

**HELEN WOODWARD ANIMAL CENTER  
FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

## HELEN WOODWARD ANIMAL CENTER

	<b><u>Pages</u></b>
I. Index	1
II. Independent Auditor's Report	2 - 3
III. Statements of Financial Position	4
IV. Statements of Activities and Changes in Net Assets	5 - 6
V. Statements of Functional Expenses	7 - 8
VI. Statements of Cash Flows	9
VII. Notes to the Financial Statements	10 - 29



## **INDEPENDENT AUDITOR'S REPORT**

To The Board of Directors  
Helen Woodward Animal Center

We have audited the accompanying financial statements of Helen Woodward Animal Center, A Nonprofit Organization, which comprise of the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CERTIFIED PUBLIC ACCOUNTANTS • MEMBER OF AICPA

---

1501 FIFTH AVENUE, SUITE 400 • SAN DIEGO, CA 92101-3297  
(619) 231-1977 • FAX: (619) 231-8244 • E-MAIL: CC@CCCPA.COM • WWW.CCCPA.COM

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Helen Woodward Animal Center, A Nonprofit Organization, as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature in cursive script that reads "Considine & Considine".

CONSIDINE & CONSIDINE  
An Accountancy Corporation

August 1, 2016

**HELEN WOODWARD ANIMAL CENTER  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014**

Page 4

	2015	2014
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,185,259	\$ 2,664,420
Accounts Receivable	79,154	85,334
Inventory	32,102	23,473
Prepaid Expenses	42,604	83,754
Note Receivable from Related Party (Note 3)	134,251	215,309
Contributions Receivable (Note 4)	3,286,433	3,224,376
Investments (Note 5)	7,365,389	8,150,469
Beneficial Interest in Trusts (Note 6)	1,788,167	449,716
Life Insurance Premium Account (Note 7)	455,340	455,340
Property and Equipment (Note 9)	10,101,678	10,646,652
Investment in San Diego Foundation (Note 10)	14,569	15,219
Investment in Rancho Santa Fe Foundation (Note 11)	19,263	19,529
Other Assets	10,600	4,929
<b>TOTAL ASSETS</b>	<b>26,514,809</b>	<b>26,038,520</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	229,843	246,088
Accrued Payroll	77,090	244,096
Accrued Compensated Absences	237,112	210,135
Deferred Compensation (Note 12)	43,852	43,527
Notes Payable (Note 13)	29,131	47,523
Capital Lease Obligation (Note 14)	26,359	40,908
Security Deposits	3,520	3,520
<b>TOTAL LIABILITIES</b>	<b>646,907</b>	<b>835,797</b>
<b>NET ASSETS (Note 17)</b>		
Unrestricted	12,964,249	13,026,238
Unrestricted - Board Designated (Note 17)	3,382,842	3,796,032
Temporarily Restricted	7,885,859	6,745,501
Permanently Restricted (Note 17)	1,634,952	1,634,952
	<b>25,867,902</b>	<b>25,202,723</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 26,514,809</b>	<b>\$ 26,038,520</b>

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 919,217	\$ 4,004,169	\$ -	\$ 4,923,386
Fees	4,403,303	-	-	4,403,303
Investment Return (Note 5)	(277,684)	-	-	(277,684)
Special Events, Net (Less: Direct Benefit to Donors of \$11,880)	960,768	-	-	960,768
Sales	581,455	-	-	581,455
Other Income	172,090	-	-	172,090
Rents	32,509	-	-	32,509
Contributed Goods	145,377	-	-	145,377
Change in the Value of Split-Interest Agreements	-	81,715	-	81,715
Pledge Receivable Write-Off	-	(261,706)	-	(261,706)
	<u>6,937,035</u>	<u>3,824,178</u>	<u>-</u>	<u>10,761,213</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	2,683,820	(2,683,820)	-	-
<b>EXPENSES:</b>				
Program	6,907,177	-	-	6,907,177
Fundraising	2,120,294	-	-	2,120,294
Management and General	889,413	-	-	889,413
	<u>9,916,884</u>	<u>-</u>	<u>-</u>	<u>9,916,884</u>
<b>COST OF SALES</b>	179,150	-	-	179,150
<b>TOTAL EXPENSES</b>	<u>10,096,034</u>	<u>-</u>	<u>-</u>	<u>10,096,034</u>
<b>CHANGE IN NET ASSETS</b>	(475,179)	1,140,358	-	665,179
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>16,822,270</u>	<u>6,745,501</u>	<u>1,634,952</u>	<u>25,202,723</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 16,347,091</u>	<u>\$ 7,885,859</u>	<u>\$ 1,634,952</u>	<u>\$ 25,867,902</u>

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Page 6

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 971,900	\$ 1,847,024	\$ -	\$ 2,818,924
Fees	3,870,368	-	-	3,870,368
Investment Return (Note 5)	390,350	-	-	390,350
Special Events, Net (Less: Direct Benefit to Donors of \$13,500)	832,923	-	-	832,923
Sales	538,819	-	-	538,819
Other Income	188,488	-	-	188,488
Rents	30,330	-	-	30,330
Contributed Goods	130,662	-	-	130,662
Change in the Value of Split-Interest Agreements	-	(19,335)	-	(19,335)
	<u>6,953,840</u>	<u>1,827,689</u>	<u>-</u>	<u>8,781,529</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	2,411,020	(2,411,020)	-	-
<b>EXPENSES:</b>				
Program	6,190,067	-	-	6,190,067
Fundraising	1,852,205	-	-	1,852,205
Management and General	829,126	-	-	829,126
	<u>8,871,398</u>	<u>-</u>	<u>-</u>	<u>8,871,398</u>
<b>COST OF SALES</b>	163,980	-	-	163,980
<b>TOTAL EXPENSES</b>	<u>9,035,378</u>	<u>-</u>	<u>-</u>	<u>9,035,378</u>
<b>CHANGE IN NET ASSETS</b>	329,482	(583,331)	-	(253,849)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>16,492,788</u>	<u>7,328,832</u>	<u>1,634,952</u>	<u>25,456,572</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 16,822,270</u>	<u>\$ 6,745,501</u>	<u>\$ 1,634,952</u>	<u>\$ 25,202,723</u>

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services								Fundraising Activities			Management and General	Total	
	Companion Animal Hospital	Equine Hospital	Adoptions	Boarding	Education	Therapeutic Riding	Pet Encounter Therapy	AniMeals	Total Program Services	Fundraising	Special Events			Total Fundraising Activities
<b>EXPENSES</b>														
Salaries, Wages and Related Benefits	\$ 701,356	\$ 509,719	\$ 1,337,870	\$ 700,668	\$ 594,412	\$ 297,031	\$ 210,623	\$ 41,210	\$ 4,392,889	\$ 1,046,623	\$ -	\$ 1,046,623	\$ 474,241	\$ 5,913,753
Operating Supplies and Expenses	388,850	243,821	304,788	213,833	122,666	52,830	18,004	83,730	1,428,522	166,375	15,926	182,301	161,575	1,772,398
Printing, Advertising and Postage	3,748	2,251	6,075	2,729	20,292	1,650	1,471	1,453	39,669	84,328	145,083	229,411	47	269,127
Outside Services	4,465	30,194	136,060	49,519	12,292	5,593	236	78	238,437	24,709	162,518	187,227	1,362	427,026
Other	30,351	22,307	25,353	28,254	33,860	5,048	1,144	-	146,317	102,752	35,046	137,798	5,050	289,165
Maintenance, Repairs and Equipment Rental	13,104	14,668	4,624	2,199	3,799	1,250	257	316	40,217	4,810	48,993	53,803	183	94,203
Donated Goods and Services	475	322	82,136	2,987	6,315	10,190	50	32,424	134,899	2,511	185,861	188,372	7,967	331,238
Office Expenses	3,320	862	9,566	2,496	733	192	1,300	354	18,823	3,670	635	4,305	272	23,400
Capital Campaign Expenses	-	-	-	-	-	-	-	-	-	5,390	-	5,390	-	5,390
Total Expenses Before Depreciation	1,145,669	824,144	1,906,472	1,002,685	794,369	373,784	233,085	159,565	6,439,773	1,441,168	594,062	2,035,230	650,697	9,125,700
Depreciation	334,618	47,610	26,353	28,100	2,018	9,083	18,006	1,616	467,404	96,944	-	96,944	238,716	803,064
<b>TOTAL EXPENSES</b>	1,480,287	871,754	1,932,825	1,030,785	796,387	382,867	251,091	161,181	6,907,177	1,538,112	594,062	2,132,174	889,413	9,928,764
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	-	-	-	-	-	-	-	-	(11,880)	(11,880)	-	(11,880)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES</b>	<u>\$ 1,480,287</u>	<u>\$ 871,754</u>	<u>\$ 1,932,825</u>	<u>\$ 1,030,785</u>	<u>\$ 796,387</u>	<u>\$ 382,867</u>	<u>\$ 251,091</u>	<u>\$ 161,181</u>	<u>\$ 6,907,177</u>	<u>\$ 1,538,112</u>	<u>\$ 582,182</u>	<u>\$ 2,120,294</u>	<u>\$ 889,413</u>	<u>\$ 9,916,884</u>

See Accompanying Notes



**HELEN WOODWARD ANIMAL CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Services								Fundraising Activities			Management and General	Total	
	Companion Animal Hospital	Equine Hospital	Adoptions	Boarding	Education	Therapeutic Riding	Pet Encounter Therapy	AniMeals	Total Program Services	Fundraising	Special Events			Total Fundraising Activities
<b>EXPENSES</b>														
Salaries, Wages and Related Benefits	\$ 583,080	\$ 478,186	\$ 1,206,795	\$ 633,599	\$ 550,174	\$ 281,402	\$ 174,224	\$ 36,090	\$ 3,943,550	\$ 950,127	\$ -	\$ 950,127	\$ 407,389	\$ 5,301,066
Operating Supplies and Expenses	341,792	220,578	294,646	200,680	120,397	52,606	14,004	50,575	1,295,278	151,499	18,697	170,196	145,119	1,610,593
Printing, Advertising and Postage	2,470	2,107	9,810	1,834	17,419	975	1,141	963	36,719	71,809	123,996	195,805	138	232,662
Outside Services	7,026	31,430	114,427	43,898	13,295	4,523	155	40	214,794	22,991	59,132	82,123	-	296,917
Other	25,870	21,267	22,001	21,979	13,261	2,669	945	87	108,079	85,259	16,355	101,614	4,924	214,617
Maintenance, Repairs and Equipment Rental	11,408	6,070	7,253	1,428	3,871	1,622	212	199	32,063	5,744	41,340	47,084	193	79,340
Donated Goods and Services	570	490	75,337	2,751	11,665	4,116	527	12,722	108,178	2,189	191,617	193,806	20,294	322,278
Office Expenses	2,310	1,419	9,363	2,065	820	66	179	12	16,234	2,412	226	2,638	270	19,142
Capital Campaign Expenses	-	-	-	-	-	-	-	-	-	23,286	-	23,286	-	23,286
Total Expenses Before Depreciation	974,526	761,547	1,739,632	908,234	730,902	347,979	191,387	100,688	5,754,895	1,315,316	451,363	1,766,679	578,327	8,099,901
Depreciation	320,298	43,270	17,747	27,481	955	11,326	12,781	1,314	435,172	98,666	-	98,666	250,799	784,637
<b>TOTAL EXPENSES</b>	1,294,824	804,817	1,757,379	935,715	731,857	359,305	204,168	102,002	6,190,067	1,413,982	451,363	1,865,345	829,126	8,884,538
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	-	-	-	-	-	-	-	-	(13,140)	(13,140)	-	(13,140)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES</b>	<u>\$ 1,294,824</u>	<u>\$ 804,817</u>	<u>\$ 1,757,379</u>	<u>\$ 935,715</u>	<u>\$ 731,857</u>	<u>\$ 359,305</u>	<u>\$ 204,168</u>	<u>\$ 102,002</u>	<u>\$ 6,190,067</u>	<u>\$ 1,413,982</u>	<u>\$ 438,223</u>	<u>\$ 1,852,205</u>	<u>\$ 829,126</u>	<u>\$ 8,871,398</u>

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Page 9

	2015	2014
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 665,179	\$ (253,849)
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	803,064	784,637
Pledge Receivable Write-Off	261,706	-
Net Realized and Unrealized Gain on Investments	427,224	(224,227)
Change in the Value of Split-Interest Agreements	(81,715)	19,335
Change in Operating Assets and Liabilities:		
Accounts Receivable	6,180	(21,312)
Inventory	(8,629)	(5,663)
Prepaid Expenses, Deposits, and Other Assets	35,479	(57,522)
Contributions Receivable	(323,763)	748,950
Beneficial Interest in Trusts	(1,583,201)	-
Accounts Payable and Accrued Expenses	(16,245)	70,419
Accrued Payroll	(167,006)	44,958
Accrued Compensated Absences	26,977	33,767
Deferred Compensation and Benefits	325	564
	(619,604)	1,393,906
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	45,575	1,140,057
<b>CASH FLOWS PROVIDED/(USED) BY INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(258,090)	(235,579)
Change in Life Insurance Premium Account	-	-
Proceeds from Sale of Investments	2,442,578	1,126,754
Purchase of Investments	(2,083,806)	(1,036,312)
Distribution Received from Beneficial Interest in Trusts	326,465	-
Principal Payments on Note Receivable from Related Party	81,058	73,750
	508,205	(71,387)
<b>CASH FLOWS USED BY FINANCING ACTIVITIES</b>		
Principal Payments on Line of Credit	-	(1,079,208)
Principal Payments on Note Payable	(4,592)	(4,591)
Principal Payments on Capital Lease	(14,549)	(13,668)
Debt Forgiveness on Note Payable	(13,800)	(27,600)
	(32,941)	(1,125,067)
<b>NET INCREASE/(DECREASE) IN CASH</b>	520,839	(56,397)
<b>CASH, BEGINNING OF YEAR</b>	2,664,420	2,720,817
<b>CASH, END OF YEAR</b>	\$ 3,185,259	\$ 2,664,420
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest Paid	\$ 32,882	\$ 34,271
Income Taxes Paid	\$ -	\$ -

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**Page 10**

**NOTE 1 THE CENTER**

Helen Woodward Animal Center (the "Center") is a Nonprofit Organization formed in California in June 1972. The Center was renamed in 1987 for Helen Woodward, the Center's founder and benefactor. The Center serves primarily San Diego County, California.

The Center conducts a variety of programs which benefit the community. The Center's pet placement service finds new homes for cats and dogs surrendered by their owners or rescued from organizations and cares for these animals prior to adoption. The Therapeutic Riding program benefits disabled children and adults, both physically and emotionally. The Pet Encounter Therapy program brings the joy of animals to persons confined in such facilities as homes for abused or homeless children, hospitals, and senior centers, and provides the same experience for groups that choose to visit the Center.

The Center also provides humane educational programs for children and adults on a variety of topics, including proper animal care and animal behavior, in hopes that participants gain greater respect and appreciation for all living things. The Center's auxiliary services include AniMeals pet food supplements for the pets of homebound adults and tours for children and seniors.

The Center maintains a community equine hospital and animal boarding facilities. The hospital serves as a surgical and diagnostic facility for horses and other large exotic animals. The Center grants hospital privileges to large animal veterinarians in the County. The Center's pet boarding facility provides care and individual attention for small animals, primarily cats and dogs.

The Center also operates a small animal hospital open to all cats, dogs and small exotic animals. The hospital offers a variety of services including pet vaccinations, pet dentistry and emergency care.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The financial statements of the Center have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles.

**Basis of Presentation** - The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. New standards were issued regarding classification of endowment funds of nonprofits subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and enhanced disclosures for endowment. The State of California adopted UPMIFA in October 2008. The Center follows the new standards effective January 1, 2009.

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**Page 11**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash and Cash Equivalents - The Center considers all investment instruments purchased with a maturity of three months or less to be cash equivalents. The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk on cash and cash equivalents. Included in cash as of December 31, 2015 and 2014 are balances of \$225,391 and \$91,087, respectively, held in money market accounts.

Accounts Receivable - Accounts receivable totaling \$79,154 and \$86,084 net of an allowance for uncollectible accounts of \$750 for each of the years ended December 31, 2015 and 2014 consist primarily of accounts receivable related to services performed at the equine hospital and sponsorships for special events that have occurred in the past year. Bad debts are accounted for using the specific identification method and are written-off after all collection attempts have been exhausted. Accordingly, bad debt expense is charged to operations in the year in which an account is determined uncollectible.

Inventory - Inventory consists of mostly pet supplies held for resale and is stated at the lower of cost or market. Cost is determined by the specific identification method.

Contributions - Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Contributions Receivable - Contributions receivable consist of unconditional promises to give and are recorded in the year the promise is made. Conditional promises are not recognized until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated cash flows. The Center provides for probable losses on contributions receivable using the allowance method. The allowance is determined based on management's experience and collection efforts.

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. The interest rate used in computing the discount of estimated future cash flows was 4% for pledges received in 2015 and 2014.

Investments - The Center reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

Fair Value Measurement - The Center follows accounting standards consistent with the FASB codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Property and Equipment - Land, building and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restriction regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment is depreciated using the straight-line method over the estimated useful asset lives as follows:

Land Improvements	7 - 25 years
Building and Improvements	3 - 25 years
Equipment	3 - 18 years
Furniture and Fixtures	3 - 20 years
Vehicles	5 years

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**Page 13**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Center is currently raising funds for a capital campaign to renovate the Center. During 2011, the first of four construction phases was completed and placed in service. The Center has capitalized the costs related to the construction of the unfinished phases and will not begin depreciating those assets until they are placed in service. Construction in progress costs totaled \$408,540 and \$346,454 as of December 31, 2015 and 2014, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of land, buildings and equipment, the asset account is relieved of the cost and the accumulated depreciation account is relieved of any depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

Unrestricted Net Assets - It is policy of the Board of Directors of the Center to review its plans for future operating funds, equipment acquisitions and other reserves from time to time and to designate appropriate sums to assure adequate financing of such items. At December 31, 2015 and 2014, unrestricted net assets totaling \$3,382,842 and \$3,796,032, respectively, have been designated by the Board of Directors as an endowment for the purpose of securing the Center's long term financial viability.

Contributed Services, Materials, Equipment, and Food - The Center has received substantial donations of materials, equipment, food, and professional services. The donations of materials, food and other assets are recorded at their fair market value. The value of the donations received not relating to special events totaled \$145,377 and \$130,662 for the years ended December 31, 2015 and 2014, respectively.

The nature and extent of donated and contributed services received by the Center ranges from the limited participation of many individuals in fundraising activities to active participation in the Center's management and service programs during 2015 and 2014. The value of contributed time is not reflected in these statements since they do not require specialized skills.

Functional Allocation of Expenses - The Center allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Center's management.

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Center achieves some of its programmatic, management, and general goals in direct mail campaigns that consist of a newsletter that includes a request for contributions. The costs of conducting these campaigns include a total of \$24,216 and \$29,299 of joint costs for the years ended December 31, 2015 and 2014, respectively, not directly attributable to either program or management and general components or the fundraising component of the activities. These joint cost were allocated as follows:

	2015	2014
Companion Animal Hospital	\$ 1,513	\$ 981
Equine Hospital	1,513	981
Adoptions	4,036	8,894
Boarding	1,513	981
Education	1,513	981
Therapeutic Riding	1,513	981
Pet Encounter Therapy	1,513	981
AniMeals	1,513	981
Management and General	1,513	981
Fundraising	8,073	12,557
	\$ 24,216	\$ 29,299

Income Taxes - The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

The Center follows accounting standards which provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. As of December 31, 2015 and 2014, the Center has not accrued interest or penalties related to uncertain tax positions. The Center files tax returns in the U.S. Federal jurisdiction and the State of California.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. This reclassification had no effect on total assets, liabilities, total net assets and changes in net assets.

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 3 NOTE RECEIVABLE FROM RELATED PARTY**

The Center has a note receivable from the president of the Center. The note requires monthly payments of \$5,000 with interest at 1.65%. The note is due by October 2018 and is secured by a deed of trust in residential real estate.

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following at December 31:

	2015	2014
* Bequests	\$ 2,937,669	\$ 2,251,462
Temporarily Restricted Pledges	1,480,903	1,921,214
	4,418,572	4,172,676
Less: Discount	(1,132,139)	(948,300)
	\$ 3,286,433	\$ 3,224,376

The following is a schedule by years of future receipts for unrestricted and temporarily restricted pledges as of December 31:

2016	\$ 574,214
2017	455,000
2018	451,690
	\$ 1,480,903

\* Bequests are usually received within a two-year period following the death of donor, and are typically subject to court proceedings and the probate process. The Center has also received irrevocable bequests from donors who wish to make a contribution upon their death. These bequests have been discounted based on the life expectancy of the donors and using U.S. Treasury yield curve rates ranging from 1.97% to 2.67% for the years ended December 31, 2015 and 2014.



**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 5 INVESTMENTS**

Investments are stated at fair value and consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Common Stocks	\$ 4,474,504	\$ 5,078,380
Mutual Funds	1,709,597	1,772,586
Managed Funds	881,514	945,626
Municipal Funds	238,786	253,762
Preferred Stock	60,988	-
Corporate Bonds	-	100,115
	<u>\$ 7,365,389</u>	<u>\$ 8,150,469</u>

The following schedule summarizes the investment return of the assets held by the Center for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Net Realized and Unrealized (Loss)/Gain on Investments	\$ (427,224)	\$ 224,227
Interest and Dividend Income	149,540	166,123
	<u>\$ (277,684)</u>	<u>\$ 390,350</u>

The Center paid investment fees of \$74,753 and \$77,693 related to these investments during the year ended December 31, 2015 and 2014, respectively.

**NOTE 6 CHARITABLE REMAINDER TRUSTS**

The Center is the beneficiary of a charitable remainder trust administered by an outside trustee. The trust provides for the payment of distributions to a beneficiary over the term of the trust. At the end of the trust's term, the remaining assets are available for the Center's unrestricted use. The trust's assets consist of cash, investments and real property and were valued using a discount rate of 1.8% and 2.2% for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015, the trust had a value of \$400,000, and was shown net of a discount of \$159,712. At December 31, 2014, the trust had a value of \$350,000, and was shown net of a discount of \$144,981.

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**Page 17**

**NOTE 6 CHARITABLE REMAINDER TRUSTS (continued)**

The Center has a beneficial interest in a trust setup by a donor. The trust provides for the payment of distributions to the Center over a period of fifteen years. At the conclusion of year fifteen the remaining distributions will be paid to the beneficiaries and the trust will be terminated. The trust's assets consist of cash and equity investments in a managed portfolio that is administered by an outside trustee. The trust is valued using a rate of return of 4% and a discount rate of 3% for the year ended December 31, 2015. At December 31, 2015, the present value of the future distributions expected to be paid over the term of the trust was \$1,547,879.

The Center was a beneficiary of a charitable remainder trust administered by an outside trustee. The trust provided for the payment of distributions to a beneficiary over the term of the trust. At the end of the trust's term, the remaining assets are available for the Center's unrestricted use. During 2015, the trust was liquidated the Center received their full portion of the proceeds.

**NOTE 7 LIFE INSURANCE PREMIUM ACCOUNT**

The Center maintains a life insurance policy with a face value of \$469,000 on a former key employee. The policy was originated under a split-dollar insurance agreement with the insured. In accordance with the agreement, the Center was to be repaid an amount equal to the cumulative total of its share of premiums on the policy. During 2006, the agreement was amended and the Center agreed to pay all premiums for the remainder of the policy, and in exchange, the former employee assigned his beneficiary interest in the policy to the Center. The Center records the policy at an estimated fair value using a discounted cash flow method. The face value of the policy is discounted based on the life expectancy of the insured and a 3% discount rate.

The life insurance policy carries a cash surrender value that is significantly less than the face amount of the policy. However, the Center does not intend to terminate or allow the policy to lapse.

**NOTE 8 FAIR VALUE MEASUREMENT**

The Company follows the methods of fair value measurement to value its financial assets. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 8 FAIR VALUE MEASUREMENT (continued)**

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Financial assets and liabilities carried at fair value at December 31, 2015 and 2014 are classified below in one of three categories described above. The table below presents the balances of assets measured at fair value on a recurring basis.

Assets	2015 Level 1	2015 Level 2	2015 Level 3	2015 Total
<b>Common Stocks:</b>				
US Large Cap	\$ 3,362,893	\$ -	\$ -	\$ 3,362,893
US Small-Mid Cap	212,626	-	-	212,626
International	898,985	-	-	898,985
<b>Mutual Funds:</b>				
Multi-strategy Funds	702,734	-	-	702,734
Fixed Income Funds	656,850	-	-	656,850
Bond Funds	151,563	-	-	151,563
Int'l Fixed Income Funds	76,311	-	-	76,311
Real Estate Securities Funds	122,139	-	-	122,139
<b>Privately Managed Funds:</b>				
US Small-Mid Cap	-	653,940	-	653,940
International	-	227,574	-	227,574
Government Bonds	-	238,786	-	238,786
Preferred Stock	-	60,988	-	60,988
Charitable Remainder Trusts	-	1,788,167	-	1,788,167
<b>Life Insurance Premium</b>				
Account	-	455,340	-	455,340
	<u>\$ 6,184,101</u>	<u>\$ 3,424,795</u>	<u>\$ -</u>	<u>\$ 9,608,896</u>

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 8 FAIR VALUE MEASUREMENT (continued)**

Assets	2014 Level 1	2014 Level 2	2014 Level 3	2014 Total
Common Stocks:				
US Large Cap	\$ 3,575,670	\$ -	\$ -	\$ 3,575,670
US Small-Mid Cap	246,847	-	-	246,847
International	1,255,863	-	-	1,255,863
Mutual Funds:				
Multi-strategy Funds	923,100	-	-	923,100
Fixed Income Funds	495,254	-	-	495,254
Bond Funds	247,048	-	-	247,048
Int'l Fixed Income Funds	78,096	-	-	78,096
Real Estate Securities Funds	29,088	-	-	29,088
Privately Managed Funds:				
US Small-Mid Cap	-	708,866	-	708,866
International	-	236,760	-	236,760
Government Bonds	-	253,762	-	253,762
Corporate Bonds	-	100,115	-	100,115
Charitable Remainder Trusts	-	449,716	-	449,716
Life Insurance Premium				
Account	-	455,340	-	455,340
	<u>\$ 6,850,966</u>	<u>\$ 2,204,559</u>	<u>\$ -</u>	<u>\$ 9,055,525</u>

The investments in marketable securities and mutual funds are valued at market prices in active markets and are classified as Level 1. The investments in corporate bonds, privately managed funds and government obligations are valued using a bid-evaluation method which compares the corroborated indicative quotes and other observable market-based data. These investments are classified as Level 2.

The charitable remainder trusts assets are valued using a valuation model that calculates the net present value of estimated future cash flows and are classified as Level 2 (See Note 6).

The life insurance premium account is discounted based on life expectancy of the insured and are classified as Level 2 (See Note 7).

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis - The Center may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. The adjustments to fair value usually result from the discounting of pledges to present value or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis in 2015 and 2014 that were still held in the balance sheet at each respective year end, the following table provides the fair value hierarchy and the carrying value of the related individual assets or portfolios at year end.

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 8 FAIR VALUE MEASUREMENT (continued)**

Assets	2015 Level 1	2015 Level 2	2015 Level 3	2015 Total
Contributions Receivable	\$ -	\$ -	\$ 3,286,433	\$ 3,286,433

  

Assets	2014 Level 1	2014 Level 2	2014 Level 3	2014 Total
Contributions Receivable	\$ -	\$ -	\$ 3,224,376	\$ 3,224,376

The contributions receivable are valued using discounted cash flow and life expectancy models and are classified as a Level 3.

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2015:

	<u>Contributions Receivable</u>
Balance at January 1, 2015	\$ 3,224,376
New Pledges Received	1,011,689
Collections	(465,792)
Write-down of Pledge Receivable	(261,706)
Discount on Pledges	(222,134)
Balance at December 31, 2015	<u>\$ 3,286,433</u>

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2014:

	<u>Contributions Receivable</u>
Balance at January 1, 2014	\$ 3,973,326
New Pledges Received	140,762
Collections	(1,233,353)
Discount on Pledges	343,641
Balance at December 31, 2014	<u>\$ 3,224,376</u>

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 9 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	2015	2014
Building and Improvements	\$ 15,963,076	\$ 15,940,222
Equipment	2,483,536	2,402,965
Furniture and Fixtures	850,022	838,331
Land and Improvements	748,371	741,857
Construction in Progress	408,669	346,454
Vehicles	356,343	282,098
	20,810,017	20,551,927
Accumulated Depreciation	(10,708,339)	(9,905,275)
	\$ 10,101,678	\$ 10,646,652

Depreciation expense was \$803,064 and \$784,637 for the years ended December 31, 2015 and 2014, respectively.

**NOTE 10 INVESTMENT IN SAN DIEGO FOUNDATION**

The Center has investments held by the San Diego Foundation, which are classified as permanently restricted as the investments must be maintained in perpetuity. The income from these investments is kept inside the account as part of an endowment. The investments are carried at fair value and totaled \$14,569 and \$15,219 at December 31, 2015 and 2014, respectively.

**NOTE 11 INVESTMENT IN RANCHO SANTA FE FOUNDATION**

The Center has investments held by the Rancho Santa Fe Foundation, which are classified as permanently restricted as the investments must be maintained in perpetuity. The income from these investments is kept inside the account as part of an endowment. The investments are carried at fair value and totaled \$19,623 and \$19,529 at December 31, 2015 and 2014, respectively.

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 12 DEFERRED COMPENSATION**

In April 1987, the Center entered into an employment agreement with a former key employee, which included the establishment of an unfunded nonqualified deferred compensation arrangement that included health insurance premiums. Generally accepted accounting principles require that the Center recognize a liability for the cost of unfunded deferred compensation arrangements and post employment health insurance benefits. The liability at the end of each year represents the present value of the benefits expected to be paid and totaled \$43,852 and \$43,527 at December 31, 2015 and 2014, respectively. Each year the Center recognizes an expense equal to the change in the liability based on a 5% discount factor. Total expenses related to this agreement were \$2,218 for the years December 31, 2015 and 2014.

**NOTE 13 NOTES PAYABLE**

	2015	2014
Laboratory Service Provider		
Annual Principal payments of \$13,800		
plus interest at 7.0%		
due March 2017		
The note is unsecured	\$ 27,600	\$ 41,400
Ally Financial		
\$383 per month; 0% interest		
Due May 2016		
Secured by the underlying vehicle	1,531	6,123
	\$ 29,131	\$ 47,523

The following is a summary of principal maturities of long-term debt for the next five years:

2016	15,330
2017	13,801
	\$ 29,131

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 14 CAPITAL LEASE OBLIGATION**

The Center is leasing medical equipment classified as a capital lease. The economic substance of this lease is that the Center is financing the acquisition of the equipment through the lease and, accordingly, it is recorded in the Center's assets and liabilities. Included in property and equipment on the accompanying statement of financial position as of December 31, 2015, is equipment acquired under a capital lease with a capitalized cost of \$70,050, less accumulated depreciation of \$38,950. Depreciation of assets under capital lease charged to expense totaled \$10,623 for the year ended December 31, 2015.

During 2015, the Center had the following capital lease obligation:

Choice Health Equipment Lease \$1,391 per month; 6.26% annual interest Due August 2018 Secured by the underlying equipment	<u>\$ 26,359</u>
--	------------------

Future minimum lease payments under capital leases as of December 31, 2015 for each of the remaining years and in the aggregate are as follows:

2016	\$ 16,696
2017	<u>11,130</u>
	27,826
Less: Amounts Representing Interest	<u>(1,467)</u>
Present Value of Minimum Lease Payments	<u>\$ 26,359</u>



**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 15 RETIREMENT PLAN**

The Center maintains a tax deferred qualified plan under Section 403(b) of the Internal Revenue Code. Eligible employees may contribute a percentage of their compensation to the plan. The Center matches a portion of the employee's contribution for all eligible employees hired before January 1, 2009. The Center also pays all of the administrative and investment fees for the plan. The total expenses related to the plan for the years ended December 31, 2015 and 2014 were approximately \$76,600 and \$75,900, respectively.

While the Center expects to continue the plan indefinitely, it has reserved the right to modify, amend, or terminate the plan. In the event of termination, the entire amount contributed under the plan must be applied to the payment of benefits to the participants or their beneficiaries.

**NOTE 16 NET ASSETS**

Temporarily restricted net assets were available for the following purposes at December 31:

	2015	2014
Equine Hospital Operations	\$ 2,291,322	\$ 2,467,332
Beneficial Interests in Trusts	1,788,167	449,716
AniMeals Operations	178,952	230,676
Therapeutic Riding Operations	77,935	157,560
Pet Encounter Therapy Operations	62,942	106,990
Equine Hospital Equipment	68,404	45,421
Education Operations and Programs	62,500	1,663
Adoptions Equipment	25,289	548
Equine Hospital Funds	19,188	23,077
General Obligations and Equipment	17,566	8,837
Equine Hospital Emergency Services	3,831	4,686
Adoptions Operations and Supplies	2,144	8,922
Therapeutic Riding Equipment	1,184	1,109
Adoptions Training	-	12,555
Club Pet Employee Services	-	1,114
Adoptions Emergency Medical Fund	-	918
 Contributions Receivable in Future Years:		
Bequests (Net of Discount)	1,857,107	1,404,447
Restricted Pledges (Net of Discount)	1,298,743	1,698,791
Capital Campaign (Net of Discount)	130,583	121,137
	\$ 7,885,859	\$ 6,745,501

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 16 NET ASSETS (continued)**

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

	2015	2014
General Obligations & Maintenance	\$ 456,647	\$ 87,378
Adoptions Operations and Supplies	323,261	376,979
Therapeutic Riding Operations	284,723	201,307
Adoptions Emergency Medical Fund	182,634	84,919
Pet Encounter Therapy Operations	179,098	105,354
Equine Hospital Operations	177,007	192,585
AniMeals Operations	123,649	52,717
Adoptions Training and Grants	114,474	50,613
Equine Hospital Equipment	42,659	26,135
Foster a Horse Program	20,775	4,570
Education Scholarship	2,530	1,195
Adoptions Equipment	2,258	30,429
Pet Encounter Therapy Equipment	2,000	26,735
Club Pet Employee Services	1,442	893
Therapeutic Riding Equipment	1,226	-
Club Pet Equipment	1,201	-
Equine Emergency Services	856	-
Education Operations and Programs	792	4,310
Therapeutic Riding Scholarships	60	30
Companion Animal Hospital Operations	-	100
Adoptions Spay/Neuter	-	3
 Contributions Receivable in Future Years:		
General Operations	450,000	450,000
Capital Campaign	283,977	165,066
Bequests	32,551	549,702
	\$ 2,683,820	\$ 2,411,020

At December 31, 2015 and 2014, permanently restricted net assets totaling \$1,634,952 resulted from donations received with the stipulation that they be invested to provide a permanent source of income.

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**Page 26**

**NOTE 17 ENDOWMENT FUND**

The Center is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Center's Board of Directors has interpreted the UPMIFA as permitting the expenditure or accumulation of as much of permanent endowment funds as the Center determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund was established, even if this results in the occasional invasion of the endowments historical gift value. Thus, at times, the value of donor-restricted assets may fall below the level that a donor requires the Center to maintain as permanently restricted net assets. As of December 31, 2015 and 2014, the value of the donor-restricted assets had not fallen below the original donated level.

The Center classifies as permanently restricted endowment net assets (a) the original value of gifts used to establish permanent endowments and (b) the original value of subsequent gifts to permanent endowments: collectively known as "historical gift value". Board designated endowment funds are classified as unrestricted net assets, available to be appropriated for expenditure by the Center.

Included in investments on the Statement of Financial Position are permanently restricted and board designated long-term investments held in an endowment fund. The objective of the endowment fund is to support the continuing operations of the Center. The Center's Board of Directors have delegated authority over the investment of the Endowment Fund to the Investment Committee (the "Committee"). The Committee is responsible for the oversight of the investments of the Endowment Fund and for reporting on the Fund's performance to the Board. The Committee is authorized to retain an investment manager to make investment decisions.

To achieve the desired objective, the Center has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to meet the annual distribution policy rules while growing the fund if possible. Investment risk is measured in terms of the total endowment fund, investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment payout is defined as a fixed percentage currently set at 5% of the market value of the Endowment Funds. This amount will be available for center wide operating purposes, including investment management fees for the Endowment Fund.

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 17 ENDOWMENT FUND (continued)**

The portion of the Endowment Fund that is classified as permanently restricted is not reduced by losses on the investments of the fund. Losses on the investments of permanently restricted funds reduce the temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets.

During 2015, the Center had the following endowment related activities:

	Permanently Restricted Funds	Board Designated Funds	Total
Investment Income	\$ 14,244	\$ 82,660	\$ 96,904
Unrealized Loss on Investments	(64,933)	(205,885)	(270,818)
Principal Payments on Notes Receivable	-	84,000	84,000
Amounts Appropriated for Expenditure	(40,363)	(234,234)	(274,597)
Investment and Trustee Fees	(7,155)	(41,524)	(48,679)
Total Change in Endowment Funds	<u>\$ (98,207)</u>	<u>\$ (314,983)</u>	<u>\$ (413,190)</u>

During 2014, the Center had the following endowment related activities:

	Permanently Restricted Funds	Board Designated Funds	Total
Investment Income	\$ 73,331	\$ 258,905	\$ 332,236
Unrealized Gain on Investments	(18,041)	(56,715)	(74,756)
Principal Payments on Notes Receivable	-	78,000	78,000
Amounts Appropriated for Expenditure	(61,637)	(217,618)	(279,255)
Investment and Trustee Fees	(11,093)	(39,163)	(50,256)
Total Change in Endowment Funds	<u>\$ (17,440)</u>	<u>\$ 23,409</u>	<u>\$ 5,969</u>

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 17 ENDOWMENT FUND (continued)**

Endowment net asset composition by type of fund as of December 31, 2015.

	Permanently Restricted	Unrestricted	Endowment Net Assets
Donor-Restricted Endowment Funds	\$ 1,634,952	\$ -	\$ 1,634,952
Board-Designated Endowment Funds	-	3,382,842	3,382,842
Total Funds	<u>\$ 1,634,952</u>	<u>\$ 3,382,842</u>	<u>\$ 5,017,794</u>

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

	Permanently Restricted	Board Designated Unrestricted	Total Endowment Net Assets
Endowment Net Assets, Beginning of Year	\$ 1,634,952	\$ 3,796,032	\$ 5,430,984
Investment Income	-	96,904	96,904
Unrealized Gain on Investments	-	(270,818)	(270,818)
Principal Payments on Notes Receivable	-	84,000	84,000
Amounts Appropriated For Expenditure	-	(274,597)	(274,597)
Investment and Trustee Fees	-	(48,679)	(48,679)
Endowment Net Assets, End of Year	<u>\$ 1,634,952</u>	<u>\$ 3,382,842</u>	<u>\$ 5,017,794</u>

Endowment net asset composition by type of fund as of December 31, 2014.

	Permanently Restricted	Unrestricted	Endowment Net Assets
Donor-Restricted Endowment Funds	\$ 1,634,952	\$ -	\$ 1,634,952
Board-Designated Endowment Funds	-	3,796,032	3,796,032
Total Funds	<u>\$ 1,634,952</u>	<u>\$ 3,796,032</u>	<u>\$ 5,430,984</u>

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 17 ENDOWMENT FUND (continued)**

Changes in endowment net assets as of December 31, 2014 are as follows:

	Permanently Restricted	Unrestricted	Total Endowment Net Assets
Endowment Net Assets,			
Beginning of Year	\$ 1,634,952	\$ 3,790,063	\$ 5,425,015
Investment Income	-	332,236	332,236
Unrealized Loss on Investments	-	(74,756)	(74,756)
Principal Payments on Notes Receivable	-	78,000	78,000
Amounts Appropriated For Expenditure	-	(279,255)	(279,255)
Investment and Trustee Fees	-	(50,256)	(50,256)
Endowment Net Assets,			
End of Year	\$ 1,634,952	\$ 3,796,032	\$ 5,430,984

**NOTE 18 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 1, 2016, the date which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.