

MONADNOCK HUMANE SOCIETY, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016
AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT



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LYNN C. RUST, CPA PC
A CERTIFIED PUBLIC ACCOUNTING FIRM

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Monadnock Humane Society, Inc.

We have reviewed the accompanying financial statements of Monadnock Humane Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Service Committee of the American Institute of Certified Public Accountants. Those standards required us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Swanzy, NH
March 31, 2017

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Cash	\$ 290,043
Accounts receivable, net	85
Securities - available for sale	1,059,294
Prepaid expenses	1,580
Inventory	<u>6,425</u>
Total current assets	<u>1,357,427</u>
Property and equipment, at cost, net of accumulated depreciation	<u>1,368,536</u>
TOTAL ASSETS	<u><u>\$ 2,725,963</u></u>

LIABILITIES

Accounts payable	\$ 47,205
Accrued payroll and related liabilities	74,473
Accrued expenses	220
Current maturities of long-term debt	<u>2,065</u>
Total current liabilities	<u>123,963</u>
Long-term debt, less current maturities	<u>2,707</u>
TOTAL LIABILITIES	<u>126,670</u>

NET ASSETS

Unrestricted	2,450,573
Temporarily restricted	27,181
Permanently restricted	<u>121,539</u>
TOTAL NET ASSETS	<u>2,599,293</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,725,963</u></u>

See accompanying notes and independent accountant's review report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Program service revenue	\$ 299,042	\$ -	\$ -	\$ 299,042
Boarding and daycare revenue	168,925	-	-	168,925
Retail store revenue	26,727	-	-	26,727
Contributions	348,091	8,709	-	356,800
Fundraising	127,831	-	-	127,831
Rental income	9,989	-	-	9,989
Noncash contributions	8,490	-	-	8,490
Miscellaneous revenue	708	-	-	708
Interest and dividends	20,926	-	-	20,926
Short/Long term capital gains	16,962	-	-	16,962
Realized gains on investments	132	-	8	140
Unrealized losses on investments	(7,259)	-	(436)	(7,695)
Net assets released from restrictions	1,242	(1,242)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,021,806</u>	<u>7,467</u>	<u>(428)</u>	<u>1,028,845</u>
EXPENSES				
Program services	1,077,097	-	-	1,077,097
Management and general	132,829	-	-	132,829
Development (fundraising)	232,546	-	-	232,546
Total expenses	<u>1,442,472</u>	<u>-</u>	<u>-</u>	<u>1,442,472</u>
CHANGE IN NET ASSETS	(420,666)	7,467	(428)	(413,627)
NET ASSETS, beginning of year	<u>2,871,239</u>	<u>19,714</u>	<u>121,967</u>	<u>3,012,920</u>
NET ASSETS, end of year	<u>\$ 2,450,573</u>	<u>\$ 27,181</u>	<u>\$ 121,539</u>	<u>\$ 2,599,293</u>

See accompanying notes and independent accountant's review report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services				Management and General	Development	Total
	Services/ Programs	Boarding/ Daycare	Training Center	Programs Total			
Salaries and wages	\$ 354,815	\$ 130,887	\$ 78,848	\$ 564,550	\$ 94,618	\$ 129,310	\$ 788,478
Employee benefits	30,822	11,370	6,849	49,041	8,219	11,233	68,493
Payroll taxes	26,381	9,732	5,862	41,975	7,035	9,614	58,624
Depreciation	72,066	10,176	23,937	106,179	2,397	2,397	110,973
Program supplies and expenses	50,878	13,046	1,304	65,228	-	-	65,228
Utilities	38,102	5,380	12,656	56,138	1,268	1,267	58,673
Cost of retail goods sold	25,314	-	-	25,314	-	-	25,314
Repairs and maintenance	25,149	3,551	8,353	37,053	837	837	38,727
Fundraising	-	-	-	-	-	44,564	44,564
Insurance	16,827	2,376	5,589	24,792	560	560	25,912
Professional fees	23,726	4,744	2,374	30,844	4,740	7,119	42,703
Bank Charges	-	-	-	-	-	10,084	10,084
Interest expense	-	-	-	-	-	624	624
Advertising	5,558	2,050	1,235	8,843	1,483	2,026	12,352
Telephone	1,517	253	126	1,896	253	379	2,528
Office supplies and expense	528	528	528	1,584	528	3,169	5,281
Vehicle expense	5,795	-	-	5,795	-	-	5,795
Veterinary care	37,683	-	-	37,683	-	-	37,683
Fees and licenses	1,550	-	-	1,550	-	-	1,550
Leased equipment	888	888	888	2,664	888	5,328	8,880
Internet expense	3,157	631	316	4,104	632	947	5,683
Postage	387	387	387	1,161	387	2,321	3,869
Property tax	191	27	63	281	7	6	294
Professional development	10,422	-	-	10,422	-	-	10,422
Membership expense	-	-	-	-	-	761	761
Investment Fees	-	-	-	-	4,908	-	4,908
Miscellaneous	-	-	-	-	4,069	-	4,069
	<u>\$ 731,756</u>	<u>\$ 196,026</u>	<u>\$ 149,315</u>	<u>\$ 1,077,097</u>	<u>\$ 132,829</u>	<u>\$ 232,546</u>	<u>\$ 1,442,472</u>

See accompanying notes and independent accountant's review report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (413,627)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	110,973
Changes in operating assets and liabilities:	
Accounts receivable, net	4,291
Prepaid Expenses	9,334
Inventory	13,518
Accounts payable	26,471
Accrued payroll and related liabilities	2,227
Accrued expenses	<u>(20)</u>
Net cash provided by (used in) operating activities	<u>(246,833)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Distributions from investments	300,000
Investment income	69,630
Purchase of property and equipment	<u>(28,172)</u>
Net cash provided by (used for) investing activities	<u>341,458</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of debt (principal)	<u>(1,979)</u>
Net cash used for financing activities	<u>(1,979)</u>

NET INCREASE (DECREASE) IN CASH

92,646

CASH, beginning of year

197,397

CASH, end of year

\$ 290,043

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:

Interest paid	<u><u>\$ 624</u></u>
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See accompanying notes and independent accountant's review report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Monadnock Humane Society, Inc. is a New Hampshire not-for-profit corporation. Its primary purpose is to improve the quality of life for animals and people through humane education, to provide shelter, and to facilitate the adoption for lost, abused or abandoned animals. The Organization operates an animal shelter and a retail pet supply store.

Use of 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. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Under this basis, revenues, other than contributions, and expenses are reported when incurred, without regard to the date of receipt or payment of cash. Contributions are reported in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*.

Basis of Presentation

The accompanying financial statements have been prepared under the guidance of the Financial Accounting Standards Board *Accounting Standards Codification ("FASB ASC")*.

FASB ASC 958-605 requires the Organization to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributed services that meet certain criteria at fair values. Additionally, under the guidance of FASB ASC 958-905, unconditional promises to give that are expected to be paid in less than one year are measured at net realizable value (settlement value). Conditional promises to give, which depend on the occurrence of a specific future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met.

FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows.

The three classes of net assets, based on the absence or existence of donor-imposed restrictions, are defined as follows:

Unrestricted net assets - not subject to donor-imposed restrictions, or the donor-imposed restrictions have expired.

Temporarily restricted net assets - subject to donor-imposed stipulations that may be fulfilled by actions of the Organization or become unrestricted by the passage of time.

Permanently restricted net assets - subject to donor-imposed stipulations that must be retained and invested permanently by the Organization.

See accompanying notes and independent accountant's review report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of providing direct services, management and fundraising activities have been summarized on a functional basis in the Statements of Activities and the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among direct service and management.

Income Tax Status

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. 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)(2). Accordingly, no income tax liability has been recorded in the financial statements. All information returns of the Organization are open to examination by taxing authorities, subject to the statute of limitations rules. Management does not believe the results of examinations, if any, will significantly affect the amounts previously reported.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment. The Organization's cash and cash equivalents were \$290,043 for the year ended June 30, 2016.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Interest is not accrued on past due accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debts and a credit to accounts receivable. At June 30, 2016, management did not feel that an allowance for doubtful accounts was required.

Inventory

Inventory consists of retail pet supplies and is stated at the lower of cost or market, using the first-in, first-out costing flow.

Property and Equipment

Expenditures for acquisitions, renewals and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. It is the Organization's policy to capitalize property and equipment over \$1,000 with an estimated useful life of at least one year. Lesser amounts are expensed. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resulting gain or loss is recognized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost. The Organization charges to expenses annual amounts of depreciation which allocate the cost of fixed assets over their estimated useful lives using the straight-line method.

See accompanying notes and independent accountant's review report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Organization accounts for investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Deferred Revenue

Deferred revenue consists of payments received in the fiscal year for programs to be held in the following year.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

Contributed assets for use by the Organization are recorded at their estimated fair value at the date of the contribution. Contributed services are reflected in the financial statements if and when they create or enhance non-financial assets or require specialized skills, which if not provided by donation, would have to be purchased by the Organization. Contributed services and goods were \$8,490 for year ended June 30, 2016.

Fundraising Expenses

Total fundraising expenses were \$232,546 for the years ended June 30, 2016.

Advertising Expenses

The Organization's policy is to expense advertising in the period incurred. Total advertising expense was \$12,352 for the year ended June 30, 2016.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were comprised of the following at June 30, 2016:

Bank demand deposits	\$ 43,822
Money market funds	<u>246,221</u>
Total cash and cash equivalents	<u><u>\$ 290,043</u></u>

The money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other U.S. government agency.

See accompanying notes and independent accountant's review report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

3. INVESTMENTS

Investments consist of the following at June 30, 2016:

Mutual funds	\$ 1,059,294
	<u>\$ 1,059,294</u>

Investment return is summarized as follows:

Interest and Dividends	\$ 20,926
Capital gains	16,962
Net realized and unrealized losses	<u>(7,555)</u>
Gross investment gains	\$ 30,333
Investment Fees	<u>(4,908)</u>
Net investment return	<u>\$ 25,425</u>

4. FAIR VALUE MEASUREMENT

FASB ASC 820, *Fair Value Measurements*, provides guidance for using fair value to measure assets and liabilities. FASB ASC 820 applies whenever other standards require or permit assets or liabilities to be measured at their fair market value. The standard does not expand the use of fair value in any new circumstances. Under FASB ASC 820, fair value refers to the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. FASB ASC 820 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions.

Under FASB ASC 820, the Organization categorizes its fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The three levels are as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of financial instruments included in Level 1 are highly liquid instruments with quoted prices;

Level 2 - Inputs from active markets, other than quoted prices for identical instruments, are used to model fair value. Significant inputs are directly observable from active markets for substantially the full term of the asset or liability being valued; and

Level 3 - Pricing inputs significant to the valuation are unobservable. Inputs are developed based on the best information available; however, significant judgment is required by management in developing the inputs.

The following table sets forth, by level, the fair value hierarchy of the Organization's financial assets as of June 30, 2016:

	Fair Value	Level 1 inputs
Investments	\$ 1,059,294	\$ 1,059,294
Total	<u>\$ 1,059,294</u>	<u>\$ 1,059,294</u>

See accompanying notes and independent accountant's review report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

5. NET ASSETS

Donor-Designated Endowments

The Organization's endowment consists of various individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Actual returns in any given year may vary from this amount.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles, deficiencies of this nature are required to be restored from either temporarily restricted or unrestricted net assets, depending on donor stipulations. These deficiencies result from unfavorable market fluctuations that occur causing the original donor restricted contributions, plus accumulated investment earnings that, in accordance with donor stipulations, are required to be added to the original contribution, to fall below the accumulated balances. Donor stipulations for permanently restricted funds require the reclassification of realized and unrealized earnings to temporarily restricted net assets. Based on donor stipulations, there are no permanently restricted funds in deficit.

See accompanying notes and independent accountant's review report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

5. NET ASSETS (continued)

Spending Policy

The Organization has a policy of appropriating for distribution each year 5% or less, at the board's discretion, of its endowment fund's average fair value of the prior 12 quarters though the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

The Organization has eight different funds established for a variety of purposes. These funds are unrestricted, temporarily restricted, and permanently restricted, depending on the explicit direction of the donor. The funds include both donor-restricted funds and Board designated funds. The individual restricted funds are specified in Notes 8 and 9 below.

The Board-designated funds are maintained for general operations and other Board discretionary purposes.

All investment funds are held in a brokerage account.

Changes in net assets as of June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Net assets, beginning of year	\$ 2,871,239	\$ 19,714	\$ 121,967	\$ 3,012,920
Support and revenue	989,803	8,709	-	998,512
Investment Return:				
Capital Gains	16,962	-	-	16,962
Interest Income	5,213	-	-	5,213
Dividend Income	15,713	-	-	15,713
Realized gains	132	-	8	140
Unrealized Gains	(7,259)	-	(436)	(7,695)
Assets released from restrictions	1,242	(1,242)	-	-
Expenditures	(1,442,472)	-	-	(1,442,472)
Net assets, end of year	<u>\$ 2,450,573</u>	<u>\$ 27,181</u>	<u>\$ 121,539</u>	<u>\$ 2,599,293</u>

Net asset composition as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Donor-restricted funds	\$ -	\$ 27,181	\$ 121,539	\$ 148,720
Unrestricted funds	2,450,573	-	-	2,450,573
	<u>\$ 2,450,573</u>	<u>\$ 27,181</u>	<u>\$ 121,539</u>	<u>\$ 2,599,293</u>

See accompanying notes and independent accountant's review report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

6. PROPERTY AND EQUIPMENT

The cost and accumulated depreciation of property and equipment at June 30, 2016:

Land and improvements	\$ 60,879
Building and improvements	3,037,268
Furniture and Equipment	<u>506,629</u>
	3,604,776
Less: accumulated depreciation	<u>(2,236,240)</u>
	<u>\$ 1,368,536</u>

Depreciation expense was \$110,973 for the year ended June 30, 2016.

7. LONG-TERM DEBT

Note payable consists of the following as of June 30, 2016:

4.25% note, collateralized by equipment, payable in monthly installments of \$186, including interest, through September 2018.

	\$ 4,772
Less current maturities	<u>2,065</u>
	<u>\$ 2,707</u>

The approximate maturities on long-term debt are as follows:

2017	\$ 2,065
2018	2,154
2019	<u>553</u>
	<u>\$ 4,772</u>

Interest expense was \$624 for the year ended June 30, 2016.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30, 2016:

Bell scholarship for qualified veterinary student tuition	\$ <u>27,181</u>
	<u>\$ 27,181</u>

The temporarily restricted funds are recorded in cash and cash equivalents and investments for sale at June 30, 2016.

See accompanying notes and independent accountant's review report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

9. PERMANENTLY RESTRICTED NET ASSETS

The Organization has donor-restricted endowment funds to support its operations, which are maintained in accordance with explicit donor stipulations. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Interest and dividends generated by the investments can be used for operating expenses. Capital gains and losses generated by the underlying investments must be added or subtracted to the permanently restricted net assets according to New Hampshire state law. However, losses will never reduce the fund below its original fair value at the date of the gift. Management allocates gains and losses using a formula based on original cost basis of the investments permanently restricted compared to all investments. Permanently restricted net assets consisted of the following at June 30, 2016:

Fitch Fund	\$ 28,509
Belcher Conway Fund	27,330
O. Miriam Bednar Fund	65,700
	<u>\$ 121,539</u>

The realized and unrealized capital loss added to the permanently restricted net assets was \$428 in 2016. The permanently restricted net assets are held in the account securities available for sale.

10. RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan which is a voluntary retirement savings 403(b) plan. The plan covers substantially all employees who meet certain minimum employment service and age requirements. Employees are permitted to contribute up to the annual maximum allowed by federal law, under a salary reduction agreement. The Organization does not make a matching contribution.

11. INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for 2015. The Organization files its forms 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2013.

12. SUBSEQUENT EVENTS

Management has evaluated events through March 31, 2017, the date which the financial statements were available to be issued. No events were identified that would require adjustment of or disclosure in the financial statements.

See accompanying notes and independent accountant's review report.