

**HELEN WOODWARD ANIMAL CENTER  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

## HELEN WOODWARD ANIMAL CENTER

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## **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, 2017 and 2016, 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.

Earning Your Trust Since 1946

## 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, 2017 and 2016, 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  
An Accountancy Corporation

September 21, 2018

**HELEN WOODWARD ANIMAL CENTER  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

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	2017	2016
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 7,303,620	\$ 5,725,227
Accounts Receivable	62,349	155,871
Inventory	24,544	28,183
Prepaid Expenses	54,544	34,733
Note Receivable from Related Party (Note 3)	-	55,847
Contributions Receivable (Note 4)	7,521,963	7,287,075
Investments (Note 5)	8,259,610	7,250,808
Beneficial Interest in Trusts (Note 6)	1,942,144	1,908,966
Life Insurance Premium Account (Note 7)	525,019	455,340
Property and Equipment (Note 9)	9,669,280	9,749,466
Investment in San Diego Foundation (Note 10)	16,718	15,370
Investment in Rancho Santa Fe Foundation (Note 11)	23,310	20,509
Other Assets	10,600	10,600
<b>TOTAL ASSETS</b>	<b>35,413,701</b>	<b>32,697,995</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	377,473	273,851
Accrued Payroll	152,200	126,825
Accrued Compensated Absences	268,724	261,168
Deferred Compensation (Note 12)	15,000	43,880
Notes Payable (Note 13)	-	13,800
Capital Lease Obligation (Note 14)	-	10,874
Security Deposits	3,520	3,520
<b>TOTAL LIABILITIES</b>	<b>816,917</b>	<b>733,918</b>
<b>NET ASSETS (Note 17)</b>		
Unrestricted	16,153,189	14,543,824
Unrestricted - Board Designated (Note 18)	4,150,678	3,590,430
Temporarily Restricted	12,657,965	12,194,871
Permanently Restricted (Note 18)	1,634,952	1,634,952
	<b>34,596,784</b>	<b>31,964,077</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 35,413,701</b>	<b>\$ 32,697,995</b>

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 1,624,333	\$ 4,325,654	\$ -	\$ 5,949,987
Fees	5,146,766	-	-	5,146,766
Investment Return (Note 5)	1,251,212	-	-	1,251,212
Special Events, (Less: Direct Benefit to Donors of \$22,140)	1,136,725	-	-	1,136,725
Sales	632,670	-	-	632,670
Other Income	148,133	-	-	148,133
Rents	31,761	-	-	31,761
Contributed Goods	157,654	-	-	157,654
Change in the Value of Split-Interest Agreements	-	26,486	-	26,486
	<u>10,129,254</u>	<u>4,352,140</u>	<u>-</u>	<u>14,481,394</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	3,889,046	(3,889,046)	-	-
<b>EXPENSES:</b>				
Program	8,130,956	-	-	8,130,956
Fundraising	2,599,867	-	-	2,599,867
Management and General	936,274	-	-	936,274
	<u>11,667,097</u>	<u>-</u>	<u>-</u>	<u>11,667,097</u>
<b>COST OF SALES</b>	181,590	-	-	181,590
<b>TOTAL EXPENSES</b>	<u>11,848,687</u>	<u>-</u>	<u>-</u>	<u>11,848,687</u>
<b>CHANGE IN NET ASSETS</b>	2,169,613	463,094	-	2,632,707
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>18,134,254</u>	<u>12,194,871</u>	<u>1,634,952</u>	<u>31,964,077</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 20,303,867</u>	<u>\$ 12,657,965</u>	<u>\$ 1,634,952</u>	<u>\$ 34,596,784</u>

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
<b>SUPPORT AND REVENUE</b>				
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, (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	121,898	-	-	121,898
Change in the Value of Split-Interest Agreements	-	(185,591)	-	(185,591)
Pledge Receivable Write-Off	-	(105,000)	-	(105,000)
	<u>8,651,252</u>	<u>8,287,956</u>	<u>-</u>	<u>16,939,208</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	3,978,944	(3,978,944)	-	-
<b>EXPENSES:</b>				
Program	7,603,264	-	-	7,603,264
Fundraising	2,164,386	-	-	2,164,386
Management and General	888,372	-	-	888,372
	<u>10,656,022</u>	<u>-</u>	<u>-</u>	<u>10,656,022</u>
<b>COST OF SALES</b>	187,011	-	-	187,011
<b>TOTAL EXPENSES</b>	<u>10,843,033</u>	<u>-</u>	<u>-</u>	<u>10,843,033</u>
<b>CHANGE IN NET ASSETS</b>	1,787,163	4,309,012	-	6,096,175
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>16,347,091</u>	<u>7,885,859</u>	<u>1,634,952</u>	<u>25,867,902</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 18,134,254</u>	<u>\$ 12,194,871</u>	<u>\$ 1,634,952</u>	<u>\$ 31,964,077</u>

See Accompanying Notes

**HELEN WOODWAD ANIMAL CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	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
<b>EXPENSES</b>														
Salaries, Wages and Related Benefits	\$ 891,052	\$ 544,692	\$ 1,561,609	\$ 902,176	\$ 625,019	\$ 358,527	\$ 242,059	\$ 42,604	\$ 5,167,738	\$ 1,233,657	\$ -	\$ 1,233,657	\$ 538,885	\$ 6,940,280
Operating Supplies and Expenses	470,187	284,585	371,143	226,223	135,581	63,582	23,494	66,017	1,640,812	204,556	22,828	227,384	166,564	2,034,760
Printing, Advertising and Postage	3,000	1,684	6,395	1,979	21,519	1,019	1,101	994	37,691	130,764	140,719	271,483	924	310,098
Outside Services	8,562	30,044	277,575	85,052	17,125	8,262	98	5	426,723	5,679	84,991	90,670	947	518,340
Other	31,158	30,339	29,639	35,838	29,510	5,182	1,353	-	163,019	118,657	45,556	164,213	5,198	332,430
Maintenance, Repairs and Equipment Rental	13,141	8,770	6,326	1,396	3,862	2,194	708	400	36,797	5,414	29,957	35,371	152	72,320
Donated Goods and Services	250	90	117,573	1,604	7,418	7,830	-	16,794	151,559	1,361	131,108	132,469	4,734	288,762
Office Expenses	5,394	586	8,150	2,120	652	68	154	8	17,132	3,293	2,504	5,797	244	23,173
Capital Campaign Expenses	-	-	-	-	-	-	-	-	-	364,132	-	364,132	-	364,132
Total Expenses Before Depreciation	1,422,744	900,790	2,378,410	1,256,388	840,686	446,664	268,967	126,822	7,641,471	2,067,513	457,663	2,525,176	717,648	10,884,295
Depreciation	317,858	55,284	37,601	31,419	13,871	12,238	19,328	1,886	489,485	96,831	-	96,831	218,626	804,942
<b>TOTAL EXPENSES</b>	1,740,602	956,074	2,416,011	1,287,807	854,557	458,902	288,295	128,708	8,130,956	2,164,344	457,663	2,622,007	936,274	11,689,237
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	-	-	-	-	-	-	-	-	(22,140)	(22,140)	-	(22,140)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES</b>	<u>\$ 1,740,602</u>	<u>\$ 956,074</u>	<u>\$ 2,416,011</u>	<u>\$ 1,287,807</u>	<u>\$ 854,557</u>	<u>\$ 458,902</u>	<u>\$ 288,295</u>	<u>\$ 128,708</u>	<u>\$ 8,130,956</u>	<u>\$ 2,164,344</u>	<u>\$ 435,523</u>	<u>\$ 2,599,867</u>	<u>\$ 936,274</u>	<u>\$ 11,667,097</u>



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

	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	\$ 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	-	150,052	150,052	1,439	271,950
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	1,602,343	479,336	2,081,679	668,489	9,863,495
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
<b>TOTAL EXPENSES</b>	1,574,141	891,443	2,260,162	1,215,436	872,445	404,797	266,211	118,629	7,603,264	1,698,850	479,336	2,178,186	888,372	10,669,822
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	-	-	-	-	-	-	-	-	(13,800)	(13,800)	-	(13,800)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES</b>	<u>\$ 1,574,141</u>	<u>\$ 891,443</u>	<u>\$ 2,260,162</u>	<u>\$ 1,215,436</u>	<u>\$ 872,445</u>	<u>\$ 404,797</u>	<u>\$ 266,211</u>	<u>\$ 118,629</u>	<u>\$ 7,603,264</u>	<u>\$ 1,698,850</u>	<u>\$ 465,536</u>	<u>\$ 2,164,386</u>	<u>\$ 888,372</u>	<u>\$ 10,656,022</u>

**HELEN WOODWARD ANIMAL CENTER  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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	2017	2016
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,632,707	\$ 6,096,175
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	804,942	806,327
Pledge Receivable Write-Off	-	105,000
Net Realized and Unrealized (Loss)/Gain on Investments	(1,163,071)	(571,536)
Change in the Value of Split-Interest Agreements	(26,486)	185,591
Change in Operating Assets and Liabilities:		
Accounts Receivable	93,522	(76,717)
Inventory	3,639	3,919
Prepaid Expenses, Deposits, and Other Assets	(19,811)	7,871
Contributions Receivable	(208,402)	(4,291,233)
Beneficial Interest in Trusts	(157,182)	(226,785)
Life Insurance Premium	(69,679)	-
Accounts Payable and Accrued Expenses	103,622	44,008
Accrued Payroll	25,375	49,735
Accrued Compensated Absences	7,556	24,056
Deferred Compensation and Benefits	(28,880)	28
	(634,855)	(3,939,736)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	1,997,852	2,156,439
<b>CASH FLOWS (USED)/PROVIDED BY INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(724,756)	(454,115)
Proceeds from Sale of Investments	893,266	1,448,717
Purchase of Investments	(743,146)	(764,647)
Distribution Received from Beneficial Interest in Trusts	124,004	105,986
Principal Payments on Note Receivable from Related Party	55,847	78,404
	(394,785)	414,345
<b>CASH FLOWS USED BY FINANCING ACTIVITIES</b>		
Principal Payments on Note Payable	-	(1,531)
Principal Payments on Capital Lease	(10,874)	(15,485)
Debt Forgiveness on Note Payable	(13,800)	(13,800)
	(24,674)	(30,816)
<b>NET INCREASE IN CASH</b>	1,578,393	2,539,968
<b>CASH, BEGINNING OF YEAR</b>	5,725,227	3,185,259
<b>CASH, END OF YEAR</b>	\$ 7,303,620	\$ 5,725,227
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest Paid	\$ -	\$ 1,210
Income Taxes Paid	\$ -	\$ -

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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**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, 2017 AND 2016**

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

Unrestricted Net Assets - Consists of assets which are fully available, at the discretion of management and the Board of Directors, for the Center to utilize in any of its programs or supporting services. Unrestricted net assets also include amounts designated for certain purposes by the Board of Directors.

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Center may spend the funds. At December 31, 2017 and 2016, the Center had temporarily restricted net assets of \$12,657,965 and \$12,194,871, respectively.

Permanently Restricted Net Assets - Permanently restricted amounts are those which are restricted by donors that neither expire by the passage of time nor can be fulfilled or removed by actions of the Center. At December 31, 2017 and 2016, the Center had permanently restricted net assets of \$1,634,952.

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, 2017 and 2016 are balances of \$464,881 and \$663,052, respectively, held in money market accounts.

Accounts Receivable - Accounts receivable totaling \$62,349 and \$155,871, net of an allowance for uncollectible accounts of \$750 and \$750 for each of the years ended December 31, 2017 and 2016 consist primarily of accounts receivable related to services performed at the equine hospital. 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 mainly pet supplies held for resale and is stated at the lower of cost or market. Cost is determined by the specific identification method.

**HELEN WOODWARD ANIMAL CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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

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.

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 2017 and 2016.

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.

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

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

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

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 \$1,012,588 and \$726,874 as of December 31, 2017 and 2016, 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, 2017 and 2016, unrestricted net assets totaling \$4,150,678 and \$3,590,430, respectively, have been designated by the Board of Directors as an endowment for the purpose of securing the Center's long term financial viability.

**HELEN WOODWARD ANIMAL CENTER  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 \$157,654 and \$121,898 the years ended December 31, 2017 and 2016, 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 2017 and 2016. 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.

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 \$29,967 and \$25,337 of joint costs for the years ended December 31, 2017 and 2016, 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:

	2017	2016
Fundraising	\$ 16,481	\$ 13,863
Adoptions	5,494	7,170
Companion Animal Hospital	999	538
Equine Hospital	999	538
Boarding	999	538
Education	999	538
Therapeutic Riding	999	538
Pet Encounter Therapy	999	538
AniMeals	999	538
Management and General	999	538
	\$ 29,967	\$ 25,337

**HELEN WOODWARD ANIMAL CENTER**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 2017 and 2016, 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 - The prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. Such reclassifications have no effect on total assets or net earnings.

**NOTE 3 NOTE RECEIVABLE FROM RELATED PARTY**

The Center had a note receivable from the president of the Center. The note required monthly payments of \$5,000 with interest at 1.65%. The note was due by October 2018 and was secured by a deed of trust in residential real estate. The note was paid off in October 2017.

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following at December 31:

	2017	2016
* Bequests	\$ 3,764,046	\$ 2,933,877
Temporarily Restricted Pledges	5,028,817	5,810,220
	8,792,863	8,744,097
Less: Discount	(1,270,900)	(1,457,022)
	<u>\$ 7,521,963</u>	<u>\$ 7,287,075</u>



**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 CONTRIBUTIONS RECEIVABLE (continued)**

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

2018	\$ 1,558,813
2019	1,070,712
2020	785,711
2021	785,711
2022	784,995
Thereafter	42,875
	<u>\$ 5,028,817</u>

\* 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 2.58% for the years ended December 31, 2017 and 2016.

**NOTE 5 INVESTMENTS**

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

	2017	2016
Common Stocks	\$ 5,986,810	\$ 5,000,338
Mutual Funds	1,320,040	1,506,965
Managed Funds	520,315	433,843
Municipal Funds	291,690	175,488
Preferred Stock	140,756	134,174
	<u>\$ 8,259,611</u>	<u>\$ 7,250,808</u>

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

	2017	2016
Net Realized and Unrealized Gain on Investments	\$ 1,163,070	\$ 571,536
Interest and Dividend Income	88,142	122,084
	<u>\$ 1,251,212</u>	<u>\$ 693,620</u>

The Center paid investment fees of \$79,985 and \$77,376 related to these investments during the year ended December 31, 2017 and 2016, respectively.

**HELEN WOODWARD ANIMAL CENTER  
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**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, 2017 and 2016. At December 31, 2017, the trust had a value of \$431,789, and was shown net of a discount of \$350,606. At December 31, 2016, the trust had a value of \$430,783, and was shown net of a discount of \$376,086.

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, 2017 and 2016. At December 31, 2017 and 2016, the present value of the future distributions expected to be paid over the term of the trust was \$1,860,961 and \$1,854,269, respectively.

**NOTE 7 LIFE INSURANCE PREMIUM ACCOUNT**

The Center maintained 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. In 2017 the former employee passed away. The Center is expected to receive policy proceeds of \$525,019 during 2018. This receivable has been reflected on the balance sheet.

**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:

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**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, 2017 and 2016 are classified below in one of three categories described above. The tables below present the balances of assets measured at fair value on a recurring basis.

Assets	2017 Level 1	2017 Level 2	2017 Level 3	2017 Total
<b>Common Stocks:</b>				
US Large Cap	\$ 3,945,377	\$ -	\$ -	\$ 3,945,377
US Small-Mid Cap	468,408	-	-	468,408
International	1,573,025	-	-	1,573,025
<b>Mutual Funds:</b>				
Multi-strategy Funds	546,417	-	-	546,417
Fixed Income Funds	604,329	-	-	604,329
Bond Funds	149,453	-	-	149,453
<b>Privately Managed Funds:</b>				
US Small-Mid Cap	-	242,204	-	242,204
International	-	278,111	-	278,111
Government Bonds	-	311,531	-	311,531
Preferred Stock	-	140,756	-	140,756
Beneficial Interest in Trusts	-	1,942,144	-	1,942,144
<b>Life Insurance Premium</b>				
Account	525,019	-	-	525,019
	<u>\$ 7,812,028</u>	<u>\$ 2,914,746</u>	<u>\$ -</u>	<u>\$ 10,726,774</u>

**HELEN WOODWARD ANIMAL CENTER**  
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**NOTE 8 FAIR VALUE MEASUREMENT (continued)**

Assets	2016 Level 1	2016 Level 2	2016 Level 3	2016 Total
<b>Common Stocks:</b>				
US Large Cap	\$ 4,061,133	\$ -	\$ -	\$ 4,061,133
US Small-Mid Cap	100,523	-	-	100,523
International	838,682	-	-	838,682
<b>Mutual Funds:</b>				
Multi-strategy Funds	711,645	-	-	711,645
Fixed Income Funds	602,679	-	-	602,679
Bond Funds	149,313	-	-	149,313
Real Estate Securities Funds	43,328	-	-	43,328
<b>Privately Managed Funds:</b>				
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
<b>Life Insurance Premium</b>				
Account	-	455,340	-	455,340
	<u>\$ 6,507,303</u>	<u>\$ 3,107,811</u>	<u>\$ -</u>	<u>\$ 9,615,114</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 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, for the 2016 year, 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 2017 and 2016 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.

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

Assets	2017 Level 1	2017 Level 2	2017 Level 3	2017 Total
Contributions Receivable	\$ -	\$ -	\$ 7,521,963	\$ 7,521,963

  

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

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, 2017:

	<u>Contributions Receivable</u>
Balance at January 1, 2017	\$ 7,287,075
New Pledges Received	2,060,959
Collections	(2,012,193)
Discount on Pledges	186,122
Balance at December 31, 2017	<u>\$ 7,521,963</u>

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2016:

	<u>Contributions Receivable</u>
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	<u>\$ 7,287,075</u>

**HELEN WOODWARD ANIMAL CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 9 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	2017	2016
Building and Improvements	\$ 16,144,393	\$ 15,971,175
Equipment	2,636,631	2,568,429
Furniture and Fixtures	854,823	854,823
Land and Improvements	766,502	754,746
Construction in Progress	1,012,588	726,874
Vehicles	573,951	388,085
	21,988,888	21,264,132
Accumulated Depreciation	(12,319,608)	(11,514,666)
	\$ 9,669,280	\$ 9,749,466

Depreciation expense was \$804,942 and \$806,327 for the years ended December 31, 2017 and 2016, 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 \$16,718 and \$15,370 at December 31, 2017 and 2016, 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 \$23,310 and \$20,509 at December 31, 2017 and 2016, respectively.

**HELEN WOODWARD ANIMAL CENTER  
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**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 \$15,000 and \$43,880 at December 31, 2017 and 2016, respectively. Each year the Center recognizes an expense equal to the change in the liability based on a 5% discount factor. This agreement will terminate in 2018. Total expenses related to this agreement were \$1,809 and \$2,218 for the years December 31, 2017 and 2016.

**NOTE 13 NOTES PAYABLE**

The Center has a note payable with a laboratory service provider (LBS) for lab services. The note calls for annual principal payments of \$13,800 plus interest at 7%. Based on the terms of agreement, if the Center satisfies a minimum annual fee commitment with LBS, then one-fifth (\$13,800) of the original note amount is forgiven each year. As of December 31, 2017, the entire note amount has been forgiven as the Center has met all of the minimum annual fee commitments.

**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, 2017 and 2016, is equipment acquired under a capital lease with a capitalized cost of \$70,050, less accumulated depreciation of \$60,196 and \$49,573, respectively. Depreciation of assets under capital lease charged to expense totaled \$10,623 for the year ended December 31, 2017 and 2016.

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

	2017	2016
Choice Health		
Equipment Lease		
\$1,391 per month; 6.26% annual interest		
Due August 2018, paid off in August 2017		
Secured by the underlying equipment	\$ -	\$ 10,874

**HELEN WOODWARD ANIMAL CENTER**  
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**NOTE 15 COMMITMENTS**

During 2017, the Center entered into a vehicle lease agreement that expires in March 2020. Minimum future payments under non-cancelable operating leases having remaining terms in excess of one year for the years ended December 31, are as follows:

2018	\$	7,044
2019		7,044
2020		1,761
		<u>\$ 15,849</u>

Vehicle lease expense of the years ended December 31, 2017 and 2016 were \$11,390 and \$7,201, respectively.

**NOTE 16 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, 2013. 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, 2017 and 2016 were approximately \$77,000.

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.



**HELEN WOODWARD ANIMAL CENTER  
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**NOTE 17 NET ASSETS**

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

	<u>2017</u>	<u>2016</u>
Equine Hospital Operations	\$ 2,879,674	\$ 2,492,768
Beneficial Interests in Trusts	1,942,144	1,908,966
AniMeals Operations	110,883	131,079
Therapeutic Riding Operations	64,168	69,063
Education Operations and Programs	40,511	78,499
General Obligations and Equipment	28,609	70,849
Equine Hospital Equipment	21,140	21,140
CAH Pets Without Walls	18,747	-
Adoptions Operations and Supplies	10,830	5,332
Club Pet Equipment	9,435	12,000
Equine Hospital Emergency Services	3,831	3,831
Adoptions Emergency Medical Fund	3,642	3,836
Equine Hospital Funds	2,282	9,476
Companion Animal Hospital Operations	105	1,105
Companion Animal Hospital Military Fund	2	8,917
Adoptions Equipment	-	2,000
Pet Encounter Therapy Operations	-	88,933
Contributions Receivable in Future Years:		
Capital Campaign (Net of Discount)	4,268,830	4,529,020
Bequests (Net of Discount)	2,803,132	1,875,363
Restricted Pledges (Net of Discount)	450,000	882,692
	<u>\$ 12,657,965</u>	<u>\$ 12,194,871</u>

**HELEN WOODWARD ANIMAL CENTER  
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**NOTE 17 NET ASSETS (continued)**

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

	2017	2016
Adoptions Operations and Supplies	\$ 466,732	\$ 435,067
Adoptions Emergency Medical Fund	261,939	268,737
General Obligations & Maintenance	199,593	154,949
Adoptions Training and Grants	152,579	146,305
Pet Encounter Therapy Operations	150,304	167,252
CAH Pets Without Walls	149,318	-
Therapeutic Riding Operations	148,744	360,103
Beneficial Interests in Trusts	130,982	-
Education Operations and Programs	74,535	56,829
AniMeals Operations	63,839	63,905
Companion Animal Hospital Military Fund	57,189	-
Equine Hospital Operations	7,194	15,177
Club Pet Equipment	5,565	4,000
Foster a Horse Program	3,725	23,893
Adoptions Equipment	1,723	25,289
Companion Animal Hospital Operations	1,165	64,584
Club Pet Employee Services	990	28
Education Scholarship	738	1,586
Therapeutic Riding Equipment	-	8,272
Equine Hospital Equipment	-	47,263
Therapeutic Riding Scholarships	-	90
 Contributions Receivable in Future Years:		
Capital Campaign	1,560,193	1,575,683
General Operations	450,000	450,000
Bequests	2,000	109,932
	\$ 3,889,046	\$ 3,978,944

At December 31, 2017 and 2016, permanently restricted net assets totaling \$1,634,952 resulted from donations received in prior years with the stipulation that they be invested to provide a permanent source of income.

**HELEN WOODWARD ANIMAL CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 18 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, 2017 and 2016, 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.

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**NOTE 18 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 2017, the Center had the following endowment related activities:

	Permanently Restricted Funds	Board Designated Funds	Total
Investment Income	\$ 72,158	\$ 254,764	\$ 326,922
Unrealized Gain on Investments	118,342	389,643	507,985
Payments Received on Notes Receivable	-	56,317	56,317
Amounts Appropriated for Expenditure	(61,234)	(216,196)	(277,430)
Investment and Trustee Fees	(11,819)	(41,727)	(53,546)
Total Change in Endowment Funds	<u>\$ 117,447</u>	<u>\$ 442,801</u>	<u>\$ 560,248</u>

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
Payments Received 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	<u>\$ 29,138</u>	<u>\$ 178,450</u>	<u>\$ 207,588</u>

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**NOTE 18 ENDOWMENT FUND (continued)**

Endowment net asset composition by type of fund as of December 31, 2017.

	Permanently Restricted	Unrestricted	Endowment Net Assets
Donor-Restricted Endowment Funds	\$ 1,634,952	\$ -	\$ 1,634,952
Board-Designated Endowment Funds	-	4,150,678	4,150,678
<b>Total Funds</b>	<b>\$ 1,634,952</b>	<b>\$ 4,150,678</b>	<b>\$ 5,785,630</b>

Changes in endowment net assets as of December 31, 2017 are as follows:

	Permanently Restricted	Board Designated Unrestricted	Total Endowment Net Assets
Endowment Net Assets, Beginning of Year	\$ 1,634,952	\$ 3,590,430	\$ 5,225,382
Investment Income	-	326,922	326,922
Unrealized Gain on Investments	-	507,985	507,985
Payments Received on Notes Receivable	-	56,317	56,317
Amounts Appropriated For Expenditure	-	(277,430)	(277,430)
Investment and Trustee Fees	-	(53,546)	(53,546)
Endowment Net Assets, End of Year	<b>\$ 1,634,952</b>	<b>\$ 4,150,678</b>	<b>\$ 5,785,630</b>

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
<b>Total Funds</b>	<b>\$ 1,634,952</b>	<b>\$ 3,590,430</b>	<b>\$ 5,225,382</b>

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**NOTE 18. ENDOWMENT FUND (continued)**

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

	Permanently Restricted	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
Payments Received 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

**NOTE 19 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 21, 2018, 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.