

Animal Welfare Association, Inc.

Audited Financial Statements

Year ended June 30, 2016

ANIMAL WELFARE ASSOCIATION, INC.

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Independent Auditor's Report

Board of Directors
Animal Welfare Association, Inc.

Report on Financial Statements

I have audited the accompanying financial statements of Animal Welfare Association, Inc.(a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the entity's internal control. Accordingly, I 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.

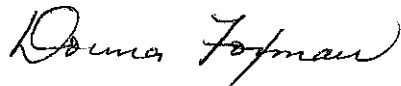
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Welfare Association, Inc. as of June 30, 2016, 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.

Report on Summarized Comparative Information

I have previously audited Animal Welfare Association, Inc.'s June 30, 2015 financial statements, and in my report dated November 6, 2015, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Donna Foxman, CPA

January 31, 2017

ANIMAL WELFARE ASSOCIATION, INC.
Statement of Financial Position
As of June 30, 2016 and 2015

	2016	2015
Assets:		
Cash and cash equivalents	\$509,690	\$490,723
Investments	1,768,225	1,716,754
Accounts receivable	27,967	9,917
Prepaid expenses	5,431	15,489
Property and equipment, at cost, less accumulated depreciation	<u>2,089,660</u>	<u>2,203,044</u>
Total assets	<u>\$4,400,973</u>	<u>\$4,435,927</u>
 Liabilities:		
Accounts payable	39,506	64,263
Accrued expenses	<u>87,993</u>	<u>122,280</u>
Total liabilities	<u>127,499</u>	<u>186,543</u>
 Net assets:		
Unrestricted net assets	4,106,443	4,142,014
Temporarily restricted net assets	<u>167,031</u>	<u>107,370</u>
Total net assets	<u>4,273,474</u>	<u>4,249,384</u>
Total liabilities and net assets	<u>\$4,400,973</u>	<u>\$4,435,927</u>

See accompanying notes to financial statements.

ANIMAL WELFARE ASSOCIATION, INC.

Statement of Activities

For the year ended June 30, 2016

With Comparative Totals for 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Totals</u>	<u>2015 Totals</u>
Revenues and support:				
Contributions	\$306,451	\$15,554	\$322,005	\$333,258
Bequests	317,007	-	317,007	264,879
Foundations and grants	155,468	165,700	321,168	222,930
Program income	1,592,147	-	1,592,147	1,360,396
Fundraising income	724,035	-	724,035	826,812
Realized & unrealized gain (loss) on investments	(88,123)	-	(88,123)	(54,484)
Interest income	52	-	52	17
Investment income	68,112	-	68,112	72,294
Net assets released from restrictions	121,593	(121,593)	-	-
	<u>3,196,742</u>	<u>59,661</u>	<u>3,256,403</u>	<u>3,026,102</u>
Expenses:				
Program expenses	2,722,536	-	2,722,536	2,672,676
Fundraising and development	407,179	-	407,179	333,842
Administration	102,598	-	102,598	139,022
	<u>3,232,313</u>	<u>-</u>	<u>3,232,313</u>	<u>3,145,540</u>
Change in net assets	(35,571)	59,661	24,090	(119,438)
Net assets at beginning of year	<u>4,142,014</u>	<u>107,370</u>	<u>4,249,384</u>	<u>4,368,822</u>
Net assets at end of year	<u><u>\$4,106,443</u></u>	<u><u>\$167,031</u></u>	<u><u>\$4,273,474</u></u>	<u><u>\$4,249,384</u></u>

See accompanying notes to financial statements.

ANIMAL WELFARE ASSOCIATION, INC.**Statement of Cash Flows****For the year ended June 30, 2016****With Comparative Totals for 2015**

	2016	2015
Cash flows from operating activities:		
Public support and revenue	\$3,258,312	\$3,003,350
Interest income	52	17
Investment income	68,112	72,294
Interest expense	-	(4,701)
Cash paid to employees and suppliers	<u>(3,144,506)</u>	<u>(2,885,436)</u>
Net cash provided (used) by operating activities	<u>181,970</u>	<u>185,524</u>
Cash flows from investing activities:		
Purchase of equipment and building improvements	(23,409)	(81,440)
Proceeds from sale of investments	988,132	1,106,403
Purchase of investments	<u>(1,127,726)</u>	<u>(748,036)</u>
Net cash provided (used) by investing activities	<u>(163,003)</u>	<u>276,927</u>
Cash flows from financing activities:		
Proceeds from borrowings	-	-
Payments on bank loan	<u>-</u>	<u>(500,000)</u>
Net cash provided (used) by financing activities	<u>-</u>	<u>(500,000)</u>
Net increase (decrease) in cash	18,967	(37,549)
Cash and cash equivalents at beginning of year	<u>490,723</u>	<u>528,272</u>
Cash and cash equivalents at end of year	<u><u>\$509,690</u></u>	<u><u>\$490,723</u></u>

See accompanying notes to financial statements.

ANIMAL WELFARE ASSOCIATION, INC.
Statement of Cash Flows, continued
For the year ended June 30, 2016
With Comparative Totals for 2015

	2016	2015
Reconciliation of increase in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$24,090	(\$119,438)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	136,793	108,420
Realized and unrealized (gain) loss on investments	88,123	54,484
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(18,050)	(4,925)
(Increase) decrease in prepaid expenses	10,058	80,831
Increase (decrease) in accounts payable	(24,757)	48,306
Increase (decrease) in accrued expenses	(34,287)	17,846
	<u>\$181,970</u>	<u>\$185,524</u>
Net cash provided (used) by operating activities	<u>\$181,970</u>	<u>\$185,524</u>

See accompanying notes to financial statements.

ANIMAL WELFARE ASSOCIATION, INC.
Statement of Functional Expenses
For the year ended June 30, 2016
With Comparative Totals for 2015

	Shelter	Clinic	Education & Outreach	Fundraising & Development	Administration	2016 Totals	2015 Totals
Salaries	\$777,387	\$626,422	\$26,544	\$134,212	\$47,193	\$1,611,758	\$1,577,855
Payroll taxes	96,983	65,015	8,649	1,508	7,757	179,912	176,070
Employee benefits	109,164	95,854	1,640	22,746	21,528	250,932	274,265
Total salaries and benefits	983,534	787,291	36,833	158,466	76,478	2,042,602	2,028,190
Advertising	2,031	10,946	447	4,364	-	17,788	13,076
Bank, credit card & investment fees	10,824	16,771	227	12,382	7,123	47,327	33,292
Depreciation	35,255	100,303	-	619	616	136,793	108,420
Drugs and medicines	38,894	296,051	-	-	-	334,945	309,031
Education	135	95	95	121	-	446	2,990
Insurance	11,191	10,533	1,710	1,232	2,036	26,702	22,011
Maintenance	27,603	19,048	-	240	-	46,891	54,257
Office supplies and expenses	5,829	13,671	1,917	2,539	2,358	26,314	30,323
Outside services	2,589	7,657	758	-	-	11,004	32,109
Postage	241	1,712	-	11,839	461	14,253	16,435
Professional fees	-	-	-	-	7,000	7,000	44,884
Rent / storage	699	-	1,849	5,180	1,192	8,920	7,659
Supplies	61,639	96,221	54	2,809	304	161,027	127,836
Technology	13,110	12,782	3,089	49,979	1,906	80,866	78,365
Telephone	5,695	5,764	710	671	693	13,533	12,254
Utilities	30,069	17,074	1,253	1,611	1,710	51,717	53,172
Vehicle expenses & travel	4,704	5,759	12	36	721	11,232	10,021
Veterinarian fees	1,827	36,035	-	-	-	37,862	56,092
	1,235,869	1,437,713	48,954	252,088	102,598	3,077,222	3,040,417
Direct fundraising expense	-	-	-	155,091	-	155,091	105,123
	\$1,235,869	\$1,437,713	\$48,954	\$407,179	\$102,598	\$3,232,313	\$3,145,540

See accompanying notes to financial statements.

ANIMAL WELFARE ASSOCIATION, INC.

Notes to Financial Statements

For the year ended June 30, 2016

1. Summary of Significant Accounting Policies

a. Organization

The Animal Welfare Association, Inc. (AWA) is a private, non-profit, 501(c)(3) animal welfare organization. AWA serves the people and animals in southern New Jersey with a variety of programs including adoptions, veterinary services, pet therapy, pet retention, rehoming services and humane education. AWA receives no local, state or federal support, and is not affiliated with the Humane Society of the United States (HSUS) or with the American Society for the Prevention of Cruelty of Animals (ASPCA).

Since 1948 the Animal Welfare Association has been dedicated to caring for animals and people. AWA's vision for the future is to save the lives of all homeless companion animals in our community. All healthy and adoptable companion animals that come through AWA's doors are given as long as it takes to find them a home of their own, regardless of age, beauty, or infirmity. In addition, AWA provides medical care and treatment for shelter animals that require a little extra care to make them ready for adoption.

AWA opened the region's first Spay/Neuter Clinic in 1974. Since the doors opened, the clinic has provided low-cost or free spays/neuters to pets throughout the region as a way to combat pet overpopulation. When the recession occurred, AWA saw a large demand for basic veterinary care for owned pets. By providing a way for owners to provide for their pets we were able to keep pets with their loving families when those families were looking to stretch their income to cover all their bills. AWA's veterinary outreach program (Vets on Wheels) travels to the City of Camden, NJ, to provide basic vaccines, treatments and food to pets that may never have an opportunity to see a veterinarian otherwise.

AWA is considered a "no-kill" adoption center. Many of the shelter programs are driven by this philosophy: owner surrenders by appointment, weekly transfers of pets from overcrowded shelters to AWA for adoption, a robust foster care network, strong behavior rehabilitation program and the pet rehoming retention services.

AWA's humane education and youth programs make learning about the welfare of homeless companion animals engaging. Approximately 5,000 youth took part in our humane education programs, attended our high school volunteer service weeks, summer camp and day camps.

b. Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

ANIMAL WELFARE ASSOCIATION, INC.

Notes to Financial Statements

For the year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

c. Basis of Presentation

Under generally accepted accounting principles 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. The Association has no permanently restricted net assets.

d. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

e. Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments approximate the carrying value of such amounts.

f. Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

g. Donated Services

No amounts have been reflected in the financial statements for donated services. The Association pays for services requiring specific expertise. However, many individuals provided more than 23,000 hours to perform a variety of tasks that assist the Association with various programs and special events.

h. Investments

The Association carries investments in marketable securities with readily determinable fair values at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

ANIMAL WELFARE ASSOCIATION, INC.
Notes to Financial Statements
For the year ended June 30, 2016

1. Summary of Significant Accounting Policies (continued)

i. Expense Allocation

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

j. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is provided over the estimated useful lives of the assets, ranging from five to thirty years, on a straight-line basis.

k. Income Taxes

The Association is qualified as tax exempt under Section 501(c)(3) of the Internal Revenue Code.

l. Advertising

The Association uses advertising to promote its programs and services within the communities it serves. The advertising costs are expensed as incurred.

m. Reclassifications

Certain amounts in the prior year comparative financial information have been reclassified to conform to the presentation in the current year financial statements.

n. Comparative Financial Information

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

o. Cash and Cash Equivalents

Cash and cash equivalents consists of cash in banks and several money market accounts held by Wells Fargo investment accounts.

ANIMAL WELFARE ASSOCIATION, INC.

**Notes to Financial Statements
For the year ended June 30, 2016**

1. Summary of Significant Accounting Policies (continued)

p. Date of Management's Review

Generally accepted accounting principles establish the period after the balance sheet date during which management shall evaluate events and transactions that occur for potential recognition or disclosure in the financial statements. For purposes of this accounting standard, the Association has evaluated subsequent events through January 31, 2017.

2. Investments

Investments are presented in the financial statements at fair value and consist of:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain</u>
Stocks, options & ETFs	\$1,232,496	\$1,309,399	\$76,903
Fixed income securities	24,933	25,279	346
Preferreds/fixed rate cap secs	420,729	433,547	12,818
	<u>\$1,678,158</u>	<u>\$1,768,225</u>	<u>\$90,067</u>

Investment return is summarized as follows:

Interest and dividend income	\$68,112
Investment fees	(6,247)
Realized gains	72,543
Current year unrealized loss	(160,666)
	<u>(\$26,258)</u>

3. Property and Equipment

Property and equipment consists of the following at June 30:

	2016	2015
Land	\$6,500	\$6,500
Buildings and improvements	2,400,496	2,400,496
Furniture and equipment	511,342	487,933
	<u>2,918,338</u>	<u>2,894,929</u>
Less accumulated depreciation	828,678	691,885
	<u>\$2,089,660</u>	<u>\$2,203,044</u>

Depreciation for the year was \$136,793.

ANIMAL WELFARE ASSOCIATION, INC.

Notes to Financial Statements

For the year ended June 30, 2016

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

Petsmart grants	\$80,181
Capital campaign	<u>86,850</u>
	<u>\$167,031</u>

5. Cash in Banks

The Association maintains its checking accounts in two financial institutions in Voorhees, New Jersey. At June 30 the balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. At times throughout the year the Association's cash balances may exceed the insured limit. The Association believes that there is no significant risk with respect to these deposits.

6. Income Taxes

Generally accepted accounting principles prescribe how an organization should measure, recognize, present and disclose in its financial statements tax positions that the organization has taken on its information returns. The Association regularly reviews its tax positions taken and as reflected in its financial statements, with regard to issues affecting tax matters. The Association has concluded that no tax benefits or liabilities are required to be recognized in accordance with generally accepted accounting principles.

The Association's tax and information returns are generally subject to examination by taxing authorities for three years, including 2013, 2014 and 2015.

7. Fair Value Measurements

Generally accepted accounting principles require certain disclosures about fair value measurements for all assets and liabilities that are being measured and reported on a fair value basis. These disclosures enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level disclosure hierarchy has been established to indicate the level of judgment used to estimate fair value measurements:

ANIMAL WELFARE ASSOCIATION, INC.
Notes to Financial Statements
For the year ended June 30, 2016

7. Fair Value Measurements, continued,

Level 1 - uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 - uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities valued using models or other pricing methodologies that do not require significant judgment because the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

Level 3 - uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment. These values are generally determined using pricing models that utilize management's estimates of market participant assumptions. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

In general and where applicable, the Association uses quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to Level 1 investments such as domestic and international equities, U.S. treasuries, exchange-traded mutual funds, and agency securities. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, the Association uses quoted prices of similar assets and liabilities or inputs other than quoted prices that are observable either directly or indirectly. These investments are included in Level 2 and consist primarily of corporate notes and bonds, foreign government bonds, mortgage backed securities, commercial paper, and certain agency securities.

The table below sets forth the Association's financial assets that were accounted for at fair value as of June 30, 2016 and 2015. The table does not include either cash on hand or assets that are measured at historical cost or any basis other than fair value.

Level 1:	2016	2015
Equities:		
Large Cap Growth	\$206,055	\$192,055
Large Cap Core	329,271	306,899
Large Cap Value	316,017	294,546
Mid Cap Growth	146,678	136,712
Mid Cap Core	117,220	109,256
Mid Cap Value	16,453	15,335
Small Cap Growth	51,965	48,434
Small Cap Core	47,213	44,005
Small Cap Value	78,527	73,192
Other Equity	-	4,202
Total Equities	\$1,309,399	\$1,224,636

ANIMAL WELFARE ASSOCIATION, INC.
Notes to Financial Statements
For the year ended June 30, 2016

7. Fair Value Measurements, continued,

	2016	2015
Fixed Income:		
Preferred stock	\$433,547	\$412,731
Corporate Bonds	25,279	77,047
Exchange Traded Funds	-	2,340
Total Fixed Income	<u>\$458,826</u>	<u>\$492,118</u>
Total Investments	<u>\$1,768,225</u>	<u>\$1,716,754</u>
Equities by Market Sector are as follows:		
Industrials	\$250,989	\$233,009
Health care	314,639	214,344
Consumer Discretionary	50,823	127,837
Consumer Staples	192,698	80,812
Energy	110,318	170,466
Financials	91,142	146,824
Basic Materials	21,190	49,976
Information Technology	96,652	123,705
Utilities	23,500	10,147
Telecommunications	104,714	62,362
Real Estate	52,734	-
Other	-	5,154
	<u>\$1,309,399</u>	<u>\$1,224,636</u>