



AUDITED FINANCIAL STATEMENTS

PAWS HUMANE, INC.

DECEMBER 31, 2016



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Independent Auditor's Report	1
Statement of Financial Position.	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows.	5
Notes to Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of PAWS Humane, Inc.

We have audited the accompanying financial statements of PAWS Humane, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 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 PAWS Humane, Inc., as of December 31, 2016, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Dougherty McKinnon & Luby".

Columbus, Georgia
September 21, 2017



STATEMENT OF FINANCIAL POSITION

PAWS HUMANE, INC.

DECEMBER 31, 2016

ASSETS	
Cash and cash equivalents	\$ 58,402
Accounts receivable -- Note L	11,975
Pledges receivable -- Notes C, J and L	1,668,891
Inventory	28,324
Investments -- Note D	2,009,779
Property and equipment, net -- Notes E and F	5,140,004
Other assets	7,963
	<hr/>
TOTAL ASSETS	\$ 8,925,338
LIABILITIES AND NET ASSETS	
LIABILITIES -- Note L	
Accounts payable	\$ 23,470
Accrued liabilities	27,587
Refundable advances	840
Note Payable -- Note F	384,157
	<hr/>
TOTAL LIABILITIES	436,054
NET ASSETS	
Unrestricted	6,089,285
Temporarily restricted -- Note G	403,731
Permanently restricted -- Note H	1,996,268
	<hr/>
	8,489,284
	<hr/>
	\$ 8,925,338
	<hr/>

See notes to financial statements



STATEMENT OF ACTIVITIES
PAWS HUMANE, INC.
YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions -- Notes C, J and K	\$ 1,134,820	\$ 22,899	\$ 67,539	\$ 1,225,258
Program service fees	588,075	0	0	588,075
Product sales	196,073	0	0	196,073
Special events	93,877	0	0	93,877
Investment income, net -- Notes D, G and H	51,332	4,636	53,701	109,669
Other income	3,260	0	0	3,260
Net assets released from restric- tions	153,167	(100,846)	(52,321)	0
	<u>2,220,604</u>	<u>(73,311)</u>	<u>68,919</u>	<u>2,216,212</u>
EXPENSES -- Note I				
Program services:				
Animal care and pet adoption	1,421,930	0	0	1,421,930
Cost of goods sold	127,762	0	0	127,762
Supporting services:				
Management and general	207,914	0	0	207,914
Fundraising expenses	155,157	0	0	155,157
	<u>1,912,763</u>	<u>0</u>	<u>0</u>	<u>1,912,763</u>
INCREASE (DECREASE)				
IN NET ASSETS	307,841	(73,311)	68,919	303,449
Net assets at January 1, 2016	5,781,444	477,042	1,927,349	8,185,835
NET ASSETS AT				
DECEMBER 31, 2016	<u>\$ 6,089,285</u>	<u>\$ 403,731</u>	<u>\$ 1,996,268</u>	<u>\$ 8,489,284</u>

See notes to financial statements



STATEMENT OF FUNCTIONAL EXPENSES

PAWS HUMANE, INC.

YEAR ENDED DECEMBER 31, 2016

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation and related taxes	\$ 728,719	\$ 99,494	\$ 95,622	\$ 923,835
Veterinary Clinic	298,026	0	0	298,026
Depreciation Expense	147,010	25,942	0	172,952
Animal Intake and Care	93,009	0	0	93,009
Utilities	58,184	10,268	0	68,452
Waste Management	799	160	160	1,119
Maintenance	51,517	3,448	4,557	59,522
Health Insurance	28,845	3,112	3,112	35,069
Marketing	26,880	186	3,690	30,756
Legal and Professional	0	27,923	0	27,923
Janitorial	19,404	1,146	0	20,550
Printing / Mailing	0	0	19,237	19,237
Processing Fees	12,836	0	4,279	17,115
Insurance	26,718	2,904	2,904	32,526
Interest	12,184	2,150	0	14,334
Rent	12,600	0	0	12,600
Special events	0	0	12,034	12,034
Computer expense	7,522	1,508	7,517	16,547
Dues	4,395	3,224	775	8,394
Supplies and equipment	5,044	1,009	1,009	7,062
Travel	3,629	1,000	0	4,629
Seminars	0	3,688	0	3,688
Vehicle expense	3,427	0	0	3,427
Licenses	1,106	736	0	1,842
Bank charges	0	1,274	0	1,274
Miscellaneous	7,837	18,742	261	26,840
TOTAL	\$ 1,549,692	\$ 207,914	\$ 155,157	\$ 1,912,763

See notes to financial statements



STATEMENT OF CASH FLOWS

PAWS HUMANE, INC.

YEAR ENDED DECEMBER 31, 2016

CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 303,449
Adjustments to reconcile increase in net assets to net cash provided from operating activities:	
Depreciation	\$ 172,952
Change in value of investments held in trust	(58,337)
Change in value of pledges receivable held in trust	(67,539)
Investment income reinvested, net	(12,801)
Restricted contributions	(22,899)
Realized gains on sale of investments	(97,073)
Unrealized loss on investments	58,542
Contributions of marketable equity securities	(92,512)
Change in discounts on pledges receivable	365
Changes in account balances:	
Accounts receivable	(115)
Pledges receivable	(772,557)
Inventory	12,027
Other assets	4,438
Accounts payable	15,279
Accrued liabilities	(12,808)
Refundable advances	(12,427)
	(885,465)
NET CASH USED IN OPERATING ACTIVITIES	(582,016)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	1,635
Proceeds from sale of investments	1,353,110
Purchases of investments	(1,025,337)
NET CASH PROVIDED FROM INVESTING ACTIVITIES	329,408
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received on restricted contributions	22,899
NET CASH PROVIDED FROM FINANCING ACTIVITIES	22,899
NET DECREASE IN CASH AND CASH EQUIVALENTS	(229,709)
Cash and cash equivalents at January 1, 2016	288,111
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2016	\$ 58,402



STATEMENT OF CASH FLOWS - Continued

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During 2016 PAWS Humane, Inc. received contributions of marketable equity securities summarized as follows:

	Net Assets		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Marketable equity securities	\$ 92,512	\$ 0	\$ 0

During 2016, the Organization also received various gifts in kind totaling \$47,152, which are recorded as unrestricted contributions and program expenses in the accompanying Statement of Activities.

() denotes deduction

See notes to financial statements



NOTES TO FINANCIAL STATEMENTS

PAWS HUMANE, INC.

NOTE A -- NATURE OF ACTIVITIES

PAWS Humane, Inc. (the Organization) is a 501(c)(3) nonprofit organization whose mission is to enrich the lives of both animals and people as a solution-based community resource for animal welfare by providing high-volume and high quality spay/neuter, rescue and adoption services, volunteer opportunities, outreach, and education. The Organization works in partnership with the City of Columbus to enhance and supplement the services offered by the City's Animal Care and Control Department, reduce the need for euthanasia of unwanted animals because of severe pet overpopulation and find a loving and compatible home for every adoptable animal.

Operations or activities in the Organization are as follows:

Adoption Center: The Adoption Center (Center), is licensed under the State of Georgia, Department of Agriculture and publicly promotes the adoption of companion animals from the Organization's facilities. The Center takes in animals from high kill animal control facilities, other rescues and accepts owner surrenders, providing care while the animals are waiting to be adopted. The Center provides 114 rooms for dogs, cats and puppies throughout the facility. The Organization also regularly participates with local retailers in its efforts to end animal homelessness by adopting animals to the public. The Center provides obedience training, individually and in structured classes, as well as aggression assessments to provide the proper information needed to place an animal in the right home, and provides support after the adoption. At times, the Organization relies upon volunteer foster families to house animals with special needs and provide them with the love and care they need until a permanent home can be found. The Center also houses a small retail shop offering various pet supplies and toys.

Vet Clinic: The Organization provides high volume and high quality spay or neuter services and wellness care at a low cost to reduce pet overpopulation and enhance the well-being of the animals.

Humane Education: The Organization utilizes volunteer teams of human and animal companions to provide humane education to the community. Programs are provided in the local schools and on site.

Community Outreach: The Organization utilizes volunteer teams to provide humane education to the community by teaching fundamentals of responsible pet ownership and serves as a resource to bring people and animals together.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation: Financial statement presentation follows the recommendation of the Financial Accounting Standards Board ASC 958-205 (FASB ASC 958-205) "Not-for-Profit Entities, Presentation of Financial Statements". Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE B - - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

activities according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets not subject to statutory or donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to statutory or donor-imposed stipulations that will be met by actions of the Organization or the passage of time.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents: The Organization considers cash equivalents to include all highly liquid instruments with an initial maturity of three months or less.

Fair Value Measurements: Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The fair value hierarchy is summarized as follows:

Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.

Level 3 inputs are unobservable inputs for the investment.

The Organization's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in common stock are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- The assets held by trustees (See Note D) are considered a Level 3 asset and are reported at fair value based on management's assumptions about the expected investment return on values provided by the Trustees.

Pledges and Accounts Receivable: Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions due in less than one year are recorded at their net realized value upon receipt. Contributions due in more than one year are recorded at their net present value on the date received. For financial reporting purposes, bad debts are accounted for using the allowance method based on experience and current evaluation of accounts.



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pledges and accounts receivable are uncollateralized and recorded at their net realizable value which approximates fair value at December 31, 2016.

Inventories: Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

Property and Equipment: Property and equipment are recorded at cost at the date of purchase or estimated fair value on the date contributed and depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Furniture, fixtures and equipment	5 - 10 years
Automobile	5 years
Building	40 years
Land improvements	5 - 15 years
Leasehold improvements	5 - 15 years

Maintenance, repairs and minor renewals are charged against income when incurred and additions and major renewals are capitalized.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is when a purpose restriction is met or a time restriction lapses, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services: The Organization utilizes the services of many unpaid volunteers who assist in special events and programs. No amounts have been recognized in the Statements of Activities because the criteria for recognition under FASB ASC 958 have not been satisfied.

Advertising: The Organization uses advertising to promote its programs throughout the community. Advertising expenses are expensed as incurred. Advertising expense totaled \$30,756 for the year ended December 31, 2016.

Functional Expenses: The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the Statement of Activities. Expenses that can be identified with a specific activity are charged directly to that activity.

Income Taxes: The Organization is exempt from income tax under Section 501 (c) (3) of the Internal Revenue Code, except to the extent of unrelated business taxable income.



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

For the year ended December 31, 2016, no provision for unrelated business income is required.

Accordingly, there is no provision for federal or state income taxes in the accompanying financial statements.

The Organization has not identified any uncertainties with respect to income tax positions for the year ended December 31, 2016. Accordingly, no provision for interest or penalties related to unrecognized tax benefits has been made in the accompanying financial statements. In addition, the Organization's information for 2013 - 2016 is eligible to be examined by the state and federal taxing jurisdictions to which it reports.

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 certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk: Financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, accounts receivable, pledges receivable and investments.

Subsequent Events: The Organization has evaluated events through the date of the auditor's report which is the date when the audited financial statements were available to be issued.

NOTE C -- PLEDGES RECEIVABLE

Pledges receivable consists of the following:

Charitable lead annuity trust	\$ 4,563
Due from donor estates	775,826
Reich Family trust	<u>888,502</u>
	<u>\$1,668,891</u>

The Organization is a beneficiary of a 10-year charitable lead annuity trust (CLAT), whereby the Organization will receive \$4,000 per year over a ten-year period beginning in 2008. The initial discounted fair value of the trust was \$32,858 using a discount rate of 4.45%. During the year ended December 31, 2016, amortization of the discount totaled \$365 which is included in contributions revenue in the accompanying Statement of Activities.

Payments under the CLAT and CRAT are expected to be received in the following periods:

CLAT – Due in 1 year	\$ 4,000
1 to 5 years	800
Less: Present value discount	<u>(237)</u>
CLAT RECEIVABLE NET	\$ 4,563
CRAT remainder interest at termination of trust	<u>0</u>
Contributions receivable – charitable trusts	<u>\$ 4,563</u>

The above trust values are included in temporarily restricted net assets (See Note G).



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE C – PLEDGES RECEIVABLE - Continued

During 2016 the Organization received notification that it was the beneficiary of a donor's estate and another donor's retirement account. The Organization has recorded pledges receivables for these amounts, which total \$775,826

The Reich Family trust consists of the value of the assets in the Reich Family Trust at December 31, 2016. Upon the death of the last named beneficiary of the trust, the trust income will become available for the unrestricted use of the Organization and the corpus of the trust consists of investments to be held in perpetuity. The change in value for the year ended December 31, 2016 of \$67,539, is reflected in contributions in the accompanying Statement of Activities.

In addition, the Organization has a conditional promise to give which consists of a 25% interest in a charitable remainder annuity trust (CRAT). The donor has the right to change the designated beneficiaries at any time, therefore this has not been recorded in the financial statements as of December 31, 2016.

NOTE D -- INVESTMENTS

Investments, stated at fair value are summarized as follows at December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Common Stocks	\$ 502,844	\$ 0	\$ 0	\$ 502,844
Assets held by trustees	<u>0</u>	<u>399,168</u>	<u>1,107,767</u>	<u>1,506,935</u>
	<u>\$ 502,844</u>	<u>\$ 399,168</u>	<u>\$ 1,107,767</u>	<u>\$ 2,009,779</u>

Investment income from cash equivalents and investments is summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest, net of expenses of \$4,944	\$ 12,801	\$ 0	\$ 0	\$ 12,801
Net unrealized losses	(58,542)	0	0	(58,542)
Net realized gains	97,073	0	0	97,073
Change in value of assets held in trust	<u>0</u>	<u>4,636</u>	<u>53,701</u>	<u>58,337</u>
	<u>\$ 51,332</u>	<u>\$ 4,636</u>	<u>\$ 53,701</u>	<u>\$ 109,669</u>

Realized and unrealized gains and losses related to investments of unrestricted net assets are unrestricted and realized and unrealized gains and losses related to investments of restricted net assets are subject to the same restrictions as other investment income earned on such investments.

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at December 31, 2016:



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE D -- INVESTMENTS - Continued

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 502,844	\$ 502,844	\$ 0
Assets held by trustees	<u>1,506,935</u>	<u>0</u>	<u>1,506,935</u>
	<u>\$ 2,009,779</u>	<u>\$ 502,844</u>	<u>\$ 1,506,935</u>

The activity in the Level 3 investments consisted of the following for the year ended December 31, 2016:

Balance at beginning of year	\$ 1,524,039
Investment income	58,337
Distributions	<u>(75,441)</u>
Balance at end of year	<u>\$ 1,506,935</u>

NOTE E -- PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

Building	\$ 6,198,204
Land and improvements	241,549
Furniture, fixtures and equipment	248,802
Automobile	<u>10,217</u>
	6,698,772
Less accumulated depreciation	<u>1,558,768</u>
Property and equipment, net	<u>\$ 5,140,004</u>

NOTE F -- NOTE PAYABLE

At December 31, 2016, the Organization had a note with a bank in the amount of \$384,157 with interest at 3.53%. The note required interest only payments through February, 2017. In February, 2017 the note was renewed through February 15, 2019 and the note provides for a variable interest rate of prime plus 0.25% (with a 3.75% floor), with monthly payments of interest except for a one-time principal payment of \$26,000 in March, 2018. The note is collateralized by the Organization's facilities. Interest expense on this note was \$14,334 for the year ended December 31, 2016, and is included in joint costs (See Note I) that are allocated in the accompanying Statements of Activities and Functional Expenses.

NOTE G -- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for program expenses and the acquisition and construction of new property and equipment and are comprised of the following:



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE G -- TEMPORARILY RESTRICTED NET ASSETS - Continued

Pledge receivable - Charitable lead annuity trust (See Note C)	\$ 4,563
Investments (See Note D)	<u>399,168</u>
	<u>\$ 403,731</u>

Temporarily restricted net assets are further summarized as follows:

Sacerdote trust	\$ 399,168
Time restricted	<u>4,563</u>
	<u>\$ 403,731</u>

The Sacerdote trust instrument, as amended, defines income as 5% of the net fair market value of the trust's assets, averaged over the preceding 3 years and requires that the trustee follow an investment policy seeking a total return for the investments.

The trust is reported at its market value and its gains and losses are included in the accompanying Statement of Activities as increases or decreases in temporarily restricted net assets. Net assets are released from restriction upon distribution of the income, as defined in the preceding paragraph, to the Organization for its discretionary use. The corpus of the trust may only be used with the permission of the trustee.

Net assets released from donor restrictions by incurring expenses in satisfaction of the purpose restrictions or the lapse of time restrictions specified by donors are summarized as follows:

Various grants	\$ 74,090
Time restrictions expired	<u>26,756</u>
	<u>\$ 100,846</u>

NOTE H -- PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following:

Reich Humane Society Trust	\$ 759,987
Charles Reich III Charitable Remainder Trust	347,780
Reich Family Trust (See Note C)	<u>888,502</u>
	<u>\$ 1,996,268</u>

The Reich Humane Society Trust and the Charles Reich III Charitable Remainder Trust consist of investments in perpetuity, which are held by third party trustees (See Note D). The income from these trusts are available for use in operations by the Organization. The investments of these trusts are determined by the trustees rather than the Organization. The trust instruments, as amended, define income as 4.50% of the net fair market value of the trust's assets, averaged over the preceding three years and require that the trustee follow an investment policy seeking a total return for the investments.

The Reich Family Trust consists of investments in perpetuity, the income of which, as defined in the preceding paragraph, is available to family beneficiaries. Upon the death of the last named beneficiary, the trust income will be available for the unrestricted use of the Organization.

The endowment funds of the Organization are held by Synovus Trust (Synovus). Synovus manages the funds in accordance with UPMIFA. Synovus' objective is to



NOTES TO FINANCIAL STATEMENTS - Continued

NOTE I -- PERMANENTLY RESTRICTED NET ASSETS - Continued

maintain the purchasing power of the endowment funds given the 4.50% spending rate set by the trust instruments. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require the Organization to retain as a fund of perpetual duration.

The trusts are reported at fair market value and the gains and losses are included in the accompanying Statement of Activities as increases or decrease in permanently restricted net assets (see Note D). Net assets are released from restriction upon distribution to the Organization for its discretionary use.

NOTE I -- JOINT COSTS

During the year ended December 31, 2016, the Organization incurred joint costs of \$259,732 for payroll and other miscellaneous expenses. The Organization allocated these joint costs to program expenses (\$43,373), management and general expenses (\$106,042) and to fundraising expenses (\$110,317).

NOTE J -- CONCENTRATIONS

The Organization's three largest contributors account for approximately 73% of contribution revenue for the year ended December 31, 2016. In addition, two of the three largest contributors have outstanding pledge balances which account for approximately 99% of the pledges receivable at December 31, 2016.

NOTE K -- RELATED PARTY TRANSACTIONS

Board members donated storage and shredding services, discounted medical waste management and the use of office space for the Organization's thrift shop. The estimated fair value of these donations totaling \$13,746 is included in contributions support and management and general expenses in the accompanying Statement of Activities.

In addition, Board members made cash contributions totaling approximately \$28,500 in 2016.

NOTE L -- FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization estimates that the fair value of receivables, payables and accrued liabilities approximate carrying value due to the short maturity of these instruments. The fair value of borrowings under the note payable agreement approximates carrying value because this borrowing accrues interest at a rate approximating current market rates.