



Financial Statements
for the years ended December 31, 2016 and 2015

(See Independent Auditor's Report)

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Independent Auditor's Report

To the Board of Directors of
Animal Refuge League of Greater Portland

We have audited the accompanying financial statements of Animal Refuge League of Greater Portland (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Refuge League of Greater Portland as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors of
Animal Refuge League of Greater Portland

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not required parts 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.

A handwritten signature in black ink, appearing to read "M. J. Asanait". The signature is written in a cursive, flowing style.

Portland, Maine
May 2, 2017

Statements of Financial Position

December 31,

	2016	2015
ASSETS		
Current Assets:		
Cash	\$ 205,173	\$ 352,481
Accounts receivable	17,810	70,420
Pledges receivable, current portion	151,686	37,008
Investments	6,624,105	7,096,811
Pledged investments		671,040
Inventory	337	1,836
Prepaid expenses	28,009	28,523
Total Current Assets	<u>7,027,120</u>	<u>8,258,119</u>
Property, Plant and Equipment:		
Land and buildings	10,094,199	1,578,234
Machinery and equipment	917,874	223,126
Construction in progress		2,468,302
	<u>11,012,073</u>	<u>4,269,662</u>
Less accumulated depreciation	1,228,994	1,197,694
	<u>9,783,079</u>	<u>3,071,968</u>
Other Assets		
Pledges receivable, less current portion	228,635	160,323
Note receivable	300,000	300,000
Restricted endowment - cash	28,656	28,584
Investments held by outside trusts	68,290	67,883
	<u>625,581</u>	<u>556,790</u>
Total Assets	<u>\$ 17,435,780</u>	<u>\$ 11,886,877</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Notes payable, current portion	\$ 92,458	
Accounts payable	579,232	\$ 356,761
Accrued expenses	70,708	46,663
Deferred revenue	69,520	69,521
Total Current Liabilities	<u>811,918</u>	<u>472,945</u>
Other Liabilities:		
Notes payable, net of current portion	4,176,157	
Private unfunded pension	70,000	76,000
Total Other Liabilities	<u>4,246,157</u>	<u>76,000</u>
Net Assets:		
Unrestricted	9,244,184	9,139,074
Temporarily restricted	3,036,860	2,102,604
Permanently restricted	96,661	96,254
	<u>12,377,705</u>	<u>11,337,932</u>
Total Liabilities and Net Assets	<u>\$ 17,435,780</u>	<u>\$ 11,886,877</u>

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

Statement of Activities

Year Ended December 31, 2016

Operational	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue and Other Support				
Municipal contracts	\$ 278,081			\$ 278,081
Placed animal adoption fees	415,566			415,566
Contributions	451,174	\$ 1,079,671		1,530,845
Bequests	115,917			115,917
Annual fund	299,977			299,977
Special events	162,232			162,232
Shelter services and impound fees	81,516			81,516
Microchip sales	22,760			22,760
Cage sponsors	14,516			14,516
Gift shop	5,217			5,217
Other	23,746			23,746
Total Revenue and Other Support - Before Net Assets Released From Restriction	1,870,702	1,079,671		2,950,373
Net Assets Released from Restrictions				
Satisfaction of time and purpose restrictions	145,415	(145,415)		
Total Revenue and Other Support	2,016,117	934,256		2,950,373
Expenses				
Program services	1,809,966			1,809,966
Management and general	240,568			240,568
Fundraising	354,005			354,005
Total Expenses	2,404,539			2,404,539
Change in Net Assets - Operational	(388,422)	934,256		545,834
Non-Operational				
Investment Income (Loss)				
Dividends and interest, net of fees totaling \$27,239	89,404			89,404
Trust income	2,919			2,919
Realized and unrealized gains (losses) on investments	428,264			428,264
Change in value of investments held by outside trusts			\$ 407	407
Total Investment Income (Loss)	520,587		407	520,994
Other Income (Expense)				
Interest expense	(22,285)			(22,285)
Gains (losses) on disposition of fixed assets	(4,770)			(4,770)
Total Other Income (Expense)	(27,055)			(27,055)
Change in Net Assets	105,110	934,256	407	1,039,773
Net Assets at Beginning of Year	9,139,074	2,102,604	96,254	11,337,932
Net Assets at End of Year	\$ 9,244,184	\$ 3,036,860	\$ 96,661	\$ 12,377,705

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

Statement of Activities

Year Ended December 31, 2015

Operational	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue and Other Support				
Municipal contracts	\$ 272,474			\$ 272,474
Placed animal adoption fees	372,719			372,719
Contributions	456,845	\$ 366,634		823,479
Bequests	847,549			847,549
Annual fund	337,052			337,052
Special events	133,601			133,601
Shelter services and impound fees	78,853			78,853
Microchip sales	23,385			23,385
Cage sponsors	12,457			12,457
Gift shop	18,621			18,621
Other	4,263			4,263
Total Revenue and Other Support - Before Net Assets Released From Restriction	<u>2,557,819</u>	<u>366,634</u>		<u>2,924,453</u>
Net Assets Released from Restrictions				
Satisfaction of time and purpose restrictions	<u>168,950</u>	<u>(168,950)</u>		
Total Revenue and Other Support	<u>2,726,769</u>	<u>197,684</u>		<u>2,924,453</u>
Expenses				
Program services	1,589,587			1,589,587
Management and general	234,157			234,157
Fundraising	360,493			360,493
Total Expenses	<u>2,184,237</u>			<u>2,184,237</u>
Change in Net Assets - Operational	<u>542,532</u>	<u>197,684</u>		<u>740,216</u>
Non-Operational				
Investment Income (Loss)				
Dividends and interest, net of fees totaling \$30,081	126,238	71		126,309
Trust income	2,068			2,068
Realized and unrealized gains (losses) on investments	(177,707)			(177,707)
Change in value of investments held by outside trusts			\$ (3,679)	(3,679)
Total Investment Income (Loss)	<u>(49,401)</u>	<u>71</u>	<u>(3,679)</u>	<u>(53,009)</u>
Other Income (Expense)				
Gains (losses) on disposition of fixed assets	<u>(355)</u>			<u>(355)</u>
Change in Net Assets	492,776	197,755	(3,679)	686,852
Net Assets at Beginning of Year	<u>8,646,298</u>	<u>1,904,849</u>	<u>99,933</u>	<u>10,651,080</u>
Net Assets at End of Year	<u>\$ 9,139,074</u>	<u>\$ 2,102,604</u>	<u>\$ 96,254</u>	<u>\$ 11,337,932</u>

Statements of Cash Flows

Years Ended December 31,

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	<u>\$ 1,039,773</u>	<u>\$ 686,852</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	86,892	36,919
(Gains) losses on disposition of fixed assets	4,770	355
(Gains) losses on investments	(428,264)	177,707
Change in value of trusts held by others	(407)	3,679
Donated investments	(47,922)	(34,556)
(Increase) decrease in operating assets:		
Accounts receivable	52,610	(3,606)
Pledges receivable	(182,990)	(77,192)
Inventory	1,499	1,762
Prepaid expenses	514	(10,254)
Restricted endowment	(72)	(71)
Increase (decrease) in operating liabilities:		
Accounts payable	222,471	317,645
Deferred revenue	(1)	2,805
Accrued payroll	24,045	3,553
Private unfunded pension	6,000	2,000
Total adjustments	<u>(272,855)</u>	<u>420,746</u>
Net Cash Flows From Operating Activities	<u>766,918</u>	<u>1,107,598</u>
Cash Flows From Investing Activities:		
Principal collected on note receivable		460,000
Purchases of property, plant and equipment	(6,802,773)	(4,296)
Additions to construction in progress		(2,002,697)
Proceeds from sale of investments	2,640,005	1,270,940
Purchases of investments	(1,020,073)	(600,569)
Net Cash Flows From Investing Activities	<u>(5,182,841)</u>	<u>(876,622)</u>
Cash Flows From Financing Activities:		
Proceeds from notes payable	4,268,615	
Net Cash Flows From Financing Activities	<u>4,268,615</u>	
Net Increase (Decrease) in Cash	(147,308)	230,976
Cash and Cash Equivalents at Beginning of Year	<u>352,481</u>	<u>121,505</u>
Cash and Cash Equivalents at End of Year	<u>\$ 205,173</u>	<u>\$ 352,481</u>

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

Notes to Financial Statements

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

The Animal Refuge League of Greater Portland is an organization that provides temporary care and shelter for stray, abandoned and relinquished animals, and works to place as many as possible into responsible and caring homes. The Animal Refuge League of Greater Portland also works to create awareness and support for the humane treatment of all animals, to end animal overpopulation through education and the promotion of spaying and neutering, and to make end-of-life decisions based on safety and animal welfare considerations.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, support, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and all highly liquid investments with original maturities of three months or less at the time of purchase. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant risk on cash and cash equivalents.

Inventory

Inventory consists of items held for resale and is valued at the lower of cost or market. Cost is determined by specific identification of each unit.

Notes to Financial Statements

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments in marketable securities are stated at fair value based on prices in active markets. All gains, losses and investment income, except for those described in Note 3, are unrestricted.

Property, Plant and Equipment

Property, plant and equipment are capitalized at cost or, in the case of donated property, at estimated fair value at date of receipt. Depreciation is calculated on a straight-line method over estimated useful lives of three to thirty-nine years.

Expenditures over \$1,500 for major renewals and betterments, which extend the useful lives of property, plant and equipment, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations.

Depreciation expense for the years ended December 31, 2016 and 2015 was \$86,892 and \$36,919, respectively.

Deferred Revenue

Deferred revenue consists of advanced payments received from municipal contracts.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Bequests

Bequests in valid wills are considered conditional promises to give and, as such, are not recorded as income for financial statement purposes until received.

Pledges Receivable

Unconditional pledges receivable are recorded as contributed income in the statement of activities in the year pledged, together with collected pledges. The Organization uses the allowance method to account for uncollectible pledges. The allowance is based on management's estimate of possible bad debts. At December 31, 2016 and 2015, management determined that no allowance for uncollectible pledges was necessary.

The Organization may choose to discount pledges that are not fully collectible within one year to their present value; these discounts are ratably amortized over the life of the pledge. Conditional pledges are not recorded until the conditions specified by the donor are met.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, when a binding commitment has been made by the donors, depending on the existence and/or nature of any donor restrictions. Adoption fees are recognized when the animal has been placed with an individual for adoption. Municipal contract income is recognized based on the terms of the contract. Funds received in advance of work performed are recorded as deferred revenues.

Notes to Financial Statements

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses

The costs of providing the 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

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax is required.

Management has evaluated the Organization's tax positions and concluded that as of December 31, 2016 and 2015, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. When necessary, the Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the periods presented. In addition, the Organization had no accruals for interest and penalties at December 31, 2016 and 2015. The Organization is subject to federal and state examinations by taxing authorities for the years ended December 31, 2013 through 2016.

Advertising

Advertising costs are expensed as they are incurred. Advertising costs for the years ended December 31, 2016 and 2015 were \$5,551 and \$8,379, respectively.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Notes to Financial Statements

December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements - Continued

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the years ended December 31, 2016 and 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

NOTE 2 – PLEDGES RECEIVABLE

As of December 31, 2016 and 2015, pledges receivable are due to be collected as follows:

	2016	2015
Amounts due in:		
Less than one year	\$ 151,686	\$ 37,008
One to five years	228,635	160,323
	<u>\$ 380,321</u>	<u>197,331</u>

Management believes that all pledges are fully collectible; therefore, no allowance for uncollectible accounts has been recorded. Current economic environment indicates that the imputed interest would be immaterial and management has elected not to discount pledges receivable at this time.

During the year ended December 31, 2013 the Organization received a conditional pledge in the amount of \$300,000 intended to be "last in" funding for the Capital Campaign project that shall be paid once the \$6,200,000 has been raised in accordance with the project budget. During the year ended December 31, 2016 the conditions specified by the donor were met and this conditional promise to give has been recorded as contributed income in the statement of activities.

NOTE 3 – INVESTMENTS

Investments are composed of the following at December 31:

	2016 Fair Value	2015 Fair Value
Current Assets		
Equities	\$ 3,561,067	\$ 4,166,126
Corporate Bonds	1,686,368	2,306,829
Agency Securities	321,838	325,804
Municipal Bonds	43,696	50,187
Mutual Funds	490,124	485,226
Cash and Money Market Funds	407,051	267,888
Other	113,961	165,791
	<u>\$ 6,624,105</u>	<u>\$ 7,767,851</u>

Notes to Financial Statements

December 31, 2016

NOTE 3 – INVESTMENTS – CONTINUED

During the year ended December 31, 2015, as a guarantee for the completion of the construction work of a new shelter, an Irrevocable Standby Letter of Credit in favor of City of Westbrook was established by TD Bank, N.A. at the request of the Organization in an amount not to exceed in the aggregate \$1,226,874. This Letter of Credit was secured by a portion of the Organization's investment portfolio and was set to automatically expire at the earlier of August 14, 2017 or when the City of Westbrook acknowledges that the construction work of a new shelter has been completed in accordance with the City of Westbrook's road specifications and the approved plans for the Organization's Expansion Project as well as the original Letter of Credit is returned to TD Bank, N.A. As of December 31, 2016 the amount of the Letter of Credit was reduced to \$395,418.

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

Accounting Standard Codification 835-20 Capitalization of Interest requires the capitalization of interest expense associated with borrowings incurred while construction activities are in progress. The new shelter was substantially complete and ready for its intended use on November 21, 2016. Interest expense in the amount of \$34,776 incurred prior to that date has been capitalized and included in land and buildings category on the balance sheet. Interest expense incurred after that date has been charged to expense.

NOTE 5 – NOTE RECEIVABLE

During the year ended December 31, 2012 the Organization sold 51.62 acres of land to Stroudwater Landing LLC in exchange for \$240,000 cash and a note receivable for \$760,000 secured by a mortgage deed on the land. The note had a fixed rate of interest of 2.21% per annum, with monthly interest only payments of \$1,400 until a required principal payment of \$460,000 was made during the year ended December 31, 2015. Monthly interest on the remaining \$300,000 principal is paid monthly and a final principal payment of \$300,000 is scheduled for no later than December 31, 2020.

NOTE 6 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2016 and 2015 are as follows:

	Fair Value	Fair Value Measurements At Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
December 31, 2016				
Investments	\$ 6,624,105	\$ 6,624,105		
Investments held by outside trusts	68,290		\$ 68,290	
	<u>\$ 6,692,395</u>	<u>\$ 6,624,105</u>	<u>\$ 68,290</u>	<u>\$ -</u>
December 31, 2015				
Investments	\$ 7,767,851	\$ 7,767,851		
Investments held by outside trusts	67,883		\$ 67,883	
	<u>\$ 7,835,734</u>	<u>\$ 7,767,851</u>	<u>\$ 67,883</u>	<u>\$ -</u>

NOTE 7 – LINES OF CREDIT

The Organization had a \$100,000 line-of-credit agreement with TD Bank, N.A. that originated in March 2009 and was renewed annually. Interest was charged at the Wall Street Journal Prime rate plus 3%. Monthly payments of all accrued interest were due as of each payment date. There was no balance outstanding as of December 31, 2015. This line-of-credit was closed during the year ended December 31, 2016.

Notes to Financial Statements

December 31, 2016

NOTE 7 – LINES OF CREDIT – CONTINUED

The Organization has a \$100,000 working capital line-of-credit agreement with Norway Savings Bank that originated in April 2016 and is set to be renewed annually. Interest is charged at the Wall Street Journal Prime rate with a floor of 4% adjusting daily. Monthly payments of all accrued interest are due as of each payment date. The line-of-credit is secured by the shared first security interest in all business assets of the Organization. There was no balance outstanding as of December 31, 2016.

NOTE 8 – NOTES PAYABLE

Notes payable consisted of the following as of December 31, 2016:

Construction note payable to Norway Savings Bank, entered into on April 14, 2016, at a fixed interest rate of 3.99% for the first 78 months, then floating at the Wall Street Journal Prime rate with a floor of 4% and a ceiling of 5.5% adjusting daily for the remaining 60 months; up to 18 months interest only payments during the "construction phase" followed by 120 monthly interest payments with an annual principal reduction totaling \$454,750, due in each 12 month period during the "repayment phase" of 10 years; secured by the first security interest in real property, buildings, improvements and personal property located at 449 Stroudwater Street, Westbrook, Maine, collateral assignment of leases, rents, plans, specifications, permits, contracts and approvals on the new facility as well as the existing facility, and the shared first security interest in all business assets of the Organization.

\$ 3,790,270

Construction note payable to Norway Savings Bank, entered into on April 14, 2016, at a fixed interest rate of 3.99% for the first 78 months, then floating at the Wall Street Journal Prime rate with a floor of 4% and a ceiling of 5.5% adjusting daily for the remaining 60 months; up to 18 months interest only payments during the "construction phase" followed by 120 monthly interest payments with an annual principal reduction totaling \$100,000, due in each 12 month period during the "repayment phase" of 10 years; secured by the first security interest in real property, buildings, improvements and personal property located at 449 Stroudwater Street, Westbrook, Maine, collateral assignment of leases, rents, plans, specifications, permits, contracts and approvals on the new facility as well as the existing facility, and the shared first security interest in all business assets of the Organization.

478,345

4,268,615

Less current portion

(92,458)

Notes payable, net of current portion

\$ 4,176,157

Maturities of notes payable over the next five years are as follows:

2017	\$ 92,458
2018	554,750
2019	554,750
2020	554,750
2021	554,750
Thereafter	1,957,157
Total	<u><u>\$ 4,268,615</u></u>

The loan agreements require compliance with certain loan covenants. As of December 31, 2016, the Organization was in compliance with all of them.

Notes to Financial Statements

December 31, 2016

NOTE 9 – PRIVATE UNFUNDED PENSION

The Organization has formal agreements with two former employees. Terms of the agreements call for annual payments of \$8,100 and \$4,020 for the remainder of the respective employees' lives. These agreements are considered non-qualified pensions. The Plan is unfunded and the liability, which is recorded at the net present value of expected future payments, in the amount of \$70,000 and \$76,000 has been recorded as of December 31, 2016 and 2015, respectively.

NOTE 10 – ENDOWMENT

During the year ended December 31, 2012 the Organization received an endowment from Bruce and Lottie Tornquist which stipulated that the principal be invested and the income only be used for the benefit of the Organization.

The principal is currently invested in a savings account.

Changes in net assets for the endowment are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
December 31, 2015			
Beginning of Year	\$ 142	\$ -	\$ 28,371
Interest	71		
End of Year	<u>\$ 213</u>	<u>\$ -</u>	<u>\$ 28,371</u>
December 31, 2016			
Beginning of year	\$ 213	\$ -	\$ 28,371
Interest	72		
End of Year	<u>\$ 285</u>	<u>\$ -</u>	<u>\$ 28,371</u>

NOTE 11 – NET ASSETS

Temporarily restricted net assets are comprised of the following at December 31:

	2016	2015
Capital Campaign Donations	\$ 2,103,771	\$ 1,563,898
Grants	931,423	532,086
Animal Emergency Fund	951	6,407
Other	715	213
	<u>\$ 3,036,860</u>	<u>\$ 2,102,604</u>

Permanently restricted net assets are comprised of the following at December 31:

	2016	2015
Investments held in outside trusts	\$ 68,290	\$ 67,883
Bruce S. and Lottie J. Tornquist Fund	28,371	28,371
	<u>\$ 96,661</u>	<u>\$ 96,254</u>

Permanently restricted net assets are restricted and invested in perpetuity, the dividend and interest income from which is expendable for general operating purposes.

Notes to Financial Statements

December 31, 2016

NOTE 12 – DONATED SERVICES AND ITEMS

The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization receives more than 22,000 volunteer hours per year. The Organization recognizes donated items at their estimated value at the date of donation, which was \$173,672 and \$154,665 for the years ended December 31, 2016 and 2015, respectively.

NOTE 13 – SPECIAL EVENTS

Special events, net, consisted of the following:

	Special Events		
	Revenue	Expenses	Net
December 31, 2016			
Annual Gala	\$ 61,055	\$ (22,741)	\$ 38,314
Ales for Tails	36,530	(10,784)	25,746
Holiday Open House	22,078	(5,815)	16,263
Business Fundraisers	34,466		34,466
Other Fundraisers	8,103		8,103
	<u>\$ 162,232</u>	<u>\$ (39,340)</u>	<u>\$ 122,892</u>
December 31, 2015			
Annual Gala	\$ 43,979	\$ (16,872)	\$ 27,107
Ales for Tails	27,084	(8,713)	18,371
Holiday Open House	14,176	(2,646)	11,530
Business Fundraisers	37,458		37,458
Other Fundraisers	10,904		10,904
	<u>\$ 133,601</u>	<u>\$ (28,231)</u>	<u>\$ 105,370</u>

NOTE 14 – RISKS AND UNCERTAINTIES

The Organization invests in various investment securities and money market funds. Due to the level of risk associated with investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported in the statement of financial position.

NOTE 15 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 2, 2017, the date the financial statements were available to be issued.

Schedule of Functional Expenses

Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Totals
Salaries	\$ 820,213	\$ 156,977	\$ 146,381	\$ 1,123,571
Veterinarian fees and supplies	179,759			179,759
Repairs and maintenance	65,227			65,227
Employee benefits	74,242	14,209	13,250	101,701
Shelter expense	95,408			95,408
Payroll taxes	60,319	11,544	10,765	82,628
Utilities	56,959			56,959
Animal transport expenses	40,195			40,195
Miscellaneous	6,456			6,456
Depreciation	86,892			86,892
Fundraising expense			85,363	85,363
Special event expense			39,340	39,340
Insurance	41,793			41,793
In-kind donations	173,672			173,672
Printing and postage	7,815			7,815
Computer services	61,768			61,768
Professional fees		13,532		13,532
Capital campaign			58,906	58,906
Gift shop expenses	3,532			3,532
Advertising	5,551			5,551
Office supplies and expenses		6,998		6,998
Pension expense		6,120		6,120
Impound fees	6,990			6,990
Telephone	8,537			8,537
Bank and payroll fees		31,188		31,188
Dues and licenses	3,441			3,441
Travel and auto expenses	5,995			5,995
Educational expenses	5,202			5,202
Total Expenses	\$ 1,809,966	\$ 240,568	\$ 354,005	\$ 2,404,539

Schedule of Functional Expenses

Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Totals
Salaries	\$ 713,216	\$ 151,497	\$ 148,281	\$ 1,012,994
Veterinarian fees and supplies	205,689			205,689
Repairs and maintenance	51,327			51,327
Employee benefits	82,176	17,455	17,085	116,716
Shelter expense	72,818			72,818
Payroll taxes	52,518	11,155	10,919	74,592
Utilities	49,027			49,027
Animal transport expenses	26,059			
Miscellaneous	12,425			12,425
Depreciation	36,919			36,919
Fundraising expense			92,517	92,517
Special event expense			28,231	28,231
Insurance	33,300			33,300
In-kind donations	154,665			154,665
Printing and postage	6,754			6,754
Computer services	56,904			56,904
Professional fees		11,586		11,586
Capital campaign			63,460	63,460
Gift shop expenses	7,867			7,867
Advertising	8,379			8,379
Office supplies and expenses		5,611		5,611
Pension expense		14,120		14,120
Impound fees	7,435			7,435
Telephone	5,607			5,607
Bank and payroll fees		22,733		22,733
Dues and licenses	1,453			1,453
Travel and auto expenses	3,954			3,954
Educational expenses	1,095			1,095
Total Expenses	<u>\$ 1,589,587</u>	<u>\$ 234,157</u>	<u>\$ 360,493</u>	<u>\$ 2,184,237</u>