u>	<u>-</u>	<u>801,379</u>
Expenses				
Program services	819,476	-	-	819,476
Management and general	69,510	-	-	69,510
Fundraising	57,429	-	-	57,429
<b>Total expenses</b>	<u>946,415</u>	<u>-</u>	<u>-</u>	<u>946,415</u>
<b>Change in net assets</b>	<u>(161,149)</u>	<u>16,113</u>	<u>-</u>	<u>(145,036)</u>
<b>Net assets - beginning of year - as previously</b>	3,305,818	7,114	144,552	3,457,484
<b>Prior period adjustment</b>	<u>(14,141)</u>	<u>-</u>	<u>-</u>	<u>(14,141)</u>
<b>Net assets - beginning of year - as restated</b>	<u>3,291,677</u>	<u>7,114</u>	<u>144,552</u>	<u>3,443,343</u>
<b>Net assets - end of year</b>	<u>\$ 3,130,528</u>	<u>\$ 23,227</u>	<u>\$ 144,552</u>	<u>\$ 3,298,307</u>

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

*Heritage Humane Society, Inc.*

*Schedule of Functional Expenses*

**Year Ended June 30, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ -	\$ 9,902	\$ -	\$ 9,902
Advertising	7,018	780	-	7,798
Bank charges	-	5,449	-	5,449
Conferences and education	4,661	518	-	5,179
Depreciation	85,572	9,508	-	95,080
Dues and subscriptions	6,777	753	-	7,530
Employee benefits	25,035	1,490	3,278	29,803
Insurance	12,925	1,436	-	14,361
IT services	-	7,300	-	7,300
Legal and professional fees	-	3,289	-	3,289
Meals and entertainment	2,581	287	-	2,868
Office supplies	4,045	444	-	4,489
Payroll taxes	31,923	1,796	3,950	37,669
Postage	1,536	171	-	1,707
Printing and copying	11,629	1,292	-	12,921
Repairs and maintenance	14,200	1,578	-	15,778
Salaries and wages	394,314	23,471	51,636	469,421
Sawyer care fund	10,275	-	-	10,275
Taxes and licenses	-	1,465	-	1,465
Telephone	6,436	715	-	7,151
Uniforms	2,953	328	-	3,281
Utilities	32,096	3,566	-	35,662
Vehicles	3,182	-	-	3,182
Veterinarian care and animal supplies	152,654	-	-	152,654
Volunteer and Board expense	-	257	-	257
<b>Total functional expenses</b>	<u>\$ 809,812</u>	<u>\$ 75,795</u>	<u>\$ 58,864</u>	<u>\$ 944,471</u>

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



*Heritage Humane Society, Inc.*

*Schedule of Functional Expenses*

<b>Year Ended June 30, 2014</b>	<b>As Restated</b>			<b>Total</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	
Accounting	\$ -	\$ 4,740	\$ -	\$ 4,740
Advertising and promotion	8,990	999	-	9,989
Bank charges	-	5,804	-	5,804
Conferences and education	3,036	337	-	3,373
Depreciation	83,240	9,249	-	92,489
Dues and subscriptions	623	69	-	692
Employee benefits	20,148	1,199	2,639	23,986
Insurance	15,566	1,730	-	17,296
Meals and entertainment	766	85	-	851
Office expense	4,611	512	-	5,123
Payroll taxes	30,366	1,975	3,894	36,235
Postage	1,471	163	-	1,634
Printing	22,170	2,463	-	24,633
Professional fees	-	6,300	-	6,300
Repairs and maintenance	12,941	1,438	-	14,379
Salaries and wages	401,286	25,812	50,896	477,994
Sawyer care fund	15,810	-	-	15,810
Taxes and licenses	-	539	-	539
Telephone	8,591	955	-	9,546
Uniforms	1,745	-	-	1,745
Utilities	34,869	3,874	-	38,743
Vehicle expenses	3,720	-	-	3,720
Veterinarian care and animal supplies	149,527	-	-	149,527
Volunteer and Board expense	-	1,267	-	1,267
<b>Total function expenses</b>	<b>\$ 819,476</b>	<b>\$ 69,510</b>	<b>\$ 57,429</b>	<b>\$ 946,415</b>

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

*Heritage Humane Society, Inc.*

*Statements of Cash Flows*

<b>Year Ended June 30,</b>	<b>2015</b>	<b>As Restated 2014</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 318,373	\$ (145,036)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	95,080	92,489
Net realized and unrealized (gains) losses on investments	3,124	(14,481)
Changes in:		
Employee receivable	1,772	(846)
Prepaid expenses	(1,257)	2,031
Inventory	471	674
Accounts payable	42,928	(4,057)
Accrued payroll	(21,075)	1,742
Accrued vacation	(4,330)	(2,157)
Payroll liabilities	2,719	328
<b>Net cash from operating activities</b>	<b>437,805</b>	<b>(69,313)</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(45,788)	(36,040)
Purchase of investments - endowment	(4,205)	(3,980)
Purchase of investments - unrestricted	(3,115)	(231,695)
Proceeds from sale of investments - unrestricted	2,417	31,272
<b>Net cash from investing activities</b>	<b>(50,691)</b>	<b>(240,443)</b>
<b>Net change in cash and cash equivalents</b>	<b>387,114</b>	<b>(309,756)</b>
<b>Cash and cash equivalents - beginning of the year</b>	<b>610,857</b>	<b>920,613</b>
<b>Cash and cash equivalents - end of the year</b>	<b>\$ 997,971</b>	<b>\$ 610,857</b>
<b>Supplemental noncash disclosures</b>		
Donated stock received	\$ 6,794	\$ -
Donated services	\$ 2,125	\$ -

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

## *Heritage Humane Society, Inc.*

### *Notes to Financial Statements*

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**June 30, 2015 and 2014**

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#### **1. Organization and Nature of Activities**

*Heritage Humane Society, Inc.* (Society) is a non-stock, not-for-profit organization that serves as a compassionate haven for stray or unwanted companion animals, educates the public about humane care and treatment, advocates animal welfare, and promotes adoption to measurably reduce overpopulation and homelessness.

#### **2. Summary of Significant Accounting Policies**

##### **Basis of Accounting**

The financial statements of the Society have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### **Financial Statement Presentation**

The Society reports information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The classes of net assets are described as follows:

- ▶ ***Unrestricted*** amounts are those currently available, at the discretion of the Board of Directors, for use in the Society's operations.
- ▶ ***Temporarily restricted*** amounts are those that are stipulated by donors for specific purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.
- ▶ ***Permanently restricted*** amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. The Society has two endowment funds, in which all donor contributions are classified as permanently restricted.

##### **Cash and Cash Equivalents**

The Society considers all highly liquid investments including time deposits with an initial maturity of three months or less to be cash equivalents.

## **Credit Risk**

Financial instruments that subject the Society to concentrations of credit risk consist principally of cash and cash equivalents. The Society maintains cash accounts in high credit quality financial institutions. Collected funds are insured by the Federal Deposit Insurance Corporation (FDIC) up to the legal limit. At June 30, 2015 and June 30, 2014, the banks' collected balances exceeded FDIC insurance limits by \$381,640 and \$35,832, respectively.

## **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. While not an agency of the United States government, like the FDIC, the Securities Investor Protection Corporation (SIPC) insures accounts (not the underlying investments) with each brokerage firm up to a maximum of \$500,000.

## **Temporarily and Permanently Restricted Net Assets**

Contributions received from the public and not designated for a specific use are recognized as public support when received and are reported as current unrestricted funds.

Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that temporarily limit the use of the donated assets or are for future periods. When a donor restriction is satisfied, by either passage of time or action, temporarily restricted net assets are reclassified to unrestricted net assets. When restrictions are met in the same fiscal year restricted support is received, the gift is classified as unrestricted support. The temporary restricted net assets as of June 30, 2015 and 2014 relate to the collection of contributions for future years.

## **Property and Equipment**

Property and equipment are stated at cost. Donated property is recorded at fair market value at the date of receipt. The Society follows the practice of capitalizing all expenditures for property and equipment in excess of \$500. When an asset is sold, retired, or otherwise disposed and the cost and related accumulated depreciation are eliminated from the accounts, any resulting gain or loss is included in the statements of activities and net assets.

	<u>Years</u>
Buildings and improvements	15 - 39
Equipment and vehicles	5 - 7
Furniture and fixtures	3 - 39
Software	3

## **Functional Expenses**

The Society allocates its expenses, on a functional basis, among its various programs and supporting services. Expenses that relate to a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated based on personnel time and space utilization, as well as identification of direct costs for each activity.

## **Income Taxes**

The Society has been recognized by the Internal Revenue Service as a qualified charitable organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society has determined that it does not have any material unrecognized income tax benefits or obligations as of June 30, 2015. Fiscal years ending on or after June 30, 2012, remain subject to examination by federal and state tax authorities.

## **Inventory**

The Society values its inventory, which consists of animal products, at the lower cost, determined on a first-in, first-out basis, or market.

## **Advertising Costs**

Advertising costs are expensed as incurred and were \$7,798 and \$9,989, for 2015 and 2014, respectively.

## **Donated Materials and Services**

The Society records the value of donated materials or services when there is an objective basis available to measure their value. The Society recognizes the estimated fair value of contributed services that meet the following criteria:

- The services rendered either create or enhance nonfinancial assets.
- The services received require special skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

Donated services of \$2,125 and \$ - 0 - have been reflected in the statements of activities and net assets for 2015 and 2014, respectively. In addition, a substantial number of volunteers donated significant amounts of time in the Society's program services, but do not meet the criteria above.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contribution of property and equipment are recorded as unrestricted support.

## **Estimates**

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

## **Reclassification Adjustments**

Certain reclassifications have been made to 2014 balances for consistent financial statement presentation.

## **Subsequent Events**

Management has evaluated subsequent events through November 16, 2015, the date which the financial statements were available to be issued.

### 3. Property and Equipment

Property and equipment at June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 2,769,355	\$ 2,733,463
Equipment and vehicles	192,297	185,705
Furniture and fixtures	27,570	25,165
Software	31,361	30,461
	<u>3,020,583</u>	<u>2,974,794</u>
Less - accumulated depreciation	<u>(732,471)</u>	<u>(637,390)</u>
	<u>\$ 2,288,112</u>	<u>\$ 2,337,404</u>

Depreciation expense for 2015 and 2014 was \$95,080 and \$92,489, respectively.

### 4. Investments

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable assets (level 3 measurements). The three levels of the fair value hierarchy under applicable accounting standards are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the Society has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• Quoted prices for similar assets or liabilities in active markets;</li><li>• Quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• Inputs other than quoted prices that are observable for the asset or liability;</li><li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

*Mutual Funds:* Valued at the official closing price of, or the last reported sale price on, the exchange or market on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. Prices for each security are taken from the principal exchange or market in which the security trades.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 sets forth by level, within fair value hierarchy, the investment assets at fair value:

<b>Assets at Fair Value as of June 30, 2015</b>				
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 376,108	\$ -	\$ -	\$ 376,108
Stocks	4,659	-	-	4,659
	<u>\$ 380,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,767</u>

<b>Assets at Fair Value as of June 30, 2014</b>				
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 375,659	\$ -	\$ -	\$ 375,659
Stocks	3,329	-	-	3,329
	<u>\$ 378,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 378,988</u>

The cost and estimated fair value of investment securities at June 30, 2015 are as follows:

	Cost	Fair Value	Net Unrealized Gains/ (Losses)
Mutual Funds	\$ 349,775	\$ 376,108	\$ 26,333
Stocks	4,964	4,659	(305)
	<u>\$ 354,739</u>	<u>\$ 380,767</u>	<u>\$ 26,028</u>

## 5. Special Events

The Society hosted fundraising events during 2015 and 2014. Revenues and expenses related to such special events are as follows:

	<b>2015</b>	<b>2014</b>
Special events revenue	\$ 87,678	\$ 105,599
Less - direct cost of special events	(18,461)	(19,624)
	<u>\$ 69,217</u>	<u>\$ 85,975</u>

## 6. Endowment Funds

In October 2010, the Society created the Winnie’s Way Endowment Fund, and in January 2011, created the McDuff Endowment Fund to provide the Society with a reliable and consistent, long-term source of funding.

The investment objective of the endowment funds are to earn the highest possible return over the long-term. The Society uses a moderate risk investment strategy with a target asset allocation of 35% equities, 35% fixed income, and 30% alternative strategies to achieve this objective. The endowment fund’s spending policy allows the Society to disburse 1.25% of the fund’s market value per calendar quarter. If the market value of the fund drops below the principal amount donated at the end of any quarter, then the Society may only disburse the interest and dividends earned for that quarter, instead of 1.25% of the fund’s market value. Any other distributions must be authorized by the Society’s Board of Directors.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Society has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 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 of the accumulation is added to the fund. In accordance with SPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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 Society’s investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Society has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide the maximum return within certain constraints. The assets must be invested with the care, skill and diligence that a prudent man acting in this capacity would undertake. All investments will be made within quality, marketability and diversification guidelines. The greatest focus is on long-term appreciation of the assets and consistency of total portfolio returns.

*Spending Policy.* The Society’s Board of Directors governs the use of the endowment fund and identifies the mission-related programs and services for which the funds will be used.

Endowment net asset composition is as follows at June 30, 2015 and 2014:

	Unrestricted - Board Designated	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets - June 30, 2015	\$ 10,559	\$ 29,846	\$ 144,552	\$ 184,957
Endowment net assets - June 30, 2014	\$ 10,559	\$ 23,227	\$ 144,552	\$ 178,338



**7. Commitments**

The Society provides animal management services for the Bruton District of York County (County), James City County (JCC) and the City of Williamsburg (City).

Under contract dated July 1, 2000, the Society agrees to provide animal management services for the County for an agreed-upon amount. The contract is renewed annually. For 2015 and 2014, the Society received \$10,000 and \$10,716 from the County for these services, respectively.

The Society entered into a contract with the City on January 1, 2005. The term of the contract is for 40 years. The contract requires the Society to pay the City \$1 per year for the lease of the land on which the Society's shelter sits. Also, the Society is required to act as the City's animal pound for the duration of the contract. For 2015 and 2014, the Society received \$14,847 and \$14,260 for these services, respectively.

On July 1, 2009, the Society entered into a contract with JCC. The contract has an initial term of five years, and is renewable every five years for seven additional terms, for a total contract term of 40 years. The Society agrees to act as the JCC's animal pound. JCC agrees to pay the Society a fixed annual amount, adjusted annually for inflation, for providing these services. For 2015 and 2014, the Society received \$29,333 and \$48,056 for these services, respectively.

**8. Prior Period Adjustment**

The Society recorded a prior period adjustment as of July 1, 2013 to correct the method of accounting for accrued vacation to the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The prior period adjustment of \$14,141 consists of adjustments to accrued vacation and unrestricted net assets.

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