



**ANIMAL WELFARE SOCIETY, INC.  
AND AFFILIATE**

**AUDIT OF FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**YEAR ENDED MARCH 31, 2015**

**ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE**

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AND  
ADDITIONAL INFORMATION**

**YEAR ENDED MARCH 31, 2015**

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INDEPENDENT AUDITORS' REPORT

**CUMMINGS  
LAMONT  
& McNAMEE, P.A.**

September 15, 2015

*"Trusted Advisors for  
over 50 years!"*

Boards of Directors  
Animal Welfare Society, Inc. and Affiliate  
Kennebunk, Maine

CERTIFIED PUBLIC ACCOUNTANTS

305 Lafayette Center  
P.O. Box 328  
Kennebunk, Maine 04043-0328  
TEL 207 985-3339  
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We have audited the accompanying combined financial statements of Animal Welfare Society, Inc. (a nonprofit organization) and Affiliate, which comprise the combined statement of financial position as of March 31, 2015, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

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Portsmouth, NH 03801  
TEL 603 430-6200  
FAX 603 430-6209

***Management's Responsibility for the Financial Statements***

1 Hampton Road  
Suite 306  
Exeter, NH 03833  
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Management is responsible for the preparation and fair presentation of these combined 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.

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***Auditor's Responsibility***

Raymond L. Bald, CPA, CFE  
Cindy K. Edwards, MBA  
Wanda J. Ring, CPA  
Melanie Bunker, CPA  
Michelle A. Goldsmith, CPA

Member:  
American Institute of CPAs

Licensed in Maine, New Hampshire  
and Massachusetts

Our responsibility is to express an opinion on these combined 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Animal Welfare Society, Inc. and Affiliate as of March 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited Animal Welfare Society, Inc. and Affiliate's March 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Cummings, Lamont & McNamee, P.A.*  
Certified Public Accountants  
Kennebunk, Maine

**ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2015**  
**WITH COMPARATIVE TOTALS FOR MARCH 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>March 31, 2014 Total (Memorandum Only)</u>
<b>ASSETS</b>					
Cash	\$ 89,975	\$ 149,446	\$ -	\$ 239,421	\$ 218,215
Accounts receivable	1,321	-	-	1,321	5,910
Bequests receivable	-	-	-	-	365,493
Investments	3,871,280	-	224,989	4,096,269	3,568,976
Inventory	34,764	-	-	34,764	38,073
Prepaid expenses	12,815	-	-	12,815	23,056
Beneficial interest in charitable trusts	190,596	42,013	188,898	421,507	408,967
Property and equipment, net	1,089,323	-	-	1,089,323	1,080,258
Intangible assets, net	51,849	-	-	51,849	64,279
<b>Total Assets</b>	<b>\$5,341,923</b>	<b>\$ 191,459</b>	<b>\$ 413,887</b>	<b>\$5,947,269</b>	<b>\$ 5,773,227</b>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 53,438	\$ -	\$ -	\$ 53,438	\$ 81,691
Accrued salaries	42,337	-	-	42,337	30,231
Line of credit	40,256	-	-	40,256	-
Deferred revenue	-	-	-	-	42,943
<b>Total Liabilities</b>	<b>136,031</b>	<b>-</b>	<b>-</b>	<b>136,031</b>	<b>154,865</b>
<b>NET ASSETS</b>					
Unrestricted:					
Designated as funds functioning as endowment	2,685,000	-	-	2,685,000	2,577,869
Undesignated	2,520,892	-	-	2,520,892	2,479,380
Temporarily restricted	-	191,459	-	191,459	142,355
Permanently restricted	-	-	413,887	413,887	418,758
<b>Total Net Assets</b>	<b>5,205,892</b>	<b>191,459</b>	<b>413,887</b>	<b>5,811,238</b>	<b>5,618,362</b>
<b>Total Liabilities and Net Assets</b>	<b>\$5,341,923</b>	<b>\$ 191,459</b>	<b>\$ 413,887</b>	<b>\$5,947,269</b>	<b>\$ 5,773,227</b>

*See Notes to Financial Statements*

**ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE**

**COMBINED STATEMENT OF ACTIVITIES**

**YEAR ENDED MARCH 31, 2015  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>March 31, 2014 Total (Memorandum Only)</u>
<b>OPERATING SUPPORT AND REVENUE</b>					
Donations and bequests	\$1,015,640	\$ 137,545	\$ -	\$ 1,153,185	\$ 1,309,696
Membership dues	18,358	-	-	18,358	26,461
Municipal fees	192,300	-	-	192,300	183,553
Adoption fees	395,612	-	-	395,612	358,470
Miscellaneous fees and income	96,003	-	-	96,003	92,365
Fundraising and special events	101,707	39,744	-	141,451	128,394
Net assets released from restrictions	<u>133,888</u>	<u>(133,888)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Support and Revenue	<u>1,953,508</u>	<u>43,401</u>	<u>-</u>	<u>1,996,909</u>	<u>2,098,939</u>
<b>NON-OPERATING SUPPORT AND REVENUE</b>					
In-kind website donation	-	-	-	-	53,662
Interest and dividends	93,324	-	-	93,324	104,981
Gains (losses) on investments	178,785	-	-	178,785	442,212
Gains (losses) on charitable trusts	11,708	5,703	(4,871)	12,540	31,673
Gains (losses) on disposal of asset	<u>(13,679)</u>	<u>-</u>	<u>-</u>	<u>(13,679)</u>	<u>-</u>
Total Non-Operating Support and Revenue	<u>270,138</u>	<u>5,703</u>	<u>(4,871)</u>	<u>270,970</u>	<u>632,528</u>
<b>EXPENSES</b>					
Program service	1,629,273	-	-	1,629,273	1,371,125
Management and general	238,419	-	-	238,419	190,072
Fundraising and special events	<u>207,311</u>	<u>-</u>	<u>-</u>	<u>207,311</u>	<u>167,431</u>
Total Expenses	<u>2,075,003</u>	<u>-</u>	<u>-</u>	<u>2,075,003</u>	<u>1,728,628</u>
CHANGE IN NET ASSETS	148,643	49,104	(4,871)	192,876	1,002,839
NET ASSETS, BEGINNING OF YEAR	<u>5,057,249</u>	<u>142,355</u>	<u>418,758</u>	<u>5,618,362</u>	<u>4,615,523</u>
NET ASSETS, END OF YEAR	<u>\$5,205,892</u>	<u>\$ 191,459</u>	<u>\$ 413,887</u>	<u>\$ 5,811,238</u>	<u>\$ 5,618,362</u>

*See Notes to Financial Statements*

ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2014

		March 31, 2014 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 192,876	\$ 1,002,839
Adjustments to reconcile change in net assets to net cash provided by (used in) in operating activities:		
Depreciation and amortization	78,348	72,558
(Gains) losses on investments	(178,785)	(442,211)
(Gains) losses on charitable trusts	(12,540)	(31,673)
(Gains) losses on disposal of fixed asset	13,679	-
Changes in operating assets and liabilities:		
Accounts receivable	4,589	(2,672)
Bequests receivable	365,493	(315,621)
Inventory	3,309	(15,103)
Prepaid expenses	10,241	(7,433)
Beneficial interest in charitable trusts	-	(36,310)
Accounts payable and accrued expenses	(29,894)	13,945
Accrued salaries	12,106	(20,756)
Deferred revenue	(42,943)	1,268
Net cash provided by (used in) operating activities	<u>416,479</u>	<u>218,831</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Donated intangible assets	-	(53,662)
Proceeds from sales of investments	1,087,898	810,216
Purchases of investments	(1,434,765)	(901,954)
Cash paid for purchase of intangible assets	(1,350)	(14,000)
Cash paid for purchase of property and equipment	<u>(87,312)</u>	<u>(24,254)</u>
Net cash provided by (used in) investing activities	<u>(435,529)</u>	<u>(183,654)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds (repayments) on line of credit	<u>40,256</u>	<u>(35,000)</u>
Net cash provided by (used in) financing activities	<u>40,256</u>	<u>(35,000)</u>
NET INCREASE (DECREASE) IN CASH	21,206	177
CASH, BEGINNING OF YEAR	<u>218,215</u>	<u>218,038</u>
CASH, END OF YEAR	<u>\$ 239,421</u>	<u>\$ 218,215</u>

See Notes to Financial Statements

**ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE**  
**COMBINED STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2015**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2014**

**SUPPLEMENTAL CASH FLOW DISCLOSURES:**

During the year ended March, 31, 2015 the Society paid \$858 in interest. There were no cash payments for income taxes for the year ended March, 31, 2015.

**SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:**

There were no noncash investing and financing activities during the year ended March 31, 2015.

*See Notes to Financial Statements*

ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2015

Note 1 – Summary of Significant Accounting Policies

Nature of Activities - Animal Welfare Society, Inc. ("Society") is a not-for-profit Maine corporation organized May 31, 1967. The Society exists to provide humane shelter and care to animals temporarily in need of housing, and to further the cause of responsible animal adoption and ownership through education and public awareness. The Society actively promotes kindness, the elimination of cruelty and neglect to all animals, and the lifelong commitment of people to their pets. The Society's principal sources of revenue are donations, fees, investment income and fundraising activities.

The Cleo Fund (the "Affiliate") is a not-for-profit Maine corporation existing to provide subsidies to low-income individuals to cover the cost of animal spay and neuter surgeries. The Affiliate's principal source of revenue is donations. Effective January 1, 2013, operation and control of The Cleo Fund was assumed by the Animal Welfare Society, Inc. through the appointment of three members of the Board of Directors of the Animal Welfare Society to the three member Board of Directors of The Cleo Fund. Management of the Society believes the combined financial statements provide a more complete presentation of the financial position and results of operations of the Society.

Basis of Accounting - The combined financial statements include the accounts of Animal Welfare Society, Inc. and The Cleo Fund which are affiliated through common control. Significant intercompany transactions and balances have been eliminated in the combination. The combined financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other accruals, if applicable.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Society is required to report 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.

Measure of Operations - In its statement of activities, the Society includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, contributions of intangible assets, and contributions of permanently restricted net assets are recognized as non-operating support and revenue.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by activities of the Society and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of the assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

Cash - For purposes of the Statement of Cash Flows, the Society and Affiliate consider all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services - Donated services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Accounting Estimates and Assumptions - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support revenues and expenses. Actual results could differ from those estimates.



ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status - Both the Society and the Affiliate are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, both entities qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(2).

The federal returns of organizations exempt from income tax of the Society and Affiliate are subject to examination generally for three years after they are filed. The Society and Affiliate do not believe that there are any uncertain tax positions taken in preparation of the returns that would impact these financial statements.

Inventory - Inventory is valued at the lower of cost (first-in, first-out) or market and consists of veterinary supplies, cookbooks, apparel and other items held for sale.

Investments - The Society and Affiliate carry investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Promises to Give - Unconditional promises to give are recorded as received. Unconditional promises to give due in subsequent years are recorded at their present value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Bequests Receivable - The Society and Affiliate are beneficiaries under various wills and trust agreements, some of which the total realizable amount is not presently determinable. Such amounts are recorded when a will or trust is declared valid by a probate court and the proceeds are measurable. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in bequests receivable. There is no allowance for uncollectible accounts at March 31, 2015.

Property and Equipment - Purchased land, buildings, furnishings and equipment are carried at cost. Contributed assets are carried at their fair market value at the time of the gift. Major additions are included in the property accounts while maintenance and repairs which do not improve or extend the life of the assets are expensed currently. Depreciation expense was \$64,568 for the year ended March 31, 2015. Depreciation is computed using the straight-line and declining balance methods of depreciation over the assets' estimated lives as follows:

<u>Assets</u>	<u>Life in Years</u>
Buildings	15-30
Land improvements	10
Equipment	5-10

Recognition of Donor-Restricted Contributions - Support that is restricted by the donor 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.

ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk for Cash Held in Banks and Brokerage Accounts - The Society and Affiliate maintain cash balances at a local bank and in brokerage accounts, and deposits are insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. At March 31, 2015, cash held at the local bank totaled \$131,368. The book value was \$102,052. Cash held in brokerage accounts totaled \$137,220. The book value was \$137,220. At March 31, 2015, no cash balances were uninsured.

Note 2 – Cash

Temporarily restricted cash is available for the following purposes as of March 31, 2015:

	<u>Temporarily Restricted</u>
Restricted to Animal Resource Center	\$ 10,000
Restricted to Stay at Home program	10,000
Restricted to spay/neuter programs	24,439
Restricted for office space/adoption center renovation	25,000
Restricted to other uses	<u>80,007</u>
 Total	 \$ <u>149,446</u>

Note 3 – Bequests Receivable

The Society and Affiliate are beneficiaries under various wills and trust agreements, some of which the total realizable amount is not presently determinable. Such amounts are recorded when a will or trust is declared valid by a probate court and the proceeds are measurable. At March 31, 2015 no bequests met this criteria for recognition as bequests receivable in the combined statement of financial position.

Note 4 – Investments

The Society and Affiliate have elected to report their investments at fair value. The Statement of Financial Accounting Standards, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, specifies that investments in equity securities with readily determinable fair values should be reported at their fair value.

Investments as of March 31, 2015, are summarized as follows:

	<u>Cost</u>		<u>Fair Value</u>
Corporate stocks and bonds	\$ 3,275,007	\$	4,046,243
US Government obligations	<u>49,873</u>		<u>50,026</u>
 Total	 \$ <u>3,324,880</u>	 \$	 <u>4,096,269</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended March 31, 2015:

	<u>Unrestricted</u>
Interest and dividends	\$ 93,049
Gains (losses) on investments	<u>178,785</u>
 Total investment return	 \$ <u>271,834</u>

ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2015

Note 5 – Fair Values of Assets

Effective April 1, 2008, the Society and Affiliate adopted Statement of Financial Accounting Standards, *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP. This standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standard also established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

- A) Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other resources;
- B) Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- C) Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Assets itemized below were measured at fair value during the year ended using the market approach for Level 1 measurements and income approach for Level 2 measurements.

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>March 31, 2015</u>				
Investment in equities	\$ 3,561,929	\$ 3,561,929	\$ -	\$ -
Investment in corporate bonds	484,314	484,314	-	-
Investment in government bonds	50,026	50,026	-	-
Beneficial interest in charitable trusts	<u>421,507</u>	<u>379,494</u>	<u>42,013</u>	<u>-</u>
Total Assets	<u>\$ 4,517,776</u>	<u>\$ 4,475,763</u>	<u>\$ 42,013</u>	<u>\$ -</u>

The fair value of a split interest agreement, classified as beneficial interest in charitable trusts within the combined statement of financial position, has been measured using an income approach that utilizes present value techniques using level 2 inputs for interest rates, yield curves, and life expectancy tables, as described in Note 13.

ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2015

Note 6 – Property and Equipment

Property and equipment consists of the following at March 31, 2015:

Land	\$	627,394
Buildings		1,182,127
Land improvements		298,969
Equipment		169,636
Automobile		<u>39,846</u>
		2,317,972
Less accumulated depreciation		<u>1,228,649</u>
Total property and equipment	\$	<u>1,089,323</u>

Note 7 – Intangible Assets

Intangible assets consist of the following at March 31, 2015:

Website		69,012
Less accumulated amortization		<u>17,163</u>
Total intangible assets	\$	<u>51,849</u>

Note 8 – Line of Credit

In December 2010, the Society obtained a \$200,000 revolving line of credit from Kennebunk Savings Bank to help finance its short-term cash flow needs. This line is collateralized by the Society's real property located in York County and any rents on the property. Interest is payable monthly on outstanding balances at an interest rate equal to the annual U.S. Prime Rate as published in the "Wall Street Journal" (which was 3.250% at the time of the agreement). At March 31, 2015, the line's effective rate of interest was 3.25%. As of March 31, 2015 \$40,256 was outstanding under the line of credit. The line of credit matures on February 15, 2016. Interest expense for the year ended March 31, 2015 was \$677.

Note 9 – Board-Designated Net Assets

As discussed in Note 12, as of March 31, 2015, the Board of Directors of the Society had designated \$2,685,000 of unrestricted net assets as a general endowment fund to support the mission of the Society. Since this amount resulted from an internal designation and is not donor-restricted, the designation is classified and reported as unrestricted net assets.

Note 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Restricted to Stay at Home program	\$	10,000
Restricted to Animal Resource Center		10,000
Restricted to spay/neuter programs		24,439
Restricted to office space/adoption center renovation		25,000
Time restriction - beneficial interest in charitable trust		42,013
Restricted to other uses		<u>80,007</u>
Total	\$	<u>191,459</u>

ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2015

Note 10 – Temporarily Restricted Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purpose restrictions accomplished:

Restricted for van purchase	\$	21,523
Restricted to spay/neuter programs		39,423
Restricted to Animal Medical Care		39,744
Other restricted amounts		<u>33,198</u>
Total restrictions released	\$	<u>133,888</u>

Note 11 – Permanently Restricted Net Assets

Permanently restricted net assets consist of the following:

Donor-designated endowment funds, Note 12	\$	224,989
Beneficial interest in a charitable foundation, Note 13		<u>188,898</u>
Total	\$	<u>413,887</u>

Note 12 – Endowment Funds

In January 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (“the Staff Position”). The Staff Position provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Staff Position also requires additional disclosures about an organization’s endowment fund (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Maine enacted UPMIFA in 2009, the provisions of which apply to endowment funds existing on or established after that date. The Society has adopted the Staff Position for the year ended March 31, 2010. The Society’s endowment investing policy’s objective is to grow the fund over time to support the purposes as defined above. The fund will meet this objective by investing endowment funds in fixed income and equity investments. The Society spends the earnings of the above funds for purposes as deemed necessary by the Society.

As of March 31, 2015, the Society had endowment funds totaling \$2,909,989 consisting of both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, 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 the accumulation is added to the fund.

**ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2015**

**Note 12 – Endowment Funds (continued)**

As of March 31, 2015, the Board of Directors of the Society had designated \$2,685,000 of unrestricted net assets as a general endowment fund to support the mission of the Society. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Society's investment spending policy consists of distributing monthly, the previous month's net investment income including interest, dividends and capital gain distributions from investments. The distributions do not account for any change in the fair value of the endowment fund. Accordingly, over the long-term, the Society expects the current policy to allow its endowment funds to grow at an average of 3-4% annually. This is consistent with the Society's objective to attempt to provide a predictable stream of funding from its endowment funds while also maintaining the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment Net Asset Composition by fund as of March 31, 2015 is as follows:

	Unrestricted	Permanently Restricted	Total
Donor-designated endowment funds	\$ -	\$ 224,989	\$ 224,989
Board-designated endowment funds	<u>2,685,000</u>	<u>-</u>	<u>2,685,000</u>
<b>Total</b>	<b>\$ <u>2,685,000</u></b>	<b>\$ <u>224,989</u></b>	<b>\$ <u>2,909,989</u></b>

Changes in endowment net assets as of March 31, 2015 are as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 2,577,869	\$ 224,989	\$ 2,802,858
Investment income net of fees	180,581	-	180,581
Distributions	(59,716)	-	(59,716)
Unrealized gains on endowment	<u>(13,734)</u>	<u>-</u>	<u>(13,734)</u>
<b>Total</b>	<b>\$ <u>2,685,000</u></b>	<b>\$ <u>224,989</u></b>	<b>\$ <u>2,909,989</u></b>

**Note 13 – Charitable Trusts**

The Society is a beneficiary of the following charitable trusts at March 31, 2015:

Unrestricted:

The Society is a beneficiary of the Leila Gaines charitable trust which is administered by a related trustee. Both income and principal are available for the Society's use. The trust owned assets with a market value of \$190,595 as of March 31, 2015. There were no distributions from the trust during fiscal 2015.

Temporarily restricted:

The Society is a remainder beneficiary of the Conderman charitable remainder trust held and administered by outside trustees. Under the terms of the trust one income beneficiary currently receives, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to 6% of the net fair market value of the trust assets as of the first day of the trust year. Upon the death of the beneficiary, 17% percent of the remaining principal is to be distributed to the Society. The expected future cash flow of \$42,013 represents the Society's share of the fair market value of the trust principal at March 31, 2015. Changes in the value of the trust have been reported in the statement of activities as increases in temporarily restricted net assets.

ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2015

Note 13 – Charitable Trusts (continued)

The Society's interest in the Conderman charitable remainder trust has been recognized at the present value of the expected future cash flow payments discounted at a rate of 1.8% and a 8.8 year remaining life expectancy of the income beneficiary. The actual rate of return and life of the income beneficiary could differ from these amounts.

Permanently restricted:

The Society is a beneficiary of 8.33% of The Clark Foundation charitable trust held and administered by outside trustees. The Society will receive annual distributions based upon the income of the trust in perpetuity. The trust owned assets for the benefit of the Society with a market value of \$188,898 as of March 31, 2015. Distributions from the trust totaled \$7,102 during fiscal year 2015.

Note 14 – Donated Assets and Services

Donated services included in the financial statements consist of accounting services with a value of \$7,540 for the year ended March 31, 2015. In addition, a substantial number of volunteers have donated significant amounts of their time in the Society's and Affiliate's operations, program services and fundraising activities which is not recognized in the financial statements because it does not meet the criteria described in Note 1. The Society received in-kind donations of supplies valued at \$5,998 for the year ended March 31, 2015 which are included in donations and bequests in the Statement of Activities.

Note 15 – Retirement Plan

The Society has established a defined contribution plan covering all employees with at least \$5,000 in annual compensation who agree to make contributions to the plan. The Society matches participants' contributions to the plan up to 3% of the individual participant's compensation. Total expense for the year ended March 31, 2015, was \$16,870.

Note 16 – Related Party Transactions

The Society paid \$5,215 in human resources consulting services to an individual who serves on the Society's Board of Directors during the year ended March 31, 2015.

Note 17 – Subsequent Events

The Society entered into various agreements to purchase construction services and materials related to the renovation of the Society's office space. As of September 15, 2015, \$271,876 has been paid under these agreements and \$28,124 remains due.

Subsequent to March 31, 2015 the Society entered into various agreements to lease an office copier and a phone system. Minimum lease payments due for the next five years are \$6,566 per year.

Subsequent events have been evaluated through September 15, 2015, which is the date the financial statements were available to be issued. There were no other material events at September 15, 2015 that would require disclosure in the financial statements.

INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION

September 15, 2015

Boards of Directors  
Animal Welfare Society, Inc. and Affiliate  
Kennebunk, Maine

We have audited the combined financial statements of Animal Welfare Society, Inc. and Affiliate as of and for the year ended March 31, 2015, and have issued our report thereon dated September 15, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and activities as well as the combined schedule of functional expenses on pages 15 through 17 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Cummings, Lamont & Sheblamee, P.A.*

**Certified Public Accountants**  
**Kennebunk, Maine**



**ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2015**  
**WITH COMPARATIVE TOTALS FOR MARCH 31, 2014**

	Animal Welfare Society, Inc.	The Cleo Fund	Combining/ Eliminating Entries	Combined	March 31, 2014 Total (Memorandum Only)
<b>ASSETS</b>					
Cash	\$ 187,377	\$ 52,044	\$ -	\$ 239,421	\$ 218,215
Accounts receivable	1,321	-	-	1,321	5,910
Bequests receivable	-	-	-	-	365,493
Investments	3,552,089	544,180	-	4,096,269	3,568,976
Inventory	34,764	-	-	34,764	38,073
Prepaid expenses	12,815	-	-	12,815	23,056
Beneficial interest in charitable trusts	421,507	-	-	421,507	408,967
Property and equipment, net	1,089,323	-	-	1,089,323	1,080,258
Intangible assets, net	51,849	-	-	51,849	64,279
<b>Total Assets</b>	<b><u>\$5,351,045</u></b>	<b><u>\$ 596,224</u></b>	<b><u>\$ -</u></b>	<b><u>\$5,947,269</u></b>	<b><u>\$ 5,773,227</u></b>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 53,106	\$ 332	\$ -	\$ 53,438	81,691
Accrued salaries	42,337	-	-	42,337	30,231
Line of credit	40,256	-	-	40,256	-
Deferred revenue	-	-	-	-	42,943
<b>Total Liabilities</b>	<b><u>135,699</u></b>	<b><u>332</u></b>	<b><u>-</u></b>	<b><u>136,031</u></b>	<b><u>154,865</u></b>
<b>NET ASSETS</b>					
Unrestricted:					
Designated as funds functioning as endowment	2,685,000	-	-	2,685,000	2,577,869
Undesignated	1,932,200	588,692	-	2,520,892	2,479,380
Temporarily restricted	184,259	7,200	-	191,459	142,355
Permanently restricted	413,887	-	-	413,887	418,758
<b>Total Net Assets</b>	<b><u>5,215,346</u></b>	<b><u>595,892</u></b>	<b><u>-</u></b>	<b><u>5,811,238</u></b>	<b><u>5,618,362</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$5,351,045</u></b>	<b><u>\$ 596,224</u></b>	<b><u>\$ -</u></b>	<b><u>\$5,947,269</u></b>	<b><u>\$ 5,773,227</u></b>

*See Independent Auditors' Report on Additional Information on Page 14*

**ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE**

**COMBINING STATEMENT OF ACTIVITIES**

**YEAR ENDED MARCH 31, 2015  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Animal Welfare Society, Inc.</u>	<u>The Cleo Fund</u>	<u>Combining/ Eliminating Entries</u>	<u>Combined</u>	<u>March 31, 2014 Total (Memorandum Only)</u>
<b>OPERATING SUPPORT AND REVENUE</b>					
Donations and bequests	\$1,137,474	\$ 15,711	\$ -	\$ 1,153,185	\$ 1,309,696
Membership dues	18,358	-	-	18,358	26,461
Municipal fees	192,300	-	-	192,300	183,553
Adoption fees	395,612	-	-	395,612	358,470
Miscellaneous fees and income	142,539	7,964	(54,500)	96,003	92,365
Fundraising and special events	141,451	-	-	141,451	128,394
<b>Total Operating Support and Revenue</b>	<u>2,027,734</u>	<u>23,675</u>	<u>(54,500)</u>	<u>1,996,909</u>	<u>2,098,939</u>
<b>NON-OPERATING SUPPORT AND REVENUE</b>					
In-kind website donation	-	-	-	-	53,662
Interest and dividends	80,453	12,871	-	93,324	104,981
Gains (losses) on investments	153,445	25,340	-	178,785	442,212
Gains (losses) on charitable trusts	12,540	-	-	12,540	31,673
Gains (losses) on disposal of asset	(13,679)	-	-	(13,679)	-
<b>Total Non-Operating Support and Revenue</b>	<u>232,759</u>	<u>38,211</u>	<u>-</u>	<u>270,970</u>	<u>632,528</u>
<b>EXPENSES</b>					
Program service	1,629,273	54,500	(54,500)	1,629,273	1,371,125
Management and general	233,443	4,976	-	238,419	190,072
Fundraising and special events	207,311	-	-	207,311	167,431
<b>Total Expenses</b>	<u>2,070,027</u>	<u>59,476</u>	<u>(54,500)</u>	<u>2,075,003</u>	<u>1,728,628</u>
<b>CHANGE IN NET ASSETS</b>	190,466	2,410	-	192,876	1,002,839
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>5,024,880</u>	<u>593,482</u>	<u>-</u>	<u>5,618,362</u>	<u>4,615,523</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$5,215,346</u>	<u>\$ 595,892</u>	<u>\$ -</u>	<u>\$ 5,811,238</u>	<u>\$ 5,618,362</u>

*See Independent Auditors' Report on Additional Information on Page 14*

**ANIMAL WELFARE SOCIETY, INC. AND AFFILIATE**

**COMBINED SCHEDULE OF FUNCTIONAL EXPENSES**

**YEAR ENDED MARCH 31, 2015  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising and Special Events</u>	<u>Total</u>	<u>March 31, 2014 Total (Memorandum Only)</u>
Automobile expense	\$ 8,421	\$ 591	\$ 163	\$ 9,175	\$ 10,511
Computer consulting and expense	3,341	3,341	-	6,682	1,990
Depreciation and amortization	70,466	5,484	2,398	78,348	72,558
Dog park expense	15,291	-	-	15,291	9
Education	21,159	-	-	21,159	9,801
Emergency Disaster Relief	-	-	-	-	2,630
Food	5,892	-	-	5,892	5,206
Fundraising and special events	2,964	4,246	36,976	44,186	46,599
Insurance	58,795	7,238	6,082	72,115	62,581
Internet and web site	6,781	306	-	7,087	3,752
Investment fees	-	29,101	-	29,101	20,793
Miscellaneous	6,154	20,052	4,194	30,400	32,452
Occupancy and telephone	47,791	6,687	1,370	55,848	52,036
Office supplies and postage	24,644	5,985	17,108	47,737	32,748
Paws Across America expenses	50,011	-	-	50,011	46,638
Payroll and payroll taxes	864,698	85,026	123,071	1,072,795	902,338
Printing and publications	10,978	692	14,059	25,729	24,768
Professional fees	-	65,820	200	66,020	44,462
Repairs and maintenance	36,589	2,578	-	39,167	36,381
Retirement expense	13,908	1,272	1,690	16,870	18,715
Shelter operations	55,540	-	-	55,540	37,250
Spay/Neuter program	104,967	-	-	104,967	79,531
Veterinary fees	171,463	-	-	171,463	141,049
Veterinary supplies and other	43,260	-	-	43,260	38,696
Volunteer expenses	6,160	-	-	6,160	5,134
<b>Total Expenses</b>	<b><u>\$ 1,629,273</u></b>	<b><u>\$ 238,419</u></b>	<b><u>\$ 207,311</u></b>	<b><u>\$ 2,075,003</u></b>	<b><u>\$ 1,728,628</u></b>

*See Independent Auditors' Report on Additional Information on Page 14*