



SPCA OF WAKE COUNTY, INC.

FINANCIAL STATEMENTS

*As of and for the Years Ended December 31, 2014
and 2013*

And Report of Independent Auditor

SPCA OF WAKE COUNTY, INC.

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Report of Independent Auditor

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 statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses 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 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 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 Organization'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 Organization'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2014 and 2013, and its changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Raleigh, North Carolina
June 7, 2015

SPCA OF WAKE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 312,780	\$ 223,577
Marketable securities	408,852	393,832
Accounts receivable:		
Other receivables	889	6,493
Refundable taxes	14,145	2,534
Inventories	15,018	19,151
Prepaid expenses	12,451	21,793
Total Current Assets	<u>764,135</u>	<u>667,380</u>
Property and Equipment:		
Land and improvements	689,833	689,833
Building and improvements	3,488,167	3,467,261
Vehicles	22,929	22,929
Furniture, fixtures, and equipment	573,179	653,089
	<u>4,774,108</u>	<u>4,833,112</u>
Less: accumulated depreciation and amortization	<u>1,609,635</u>	<u>1,573,266</u>
Property and Equipment, Net	<u>3,164,473</u>	<u>3,259,846</u>
Other Assets:		
Cash surrender value of life insurance policies	36,808	34,936
Property held for resale	700	700
North Carolina Community Foundation	10,586	10,479
	<u>48,094</u>	<u>46,115</u>
Total Assets	<u><u>\$ 3,976,702</u></u>	<u><u>\$ 3,973,341</u></u>

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

SPCA OF WAKE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current Liabilities:		
Line of credit	\$ 55,000	\$ 30,000
Accounts payable	39,881	46,404
Accrued expenses:		
Accrued wages and payroll liabilities	30,625	30,320
Accrued vacation	22,851	14,396
Accrued interest	557	557
Other	7,560	9,744
Deferred grant revenue	2,557	5,172
Current portion of long-term debt	25,027	24,047
Total Current Liabilities	<u>184,058</u>	<u>160,640</u>
Long-term debt, excluding current maturities	<u>563,646</u>	<u>590,590</u>
Total Liabilities	<u>747,704</u>	<u>751,230</u>
NET ASSETS		
Unrestricted	3,209,212	3,202,432
Temporarily restricted	9,200	9,200
Permanently restricted	10,586	10,479
Total Net Assets	<u>3,228,998</u>	<u>3,222,111</u>
Total Liabilities and Net Assets	<u>\$ 3,976,702</u>	<u>\$ 3,973,341</u>

SPCA OF WAKE COUNTY, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenues and gains:								
Contributions	\$ 1,749,106	\$ -	\$ -	\$ 1,749,106	\$ 1,617,700	\$ -	\$ -	\$ 1,617,700
Adoption and reclaim fees	222,788	-	-	222,788	205,539	-	-	205,539
Spay Neuter Clinic rent	38,818	-	-	38,818	37,594	-	-	37,594
Cruelty boarding fees	-	-	-	-	8,200	-	-	8,200
Special events	607,143	-	-	607,143	544,810	-	-	544,810
Retail sales	125,259	-	-	125,259	111,685	-	-	111,685
Memberships	-	-	-	-	3,265	-	-	3,265
Other fees and services	30,761	-	-	30,761	6,434	-	-	6,434
Investment income:								
Net realized gain on sale of marketable securities	70,754	-	-	70,861	4,472	-	-	6,042
Net appreciation (depreciation) in fair value of marketable securities	(49,745)	-	-	(49,745)	52,808	-	1,570	54,378
Interest and dividends	8,350	-	107	8,457	7,606	-	-	7,606
Net assets released from restrictions	-	-	-	-	7,000	(7,000)	-	-
Total support, revenues and gains	2,803,234	-	107	2,803,341	2,607,113	(7,000)	1,570	2,601,683
Expenses:								
Program services	2,101,414	-	-	2,101,414	2,347,757	-	-	2,347,757
General and administrative	379,054	-	-	379,054	312,624	-	-	312,624
Fundraising	315,986	-	-	315,986	221,847	-	-	221,847
Total expenses	2,796,454	-	-	2,796,454	2,882,228	-	-	2,882,228
Increase (decrease) in net assets	6,780	-	107	6,887	(275,115)	(7,000)	1,570	(280,545)
Net assets at beginning of year	3,202,432	9,200	10,479	3,222,111	3,477,547	16,200	8,909	3,502,656
Net assets at end of year	\$ 3,209,212	\$ 9,200	\$ 10,586	\$ 3,228,998	\$ 3,202,432	\$ 9,200	\$ 10,479	\$ 3,222,111

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

SPCA OF WAKE COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014				2013			
	Program Services	General and Administration	Fundraising	Total	Program Services	General and Administration	Fundraising	Total
Salaries and benefits	\$ 1,018,581	\$ 218,487	\$ 159,014	\$ 1,396,082	\$ 1,013,203	\$ 208,671	\$ 100,500	\$ 1,322,374
Fundraising and other events	72,665	19,893	123,978	216,536	130,969	7,704	110,583	249,256
Retail sales	51,832	-	-	51,832	46,326	-	-	46,326
Shelter supplies and services	421,396	-	-	421,396	273,972	-	-	273,972
Medical/veterinarian/spay/ neuter fund	158,237	-	-	158,237	443,831	-	-	443,831
Training and development	995	-	-	995	1,520	2,642	-	4,162
Professional fees	-	29,469	-	29,469	-	22,771	-	22,771
Investment fees	-	5,833	-	5,833	-	5,000	-	5,000
Insurance - general	12,889	848	59	13,796	42,939	569	236	43,744
Travel and vehicle operations	4,475	-	585	5,060	7,969	651	850	9,470
Utilities	118,234	1,566	650	120,450	105,369	1,395	580	107,344
Repairs and maintenance	24,264	1,092	129	25,485	43,060	597	249	43,906
Postage	-	3,756	15,979	19,735	-	5,025	6,689	11,714
Bank fees	-	41,293	-	41,293	-	39,275	-	39,275
Office and computer	47,599	54,343	14,476	116,418	78,677	7,378	827	86,882
Dues and subscriptions	1,600	90	-	1,690	724	83	-	807
Taxes and licenses	400	-	200	600	-	2,187	-	2,187
Advertising	-	170	-	170	1,169	801	182	2,152
Rent	588	-	-	588	2,272	-	-	2,272
Loan interest	25,417	444	186	26,047	22,666	396	166	23,228
Miscellaneous	9,700	15	-	9,715	(1,235)	5,700	246	4,711
Total expenses before depreciation and amortization	1,968,872	377,299	315,256	2,661,427	2,213,431	310,845	221,108	2,745,384
Depreciation and amortization	132,542	1,755	730	135,027	134,326	1,779	739	136,844
Total expenses after depreciation and amortization	\$ 2,101,414	\$ 379,054	\$ 315,986	\$ 2,796,454	\$ 2,347,757	\$ 312,624	\$ 221,847	\$ 2,882,228

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

SPCA OF WAKE COUNTY, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,887	\$ (280,545)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Unrealized gain (loss) on investments	49,745	(54,378)
Depreciation and amortization	135,027	136,844
Increase in cash surrender value of life insurance policies	(1,872)	(2,052)
Changes in assets and liabilities:		
Accounts receivable	(6,007)	(4,217)
Unconditional promises to give, net	-	6,731
Inventories	4,133	5,260
Prepaid expenses	9,342	(4,392)
Accounts payable	(6,523)	5,877
Accrued expenses	6,576	(1,894)
Deferred grant revenue	(2,615)	238
Net cash from operating activities	<u>194,693</u>	<u>(192,528)</u>
Cash flows from investing activities:		
Sale (purchase) of marketable securities, net	(64,765)	91,454
Capital expenditures	(39,654)	(9,301)
Change in North Carolina Community Foundation	(107)	(1,570)
Net cash from investing activities	<u>(104,526)</u>	<u>80,583</u>
Cash flows from financing activities:		
Proceeds from borrowings on line of credit	55,000	30,000
Payments on line of credit	(30,000)	-
Payments on note payable	(25,964)	(21,178)
Net cash from financing activities	<u>(964)</u>	<u>8,822</u>
Net increase (decrease) in cash and cash equivalents	89,203	(103,123)
Cash and cash equivalents, beginning of year	223,577	326,700
Cash and cash equivalents, end of year	<u>\$ 312,780</u>	<u>\$ 223,577</u>
Supplemental disclosure of cash payments for:		
Interest	<u>\$ 26,046</u>	<u>\$ 25,320</u>

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

SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 1—Organization

The SPCA of Wake County, Inc. (the “Organization”) is a not-for-profit 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 corporate entity 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

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.

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. 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, 2014 and 2013 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.

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, 2014 and 2013 was \$135,027 and \$136,844, respectively.

Property Held for Resale - Property held for resale is recorded at cost. At December 31, 2014 and 2013, property held for resale consisted of two cemetery plots.

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 \$36,808 and \$34,936 at December 31, 2014 and 2013, respectively.

SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 2—Summary of significant accounting policies (continued)

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

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.

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, 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, 2014. 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, 2014.

The Organization's federal Exempt Organization Business Income Tax Returns (Form 990) for 2011, 2012, and 2013 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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.

Reclassifications - For financial statement presentation, balances previously reported have been reclassified to be consistent with the classifications used in the current year.

SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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. The Organization's cash balances were fully insured at December 31, 2014 and 2013.

Note 4—Marketable securities

U.S. GAAP 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 value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

U.S. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 – Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2 – Financial instruments valued using 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.

Level 3 – Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Mutual Funds - These investments are public investment vehicles valued using the net asset value ("NAV") provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

	2014			
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds:				
Blend	\$ 305,317	\$ -	\$ -	\$ 305,317
Bond	103,535	-	-	103,535
Total	\$ 408,852	\$ -	\$ -	\$ 408,852

SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 4—Marketable securities (continued)

	2013			Total
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds:				
Blend	\$ 287,688	\$ -	\$ -	\$ 287,688
Bond	106,144	-	-	106,144
Total	<u>\$ 393,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 393,832</u>

At December 31, 2014 and 2013, the aggregate fair value of marketable securities was higher than their aggregate cost by \$59,965 and \$103,187, respectively. For purposes of determining the gain or loss on a sale, the cost of marketable securities is based on the average cost of all shares of each such investment fund at the date of sale. The Organization incurred investment fees of \$5,833 and \$5,000 for the years ended December 31, 2014 and 2013, respectively.

Note 5—Inventories

Inventories are comprised of the following at December 31:

	2014	2013
Adoptable animals	\$ 10,975	\$ 14,070
Merchandise	4,043	5,081
	<u>\$ 15,018</u>	<u>\$ 19,151</u>

Note 6—Contributed goods and services

Volunteers perform various services for the Organization. These services are significant and form an integral part of the efforts of the Organization. Since the Organization does not control the activities of the volunteers as it would paid employees and there is not a clearly measurable basis for the amount of contributed services, these services are not recorded in the accompanying financial statements.

Various individuals and organizations donate food and animal care supplies to the Organization. The estimated value of these items was \$99,943 and \$100,792 for the years ended December 31, 2014 and 2013, respectively. Corporations and individuals also donate goods and services for events. These items were valued at \$40,129 and \$69,239 for the years ended December 31, 2014 and 2013, respectively. 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. Contributed specialized services totaled \$135,155 and \$318,391 for the years ended December 31, 2014 and 2013, respectively. All of these contributed services and goods are recorded as contributions and expenses in the accompanying financial statements. Of these amounts \$275,227 and \$488,422 was for program services for the years ended December 31, 2014 and 2013, respectively, and \$0 was for management and general services.

SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 7—Operating leases

The Organization leases certain equipment under non-cancelable operating leases scheduled to expire at various dates through 2016. Total rental expense under these leases was \$42,063 and \$36,840 for the years ended December 31, 2014 and 2013, respectively.

Future minimum lease payments under non-cancelable operating lease agreements at December 31, 2014 are as follows:

Year Ending	Amount
<u>December 31,</u>	
2015	\$ 18,200
2016	2,700
	<u>\$ 20,900</u>

Note 8—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 \$10,586 and \$10,479 as of December 31, 2014 and 2013, respectively.

The Board of Trustees of the North Carolina Community Foundation shall have 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.

Note 9—Bank lines of credit

The Organization had a \$75,000 revolving line of credit with a bank that was paid off in 2014 but is still available until December 2015. This loan is collateralized by substantially all assets of the Organization and has no covenants. Interest is paid monthly at prime (3.25% at December 31, 2014). At December 31, 2014 and 2013, \$0 and \$30,000 was outstanding on this line of credit, respectively. Interest expense on this revolving line of credit was \$970 and \$282 for the years ended December 31, 2014 and 2013, respectively.

In December 2013, the Organization obtained a \$175,000 revolving line of credit with a bank that expires in December 2015. This loan is collateralized by the holding center in Garner, North Carolina and has no covenants. Interest is paid monthly at prime (3.25% at December 31, 2014). At December 31, 2014 and 2013, \$55,000 and \$0 was outstanding on this line of credit, respectively. Interest expense on this revolving line of credit was \$984 and \$0 for the years ended December 31, 2014 and 2013, respectively.

Note 10—Note payable

The Organization has a note payable with a bank bearing interest at 3.95% and requires monthly payments including interest of \$4,011 through 2021 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. The carrying amount reported in the statements of financial position approximates fair value because the Organization can obtain similar loans at the same terms.

SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 10—Note payable (continued)

Future maturities under this note payable are as follows:

<u>Year Ending</u>	<u>Amount</u>
2015	\$ 25,027
2016	25,985
2017	27,108
2018	28,214
2019	29,365
Thereafter	452,974
	<u>\$ 588,673</u>

The Organization entered into a promissory note with a different bank to refinance their mortgage effective May 1, 2015. The principal amount of the note is for \$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.

Note 11—Net assets

The Organization's temporarily restricted net assets are comprised of amounts that are to be used for the following purposes:

	<u>2014</u>	<u>2013</u>
Signage	\$ 9,200	\$ 9,200
	<u>\$ 9,200</u>	<u>\$ 9,200</u>

Permanently restricted net assets, valued at \$10,586 and \$10,479 at December 31, 2014 and 2013, respectively, consist of funds provided by the North Carolina Community Foundation. The earnings on these funds are to be used only for food, medicine, and other services for animals.

Note 12—Related-party transactions

The Organization has a veterinary service agreement (the "Agreement") with Fern Creek Veterinary Care, P.A. (a North Carolina professional corporation) (the "Vet"). The Vet provides spay/neuter veterinary services for the general public and to animals in the custody of the Organization. The Organization received these services at discounted rates as defined in the Agreement.

For the years ended December 31, 2014 and 2013, the Vet performed sterilization surgeries on 2,184 and 2,181 animals for the Organization for a fee of \$141,960 and \$131,615, respectively. Since these surgeries were performed at discounted rates, the Vet donated \$27,240 and \$35,540 for the years ended December 31, 2014 and 2013, respectively, in surgery costs to the Organization. In accordance with the terms of the Agreement, the Vet paid the Organization rent of \$38,818 and \$37,688 for the years ended December 31, 2014 and 2013, respectively. The Organization agreed to pay all utilities and services on behalf of the Vet. The Agreement expires on October 31, 2018.

SPCA OF WAKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

Note 12—Related-party transactions (continued)

The following is a schedule of future minimum rental revenue under the lease:

<u>Year Ending</u>	<u>Amount</u>
2015	\$ 39,981
2016	41,181
2017	42,416
2018	43,689
	<u>\$ 167,267</u>

A member of the Board of Directors is a Senior Vice President at the same bank where the Organization has the lines of credit.

Note 13—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, 2014 and 2013. 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, 2014 and 2013.

Note 14—Subsequent events

The Organization has evaluated subsequent events through June 7, 2015 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.