

**FOX VALLEY HUMANE
ASSOCIATION, LTD.**

APPLETON, WISCONSIN

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fox Valley Humane Association, Ltd.
Appleton, Wisconsin

We have audited the accompanying financial statements of Fox Valley Humane Association, Ltd. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Association'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 Association'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fox Valley Humane Association, Ltd. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

October 12, 2017

FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 674,604	\$ 157,525
Accounts receivable	23,028	11,921
Pledges receivable, current portion	59,850	38,835
Total current assets	<u>757,482</u>	<u>208,281</u>
Property and equipment:		
Land and land improvements	422,743	422,743
Building	2,821,572	2,821,572
Furniture and equipment	242,413	220,987
Vehicle	81,909	69,515
Construction in progress	187,883	--
Total property and equipment	3,756,520	3,534,817
Less accumulated depreciation	<u>1,182,048</u>	<u>1,086,110</u>
Net property and equipment	<u>2,574,472</u>	<u>2,448,707</u>
Other assets:		
Cash held for long-term purposes	103,748	103,612
Investments	10,156	10,876
Unemployment compensation trust account	19,354	11,568
Beneficial interest in assets held by the Community Foundation	9,916	9,332
Pledges receivable	83,182	80,097
Total other assets	<u>226,356</u>	<u>215,485</u>
Total assets	<u><u>\$ 3,558,310</u></u>	<u><u>\$ 2,872,473</u></u>

LIABILITIES AND NET ASSETS

	2016	2015
Current liabilities:		
Line of credit	\$ 7,545	\$ 17,000
Accounts payable	86,277	66,599
Current portion of long-term debt	52,554	52,560
Accrued payroll liabilities	35,792	58,113
Total current liabilities	182,168	194,272
Long-term debt:		
Note payable	590,772	643,320
Total liabilities	772,940	837,592
Net assets:		
Unrestricted:		
Investment in property and equipment	1,931,146	1,752,827
Undesignated (deficit)	91,507	(91,020)
Total unrestricted	2,022,653	1,661,807
Temporarily restricted	638,897	249,254
Permanently restricted	123,820	123,820
Total net assets	2,785,370	2,034,881
Total liabilities and net assets	\$ 3,558,310	\$ 2,872,473

**FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN**

STATEMENTS OF ACTIVITIES
For the Years Ended December 31,

	2016			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues and other support:				
Contributions	\$ 701,341	\$ 680,000	\$ --	\$ 1,381,341
In-kind contributions	170,985	--	--	170,985
Special events	182,664	--	--	182,664
Municipality income	117,127	--	--	117,127
Shelter income	670,955	--	--	670,955
Interest income	2,602	--	--	2,602
Miscellaneous	39,718	--	--	39,718
Gain (loss) on investments	(1,429)	--	--	(1,429)
Gain (loss) on disposal of fixed assets	(1,717)	--	--	(1,717)
Change in value of beneficial interest	584	--	--	584
Net assets released from restrictions	290,357	(290,357)	--	--
Total revenues and other support	<u>2,173,187</u>	<u>389,643</u>	<u>--</u>	<u>2,562,830</u>
Expenses:				
Program services	1,385,032	--	--	1,385,032
Management and general	214,112	--	--	214,112
Fund-raising	213,197	--	--	213,197
Total expenses	<u>1,812,341</u>	<u>--</u>	<u>--</u>	<u>1,812,341</u>
Change in net assets	360,846	389,643	--	750,489
Net assets - beginning of year	<u>1,661,807</u>	<u>249,254</u>	<u>123,820</u>	<u>2,034,881</u>
Net assets - end of year	<u>\$ 2,022,653</u>	<u>\$ 638,897</u>	<u>\$ 123,820</u>	<u>\$ 2,785,370</u>

2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
\$ 400,742	\$ 364,928	\$ --	\$ 765,670
275,109	--	--	275,109
151,312	--	--	151,312
125,095	--	--	125,095
437,367	--	--	437,367
317	--	--	317
46,137	--	--	46,137
351	--	--	351
112	--	--	112
(668)	--	--	(668)
125,134	(125,134)	--	--
<u>1,561,008</u>	<u>239,794</u>	<u>--</u>	<u>1,800,802</u>
1,165,076	--	--	1,165,076
184,070	--	--	184,070
217,154	--	--	217,154
<u>1,566,300</u>	<u>--</u>	<u>--</u>	<u>1,566,300</u>
(5,292)	239,794	--	234,502
<u>1,667,099</u>	<u>9,460</u>	<u>123,820</u>	<u>1,800,379</u>
<u>\$ 1,661,807</u>	<u>\$ 249,254</u>	<u>\$ 123,820</u>	<u>\$ 2,034,881</u>

**FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN**

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31,

	2016			
Program Services	Management and General	Fund- Raising	Totals	
Salaries and wages	\$ 803,739	\$ 133,956	\$ 92,739	\$ 1,030,434
Employee benefits	1,710	2,736	440	4,886
Professional fees	--	6,245	--	6,245
Supplies	256,772	11,456	45,859	314,087
Depreciation	104,373	8,118	3,479	115,970
Education	3,350	--	--	3,350
Equipment and maintenance	3,370	13,481	--	16,851
Occupancy	128,371	8,012	3,434	139,817
Postage	7,638	1,091	2,183	10,912
Printing	23,626	3,375	6,751	33,752
Bank fees	--	17,514	--	17,514
Advertising	525	--	30,425	30,950
Outsourced labor	5,163	613	4,447	10,223
Animal care services and fees	32,586	--	--	32,586
Dues and subscriptions	258	774	258	1,290
Interest	462	36	15	513
Telephone	8,512	1,419	982	10,913
Travel	4,355	--	--	4,355
Gift, meals and entertainment	--	5,191	577	5,768
Miscellaneous	222	95	21,608	21,925
Total expenses	<u>\$ 1,385,032</u>	<u>\$ 214,112</u>	<u>\$ 213,197</u>	<u>\$ 1,812,341</u>

2015

Program Services	Management and General	Fund- Raising	Totals
\$ 611,627	\$ 101,938	\$ 70,572	\$ 784,137
4,334	6,934	1,114	12,382
--	10,405	--	10,405
225,591	7,984	72,242	305,817
98,001	7,622	3,267	108,890
3,122	--	--	3,122
3,532	14,130	--	17,662
123,444	8,232	3,528	135,204
7,657	1,094	2,187	10,938
25,092	3,585	7,169	35,846
--	11,691	--	11,691
1,095	--	47,215	48,310
--	--	--	--
28,547	--	--	28,547
300	899	300	1,499
20,364	1,584	679	22,627
7,768	1,295	896	9,959
3,388	--	--	3,388
--	6,157	583	6,740
1,214	520	7,402	9,136
<u>\$ 1,165,076</u>	<u>\$ 184,070</u>	<u>\$ 217,154</u>	<u>\$ 1,566,300</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN**

STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Support received	\$ 2,487,865	\$ 1,647,678
Miscellaneous revenues received	39,718	46,137
Cash paid for operating expenses	(1,699,014)	(1,411,462)
Investment income	<u>2,602</u>	<u>317</u>
Net cash provided by operating activities	<u>831,171</u>	<u>282,670</u>
Cash flows from investing activities:		
Transfers to the Community Foundation	--	(10,000)
Donation of stock	(849)	--
Withdrawal from investments	140	--
Proceeds from sale of investments	--	10,795
Payments for purchase of investments	--	(316)
Payments for property and equipment	<u>(243,452)</u>	<u>(70,942)</u>
Net cash used in investing activities	<u>(244,161)</u>	<u>(70,463)</u>
Cash flows from financing activities:		
Payments on long-term debt	(52,554)	(57,828)
Payments on line of credit	(9,455)	--
Proceeds from line of credit	<u>--</u>	<u>2,500</u>
Net cash used in financing activities	<u>(62,009)</u>	<u>(55,328)</u>
Net increase in cash	525,001	156,879
Cash balance, beginning of year	<u>272,705</u>	<u>115,826</u>
Cash balance, end of year	<u>\$ 797,706</u>	<u>\$ 272,705</u>
Significant non-cash items - in-kind contributions:		
In-kind donations of materials, supplies, and services	\$ 170,985	\$ 255,110
In-kind donations of property and equipment	--	20,000

**RECONCILIATIONS OF CHANGES IN NET ASSETS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

For the Years Ended December 31,

	2016	2015
Change in net assets	\$ 750,489	\$ 234,502
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	115,970	108,890
(Gain) loss on investments	1,429	(351)
(Gain) loss on funds held at the Community Foundation	(584)	668
(Gain) loss on disposal of fixed assets	1,717	(112)
(Increase) decrease in operating assets:		
Accounts receivable	(11,107)	1,280
Pledges receivable	(24,100)	(108,155)
Increase (decrease) in operating liabilities:		
Accounts payable	19,678	29,545
Accrued payroll liabilities	(22,321)	21,546
Accrued interest	--	(2,643)
Unearned revenue	--	(2,500)
	\$ 831,171	\$ 282,670

**FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies:

Nature of Activities

Fox Valley Humane Association, Ltd. (Association) is a not-for-profit organization that is dedicated to providing a safe haven and care for all animals and promoting humane treatment through public awareness and community education. The Association is supported primarily through contributions.

Basis of Presentation

The Association's financial statements are presented in accordance with the requirements of the *Non-Profit Entities Topic of the FASB Accounting Standards Codification*. Under this Topic, the Association 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.

Unrestricted net assets include all net assets that are not temporarily or permanently restricted.

Temporarily restricted net assets include contributed net assets for which donor time and purpose restrictions have not been met and the ultimate purpose of the contributions is not permanently restricted.

Permanently restricted net assets consist of amounts restricted by donors to be maintained by the Association in perpetuity.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in available for sale securities are reported on the statement of financial position at fair value as of the date of the statement. Investments are recorded at fair value when received as a gift. All ordinary income and realized and unrealized gains and losses are accounted for on the statement of activities.

Accounts Receivable

Receivables are written off when determined uncollectible. No allowance for uncollectible accounts has been provided since it is believed that the amount of such an allowance would be insignificant.

Pledges Receivable

Unconditional pledges receivable are recognized as revenue in the period pledged and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. The pledges are recorded at present value depending on the expected payment date. Conditional pledges receivable are not included as support until the conditions are substantially met.

FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

Unearned Revenue

Unearned revenue consists of sponsorships received for special events that will be held in the next fiscal year.

Contribution Recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions 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 net assets and reported in the statement of activities as net assets released from restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. Donated services recognized as revenue and expense for the years ended December 31, 2016 and 2015, were \$20,320 and \$18,025, respectively. In addition to the services recognized as revenue, numerous volunteers of the Association provided services throughout the year that have not been recognized as contributions in the financial statements since the recognition criteria was not met.

Other Revenue Recognition

The Association's municipality and shelter income on the statements of activities consists primarily of fees for service related to the care of animals or for the pet adoptions. Revenue is recognized at the time the service is performed or the pet is delivered.

Property and Equipment

All acquisitions and improvements of property and equipment in excess of \$300 are capitalized, while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Property and equipment are recorded at cost when purchased or at fair value when donated. Depreciation is provided using the straight-line method over the estimated useful lives as follows:

Building	39 years
Land improvements	15 years
Furniture and equipment	5-10 years
Vehicle	5 years

Functional Expenses

Expenses by function have been allocated among program and supporting services based on estimates made by the Association's management.

Advertising

The Association uses advertising to promote its special events. The costs of advertising are expensed, as incurred. During the years ended December 31, 2016 and 2015, advertising costs totaled \$30,950 and \$48,310, respectively.

**FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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. Accordingly, actual results could differ from those estimates.

Note 2. Beneficiary Under a Charitable Trust:

The Association is one of five beneficiaries under a trust administered by a bank. The trust is a perpetual charitable trust. Principal is retained in the trust and income generated is distributed to the five beneficiaries at the sole discretion of the trustee. Since future distributions to the Association are subject to the trustee's discretion, the assets of the trust are not included in the statements of financial position of the Association. Distributions received from the trust are reported as contributions on the statements of activities. Such distributions were \$12,205 and \$12,053 for the years ended December 31, 2016 and 2015, respectively.

Note 3. Investments:

	2016		Excess of Fair Value Over Cost
	Cost	Fair Value	
Money market funds	\$ 685	\$ 685	\$ --
Equities	10,807	9,471	(1,336)
	\$ 11,492	\$ 10,156	(1,336)
Excess of fair value over cost at beginning of year			8
Unrealized loss			(1,328)
Net realized loss for the year			(101)
Net investment loss for the year			\$ (1,429)
	2015		Excess of Fair Value Over Cost
	Cost	Fair Value	
Money market funds	\$ 77	\$ 77	\$ --
Equities	10,807	10,799	(8)
	\$ 10,884	\$ 10,876	(8)
Excess of fair value over cost at beginning of year			908
Unrealized gain			900
Net realized loss for the year			(549)
Net investment gain for the year			\$ 351

**FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 4. Beneficial Interest in Assets Held at the Community Foundation:

Funds held by the Community Foundation represent funds transferred in 2015 by the Association to the Community Foundation for investment. A designated endowment fund was established for the general support of the Association. Distributions would be used at the discretion of the Board of Directors. Distributions shall ordinarily be made according to the Foundation's spending policy, so the principal of the fund may be preserved and maintained as a designated endowment fund. The balances in the fund were \$9,916 and \$9,332 as of December 31, 2016 and 2015, respectively. Investment fees for the fund were \$158 and \$65 as of December 31, 2016 and 2015, respectively.

Note 5. Pledges Receivable:

The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of probable losses determined principally on the basis of historical experience. All accounts or portions thereof deemed to be uncollectible are written off to the allowance for doubtful accounts. All pledges receivable as of December 31, 2016, are deemed collectible by management, so no allowance for uncollectible pledges has been recorded.

The discount rates used on long-term pledges were 2 - 3.5 %.

Pledges receivable is comprised of the following at December 31,

	2016	2015
Receivable in less than one year	\$ 59,850	\$ 38,835
Receivable in one to five years	98,925	89,575
Total pledges receivable	158,775	128,410
Less discounts for net present value	15,743	9,478
Net pledges receivable	\$ 143,032	\$ 118,932

Note 6. Line of Credit:

The Association has a line of credit for \$35,000 with Community First Credit Union. The line of credit is secured by all business assets and bears interest at the prime rate with a floor of 4.0%. The current line of credit matures November 1, 2018. The balance outstanding on the line of credit was \$7,545 and \$17,000 at December 31, 2016 and 2015, respectively.

**FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 7. Long-term Debt:

Long-term debt consists of the following:

	2016	2015
Mortgage note payable - Community First Credit Union due October 1, 2018, with interest at a fixed rate of 0% per annum, payable in monthly installments of \$4,380. Secured by real estate.	\$ 643,326	\$ 695,880
Current portion	52,554	52,560
Net long-term debt	\$ 590,772	\$ 643,320

Long-term debt at December 31, 2016, is expected to mature as follows:

2017	\$ 52,554	
2018	590,772	
Total	\$ 643,326	

Note 8. Simple IRA:

The Association has a Simple IRA plan for all of its full time employees who have earned \$5,000 or more in annual compensation. The Association matches employee salary reduction contributions up to a limit of 3% of the employee's qualifying compensation. Employees can contribute to the plan up to the annual maximum contribution limit as determined by the Internal Revenue Service. For the years ended December 31, 2016 and 2015, the Association contributed \$5,092 and \$3,537, respectively, to the plan.

Note 9. In-kind Contributions:

The value of donated materials and services included as support in the financial statements and the corresponding expenses for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Professional fees	\$ --	\$ 4,405
Veterinarian fees	20,320	13,620
Supplies	85,006	152,697
Occupancy	36,809	40,458
Advertising	28,850	43,930
	\$ 170,985	\$ 255,110

**FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. Self-funding for State Unemployment Compensation:

The Association has elected to pay claims for unemployment compensation (if any) rather than participate in the Wisconsin Unemployment Reserve Fund. As a condition of this election, the Association is required to cover such claims. The Association opened a trust account, which is specified for this purpose. The balances in this trust account were \$19,354 and \$11,268 at December 31, 2016 and 2015, respectively.

Note 11. Concentration of Credit Risk:

The Association maintains its bank accounts at one financial institution in the Fox Valley area. Deposits at this financial institution are insured by the National Credit Union Share Insurance Fund (NCUSIF) up to \$250,000. As of December 31, 2016, the carrying amount of the Association's deposits was \$778,352 and the bank balance was \$760,573. Of the bank balance, \$250,000 was covered by NCUSIF insurance.

The Association invests funds in professionally managed funds that contain various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

Note 12. Restrictions on Net Assets:

Permanently restricted net assets consist of endowment funds. These funds were established with the initial contributions to remain in perpetuity with only income to be spent on operating expenses.

Temporarily restricted net assets consist of contributions received or promised that are restricted by the donor for particular operating purposes or due to time restrictions.

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

	2016	2015
Animal care	\$ 7,214	\$ 7,214
Mortgage payoff/construction of medical facility	105,093	157,647
Vehicle expenses	--	10,404
Increase surgical capacity	--	73,989
PetSmart Grant	526,590	--
Totals	\$ 638,897	\$ 249,254

FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 13. Tax-Exempt Status:

The Association is a not-for-profit agency exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association has been classified as an organization that is not a private foundation, and donations made to the Association qualify for the charitable deduction. The Association is also exempt from Wisconsin income taxes.

The Association adopted the provisions of the *Income Taxes Topic of the FASB Accounting Standards Codification*. As a result, the Association evaluates its tax positions based on whether or not the position is more likely than not to be sustained upon examination by taxing authorities. The Association continually evaluates its tax positions, changes in tax law and new authoritative rulings for potential implications on its tax status. The Association's federal return is subject to examination generally for three years after filed.

Note 14. Fair Value Measurements:

As defined in the *Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification*, fair value is 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. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Fair value measurement is based on quoted prices for identical assets or liabilities in active markets.
- Level 2 - Fair value measurement is based on 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; or 3) valuation models and methodologies for which all significant assumptions are or can be corroborated by observable market data.
- Level 3 - Fair value measurement is based on valuation models and methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data. Level 3 measurements reflect the Association's estimates about assumptions market participants would use in measuring fair value of the asset or liability.

The fair value of the available for sale securities is based on published unit values reported to the Association by RBC Wealth Management.

The fair value of funds held at Community Foundation for the Fox Valley Region, Inc. is based on information provided by the Community Foundation, and they have not historically adjusted this information.

**FOX VALLEY HUMANE ASSOCIATION, LTD.
APPLETON, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 14. Fair Value Measurements - Continued:

Classifications of these funds as of December 31, 2016, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Money market funds	\$ 685	\$ --	\$ --	\$ 685
Equities	9,471	--	--	9,471
Beneficial interest in assets held by the Community Foundation	--	9,916	--	9,916
	<u>\$ 10,156</u>	<u>\$ 9,916</u>	<u>\$ --</u>	<u>\$ 20,072</u>

Classifications of these funds as of December 31, 2015, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Money market funds	\$ 77	\$ --	\$ --	\$ 77
Equities	10,799	--	--	10,799
Beneficial interest in assets held by the Community Foundation	--	9,332	--	9,332
	<u>\$ 10,876</u>	<u>\$ 9,332</u>	<u>\$ --</u>	<u>\$ 20,208</u>

Note 15. Endowment Net Assets:

As required by the *Non-Profit Entities Topic of the FASB Accounting Standards Codification*, 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 Association has \$123,820 in endowment funds subject to donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Association has interpreted the Wisconsin Uniform Prudent Management of Institutional Funds Act (WUPMIFA) 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. Consequently, the Association classifies permanently restricted net assets as:

- (a) - The original value of gifts donated to the permanent endowment, and
- (b) - The original value of subsequent gifts to the permanent endowment.

The Association recognizes that the remaining portion of the donor-restricted endowment funds not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association's Board.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 15. Endowment Net Assets - Continued:

In accordance with WUPMIFA, the Association considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose for the Association and the donor-restricted endowment fund
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 Association
7. The investment policies of the Association

Return Objectives and Risk Parameters and Strategies Employed for Achieving Objectives

The endowment funds are invested in a manner that is intended to maximize returns without exposure to undue risk. It is understood that fluctuating rates of return are characteristic of the securities market. The greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns of these funds.

The Association also has adopted investment and spending policies for endowment investments that are set forth in the agreement made with Community Foundation for the Fox Valley Region, Inc. as described in Note 4.

Spending Policy

At this time, the Association does not have a formal spending policy regarding its endowment funds. The assets are intended to remain invested and the income be reinvested, unless a significant need to liquidate them arises.

The following table shows the endowment funds net asset composition by type of fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Donor-restricted endowment funds	\$ --	\$ --	\$ 123,820	\$ 123,820
Board-designated endowment funds	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Total funds	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 123,820</u>	<u>\$ 123,820</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 15. Endowment Net Assets - Continued:

The following table shows the changes in endowment funds net assets for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment assets, beginning of year	\$ --	\$ --	\$ 123,820	\$ 123,820
Investment return				
Investment income	--	--	--	--
Net appreciation	--	--	--	--
Total investment return	--	--	--	--
Transfers to endowment funds	--	--	--	--
Endowment assets, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 123,820</u>	<u>\$ 123,820</u>

The following table shows the endowment funds net asset composition by type of fund as of December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Donor-restricted endowment funds	\$ --	\$ --	\$ 123,820	\$ 123,820
Board-designated endowment funds	--	--	--	--
Total funds	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 123,820</u>	<u>\$ 123,820</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 15. Endowment Net Assets - Continued:

The following table shows the changes in endowment funds net assets for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment assets, beginning of year	\$ --	\$ --	\$ 123,820	\$ 123,820
Investment return				
Investment income	--	(298)	--	(298)
Net appreciation	--	(19)	--	(19)
Total investment return	--	(317)	--	(317)
Transfers to				
Endowment funds	--	317	--	317
Endowment assets, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 123,820</u>	<u>\$ 123,820</u>

Note 16. Subsequent Events:

The Association has evaluated all subsequent events through October 12, 2017, the date on which the financial statements were available to be issued.