

SPCA OF WAKE COUNTY, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

**SPCA OF WAKE COUNTY, INC.
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YEARS ENDED DECEMBER 31, 2015 AND 2014**

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CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

Board of Directors
SPCA of Wake County, Inc.
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of SPCA of Wake County, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in 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 the 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 the 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 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.

Board of Directors
SPCA of Wake County, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matter

The 2014 financial statements were audited by other auditors, whose report dated June 7, 2015, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
July 20, 2016

**SPCA OF WAKE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

ASSETS	2015	2014
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 954,125	\$ 312,780
Marketable Securities	396,472	408,852
Receivables		
Other Receivables	1,029	889
Refundable Taxes	6,345	14,145
Inventories	18,559	15,018
Prepaid Expenses	13,272	12,451
Total Current Assets	1,389,802	764,135
PROPERTY AND EQUIPMENT		
Land and Improvements	689,833	689,833
Building and Improvements	3,523,419	3,488,167
Vehicles	22,929	22,929
Furniture, Fixtures, and Equipment	631,345	573,179
	4,867,526	4,774,108
Less: Accumulated Depreciation	1,757,267	1,609,635
Property and Equipment, Net	3,110,259	3,164,473
OTHER ASSETS		
Cash Surrender Value of Life Insurance Policies	38,434	36,808
Property Held for Resale	700	700
North Carolina Community Foundation Fund	-	10,586
	39,134	48,094
 Total Assets	 \$ 4,539,195	 \$ 3,976,702

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES		
Line of Credit	\$ -	\$ 55,000
Accounts Payable	153,938	39,881
Accrued Expenses		
Accrued Wages and Payroll Liabilities	38,927	30,625
Accrued Vacation	37,871	22,851
Accrued Interest	557	557
Other	7,809	7,560
Deferred Grant Revenue	1,727	2,557
Current Portion of Capital Lease	6,396	-
Current Portion of Long-Term Note Payable	27,642	25,027
Total Current Liabilities	<u>274,867</u>	<u>184,058</u>
LONG-TERM CAPITAL LEASE, LESS CURRENT MATURITIES ABOVE	28,369	-
LONG-TERM NOTE PAYABLE, LESS CURRENT MATURITIES ABOVE	<u>543,082</u>	<u>563,646</u>
Total Liabilities	846,318	747,704
NET ASSETS		
Unrestricted	3,582,152	3,209,212
Temporarily Restricted	9,200	9,200
Permanently Restricted	101,525	10,586
Total Net Assets	<u>3,692,877</u>	<u>3,228,998</u>
Total Liabilities and Net Assets	<u>\$ 4,539,195</u>	<u>\$ 3,976,702</u>

SPCA OF WAKE COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES, GAINS, AND PUBLIC SUPPORT								
Contributions	\$ 2,514,020	\$ -	\$ 101,525	\$ 2,615,545	\$ 1,749,106	\$ -	\$ -	\$ 1,749,106
Adoption and Reclaim Fees	278,277	-	-	278,277	222,788	-	-	222,788
Spay Neuter Clinic Rent	39,981	-	-	39,981	38,818	-	-	38,818
Special Events	591,917	-	-	591,917	607,143	-	-	607,143
Retail Sales	130,900	-	-	130,900	125,259	-	-	125,259
Memberships	-	-	-	-	-	-	-	-
Other Fees and Services	29,281	-	(10,586)	18,695	30,761	-	-	30,761
Investment Income:								
Net Realized Gain on Sale of Marketable Securities	22,217	-	-	22,217	70,754	-	-	70,754
Net Appreciation (Depreciation) in Fair Value of Marketable Securities	(34,944)	-	-	(34,944)	(49,745)	-	-	(49,745)
Interest and Dividends	12,001	-	-	12,001	8,350	-	107	8,457
Total Support, Revenues and Gains	<u>3,583,650</u>	<u>-</u>	<u>90,939</u>	<u>3,674,589</u>	<u>2,803,234</u>	<u>-</u>	<u>107</u>	<u>2,803,341</u>
EXPENSES								
Program Services	2,471,367	-	-	2,471,367	2,101,414	-	-	2,101,414
General and Administrative	310,587	-	-	310,587	379,054	-	-	379,054
Fundraising	428,756	-	-	428,756	315,986	-	-	315,986
Total Expenses	<u>3,210,710</u>	<u>-</u>	<u>-</u>	<u>3,210,710</u>	<u>2,796,454</u>	<u>-</u>	<u>-</u>	<u>2,796,454</u>
CHANGES IN NET ASSETS	372,940	-	90,939	463,879	6,780	-	107	6,887
Net Assets - Beginning of Year	<u>3,209,212</u>	<u>9,200</u>	<u>10,586</u>	<u>3,228,998</u>	<u>3,202,432</u>	<u>9,200</u>	<u>10,479</u>	<u>3,222,111</u>
NET ASSETS - END OF YEAR	<u>\$ 3,582,152</u>	<u>\$ 9,200</u>	<u>\$ 101,525</u>	<u>\$ 3,692,877</u>	<u>\$ 3,209,212</u>	<u>\$ 9,200</u>	<u>\$ 10,586</u>	<u>\$ 3,228,998</u>

See accompanying Notes to Financial Statements.

SPCA OF WAKE COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				2014			
	Program Services	General and Administration	Fundraising	Total	Program Services	General and Administration	Fundraising	Total
EXPENSES								
Salaries and Benefits	\$ 1,106,382	\$ 203,230	\$ 166,628	\$ 1,476,240	\$ 1,018,581	\$ 218,487	\$ 159,014	\$ 1,396,082
Fundraising and Other Events	117,802	19,496	243,337	380,635	72,665	19,893	123,978	216,536
Retail Sales	54,436	-	-	54,436	51,832	-	-	51,832
Shelter, Supplies and Services	551,330	-	-	551,330	421,396	-	-	421,396
Medical/Veterinarian/Spay/Neuter Fund	189,496	-	-	189,496	158,237	-	-	158,237
Training and Development	7,632	3,479	1,458	12,569	995	-	-	995
Professional Fees	-	12,202	-	12,202	-	29,469	-	29,469
Investment Fees	-	6,000	-	6,000	-	5,833	-	5,833
Insurance - General	14,972	873	75	15,920	12,889	848	59	13,796
Travel and Vehicle Operations	3,069	210	385	3,664	4,475	-	585	5,060
Utilities	111,978	1,296	541	113,815	118,234	1,566	650	120,450
Repairs and Maintenance	35,010	490	182	35,682	24,264	1,092	129	25,485
Postage	189	9,596	656	10,441	-	3,756	15,979	19,735
Merchant and Bank Fees	12,858	28,358	-	41,216	-	41,293	-	41,293
Office and Computer	66,117	16,589	13,472	96,178	47,599	54,343	14,476	116,418
Dues and Subscriptions	1,585	789	-	2,374	1,600	90	-	1,690
Taxes and Licenses	450	200	-	650	400	-	200	600
Community Outreach and Advertising	22,483	-	1,039	23,522	-	170	-	170
Rent	-	-	-	-	588	-	-	588
Loan Interest	25,463	445	186	26,094	25,417	444	186	26,047
Miscellaneous	5,200	5,415	-	10,615	9,700	15	-	9,715
Total Expenses Before Depreciation and Amortization	2,326,452	308,668	427,959	3,063,079	1,968,872	377,299	315,256	2,661,427
Depreciation and Amortization	144,915	1,919	797	147,631	132,542	1,755	730	135,027
TOTAL EXPENSES	\$ 2,471,367	\$ 310,587	\$ 428,756	\$ 3,210,710	\$ 2,101,414	\$ 379,054	\$ 315,986	\$ 2,796,454

See accompanying Notes to Financial Statements.

SPCA OF WAKE COUNTY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 463,879	\$ 6,887
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Gain (Loss) on Investments	(12,727)	49,745
Depreciation and Amortization	147,631	135,027
Increase in Cash Surrender Value of Life Insurance Policies	(1,626)	(1,872)
Changes in Assets and Liabilities:		
Accounts Receivable	7,660	(6,007)
Inventories	(3,541)	4,133
Prepaid Expenses	(821)	9,342
Accounts Payable	114,057	(6,523)
Accrued Expenses	23,571	6,576
Deferred Grant Revenue	(830)	(2,615)
Cash Flows Provided by Operating Activities	737,253	194,693
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Marketable Securities, Net	25,107	(64,765)
Purchase of Capital Expenditures	(54,198)	(39,654)
Change in North Carolina Community Foundation Fund	10,586	(107)
Net Cash Used by Investing Activities	(18,505)	(104,526)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Borrowings on Line of Credit	-	55,000
Payments on Line of Credit	(55,000)	(30,000)
Payments on Note Payable	(17,949)	(25,964)
Payment on Capital Lease	(4,454)	-
Net Cash Used by Financing Activities	(77,403)	(964)
NET INCREASE IN CASH AND CASH EQUIVALENTS	641,345	89,203
Cash and Cash Equivalents - Beginning of Year	312,780	223,577
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 954,125	\$ 312,780
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 26,094	\$ 26,046
Equipment Purchased Under Capital Lease	\$ 39,219	\$ -

See accompanying Notes to Financial Statements.

SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 ORGANIZATION

The SPCA of Wake County, Inc. (the Organization) is a nonprofit organization incorporated in North Carolina on June 8, 1967 to protect, shelter, and promote adoption of homeless animals; to provide education about responsible pet ownership; and to reduce pet overpopulation through spay/neuter programs. The Board of Directors represents the Organization and is responsible for policy, administration, and financial affairs. The Organization's revenues are derived principally from pet adoption fees, donations from the community, and special events.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all investments with an original maturity of three months or less to be cash equivalents.

Marketable Securities

The Organization reports investments at fair value as of the statement of financial position date. Investment income and realized and unrealized gains and losses are reported as increases or decreases in unrestricted net assets absent any donor restrictions.

Fair Value Measurement

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The Organization also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value as permitted under this policy; however, it may elect to measure newly acquired financial instruments at fair value in the future.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Based on experience, management believes that the entire amounts are fully collectible; therefore, no allowance for doubtful accounts has been recorded as of December 31, 2015 and 2014. In the unlikely event that an outstanding balance could not be collected, it would be written down with a charge against bad debt expense and a credit to the receivable balance.

Inventories

Inventories at December 31, 2015 and 2014 consist of adoptable animals and items for sale in the Organization's retail store. Inventories are stated at the lower of cost (first-in, first-out) or market.

SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost. It is the policy of the Organization to capitalize property and equipment with a cost basis of \$500 or greater and an estimated useful life of greater than one year. Donated property and equipment are recorded at fair value at the date of receipt. Depreciation and amortization are provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives range as follows:

Land improvements	15 years
Building and improvements	5-39 years
Vehicles	5 years
Furniture, fixtures, and equipment	3-15 years

Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition of property and equipment, the related asset and accumulated depreciation and amortization accounts are removed, and any gain or loss is reflected in the statements of activities and changes in net assets.

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was approximately \$148,000 and \$135,000, respectively.

Cash Surrender Value of Life Insurance

The Organization is the owner and beneficiary of donated life insurance policies totaling \$60,000. The cash surrender value of these policies was approximately \$38,000 and \$37,000 at December 31, 2015 and 2014, respectively.

Property Held for Resale

Property held for resale is recorded at cost. At December 31, 2015 and 2014, property held for resale consisted of two cemetery plots.

Accrued Vacation

Eligible employees of the Organization are entitled to paid vacation, based on length of service and work classification. Employees can accumulate up to 160 hours of vacation.

Net Assets

The Organization classifies its funds for accounting and reporting purposes according to three classes of net assets. Net assets and revenues, expenses, 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 represent resources whose use is not limited or restricted by donors. These assets generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.

SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Temporarily restricted net assets represent resources whose use is limited by donors for the purpose and/or time in which they may be expended. Temporarily restricted net assets are reclassified to unrestricted as their time and/or purpose requirements are met.

Permanently restricted net assets represent resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time or can be fulfilled or otherwise removed by actions of the Organization. Donors of these assets stipulate that all, or part of, the income earned on related investments be used for general or specific purposes.

Uniform Prudent Management of Institutional Funds Act

During fiscal year 2009, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") became effective in the state of North Carolina. In August 2008, the FASB released the not-for-profit accounting standard for reporting of endowment funds (the "UPMIFA Standard"), which is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. Under UPMIFA, all unappropriated endowment funds are considered restricted.

Contributions

The Organization reports monetary gifts as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. The Organization reports donor-restricted grants whose restrictions are met in the same year as unrestricted revenue.

All contributions are considered available for the general activities of the Organization, unless specifically restricted by the donor. The Organization is the beneficiary under various wills and trust agreements, the total reliability of which is not presently determinable. Such amounts are recorded when the proceeds are measurable.

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation. The Organization reports gifts of stock, land, buildings, equipment, and other nonmonetary contributions as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

**SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 2 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 accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Organization expenses advertising costs as they are incurred.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation. Accordingly, no income taxes have been provided in the accompanying financial statements.

Management has evaluated the effect of the guidance provided by the provisions of accounting principles generally accepted in the United States of America on Accounting for Uncertainty in Income Taxes. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization at December 31, 2015. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined the Organization had no uncertain income tax positions at December 31, 2015 or 2014.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 20, 2016, the date the financial statements were issued.

NOTE 3 CONCENTRATION OF CREDIT RISK

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. During the year, the Organization from time to time may have had accounts on deposit in excess of the insured limits; however, the Organization does transfer funds as needed to address this risk. Management believes the risk of loss associated with these excess funds to be remote.

**SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 4 MARKETABLE SECURITIES AND FAIR VALUE MESAUREMENTS

Marketable securities are comprised of the following as of December 31, 2015 and 2014:

	2015	2014
Mutual Funds - Blended	\$ 298,564	\$ 305,317
Mutual Funds - Bonds	97,908	103,535
Total	\$ 396,472	\$ 408,852

The Organization uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 2 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of December 31, 2015:

	2015			Total
	Level 1	Level 2	Level 3	
Mutual Funds				
Blended	\$ 298,564	\$ -	\$ -	\$ 298,564
Bonds	97,908	-	-	97,908
Total	\$ 396,472	\$ -	\$ -	\$ 396,472

The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of December 31, 2014:

	2014			Total
	Level 1	Level 2	Level 3	
Mutual Funds				
Blended	\$ 305,317	\$ -	\$ -	\$ 305,317
Bonds	103,535	-	-	103,535
Total	\$ 408,852	\$ -	\$ -	\$ 408,852

NOTE 5 NORTH CAROLINA COMMUNITY FOUNDATION

The Organization established an endowment through the North Carolina Community Foundation. Each year 5% of the annual interest earned, after fees, is to be dispensed to the Organization with the remaining 95% being reinvested in the fund. The balance of the fund was approximately \$10,600 as of December 31, 2014.

The Board of Trustees of the North Carolina Community Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to the specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served. During the year ended December 31, 2015, management determined this amount should no longer be recorded in the Organization's financial statements as the North Carolina Community Foundation has variance power over the funds.

**SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 INVENTORIES

Inventories are comprised of the following at December 31:

	2015	2014
Adoptable Animals	\$ 14,320	\$ 10,975
Merchandise	4,239	4,043
Total	\$ 18,559	\$ 15,018

NOTE 7 CONTRIBUTED GOODS AND SERVICES

Various individuals and organizations donate food, animal care supplies and specialized services to the Organization. Corporations and individuals also donate goods and services for events. Contributed goods and services for the years ended December 31, 2015 and 2014 consisted of the following and are included as contributions in the accompanying financial statements:

	2015	2014
Donated Food and Animal Care Supplies	\$ 103,674	\$ 99,943
Goods and Services for Events	61,260	40,129
Specialized Services	209,903	135,155
Total	\$ 374,837	\$ 275,227

Of these amounts \$373,337 and \$275,227 were for program services for the years ended December 31, 2015 and 2014, respectively. In addition, \$1,500 was for management and general services for the year ended December 31, 2015. There were no contributions for management and general services for the year ended December 31, 2014.

Volunteers perform various services for the Organization. These services are significant and form an integral part of the efforts of the Organization. However, no amount has been reflected in the financial statements for these services as they do not meet the criteria for recognition. The Organization recognizes contributions of services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not contributed.

**SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 8 OPERATING LEASES

The Organization leases certain equipment under non-cancelable operating leases scheduled to expire at various dates through 2020. Total rental expense under these leases was approximately \$43,000 and \$42,000 for the years ended December 31, 2015 and 2014, respectively.

Future minimum lease payments under non-cancelable operating lease agreements subsequent to December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 21,952
2017	2,600
2018	2,100
2019	2,100
2020	2,100
Total	<u>\$ 30,852</u>

NOTE 9 CAPITAL LEASES

During the year ended December 31, 2015, the Organization entered into a new long-term capital lease agreement for equipment. A schedule of the leased equipment under capital lease follows:

	<u>2015</u>
Moveable Equipment	\$ 39,219
Less: Accumulated Depreciation	5,883
	<u>\$ 33,336</u>

Amortization expense of approximately \$6,000 from assets held under capital leases is included in depreciation and amortization expense for the year ended December 31, 2015.

The schedule of future minimum lease payments and present values of the net minimum lease payments follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 9,696
2017	9,696
2018	9,696
2019	9,696
2020	4,848
	<u>\$ 43,632</u>
Less: Amounts Representing Interest	8,867
Less: Current Portion	6,396
	<u>\$ 28,369</u>

**SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 10 BANK LINES OF CREDIT

In March 2013, the Organization entered into a revolving line of credit with a financial institution for a maximum amount of \$75,000 at a rate of 3.25%. The line of credit was collateralized by substantially all assets of the Organization and had no covenants. At December 31, 2015 and 2014, there were no amounts outstanding on this line of credit. At December 31, 2014, interest expense on this revolving line of credit was approximately \$970. There was no interest expense at December 31, 2015, as no amounts were outstanding on this line of credit during the year ended December 31, 2015. The line of credit matured December 2015. Subsequent to year-end, the Organization renewed the line of the credit agreement with the same financial institution with a maturity date of December 2017.

In December 2013, the Organization entered into a revolving line of credit with a financial institution with a maximum amount of \$175,000 at a rate of 3.25%. The line of credit was collateralized by the holding center in Garner, North Carolina and has no covenants. At December 31, 2014, \$55,000 was outstanding on this line of credit. This line of credit was paid off during the year ended December 31, 2015, resulting in no balance as of year-end. Interest expense on this revolving line of credit was approximately \$300 and \$980 for the years ended December 31, 2015 and 2014, respectively. The line of credit matured December 2015. Subsequent to year-end, the Organization renewed the line of credit agreement with the same financial institution with a maturity date of December 2017.

NOTE 11 NOTE PAYABLE

At December 31, 2014, the Organization had a note payable with a financial institution bearing interest at 3.95%, which required monthly payments including interest of \$4,011 through 2021 with a balloon payment due in that year. The note was collateralized by a first lien deed of trust on land and buildings of the Organization.

In May 2015, the Organization entered into a promissory note with a different financial institution to refinance the note described above. The principal amount of the note was \$590,000, which bears an interest rate of 3.89%. The note requires monthly payments including interest of \$4,350 through 2025 with a balloon payment or refinancing in that year. The note is collateralized by a first lien deed of trust on land and buildings of the Organization.

Future maturities under this note payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 27,642
2017	31,343
2018	32,602
2019	33,912
2020	35,225
Thereafter	410,000
Total	<u><u>\$ 570,724</u></u>

**SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 12 TEMPORARILY RESTRICTED NET ASSETS

The Organization's temporarily restricted net assets consisted of amounts restricted in use for signage at December 31, 2015 and 2014.

NOTE 13 PERMANENTLY RESTRICTED NET ASSETS

The following table summarizes the permanently restricted net assets as of December 31, 2015 and 2014:

	2015	2014
North Carolina Community Foundation Endowment	\$ -	\$ 10,586
Klemstine Endowment	101,525	-
	\$ 101,525	\$ 10,586

Endowment Funds

The Organization's endowment funds were established by donors for whom income is expendable to support its mission. As required by GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

During 2009 the state of North Carolina adopted the Uniform Prudent Management of Institutional Funds Act. The Organization has interpreted the Act as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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.

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for their Investment Funds, including the permanent endowments that attempt to provide a balance of long-term capital appreciation, preservation of capital, and income production to support additional resources for the continuation and expansion of the Organization's mission. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity.

Strategies Employed for Achieving Results

To satisfy its long-term capital appreciation and expected results, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within established risk constraints.

Spending Policy

The Organization has a policy based upon the intent of the donor-restricted endowed assets, to spend the earnings from the endowment fund for current operations.

**SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 13 PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Endowment Funds (Continued)

Deficiencies

From time to time, the fair value of assets in endowment funds may fall below the required level stipulated by the donor. In accordance with the provisions of the financial accounting standard for endowments of not-for-profit organizations, deficiencies of this nature are reported in unrestricted net assets. If future investment returns do not alleviate the deficiency, the Organization may be required to contribute additional amounts to the fund.

The Organization accumulates donations from interested parties that are permanently restricted by the donors.

	2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of the Year	\$ -	\$ -	\$ -
Income, Net of Expenses	-	-	-
Contributions	-	101,525	101,525
Net Assets Released from Restriction	-	-	-
Endowment Net Assets, End of Year	\$ -	\$ 101,525	\$ 101,525

NOTE 14 PROFIT-SHARING PLAN

The Organization has a 401(k) profit sharing plan (the Plan) to provide retirement benefits for its eligible employees. Eligible employees may contribute up to the maximum annual amount as set periodically by the Internal Revenue Service. The Plan provides for a discretionary employer match as determined by the Board of Directors. No employer discretionary matches were made during the years ended December 31, 2015 and 2014. Additionally, the Plan provides for a discretionary profit sharing contribution. Such contributions to the Plan are allocated among eligible participants in the proportion of their salaries to the total salaries of all participants. The Organization made no profit-sharing contributions during the years ended December 31, 2015 and 2014.

NOTE 15 RELATED-PARTY TRANSACTIONS

A member of the Board of Directors is the Eastern Region President at the same bank where the Organization has the lines of credit.