

AUDITED FINANCIAL STATEMENTS

DAKIN PIONEER VALLEY HUMANE SOCIETY, INC.

Springfield, Massachusetts

March 31, 2017

Boisselle, Morton & Wolkowicz, LLP
Certified Public Accountants

Dakin Pioneer Valley Humane Society, Inc.

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Independent Auditors' Report

To the Board of Directors
Dakin Pioneer Valley Humane Society, Inc.
Springfield, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Dakin Pioneer Valley Humane Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

Auditors' 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.

Board of Directors

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dakin Pioneer Valley Humane Society, Inc. as of March 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Dakin Pioneer Valley Humane Society, Inc.'s financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boisselle, Morton & Wolkowitz, LLP

Hadley, Massachusetts
July 24, 2017

DAKIN PIONEER VALLEY HUMANE SOCIETY, INC.

Statement of Financial Position

March 31, 2017

(with comparative totals for March 31, 2016)

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|---------------------|---------------------|
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 675,663 | \$ 264,904 |
| Contributions receivable | 19,923 | 12,609 |
| Investments | 1,971,262 | 1,966,465 |
| Investments - Community Foundation | 35,022 | 31,614 |
| Property and equipment, net | <u>2,516,302</u> | <u>2,622,516</u> |
| Total assets | <u>\$ 5,218,172</u> | <u>\$ 4,898,108</u> |
| <u>Liabilities and Net Assets</u> | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 173,648 | \$ 119,782 |
| Shelter deposits | | 240 |
| Total liabilities | <u>173,648</u> | <u>120,022</u> |
| Net assets | | |
| Unrestricted | | |
| Undesignated | 420,948 | 274,085 |
| Property and equipment | 2,516,302 | 2,622,516 |
| Board designated | <u>2,052,717</u> | <u>1,862,374</u> |
| Total unrestricted | 4,989,967 | 4,758,975 |
| Temporarily restricted | <u>54,557</u> | <u>19,111</u> |
| Total net assets | <u>5,044,524</u> | <u>4,778,086</u> |
| Total liabilities and net assets | <u>\$ 5,218,172</u> | <u>\$ 4,898,108</u> |

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

DAKIN PIONEER VALLEY HUMANE SOCIETY, INC.

Statement of Activities

For the year ended March 31, 2017

(with comparative totals for the year ended March 31, 2016)

| | 2017 | | | 2016 <u>Total</u> |
|---|---------------------|-----------------------------------|--------------|----------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | |
| Support, revenue and gains | | | | |
| Adoption and other shelter programs | \$ 1,637,555 | | \$ 1,637,555 | \$ 1,594,424 |
| Contributions | 1,481,422 | \$ 94,326 | 1,575,748 | 1,372,389 |
| Retail, thrift store, and other income | 114,670 | | 114,670 | 129,329 |
| Investment income | 70,406 | | 70,406 | 73,845 |
| In-kind contributions | 23,106 | | 23,106 | 32,265 |
| Special events | 7,398 | | 7,398 | 3,073 |
| Unrealized gain on investments, net | 140,414 | | 140,414 | |
| Realized gain on sale of investments, net | 8,869 | | 8,869 | |
| Net assets released from restrictions | 58,880 | (58,880) | | |
| Total support, revenue and gains | 3,542,720 | 35,446 | 3,578,166 | 3,205,325 |
| Expenses and losses | | | | |
| Program | 2,732,235 | | 2,732,235 | 2,658,005 |
| Administration | 291,930 | | 291,930 | 359,453 |
| Fundraising | 287,563 | | 287,563 | 385,483 |
| Total expenses | 3,311,728 | | 3,311,728 | 3,402,941 |
| Unrealized loss on investments, net | | | | 109,617 |
| Realized loss on sale of investments, net | | | | 19,183 |
| Total expenses and losses | 3,311,728 | | 3,311,728 | 3,531,741 |
| Change in net assets | 230,992 | 35,446 | 266,438 | (326,416) |
| Net assets, beginning of year | 4,758,975 | 19,111 | 4,778,086 | 5,104,502 |
| Net assets, end of year | \$ 4,989,967 | \$ 54,557 | \$ 5,044,524 | \$ 4,778,086 |

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

DAKIN PIONEER VALLEY HUMANE SOCIETY, INC.

Statement of Functional Expenses

For the year ended March 31, 2017

(with comparative totals for the year ended March 31, 2016)

| | 2017 | | | | 2016 |
|---------------------------|---------------------|-----------------------|--------------------|---------------------|---------------------|
| | <u>Program</u> | <u>Administration</u> | <u>Fundraising</u> | <u>Total</u> | <u>Total</u> |
| Expenses | | | | | |
| Salaries and wages | \$ 1,549,384 | \$ 161,815 | \$ 162,767 | \$ 1,873,966 | \$ 1,921,730 |
| Payroll taxes | 136,893 | 13,375 | 14,203 | 164,471 | 168,099 |
| Employee benefits | <u>98,848</u> | <u>7,839</u> | <u>8,668</u> | <u>115,355</u> | <u>106,003</u> |
| Total employee related | 1,785,125 | 183,029 | 185,638 | 2,153,792 | 2,195,832 |
| Shelter supplies | 395,073 | 343 | | 395,416 | 448,148 |
| Occupancy | 214,448 | 3,784 | 4,741 | 222,973 | 226,327 |
| Depreciation | 110,112 | 3,477 | 2,318 | 115,907 | 118,322 |
| Consultants | 59,832 | 45,427 | 6,767 | 112,026 | 54,563 |
| Insurance | 44,894 | 1,877 | 2,336 | 49,107 | 65,348 |
| Licenses and fees | 26,942 | 3,458 | 9,703 | 40,103 | 38,219 |
| Printing and publications | 16,107 | 160 | 18,699 | 34,966 | 29,245 |
| Equipment and maintenance | 13,331 | 6,022 | 15,386 | 34,739 | 26,495 |
| Postage | 4,025 | 278 | 28,387 | 32,690 | 39,549 |
| Veterinarian expenses | 24,853 | | | 24,853 | 69,845 |
| Office expenses | 8,016 | 12,346 | 2,751 | 23,113 | 25,028 |
| Conferences and travel | 11,751 | 4,568 | 873 | 17,192 | 10,944 |
| Investments fees | | 15,028 | | 15,028 | 15,412 |
| Advertising | 7,694 | 1,637 | 1,464 | 10,795 | 10,427 |
| Telecommunications | 10,032 | 67 | 335 | 10,434 | 11,429 |
| Legal and professional | | 8,600 | | 8,600 | 8,600 |
| Special events | | | 8,165 | 8,165 | 8,298 |
| Interest expense | | <u>1,829</u> | | <u>1,829</u> | <u>910</u> |
| Total expenses | <u>\$ 2,732,235</u> | <u>\$ 291,930</u> | <u>\$ 287,563</u> | <u>\$ 3,311,728</u> | <u>\$ 3,402,941</u> |

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

DAKIN PIONEER VALLEY HUMANE SOCIETY, INC.

Statement of Cash Flows

For the year ended March 31, 2017

(with comparative totals for the year ended March 31, 2016)

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 266,438 | \$ (326,416) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 115,907 | 118,322 |
| Unrealized (gain) loss on investments, net | (140,414) | 109,617 |
| Realized (gain) loss on sale of investments, net | (8,869) | 19,183 |
| Changes in assets and liabilities: | | |
| Contributions receivable | (7,314) | 23,150 |
| Accounts payable and accrued expenses | 53,866 | (28,414) |
| Shelter deposits | (240) | (440) |
| Net cash provided (used) by operating activities | <u>279,374</u> | <u>(84,998)</u> |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (9,693) | (28,858) |
| Purchase of investments | (455,106) | (927,127) |
| Sales and transfers of investments | 596,184 | 742,996 |
| Net cash provided (used) by investing activities | <u>131,385</u> | <u>(212,989)</u> |
| Cash flows from financing activities | | |
| Payments on line of credit | (75,000) | (75,000) |
| Borrowings from line of credit | 75,000 | 75,000 |
| Net cash used by financing activities | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | 410,759 | (297,987) |
| Cash and cash equivalents, beginning of year | <u>264,904</u> | <u>562,891</u> |
| Cash and cash equivalents, end of year | <u>\$ 675,663</u> | <u>\$ 264,904</u> |

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

DAKIN PIONEER VALLEY HUMANE SOCIETY, INC.

Notes to the Financial Statements

March 31, 2017

1. Summary of Significant Accounting Policies

Mission: The mission of Dakin Pioneer Valley Humane Society, Inc., doing business as Dakin Humane Society, is to deliver effective, innovative services that improve the lives of animals in need and the people who care about them. The Organization has facilities in Springfield and Leverett, Massachusetts.

Income Taxes: The Organization is a nonprofit organization and is exempt from federal and state corporate income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Accounting Method: The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation: The net assets of the Organization are reported in each of the following three classes when applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are legally unrestricted and are reported as part of the unrestricted class. The Organization had no permanently restricted net assets at March 31, 2017 and 2016.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and highly liquid investments.

Capitalization of Expenses: The cost, if purchased, and fair value, if donated, of property and equipment is capitalized. The Organization capitalizes property and equipment with a cost of \$2,000 or more. Costs of maintenance and repairs are expensed as incurred.

Depreciation: Depreciation is computed by the straight-line method over the estimated useful lives of the assets of three to forty years.

Advertising: Advertising and promotional costs are expensed as incurred.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation: The costs of providing the various programs and other activities have been summarized on the functional basis in the statement of activities and statement of functional expenses. Expenses associated with a particular function are charged directly to that function. Other costs have been allocated to the programs and supporting services benefitted.

DAKIN PIONEER VALLEY HUMANE SOCIETY, INC.
Notes to the Financial Statements (Continued)
March 31, 2017

1. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements: Accounting standards have established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Inputs to the valuation methodology for the three levels of the fair value hierarchy are described below:

- | | |
|---------|--|
| Level 1 | Unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access. |
| Level 2 | Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 | Unobservable and significant to the fair value measurement. |

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Reclassifications: Certain reclassifications have been made to the March 31, 2016 financial statement presentation to correspond to the current year's format. The reclassifications have no effect on previously reported change in net assets for the year ended March 31, 2016.

2. Investments

Investments are recorded at fair market value as Level 1 investments. Major classifications by investment risk and the related market values of investments were as follows at March 31, 2017:

| | <u>Cost</u> | <u>Market Value</u> |
|-----------------------------------|--------------------|---------------------|
| Domestic equity mutual funds | \$ 735,015 | \$ 849,650 |
| International equity mutual funds | 466,193 | 545,575 |
| Domestic bonds mutual funds | <u>600,662</u> | <u>576,037</u> |
| Total | <u>\$1,801,870</u> | <u>\$1,971,262</u> |

DAKIN PIONEER VALLEY HUMANE SOCIETY, INC.

Notes to the Financial Statements (Continued)

March 31, 2017

2. Investments (Continued)

Major classifications by investment risk and the related market values of investments were as follows at March 31, 2016:

| | <u>Cost</u> | <u>Market Value</u> |
|-----------------------------------|--------------------|---------------------|
| Domestic equity mutual funds | \$ 918,402 | \$ 996,886 |
| International equity mutual funds | 391,914 | 409,731 |
| Domestic bonds mutual funds | <u>598,600</u> | <u>559,848</u> |
| Total | <u>\$1,908,916</u> | <u>\$1,966,465</u> |

Fair values were determined by reference to quoted market prices and other relevant information generated by market transactions.

3. Investments - Community Foundation

The Organization has designated endowment funds at the Community Foundation of Western Massachusetts recorded at fair market value as Level 3 investment. The funds are an investment of the Organization and will distribute to the Organization only amounts that will preserve the principal in perpetuity. The balance in the endowment fund was \$35,022 and \$31,614 at March 31, 2017 and 2016, respectively. The endowment fund activity was as follows for the years ended March 31:

| | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|
| Beginning balance | \$ 31,614 | \$ 33,053 |
| Investment income | 664 | 550 |
| Net unrealized gain (loss) in market value | 3,173 | (1,589) |
| Fees | <u>(429)</u> | <u>(400)</u> |
| Ending balance | <u>\$ 35,022</u> | <u>\$ 31,614</u> |

4. Property and Equipment

The Organization's property and equipment, at cost, consisted of the following at March 31:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|--------------------|--------------------|
| Land | \$ 129,276 | \$ 129,276 |
| Buildings and improvements | 2,983,563 | 2,983,563 |
| Motor vehicles | 15,500 | 15,500 |
| Furniture and fixtures | <u>230,725</u> | <u>221,032</u> |
| | 3,359,064 | 3,349,371 |
| Less accumulated depreciation | <u>842,762</u> | <u>726,855</u> |
| | <u>\$2,516,302</u> | <u>\$2,622,516</u> |

DAKIN PIONEER VALLEY HUMANE SOCIETY, INC.
Notes to the Financial Statements (Continued)
March 31, 2017

4. Property and Equipment (Continued)

Depreciation expense was \$115,907 and \$118,322 for the years ended March 31, 2017 and 2016, respectively.

5. Bank Financing

The Organization has a \$75,000 line of credit from a bank. Any outstanding balance is payable on demand. Monthly interest is payable on any outstanding balance at a variable rate based on the bank's prime rate (4.00% at March 31, 2016). Any outstanding balance is secured by investment funds. There was no outstanding balance at March 31, 2017 and 2016.

6. Board Designated Net Assets

The Board designated net assets consisted of net assets for the future building expansion and operation. The net assets are in an investment account with a market value of \$2,052,717 and \$1,862,374 (including \$203,022 and \$45,424 reported as cash equivalents on the statement of financial position) at March 31, 2017 and 2016, respectively. These funds are presented on the statement of financial position as part of unrestricted net assets because they were not restricted by donors.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at March 31:

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|------------------|------------------|
| Sullivan funds | | \$ 5,361 |
| Building maintenance | \$ 25,000 | |
| Other program-related | 4,917 | |
| PetSmart Charities transport grant | <u>24,640</u> | <u>13,750</u> |
| Total restrictions | <u>\$ 54,557</u> | <u>\$ 19,111</u> |

8. Net Assets Released From Restrictions

Net assets released from restrictions consisted of the following for the years ended March 31:

| | <u>2017</u> | <u>2016</u> |
|---------------------|------------------|------------------|
| Sullivan funds | \$ 5,361 | \$ 11,295 |
| License plate grant | 11,002 | 18,322 |
| ASPCA scholarship | 181 | |
| PetSmart Charities | <u>42,336</u> | <u>66,127</u> |
| | <u>\$ 58,880</u> | <u>\$ 95,744</u> |

DAKIN PIONEER VALLEY HUMANE SOCIETY, INC.

Notes to the Financial Statements (Continued)

March 31, 2017

9. Related Parties

Management believes there were no related party transactions during the year ended March 31, 2017.

The spouse of the former Executive Director was paid \$19,507 for graphic design services for the year ended March 31, 2016, of which \$5,283 was in accounts payable at March 31, 2016.

10. Subsequent Events

The Organization evaluated subsequent events after the statement of financial position date of March 31, 2017, through July 24, 2017, the date on which the financial statements were available to be issued, and concluded that no additional disclosures were required.