HELEN WOODWARD ANIMAL CENTER
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

HELEN WOODWARD ANIMAL CENTER

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, 2016 and 2015, 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.

8989 RIO SAN DIEGO DRIVE, SUITE 250 • SAN DIEGO, CA 92108
TEL 619-231-1977 • FAX 619-231-8244 • 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, 2016 and 2015, 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.

Considine & Considine

CONSIDINE & CONSIDINE
An Accountancy Corporation

September 30, 2017

HELEN WOODWARD ANIMAL CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
ASSETS		
Cash and Cash Equivalents	$ 5,725,227	$ 3,185,259
Accounts Receivable	155,871	79,154
Inventory	28,183	32,102
Prepaid Expenses	34,733	42,604
Note Receivable from Related Party (Note 3)	55,847	134,251
Contributions Receivable (Note 4)	7,287,075	3,286,433
Investments (Note 5)	7,250,808	7,365,389
Beneficial Interest in Trusts (Note 6)	1,908,966	1,788,167
Life Insurance Premium Account (Note 7)	455,340	455,340
Property and Equipment (Note 9)	9,749,466	10,101,678
Investment in San Diego Foundation (Note 10)	15,370	14,569
Investment in Rancho Santa Fe Foundation (Note 11)	20,509	19,263
Other Assets	10,600	10,600
TOTAL ASSETS	32,697,995	26,514,809
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	273,851	229,843
Accrued Payroll	126,825	77,090
Accrued Compensated Absences	261,168	237,112
Deferred Compensation (Note 12)	43,880	43,852
Notes Payable (Note 13)	13,800	29,131
Capital Lease Obligation (Note 14)	10,874	26,359
Security Deposits	3,520	3,520
TOTAL LIABILITIES	733,918	646,907
NET ASSETS (Note 17)		
Unrestricted	14,543,824	12,964,249
Unrestricted - Board Designated (Note 17)	3,590,430	3,382,842
Temporarily Restricted	12,194,871	7,885,859
Permanently Restricted (Note 17)	1,634,952	1,634,952
	31,964,077	25,867,902
TOTAL LIABILITIES AND NET ASSETS	$ 32,697,995	$ 26,514,809

See Accompanying Notes

HELEN WOODWARD ANIMAL CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE				
Contributions	$ 1,483,232	$ 8,578,547	$ -	$ 10,061,779
Fees	4,724,503	-	-	4,724,503
Investment Return (Note 5)	693,620	-	-	693,620
Special Events, Net (Less: Direct Benefit to Donors of $13,800)	782,075	-	-	782,075
Sales	649,480	-	-	649,480
Other Income	164,976	-	-	164,976
Rents	31,468	-	-	31,468
Contributed Goods	363,889	-	-	363,889
Change in the Value of Split-Interest Agreements	-	(185,591)	-	(185,591)
Pledge Receivable Write-Off	-	(105,000)	-	(105,000)
	8,893,243	8,287,956	-	17,181,199
NET ASSETS RELEASED FROM RESTRICTION	3,978,944	(3,978,944)	-	-
EXPENSES:				
Program	7,603,264	-	-	7,603,264
Fundraising	2,406,377	-	-	2,406,377
Management and General	888,372	-	-	888,372
	10,898,013	-	-	10,898,013
COST OF SALES	187,011	-	-	187,011
TOTAL EXPENSES	11,085,024	-	-	11,085,024
CHANGE IN NET ASSETS	1,787,163	4,309,012	-	6,096,175
NET ASSETS - BEGINNING OF YEAR	16,347,091	7,885,859	1,634,952	25,867,902
NET ASSETS - END OF YEAR	$ 18,134,254	$ 12,194,871	$ 1,634,952	$ 31,964,077

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
SUPPORT AND REVENUE				
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)
	6,937,035	3,824,178	-	10,761,213
NET ASSETS RELEASED FROM RESTRICTION	2,683,820	(2,683,820)	-	-
EXPENSES:				
Program	6,907,177	-	-	6,907,177
Fundraising	2,120,294	-	-	2,120,294
Management and General	889,413	-	-	889,413
	9,916,884	-	-	9,916,884
COST OF SALES	179,150	-	-	179,150
TOTAL EXPENSES	10,096,034	-	-	10,096,034
CHANGE IN NET ASSETS	(475,179)	1,140,358	-	665,179
NET ASSETS - BEGINNING OF YEAR	16,822,270	6,745,501	1,634,952	25,202,723
NET ASSETS - END OF YEAR	$ 16,347,091	$ 7,885,859	$ 1,634,952	$ 25,867,902

HELEN WOODWARD ANIMAL CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services									Fundraising Activities				
	Companion Animal Hospital	Equine Hospital	Adoptions	Boarding	Education	Therapeutic Riding	Pet Encounter Therapy	AniMeals	Total Program Services	Fundraising	Special Events	Total Fundraising Activities	Management and General	Total
EXPENSES														
Salaries, Wages and Related Benefits	$ 763,457	$ 538,252	$ 1,481,010	$ 845,572	$ 641,893	$ 310,428	$ 227,637	$ 40,218	$ 4,848,467	$ 1,178,132	$ -	$ 1,178,132	$ 488,809	$ 6,515,408
Operating Supplies and Expenses	419,613	238,529	347,736	221,718	134,725	67,840	17,530	59,856	1,507,547	189,418	14,747	204,165	171,093	1,882,805
Printing, Advertising and Postage	2,408	792	7,426	703	21,183	596	537	509	34,154	86,255	126,377	212,632	333	247,119
Outside Services	5,710	29,683	256,276	79,051	17,198	5,109	371	29	393,427	32,403	94,787	127,190	941	521,558
Other	31,613	24,305	26,013	30,913	39,122	5,478	221	-	157,665	101,042	43,504	144,546	5,415	307,626
Maintenance, Repairs and Equipment Rental	13,525	5,353	6,553	1,572	6,514	807	576	250	35,150	5,301	49,270	54,571	204	89,925
Donated Goods and Services	-	100	94,440	3,050	2,958	3,775	-	16,136	120,459	241,991	150,052	392,043	1,439	513,941
Office Expenses	4,597	416	7,776	2,421	816	122	307	3	16,458	4,188	599	4,787	255	21,500
Capital Campaign Expenses	-	-	-	-	-	-	-	-	-	5,604	-	5,604	-	5,604
Total Expenses Before Depreciation	1,240,923	837,430	2,227,230	1,185,000	864,409	394,155	247,179	117,001	7,113,327	1,844,334	479,336	2,323,670	668,489	10,105,486
Depreciation	333,218	54,013	32,932	30,436	8,036	10,642	19,032	1,628	489,937	96,507	-	96,507	219,883	806,327
TOTAL EXPENSES	1,574,141	891,443	2,260,162	1,215,436	872,445	404,797	266,211	118,629	7,603,264	1,940,841	479,336	2,420,177	888,372	10,911,813
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	-	-	-	-	-	-	-	-	(13,800)	(13,800)	-	(13,800)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES	$ 1,574,141	$ 891,443	$ 2,260,162	$ 1,215,436	$ 872,445	$ 404,797	$ 266,211	$ 118,629	$ 7,603,264	$ 1,940,841	$ 465,536	$ 2,406,377	$ 888,372	$ 10,898,013

See Accompanying Notes

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

	Program Services									Fundraising Activities				
	Companion Animal Hospital	Equine Hospital	Adoptions	Boarding	Education	Therapeutic Riding	Pet Encounter Therapy	AniMeals	Total Program Services	Fundraising	Special Events	Total Fundraising Activities	Management and General	Total
EXPENSES														
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
TOTAL EXPENSES	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)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES	$ 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	$ 582,182	$ 2,120,294	$ 889,413	$ 9,916,884

HELEN WOODWARD ANIMAL CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	$ 6,096,175	$ 665,179
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	806,327	803,064
Pledge Receivable Write-Off	105,000	261,706
Net Realized and Unrealized (Loss)/Gain on Investments	(571,536)	427,224
Change in the Value of Split-Interest Agreements	185,591	(81,715)
Change in Operating Assets and Liabilities:		
Accounts Receivable	(76,717)	6,180
Inventory	3,919	(8,629)
Prepaid Expenses, Deposits, and Other Assets	7,871	35,479
Contributions Receivable	(4,291,233)	(323,763)
Beneficial Interest in Trusts	(226,785)	(1,583,201)
Accounts Payable and Accrued Expenses	44,008	(16,245)
Accrued Payroll	49,735	(167,006)
Accrued Compensated Absences	24,056	26,977
Deferred Compensation and Benefits	28	325
	(3,939,736)	(619,604)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,156,439	45,575
CASH FLOWS PROVIDED/(USED) BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(454,115)	(258,090)
Proceeds from Sale of Investments	1,448,717	2,442,578
Purchase of Investments	(764,647)	(2,083,806)
Distribution Received from Beneficial Interest in Trusts	105,986	326,465
Principal Payments on Note Receivable from Related Party	78,404	81,058
	414,345	508,205
CASH FLOWS USED BY FINANCING ACTIVITIES		
Principal Payments on Note Payable	(1,531)	(4,592)
Principal Payments on Capital Lease	(15,485)	(14,549)
Debt Forgiveness on Note Payable	(13,800)	(13,800)
	(30,816)	(32,941)
NET INCREASE IN CASH	2,539,968	520,839
CASH, BEGINNING OF YEAR	3,185,259	2,664,420
CASH, END OF YEAR	$ 5,725,227	$ 3,185,259
SUPPLEMENTAL DISCLOSURES		
Interest Paid	$ 1,210	$ 32,882
Income Taxes Paid	$ -	$ -

See Accompanying Notes

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.

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, 2016 and 2015 are balances of $663,052 and $225,391, respectively, held in money market accounts.

Accounts Receivable - Accounts receivable totaling $155,871 and $79,154 net of an allowance for uncollectible accounts of $750 for each of the years ended December 31, 2016 and 2015 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.

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 2016 and 2015.

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

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 $726,874 and $408,540 as of December 31, 2016 and 2015, 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, 2016 and 2015, unrestricted net assets totaling $3,590,430 and $3,382,842, 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 $363,889 and $145,377 for the years ended December 31, 2016 and 2015, 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 2016 and 2015. 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.

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 $25,337 and $24,216 of joint costs for the years ended December 31, 2016 and 2015, 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:

	2016	2015
Companion Animal Hospital	$ 538	$ 1,513
Equine Hospital	538	1,513
Adoptions	7,170	4,036
Boarding	538	1,513
Education	538	1,513
Therapeutic Riding	538	1,513
Pet Encounter Therapy	538	1,513
AniMeals	538	1,513
Management and General	538	1,513
Fundraising	13,863	8,073
	$ 25,337	$ 24,216

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, 2016 and 2015, 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.

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:

	2016	2015
* Bequests	$ 2,933,877	$ 2,937,669
Temporarily Restricted Pledges	5,810,220	1,480,903
	8,744,097	4,418,572
Less: Discount	(1,457,022)	(1,132,139)
	$ 7,287,075	$ 3,286,433

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

2017	$ 1,568,792
2018	1,224,286
2019	774,286
2020	764,286
2021	764,286
Thereafter	714,284
	$ 5,810,220

* 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 2.09% to 2.79% for the years ended December 31, 2016 and 2015.

NOTE 5 INVESTMENTS

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

	2016	2015
Common Stocks	$ 5,000,338	$ 4,474,504
Mutual Funds	1,506,965	1,709,597
Managed Funds	433,843	881,514
Municipal Funds	175,488	238,786
Preferred Stock	134,174	60,988
	$ 7,250,808	$ 7,365,389

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

	2016	2015
Net Realized and Unrealized (Loss)/Gain on Investments	$ 571,536	$ (427,224)
Interest and Dividend Income	122,084	149,540
	$ 693,620	$ (277,684)

The Center paid investment fees of $77,376 and $74,753 related to these investments during the year ended December 31, 2016 and 2015, respectively.

NOTE 6 BENEFICIAL INTEREST IN 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 and investments and were valued using a discount rate of 1.8% for the years ended December 31, 2016 and 2015. At December 31, 2016, the trust had a value of $430,783, and was shown net of a discount of $376,086. At December 31, 2015, the trust had a value of $400,000, and was shown net of a discount of $159,712.

NOTE 6 BENEFICIAL INTEREST IN 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 beginning in 2016. 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 years ended December 31, 2016 and 2015. At December 31, 2016 and 2015, the present value of the future distributions expected to be paid over the term of the trust was $1,854,269 and $1,547,879, respectively.

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:

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, 2016 and 2015 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	2016 Level 1	2016 Level 2	2016 Level 3	2016 Total
Common Stocks:				
US Large Cap	$ 4,061,133	$ -	$ -	$ 4,061,133
US Small-Mid Cap	100,523	-	-	100,523
International	838,682	-	-	838,682
Mutual Funds:				
Multi-strategy Funds	711,645	-	-	711,645
Fixed Income Funds	602,679	-	-	602,679
Bond Funds	149,313	-	-	149,313
Int'l Fixed Income Funds	-	-	-	-
Real Estate Securities Funds	43,328	-	-	43,328
Privately Managed Funds:				
US Small-Mid Cap	-	208,515	-	208,515
International	-	225,328	-	225,328
Government Bonds	-	175,488	-	175,488
Preferred Stock	-	134,174	-	134,174
Beneficial Interest in Trusts	-	1,908,966	-	1,908,966
Life Insurance Premium Account	-	455,340	-	455,340
	$ 6,507,303	$ 3,107,811	$ -	$ 9,615,114

NOTE 8 FAIR VALUE MEASUREMENT (continued)

Assets	2015 Level 1	2015 Level 2	2015 Level 3	2015 Total
Common Stocks:				
US Large Cap	$ 3,362,893	$ -	$ -	$ 3,362,893
US Small-Mid Cap	212,626	-	-	212,626
International	898,985	-	-	898,985
Mutual Funds:				
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
Privately Managed Funds:				
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
Beneficial Interest in Trusts	-	1,788,167	-	1,788,167
Life Insurance Premium Account	-	455,340	-	455,340
	$ 6,184,101	$ 3,424,795	$ -	$ 9,608,896

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 beneficial interest in 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 2016 and 2015 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.

NOTE 8 FAIR VALUE MEASUREMENT (continued)

Assets	2016 Level 1	2016 Level 2	2016 Level 3	2016 Total
Contributions Receivable	$ -	$ -	$ 7,287,075	$ 7,287,075

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

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, 2016:

	Contributions Receivable
Balance at January 1, 2016	$ 3,286,433
New Pledges Received	6,460,000
Collections	(2,029,475)
Write-down of Pledge Receivable	(105,000)
Discount on Pledges	(324,883)
Balance at December 31, 2016	$ 7,287,075

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

	Contributions Receivable
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	$ 3,286,433

NOTE 9 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2016	2015
Building and Improvements	$ 15,971,175	$ 15,963,076
Equipment	2,568,429	2,483,536
Furniture and Fixtures	854,823	850,022
Land and Improvements	754,746	748,371
Construction in Progress	726,874	408,669
Vehicles	388,085	356,343
	21,264,132	20,810,017
Accumulated Depreciation	(11,514,666)	(10,708,339)
	$ 9,749,466	$ 10,101,678

Depreciation expense was $806,327 and $803,064 for the years ended December 31, 2016 and 2015, 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 $15,370 and $14,569 at December 31, 2016 and 2015, 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 $20,509 and $19,623 at December 31, 2016 and 2015, respectively.

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 $43,880 and $43,852 at December 31, 2016 and 2015, 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, 2016 and 2015.

NOTE 13 NOTES PAYABLE

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

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

2017	$ 13,800

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, 2016 and 2015, is equipment acquired under a capital lease with a capitalized cost of $70,050, less accumulated depreciation of $49,573 and $38,950, respectively. Depreciation of assets under capital lease charged to expense totaled $10,623 for the year ended December 31, 2016 and 2015.

The Center had the following capital lease obligation at December 31:

	2016	2015
Choice Health Equipment Lease $1,391 per month; 6.26% annual interest Due August 2018 Secured by the underlying equipment	$ 10,874	$ 26,359

Future minimum lease payments under capital leases as of December 31, 2016 for each of the remaining years and in the aggregate are as follows:

2017	11,130
Less: Amounts Representing Interest	(256)
Present Value of Minimum Lease Payments	$ 10,874

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, 2016 and 2015 were approximately $77,000 and $76,600, 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:

	2016	2015
Equine Hospital Operations	$ 2,492,768	$ 2,291,322
Beneficial Interests in Trusts	1,908,966	1,788,167
AniMeals Operations	131,079	178,952
Pet Encounter Therapy Operations	88,933	62,942
Education Operations and Programs	78,499	62,500
General Obligations and Equipment	70,849	17,566
Therapeutic Riding Operations	69,063	77,935
Equine Hospital Equipment	21,140	68,404
Club Pet Equipment	12,000	-
Equine Hospital Funds	9,476	19,188
Companion Animal Hospital Military Fund	8,917	-
Adoptions Operations and Supplies	5,332	2,144
Adoptions Emergency Medical Fund	3,836	-
Equine Hospital Emergency Services	3,831	3,831
Adoptions Equipment	2,000	25,289
Companion Animal Hospital Operations	1,105	-
Therapeutic Riding Equipment	-	1,184
Contributions Receivable in Future Years:		
Bequests (Net of Discount)	1,875,363	1,857,107
Restricted Pledges (Net of Discount)	882,692	1,298,743
Capital Campaign (Net of Discount)	4,529,020	130,583
	$ 12,194,871	$ 7,885,859

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:

	2016	2015
Adoptions Operations and Supplies	$ 435,067	$ 323,261
Adoptions Emergency Medical Fund	268,737	182,634
Therapeutic Riding Operations	360,103	284,723
Pet Encounter Therapy Operations	167,252	179,098
General Obligations & Maintenance	154,949	456,647
Adoptions Training and Grants	146,305	114,474
Companion Animal Hospital Operations	64,584	-
AniMeals Operations	63,905	123,649
Education Operations and Programs	56,829	792
Equine Hospital Equipment	47,263	42,659
Adoptions Equipment	25,289	2,258
Foster a Horse Program	23,893	20,775
Equine Hospital Operations	15,177	177,007
Therapeutic Riding Equipment	8,272	1,226
Club Pet Equipment	4,000	1,201
Education Scholarship	1,586	2,530
Therapeutic Riding Scholarships	90	60
Club Pet Employee Services	28	1,442
Pet Encounter Therapy Equipment	-	2,000
Equine Emergency Services	-	856
Contributions Receivable in Future Years:		
General Operations	450,000	450,000
Capital Campaign	1,575,683	283,977
Bequests	109,932	32,551
	$ 3,978,944	$ 2,683,820

At December 31, 2016 and 2015, 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.

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, 2016 and 2015, 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.

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 2016, the Center had the following endowment related activities:

	Permanently Restricted Funds	Board Designated Funds	Total
Investment Income	$ 90,313	$ 318,859	$ 409,172
Unrealized Gain on Investments	7,874	23,376	31,250
Principal Payments on Notes Receivable	-	80,000	80,000
Amounts Appropriated for Expenditure	(57,986)	(204,727)	(262,713)
Investment and Trustee Fees	(11,063)	(39,058)	(50,121)
Total Change in Endowment Funds	$ 29,138	$ 178,450	$ 207,588

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	$ (98,207)	$ (314,983)	$ (413,190)

NOTE 17 ENDOWMENT FUND (continued)

Endowment net asset composition by type of fund as of December 31, 2016.

	Permanently Restricted	Unrestricted	Endowment Net Assets
Donor-Restricted Endowment Funds	$ 1,634,952	$ -	$ 1,634,952
Board-Designated Endowment Funds	-	3,590,430	3,590,430
Total Funds	$ 1,634,952	$ 3,590,430	$ 5,225,382

Changes in endowment net assets as of December 31, 2016 are as follows:

	Permanently Restricted	Board Designated Unrestricted	Total Endowment Net Assets
Endowment Net Assets,			
Beginning of Year	$ 1,634,952	$ 3,382,842	$ 5,017,794
Investment Income	-	409,172	409,172
Unrealized Gain on Investments	-	31,250	31,250
Principal Payments on Notes Receivable	-	80,000	80,000
Amounts Appropriated For Expenditure	-	(262,713)	(262,713)
Investment and Trustee Fees	-	(50,121)	(50,121)
Endowment Net Assets,			
End of Year	$ 1,634,952	$ 3,590,430	$ 5,225,382

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	$ 1,634,952	$ 3,382,842	$ 5,017,794

NOTE 17 ENDOWMENT FUND (continued)

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

	Permanently Restricted	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	$ 1,634,952	$ 3,382,842	$ 5,017,794

NOTE 18 SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2017, 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.