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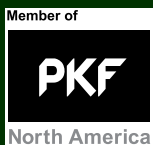
# TANNER

BUSINESS ADVISORS AND  
CERTIFIED PUBLIC ACCOUNTANTS

CRITICAL KNOWLEDGE



PROACTIVE INSIGHT



**Financial Statements**  
**As of and for the Years Ended December 31, 2014 and 2013**

**Together with Independent Auditors' Report**



## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors of The Humane Society of Utah

We have audited the accompanying financial statements of The Humane Society of Utah (the Organization) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 (US GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud.

### Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditors consider 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.

### Basis for Qualified Opinion

As more fully described in Note 2 to the financial statements, the Organization has not recorded the estimated fair value of its beneficial interest in an irrevocable trust. Accounting principles generally accepted in the United States of America require such an interest to be recorded at estimated fair value and adjusted for changes in the estimated fair value over the life of the beneficial interest. The impact on the accompanying financial statements of failing to record this beneficial interest has not been determined.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Humane Society of Utah as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Auditors' Updated Opinion on the 2013 Financial Statements**

In our report dated July 22, 2014, we expressed an opinion that the 2013 financial statements fairly presented, in all material respects, the Organization's financial position, changes in net assets, and cash flows in accordance with accounting principles generally accepted in the United States of America. Subsequent to our report on the 2013 financial statements, we became aware that the Organization had not recorded the estimated fair value of its beneficial interest in an irrevocable trust, as described above. This interest should have been recorded when the Organization was notified that the trust had become irrevocable. Accordingly, our present opinion on the 2013 financial statements, as presented herein, is different from that expressed in our previous report.

*Tanner LLC*

October 13, 2015



**THE HUMANE SOCIETY OF UTAH**  
**Statements of Financial Position**

**As of December 31,**

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	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Cash	\$ 567,603	\$ 936,490
Investments	267,273	423,612
Accounts receivable	74,922	58,743
Prepaid expenses	7,693	20,265
Property and equipment, net	6,399,385	6,022,419
Beneficial interests in assets held by third parties	323,156	330,644
	<u>7,640,032</u>	<u>7,792,173</u>
Total assets	<u>\$ 7,640,032</u>	<u>\$ 7,792,173</u>
 <b><u>Liabilities and Net Assets</u></b>		
Liabilities:		
Accounts payable	\$ 386,735	\$ 479,849
Accrued liabilities	105,859	87,018
Note payable	843,051	870,389
	<u>1,335,645</u>	<u>1,437,256</u>
Total liabilities	<u>1,335,645</u>	<u>1,437,256</u>
Commitments and contingencies		
Net assets:		
Unrestricted	5,870,180	5,988,427
Temporarily restricted	111,051	35,846
Permanently restricted	323,156	330,644
	<u>6,304,387</u>	<u>6,354,917</u>
Total net assets	<u>6,304,387</u>	<u>6,354,917</u>
Total liabilities and net assets	<u>\$ 7,640,032</u>	<u>\$ 7,792,173</u>



**THE HUMANE SOCIETY OF UTAH**  
**Statements of Activities**

**As of December 31,**

	<u>2014</u>	<u>2013</u>
<b>Change in unrestricted net assets:</b>		
Revenues, gains, and other support:		
Contributions	\$ 1,408,123	\$ 1,014,257
Clinic fees	1,587,282	1,413,154
Adoption fees	969,763	782,267
Interest and dividends	21,215	14,809
Net realized and unrealized gain on investments	14,922	82,842
Other	362,152	244,233
Total unrestricted revenues, gains, and other support	4,363,457	3,551,562
Net assets released from restrictions	16,712	953,338
Total unrestricted revenues, gains, other support and reclassifications	4,380,169	4,504,900
Program expenses:		
Shelter	1,458,513	1,342,128
Clinic	1,383,162	1,293,072
Outreach adoptions	194,965	214,303
Foster	142,969	126,212
Investigations	79,849	79,047
Education	54,334	56,272
Supporting expenses:		
Management and general	390,033	309,868
Fundraising/Special Events/Volunteer	794,591	399,733
Total expenses	4,498,416	3,820,635
(Decrease) increase in unrestricted net assets	\$ (118,247)	\$ 684,265
	<u>2014</u>	<u>2013</u>
<b>Change in temporarily restricted net assets:</b>		
Contributions	\$ 91,917	\$ 19,872
Net assets released from restrictions	(16,712)	(953,338)
Increase (decrease) in temporarily restricted net assets	75,205	(933,466)
<b>Change in permanently restricted net assets:</b>		
Net change in investments	(7,488)	15,771
(Decrease) increase in permanently restricted net assets	(7,488)	15,771
Decrease in net assets	(50,530)	(233,430)
Net assets, beginning of the year	6,354,917	6,588,347
Net assets, end of the year	\$ 6,304,387	\$ 6,354,917

**THE HUMANE SOCIETY OF UTAH**  
Statement of Functional Expenses

For the Year Ended December 31, 2014

	Program Expenses							Supporting Expenses			Overall Total
	Shelter	Clinic	Outreach Adoptions	Foster	Investi-gations	Education	Total	Management and General	Fundraising/ Special Events/ Volunteer	Total	
Salaries	\$ 655,871	\$ 660,916	\$ 150,211	\$107,719	\$54,243	\$ 33,073	\$1,662,033	\$ 127,949	\$ 281,220	\$ 409,169	\$2,071,202
Benefits	94,743	66,574	4,950	12,619	8,927	3,033	190,846	25,447	25,322	50,769	241,615
Payroll taxes	50,837	52,152	11,953	8,146	4,234	2,507	129,829	9,084	22,056	31,140	160,969
Total salaries and related expenses	801,451	779,642	167,114	128,484	67,404	38,613	1,982,708	162,480	328,598	491,078	2,473,786
Advertising	43,546	6,047	150	-	-	-	49,743	-	45,544	45,544	95,287
Office	15,693	13,903	839	204	169	420	31,228	10,439	80,081	90,520	121,748
Liability insurance	12,640	5,066	806	289	289	736	19,826	3,787	579	4,366	24,192
Animal waste removal	15,600	7,054	-	-	-	-	22,654	-	-	-	22,654
Professional services	16,891	6,769	1,007	387	387	983	26,424	5,060	750	5,810	32,234
Surgical	2,653	54,558	-	110	-	-	57,321	-	-	-	57,321
Vaccination	125,949	348,239	-	301	-	-	474,489	-	-	-	474,489
Outside services	31,108	6,761	242	483	42	106	38,742	20,997	127,337	148,334	187,076
Repairs and maintenance	67,080	18,028	10,071	3,460	739	456	99,834	7,253	21,638	28,891	128,725
Retail store	540	4,115	-	-	-	-	4,655	-	91,224	91,224	95,879
Supplies	71,978	36,014	1,241	1,760	128	-	111,121	6,539	6,922	13,461	124,582
Telephone	4,926	2,145	240	95	291	240	7,937	2,776	2,161	4,937	12,874
Utilities	59,055	21,445	3,597	1,195	1,185	3,036	89,513	19,378	2,399	21,777	111,290
Depreciation	165,924	66,496	9,658	3,799	3,800	9,658	259,335	49,714	7,600	57,314	316,649
Other expenses	23,479	6,880	-	2,402	5,415	86	38,262	101,610	79,758	181,368	219,630
Total expenses	\$1,458,513	\$1,383,162	\$194,965	\$142,969	\$79,849	\$54,334	\$3,313,792	\$390,033	\$794,591	\$1,184,624	\$4,498,416

**THE HUMANE SOCIETY OF UTAH**  
Statement of Functional Expenses

For the Year Ended December 31, 2013

	Program Expenses							Supporting Expenses			Overall Total
	Shelter	Clinic	Outreach Adoptions	Foster	Investigations	Education	Total	Management and General	Fundraising/ Special Events/ Volunteer	Total	
Salaries	\$ 654,909	\$ 611,787	\$ 145,899	\$ 92,730	\$ 52,886	\$ 35,860	\$ 1,594,071	\$ 117,668	\$ 140,959	\$ 258,627	\$ 1,852,698
Benefits	89,394	57,950	11,592	12,867	8,253	5,813	185,869	19,795	12,137	31,932	217,801
Payroll taxes	50,449	47,921	11,659	7,112	4,148	2,771	124,060	8,748	11,965	20,713	144,773
Total salaries and related expenses	794,752	717,658	169,150	112,709	65,287	44,444	1,904,000	146,211	165,061	311,272	2,215,272
Advertising	3,600	10,719	75	-	-	-	14,394	74	28,458	28,532	42,926
Office	9,824	11,480	1,355	178	155	197	23,189	7,896	54,716	62,612	85,801
Liability insurance	12,762	4,926	715	281	281	358	19,323	3,683	450	4,133	23,456
Animal waste removal	15,690	7,537	-	-	-	-	23,227	-	-	-	23,227
Professional services	21,115	8,128	1,065	464	464	648	31,884	6,077	743	6,820	38,704
Surgical	179	60,464	-	-	-	-	60,643	-	-	-	60,643
Vaccination	134,853	327,738	-	-	-	-	462,591	-	-	-	462,591
Outside services	15,078	7,566	411	511	162	205	23,933	15,033	94,692	109,725	133,658
Repairs and maintenance	40,071	10,363	15,368	3,819	2,706	585	72,912	6,857	3,767	10,624	83,536
Retail store	37,524	9,946	-	-	-	-	47,470	-	9,808	9,808	57,278
Supplies	55,985	37,409	1,538	1,703	347	56	97,038	5,848	2,139	7,987	105,025
Telephone	6,407	1,872	260	102	260	130	9,031	2,963	164	3,127	12,158
Utilities	51,668	19,691	3,802	1,082	1,081	1,374	78,698	12,458	1,731	14,189	92,887
Depreciation	127,659	51,161	7,431	2,923	2,924	7,431	199,529	38,248	5,847	44,095	243,624
Other expenses	14,961	6,414	13,133	2,440	5,380	844	43,172	64,520	32,157	96,677	139,849
Total expenses	\$ 1,342,128	\$ 1,293,072	\$ 214,303	\$ 126,212	\$ 79,047	\$ 56,272	\$ 3,111,034	\$ 309,868	\$ 399,733	\$ 709,601	\$ 3,820,635

See accompanying notes to financial statements.





**THE HUMANE SOCIETY OF UTAH**  
**Statements of Cash Flows**

**For the Years Ended December 31,**

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Decrease in net assets	\$ (50,530)	\$ (233,430)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	316,649	243,624
Loss on disposal of property and equipment	138	3,058
Net gain on investments	(7,434)	(98,613)
Decrease (increase) in:		
Accounts receivable	(16,179)	(17,093)
Prepaid expenses	12,572	8,214
Increase (decrease) in:		
Accounts payable	(113,738)	(28,079)
Accrued liabilities	18,841	10,180
Net cash provided by (used in) operating activities	<u>160,319</u>	<u>(112,139)</u>
<b>Cash flows from investing activities:</b>		
Net change in investments	163,773	171,366
Net change in beneficial interest in assets held by third parties	7,488	(15,771)
Purchases of property and equipment	<u>(673,129)</u>	<u>(1,037,525)</u>
Net cash used in investing activities	<u>(501,868)</u>	<u>(881,930)</u>
<b>Cash flows from financing activities:</b>		
Payment on note payable	<u>(27,338)</u>	-
Net change in cash	(368,887)	(994,069)
Cash at beginning of the year	<u>936,490</u>	<u>1,930,559</u>
Cash at end of the year	<u>\$ 567,603</u>	<u>\$ 936,490</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 40,928</u>	<u>\$ 22,878</u>
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Purchase of property and equipment with note payable	<u>\$ -</u>	<u>\$ 270,389</u>
Purchase of property and equipment with accounts payable	<u>\$ 20,624</u>	<u>\$ 141,335</u>



1. Organization and Summary of Significant Accounting Policies

**Organization**

The Humane Society of Utah (the Organization) is a Utah not-for-profit organization that provides animal adoption services, medical services, cruelty investigation services related to dogs and cats, foster parent programs, and educational programs for children and adults. The Organization is supported primarily through donor contributions and fees for clinic and other services provided.

**Financial Statement Presentation**

The Organization reports 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.

**Use of Estimates in Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of promises to give. In the normal course of its activities, the Organization receives promises to give which are recorded in accounts receivable. Accordingly, the Organization performs ongoing evaluations of promises to give and maintains allowances for possible losses, which when realized, have been within the range of management's expectations. Credit risk pertaining to promises to give is comprised of numerous factors, including the overall economic conditions in the geographic area in which the Organization's donors are located. As of December 31, 2014, management determined that an allowance for possible losses was not necessary.

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. As of December 31, 2014, the Organization had \$302,000 in bank deposit accounts that exceeded federally insured limits. To date, the Organization has not experienced a material loss or lack of access to its cash; however, no assurance can be provided that access to the Organization's cash will not be impacted by adverse conditions in the financial markets.



1. Organization and Summary of Significant Accounting Policies  
*Continued*

***Concentration of Credit Risk – Continued***

The Organization is dependent on certain vendors for veterinary supplies. For the years ended December 31, 2014 and 2013, aggregate purchases from Vendor A accounted for approximately 11.2% and 15.3% of total purchases, respectively, and aggregate purchases from Vendor B accounted for 7.8% and 10.3% of total purchases, respectively.

***Investments***

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

***Property and Equipment***

The Organization capitalizes purchases of property and equipment at cost. The fair value of donated property and equipment is similarly capitalized. The Organization capitalizes such expenditures if the purchases exceed \$1,000. Minor replacements, maintenance and repairs, which do not increase the useful lives of the property and equipment, are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets or lease terms, ranging from three to thirty years.

***Impairment of Long-Lived Assets***

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through undiscounted future cash flows. If it is determined an impairment loss has occurred based on expected cash flows, such loss is recognized in the statement of activities.

***Beneficial Interests in Assets Held by Third Parties***

Beneficial interest in assets held by third parties represents the Organization's share of expected pro rata share of the assets held under split-interest agreements. The beneficial interests are recorded at fair value.

***Revenue Recognition***

The Organization recognizes revenue at the time services are performed or goods are provided, the price is fixed or determinable, and collection is reasonably assured.



1. Organization and Summary of Significant Accounting Policies  
*Continued*

***Contributions***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions 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 Organization reports expirations of donor restrictions when the donated assets are acquired or placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

***Donated Services***

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and assignments; however, those services do not meet the above criteria.

***In-Kind Contributions***

During the years ended December 31, 2014 and 2013, the Organization received in-kind contributions of certain supplies, such as pet food, newspapers, and other supplies. When documentation supporting an estimated fair value can be obtained, the contributed supplies are recorded. Management has determined that the value of all in-kind contributions of supplies is not material to the overall financial statements. The effect of recording such contributions is generally to increase contribution revenue and supplies expense, which has no effect on the increase or decrease in unrestricted net assets.



1. Organization and Summary of Significant Accounting Policies  
*Continued*

***In-Kind Contributions – Continued***

In 2014 and 2013, the Organization received approximately \$9,000 and \$0, respectively, in donated advertising services. The amount was recorded as an in-kind contribution and advertising expense.

***Advertising***

The Organization expenses advertising costs as incurred. Total advertising expense was approximately \$95,000 and \$43,000 for the years ended December 31, 2014 and 2013, respectively.

***Income Taxes***

The Organization is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah regulations, and, as such, is not subject to federal or state income taxes on related purpose income. The Organization is subject to taxation on unrelated business income, if any.

As of December 31, 2014 and 2013, respectively, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's tax years subject to selection for tax examination are 2011 through 2014.

***Expense Allocation***

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Fair Value of Financial Instruments***

Fair value is defined as the exit price or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date (see Note 6).

***Subsequent Events***

Management has evaluated subsequent events through the date of the independent auditors' report, which is the date the accompanying financial statements were available to be issued.



**2. Unrecorded Beneficial Interest**

Prior to 2013, the Organization was notified that it had been named as a beneficiary of a trust. Upon the death of the trustor prior to 2013, the right to the Organization's defined remainder interest in the trust became irrevocable and unconditional. As of December 31, 2014 and 2013, the Organization had not recorded the estimated fair value of its beneficial interest in the irrevocable trust, which represents a departure from accounting principles generally accepted in the United States of America (US GAAP). Determining the fair value of the Organization's beneficial interest in the trust will require the assistance of a valuation expert. The effects of this departure from US GAAP on the 2014 and 2013 financial statements of the Organization have not been determined.

**3. Investments**

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

	<u>2014</u>	<u>2013</u>
Money market funds	\$ 13,398	\$ 18,685
Mutual and exchange traded funds	<u>253,875</u>	<u>404,927</u>
	<u>\$ 267,273</u>	<u>\$ 423,612</u>

Total return on investments, including dividends, interest, and realized and unrealized gains was \$28,649 and \$113,422 for the years ended December 31, 2014 and 2013, respectively.



**4. Property and Equipment**

Property and equipment consist of the following as of December 31:

	<u>2014</u>	<u>2013</u>
Land	\$ 427,516	\$ 427,516
Building	7,135,613	5,166,620
Improvements and equipment	1,017,139	901,883
Vehicles	102,819	178,234
Land improvements	135,734	82,182
Office furniture	30,229	32,705
Construction-in-process	-	1,545,267
Total cost	8,849,050	8,334,407
Less accumulated depreciation	<u>(2,449,665)</u>	<u>(2,311,988)</u>
	<u>\$ 6,399,385</u>	<u>\$ 6,022,419</u>

Depreciation expense on property and equipment for the years ended December 31, 2014 and 2013 was \$316,649 and \$243,624, respectively.

**5. Beneficial Interests in Assets Held By Third Parties**

The Organization is named as a co-beneficiary in a trust. This is an irrevocable split-interest agreement for which the Organization is entitled to one-half of the trust's income in perpetuity. The Organization is also named as a co-beneficiary in the assets held by a private foundation, which is an irrevocable split-interest agreement entitling the Organization to a one-third share of the foundation's income in perpetuity.

The earnings received in cash from the trust's and the foundation's investments are recognized as temporarily restricted until appropriated by the Board of Directors. The Organization's pro-rata interests in the assets held by the trust and the foundation are recorded based upon the fair value of the assets held by these parties, and are permanently restricted. The recorded values of the interests in the trust and the foundation are evaluated annually and the changes in values are recognized in the statements of activities as permanently restricted gains or losses. The total revaluation gain (loss) for the Organization's interests in the trust and the foundation was (\$7,488) and \$15,771 for 2014 and 2013, respectively.



6. Note Payable

The note payable consisted of the following as of December 31:

	<u>2014</u>	<u>2013</u>
Note payable to a financial institution, secured by all of the Organization's property, due in monthly installments of \$5,632, including interest at 4.54%, maturing November 2018 with a final balloon payment of approximately \$737,000.	\$ 843,051	\$ 870,389

Maturities of the note payable are as follows as of December 31, 2014:

Years Ending December 31,

2015	\$ 27,180
2016	27,180
2017	27,180
2018	<u>761,511</u>
	<u>\$ 843,051</u>

7. Fair Value Measurements

Authoritative guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are market inputs participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability.





THE HUMANE SOCIETY OF UTAH  
Notes to Financial Statements  
Continued

7. Fair Value  
Measurements  
Continued

The following tables summarize the Organization's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2014 and 2013, and the fair value calculation input hierarchy level that the Organization has determined applies to each asset and liability category.

As of December 31, 2014:

Description	Investments			Total
	Level 1	Level 2	Level 3	
Money market	\$ 13,398	\$ -	\$ -	\$ 13,398
Mutual and exchange traded funds:				
International	25,185	-	-	25,185
Large cap	98,425	-	-	98,425
Mid cap	28,969	-	-	28,969
Small cap	10,389	-	-	10,389
Bond	90,907	-	-	90,907
Total	\$ 267,273	\$ -	\$ -	\$ 267,273

Beneficial Interest in Assets Held by Third Parties

Description	Level 1	Level 2	Level 3	Total
Foundation under agreement	\$ -	\$ 237,805	\$ -	\$ 237,805
Charitable Trust	-	85,351	-	85,351
Total	\$ -	\$ 323,156	\$ -	\$ 323,156

As of December 31, 2013:

Description	Investments			Total
	Level 1	Level 2	Level 3	
Money market	\$ 18,685	\$ -	\$ -	\$ 18,685
Mutual and exchange traded funds:				
International	42,834	-	-	42,834
Large cap	156,757	-	-	156,757
Mid cap	45,756	-	-	45,756
Small cap	17,004	-	-	17,004
Bond	142,576	-	-	142,576
Total	\$ 423,612	\$ -	\$ -	\$ 423,612



7. Fair Value  
Measurements  
*Continued*

Description	Beneficial Interest in Assets Held by Third Parties			Total
	Level 1	Level 2	Level 3	
Foundation under agreement	\$ -	\$ 243,808	\$ -	\$ 243,808
Charitable Trust	-	86,836	-	86,836
Total	\$ -	\$ 330,644	\$ -	\$ 330,644

8. Temporarily  
Restricted  
Net Assets

As of December 31, 2014 and 2013, temporarily restricted net assets totaled \$111,051 and \$35,846, respectively, and are restricted for the purchase of equipment, supplies, a new vehicle and construction.

9. Endowment

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958 (ASC 958), *Not-for-profit entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Utah has adopted UPMIFA.

Permanently restricted net assets (endowments) included the following as of December 31:

	2014	2013
Beneficial interest in foundation (Note 4)	\$ 237,805	\$ 243,808
Beneficial interest in trust (Note 4)	85,351	86,836
	<u>\$ 323,156</u>	<u>\$ 330,644</u>



9. Endowment  
*Continued*

***Interpretation of Relevant Law***

The Organization has interpreted 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 endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the 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 Organization
- (7) The investment policies of the Organization

***Spending Policy***

The Organization may use, for any purpose deemed appropriate by its Board of Directors in fulfilling the Organization's charitable purpose, the interest payments received from the beneficial interests in assets held by third parties.

***Return Objectives and Risk Parameters***

Investment decisions for the foundation and trust, which the Organization has a beneficial interest in (Note 4), are made by the donors. The primary investment objectives of these donors are (1) the long-term preservation of the real (inflation adjusted) purchasing power of portfolio assets and income, after accounting for spending, inflation, and costs of portfolio management, and (2) to earn a total rate of return that exceeds the spending rate, and at the same time to perform well when compared with selected weighted market indices. The portfolio assets are invested in a diversified pool of securities with an overall emphasis on quality, diversification, and potential for earnings growth.



THE HUMANE SOCIETY OF UTAH  
Notes to Financial Statements  
*Continued*

9. **Endowment** Changes in endowment net assets for the years ended December 31,  
*Continued* 2014 and 2013 are as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ -	\$ -	\$ 330,644	\$ 330,644
Decrease in value	-	-	(7,488)	(7,488)
Endowment net assets, end of year	\$ -	\$ -	\$ 323,156	\$ 323,156

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ -	\$ -	\$ 314,873	\$ 314,873
Increase in value	-	-	15,771	15,771
Endowment net assets, end of year	\$ -	\$ -	\$ 330,644	\$ 330,644

10. **Commitments  
And  
Contingencies**

***Litigation***

In the normal course of operations, the Organization may become party to lawsuits or other claims. Management is not aware of any such claims for which the uninsured amount would be material to the Organization's financial position.