



PASADENA HUMANE SOCIETY AND S.P.C.A.

FINANCIAL STATEMENTS
(WITH SUPPLEMENTARY INFORMATION)
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017 AND 2016

PASADENA HUMANE SOCIETY AND S.P.C.A
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INDEPENDENT AUDITORS' REPORT

To the Pasadena Humane Society and S.P.C.A.

We have audited the accompanying financial statements of Pasadena Humane Society and S.P.C.A. (a nonprofit organization) (the "Society"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, changes in net assets, cash flows and functional expenses, 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.

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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pasadena Humane Society and S.P.C.A. as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the accompanying table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Krost". The letters are cursive and fluidly connected.

Pasadena, California
October 25, 2018

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 4,174,297	\$ 2,027,955
Investments	10,343,880	10,255,118
Accounts receivable	311,970	177,597
Note receivable	32,500	42,500
Contributions receivable, net	10,871	289,336
Inventory	63,837	76,392
Prepaid expenses and other current assets	146,399	161,836
	<u>15,083,754</u>	<u>13,030,734</u>
Total current assets		
Other assets		
Deferred rental income	22,659	10,506
Property and equipment, net	25,501,208	26,340,223
	<u>25,523,867</u>	<u>26,350,729</u>
Total other assets		
Total assets	<u><u>\$ 40,607,621</u></u>	<u><u>\$ 39,381,463</u></u>

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 462,144	\$ 375,368
Accrued expenses	307,634	386,032
Accrued pension	356,000	1,164,000
Note payable, current	435,742	435,742
Capital lease, current	37,021	33,962
	<u>1,598,541</u>	<u>2,395,104</u>
Long-term liabilities		
Note payable, net of current portion	430,185	1,316,576
Capital lease, net of current portion	103,133	138,985
	<u>533,318</u>	<u>1,455,561</u>
Total liabilities	<u>2,131,859</u>	<u>3,850,665</u>
Net assets		
Unrestricted: Operating Fund	26,501,119	24,405,823
Board Designated: Investment Fund	11,687,764	10,529,709
Board Designated: Capital Campaign Fund	10,871	289,336
Board Designated: Steve McNall Heart Fund	10,350	10,350
	<u>38,210,104</u>	<u>35,235,218</u>
Total net assets without donor restrictions	<u>38,210,104</u>	<u>35,235,218</u>
Net assets with donor restrictions	<u>265,658</u>	<u>295,580</u>
Total net assets	<u>38,475,762</u>	<u>35,530,798</u>
Total liabilities and net assets	<u>\$ 40,607,621</u>	<u>\$ 39,381,463</u>

See accompanying notes to financial statements.

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Change in net assets without donor restrictions		
Support and revenue		
Animal control services	\$ 11,658	\$ -
Adoption fees, net of discounts	310,858	205,877
Behavior fees	65,380	73,694
Boarding income, net of discounts	187,700	185,302
Contract income	3,071,609	2,509,143
Contributions and bequests	6,119,684	6,168,752
Gains (Losses) on sale of fixed assets	1,085	(4,269)
Gifts-in-kind	134,350	45,391
Helping paws income, net of discounts	(562)	-
Humane education	32,300	3,799
Impound fees	9,155	6,747
Interest and dividends	268,992	309,826
License fees	428,060	360,787
Rental income	163,473	121,499
Room rental	11,447	23,620
Service fees, net of discounts	124,791	84,722
Shelter clinic fees	-	52,079
Special events - golf	221,846	291,435
Special events - Wiggle Waggle Walk	243,315	288,707
Store sales, net of discounts and cost of goods sold	169,553	163,719
Volunteer income	9,231	-
Wellness clinic, net of discounts	563,194	565,353
Gain on sale of investments	274,431	124,515
Unrealized gain on investments	949,419	14,566
Net assets released from restrictions	<u>473,430</u>	<u>91,772</u>
Total support and revenue without donor restrictions	<u>13,844,399</u>	<u>11,687,036</u>
Expenses		
Program	8,318,446	8,941,613
Management and general	1,355,296	1,310,936
Fund raising	<u>1,226,771</u>	<u>1,393,124</u>
Total expenses	<u>10,900,513</u>	<u>11,645,673</u>
Change in net assets without donor restrictions	<u>2,943,886</u>	<u>41,363</u>

See accompanying notes to financial statements.

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Change in net assets with donor restrictions		
Support and revenue		
Contributions and bequests	\$ 474,318	\$ 269,131
Interest and dividends	190	116
Net assets released from restrictions	<u>(473,430)</u>	<u>(91,772)</u>
Total support and revenue with donor restrictions	<u>1,078</u>	<u>177,475</u>
Expenses		
Program	-	-
Management and general	-	-
Fund raising	<u>-</u>	<u>-</u>
Total expenses	<u>-</u>	<u>-</u>
Change in net assets with donor restrictions	<u>1,078</u>	<u>177,475</u>
Increase in net assets	2,944,964	218,838
Net assets, beginning of year	<u>35,530,798</u>	<u>35,311,960</u>
Net assets, end of year	38,475,762	35,530,798
Less those unavailable for general expenditures within one year, due to :		
Donor-imposed restrictions	(265,658)	(295,580)
Board Designated: Investment Fund	(11,687,764)	(10,529,709)
Board Designated: Capital Campaign Fund	(10,871)	(289,336)
Board Designated: Steve McNall Heart Fund	<u>(10,350)</u>	<u>(10,350)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 26,501,119</u>	<u>\$ 24,405,823</u>

See accompanying notes to financial statements.

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, January 1, 2016	\$ 35,159,671	\$ 152,289	\$ 35,311,960
Change in net assets	41,363	177,475	218,838
Transfer of net assets	<u>34,184</u>	<u>(34,184)</u>	<u>-</u>
Balance, December 31, 2016	35,235,218	295,580	35,530,798
Change in net assets	2,943,886	1,078	2,944,964
Transfer of net assets	<u>31,000</u>	<u>(31,000)</u>	<u>-</u>
Balance, December 31, 2017	<u>\$ 38,210,104</u>	<u>\$ 265,658</u>	<u>\$ 38,475,762</u>

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities		
Increase in net assets	\$ 2,944,964	\$ 218,838
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	976,224	1,043,669
(Gains) Losses on disposal of assets	(1,085)	4,329
Discount on contributions receivable	-	(12,859)
Gain on sale of investments	(274,431)	(124,515)
Unrealized gain on investments	(1,309,552)	(14,566)
Increase (decrease) in cash and cash equivalents attributable to changes in operating assets and liabilities		
Accounts receivable	(134,373)	(74,885)
Contributions receivable	278,465	2,338,406
Inventory	12,555	5,246
Prepaid expenses and other current assets	15,437	8,792
Other assets	(12,153)	43,954
Accounts payable	86,776	19,438
Accrued expenses	(78,398)	(143,899)
Accrued pension	(808,000)	1,073,173
Total adjustments	(1,248,535)	4,166,283
Net cash provided by operating activities	1,696,429	4,385,121
Cash flows from investing activities		
Purchases of property and equipment	(136,124)	(1,327,220)
Net proceeds on sale of investments	1,495,221	548,154
Proceeds from note receivable	10,000	7,500
Net cash provided (used) in investing activities	1,369,097	(771,566)
Cash flows from financing activities		
Payments on note payable	(886,391)	(5,403,642)
Payments on capital lease obligation	(32,793)	(32,749)
Net cash used in financing activities	(919,184)	(5,436,391)
Net increase (decrease) in cash and cash equivalents	2,146,342	(1,822,836)
Cash and cash equivalents, beginning of year	2,027,955	3,850,791
Cash and cash equivalents, end of year	\$ 4,174,297	\$ 2,027,955

See accompanying notes to financial statements.

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Supplemental disclosure of cash flows information		
Cash paid for interest	<u>\$ 63,856</u>	<u>\$ 111,267</u>
Noncash investing and financing activities		
Note receivable for tenant improvements	<u>\$ -</u>	<u>\$ 50,000</u>
Property and equipment acquired through capital lease	<u>\$ -</u>	<u>\$ 120,820</u>

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program	Management and General	Fund Raising	Total
Operating Fund				
403(b) expense	\$ 27,134	\$ 167,888	\$ 11,820	\$ 206,842
Accounting	37,509	2,630	2,084	42,223
Adoption	11,510	-	-	11,510
Advertising	10,190	-	-	10,190
Alarm expense	6,230	-	-	6,230
Animal control	10,647	-	-	10,647
Bank charges	2,033	239	120	2,392
Behavior department	9,839	-	-	9,839
Board expenses	-	1,270	-	1,270
Boarding expenses	310	-	-	310
Companion animal program expense	54	-	-	54
City license	135,763	-	-	135,763
Clinic medical supplies	33,447	-	-	33,447
Clinic permits	2,896	-	-	2,896
Computer	124,274	4,093	8,625	136,992
Credit card fees	42,401	-	15,196	57,597
Delivery charge	99	-	-	99
Depreciation and amortization	956,700	9,762	9,762	976,224
Development	-	-	39,133	39,133
Disposal service	10,103	561	561	11,225
Dues	10,163	-	-	10,163
Employee benefits	-	475	-	475
Employee enrichment	6,772	1,426	713	8,911
Employee training	10,876	-	-	10,876
Employee travel	15,183	-	-	15,183
Environmental fee	1,117	-	-	1,117
Facility rental	168	5,307	-	5,475
Fostering	8,772	-	-	8,772
Gifts-in-kind	-	-	196,946	196,946
Harris canine expense	23,454	-	-	23,454
Helping paws expenses	10,215	-	-	10,215
Human resource expenses	199	11	11	221
Humane education	2,685	-	-	2,685
Insurance - general	153,442	8,034	8,034	169,510

PASADENA HUMANE SOCIETY AND S.P.C.A.STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating Fund				
Insurance - group medical	688,427	33,135	39,995	761,557
Insurance - workers' compensation	309,484	65,155	32,578	407,217
Interest expense	57,420	3,269	3,167	63,856
Kennel food	12,216	-	-	12,216
Kennel supplies	56,169	-	-	56,169
Kitten nursery expenses	14,774	-	-	14,774
Landscape	12,425	-	-	12,425
Lease expenses	21,048	1,062	1,062	23,172
Legal fees	38,375	4,490	8,232	51,097
License fee	934	-	-	934
Licensing expense	4,690	-	-	4,690
Maintenance and repairs	112,157	-	-	112,157
Marketing	35,537	-	-	35,537
Mileage reimbursements	5,413	90	-	5,503
Miscellaneous	1,207	-	-	1,207
Neely cat center expense	2	-	-	2
Office	17,836	1,984	1,179	20,999
Outreach	983	-	-	983
Parking lot rent	24,590	-	48	24,638
Payroll fee	16,083	7,455	1,693	25,231
Payroll taxes	348,721	50,215	33,960	432,896
Pension fees	30,596	6,440	3,220	40,256
Personnel expense	33,467	7,046	3,523	44,036
Pest control	2,651	-	-	2,651
Photography	390	-	-	390
Postage	42,316	2,257	48,096	92,669
Printing	26,038	290	193,941	220,269
Property taxes	12,395	981	469	13,845
Rental commissions expense	-	7,563	-	7,563
Salaries	3,849,295	792,037	378,404	5,019,736
Sales taxes	4,391	2	1	4,394
Shelter expense	147,498	-	-	147,498

See accompanying notes to financial statements.

PASADENA HUMANE SOCIETY AND S.P.C.A.STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating Fund				
Special events - golf expenses	-	-	74,044	74,044
Special events - Wiggle Waggle Walk	-	-	39,542	39,542
State permit	-	20	-	20
Store expenses	2,507	53	-	2,560
Subscriptions	9,542	-	183	9,725
Summer camp supplies	2,520	-	-	2,520
Supplies - other	2,020	-	-	2,020
Taxes and licenses	-	5,125	-	5,125
Telephone	55,109	3,312	7,805	66,226
Temporary services	-	64,286	2,850	67,136
Training	4,869	-	1,169	6,038
Transfer expenses	120	-	-	120
Truck operations and maintenance	80,483	-	-	80,483
Uniforms	34,020	363	363	34,746
Utilities	167,488	12,368	6,442	186,298
Veterinary services	129,149	-	-	129,149
Volunteer services	19,360	-	-	19,360
Wellness clinic expenses	200,204	-	-	200,204
Wildlife	19,342	-	-	19,342
Total Operating Fund Expenses	<u>\$ 8,318,446</u>	<u>\$ 1,270,694</u>	<u>\$ 1,174,971</u>	<u>\$ 10,764,111</u>

PASADENA HUMANE SOCIETY AND S.P.C.A.STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating Fund				
Balance forward	<u>\$ 8,318,446</u>	<u>\$ 1,270,694</u>	<u>\$ 1,174,971</u>	<u>\$ 10,764,111</u>
Investment Fund				
Investment advisory and trustee fees	-	80,665	-	80,665
Miscellaneous	<u>-</u>	<u>3,937</u>	<u>-</u>	<u>3,937</u>
Total Investment Fund	<u>-</u>	<u>84,602</u>	<u>-</u>	<u>84,602</u>
Capital Campaign Fund				
Miscellaneous	<u>-</u>	<u>-</u>	<u>51,800</u>	<u>51,800</u>
Total Capital Campaign Fund Expenses	<u>-</u>	<u>-</u>	<u>51,800</u>	<u>51,800</u>
Steve McNall Heart Fund				
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Campaign Fund Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u><u>\$ 8,318,446</u></u>	<u><u>\$ 1,355,296</u></u>	<u><u>\$ 1,226,771</u></u>	<u><u>\$ 10,900,513</u></u>

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Pasadena Humane Society and S.P.C.A. (the “Society”) is a California nonprofit corporation. The Society promotes the humane treatment of all animals, enforces California and local laws for the prevention of cruelty to animals and seeks to instill a humane public attitude toward animals. The Society provides services to the Southern California communities of Arcadia, Glendale, La Canada, Pasadena, San Marino, Sierra Madre, South Pasadena, Monrovia, Bradbury, and Los Angeles County.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

These financial statements have been approved by management and were available for issuance on October 25, 2018, and have been evaluated through this date.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Cash and Cash Equivalents

Cash and cash equivalents, for purposes of reporting cash flows, consists primarily of cash on hand, cash held in checking accounts and money market accounts held by the custodian of the investment accounts. The Society places its cash in high-quality financial institutions. At times, cash balances were in excess of federally insured limits. The Society believes no significant concentration of credit risk exists with respect to these cash balances.

Concentrations of Credit and Market Risk

The Society, at times, maintains cash balances in excess of the insured amount under the Federal Deposit Insurance Corporation (“FDIC”) of \$250,000. The Securities Investor Protection Corporation (“SIPC”) protects investors against broker-dealer failure up to \$500,000, including a \$250,000 limit for cash. The Society does not believe that it is exposed to any significant credit risk.

Contributions Receivable

Contributions receivable include unconditional promises to give and are recorded at their gross amount less a present value discount at an interest rate of 3.33% per annum for the years ended December 31, 2017 and 2016. On a periodic basis, management evaluates its contributions receivable and establishes an allowance for doubtful accounts, if necessary, based on a history of past write-offs, collections and credit conditions. Contributions receivable are written-off as uncollectible once the Society has exhausted its collection efforts. The Society considers all contributions receivable to be collectible at December 31, 2017 and 2016 and no allowance for doubtful accounts is deemed necessary.

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Society’s primary source of revenue is from donor contributions and bequests, which are recorded as revenue upon receipt of cash or unconditional pledges. Contributions and bequests are considered available for unrestricted use unless specifically restricted by the donor. Another source of revenue is contracts with local cities to provide various animal control services. The Society also generates revenue by providing services to pet owners including adoption, spay and neutering, vaccinations and microchipping, behavior classes, boarding and a pet supply store.

Inventory

Inventory consists of animal food and supplies which are held for sale and is accounted for at cost, valued at the most recent purchase price for each item of inventory.

Property and Equipment

Property and equipment are recorded at cost. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not improve or extend the life significantly, are expensed currently. Depreciation and amortization is recorded using the straight-line method over the following useful lives:

	<u>Useful life</u>
Building and improvements	39 Years
Furniture and fixtures	7 Years
Equipment	5 - 7 Years
Vehicles	5 Years
Software	3 Years

In-Kind Contributions and Donated Services

Donated services, goods and facilities are recognized as contributions if the services, goods and facilities (a) create or enhance nonfinancial assets or (b) require specialized skills and are performed by people with those skills and would otherwise be purchased by the Society. The Society received services, goods and facilities that satisfied both conditions in the amount of \$196,946 and \$68,797 for the years ended December 31, 2017 and 2016, respectively, and is included in the accompanying statement of functional expenses.

Gift Cards

The Society engages in the sale and free distribution of gift cards to customers and patrons of the Society’s pet store and facilities. The Society’s gift cards are not subjected to administrative fees, gift cards sold do not expire, but gift cards distributed as gifts, incentives or rewards may expire. When distributed, the Society recognizes a liability for the gift card and recognizes revenue from the redemption of the gift card. The Society tracks its gift cards by assigning a serial number to each card. The Society recognized a gift card liability of \$4,427 and \$3,147 for the years ended December 31, 2017 and 2016, respectively, and is included in accrued expenses in the accompanying statements of financial position.

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Society uses various valuation approaches. In accordance with GAAP, a fair value 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 those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Society. Unobservable inputs reflect the Society’s assumptions about the inputs that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in active markets, valuation of these securities does not entail a significant degree of judgement.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security and is affected by a wide variety of factors including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement. Those estimates values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgement exercised by the Society in determining the fair value is greater for securities categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Society's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Society uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

The Society values investments in securities that are freely tradeable and are listed on national securities exchanges at their last sales price as of the last business day of the year.

The Society holds two parcels of land in remote areas of California; these are carried on the books at nominal values.

The Society has elected to establish a conservative investment strategy that is risk-averse and focuses on income and growth.

Classes of Net Assets

Separate net asset accounts are maintained to ensure that limitations or restrictions placed on contributions, endowments and gifts are used for their intended purpose. The Society uses the following classes of net assets:

Net assets without donor restrictions:

Net assets without donor restrictions are not subject to donor-imposed stipulations.

Net assets with donor restrictions:

Net assets with donor restrictions are subject to donor-imposed stipulations that will be met by actions of the Society and/or the passage of time. 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. Temporarily restricted net assets which have their restriction met in the same year are reported as unrestricted in the statement of activities.

Federal and State Income Taxes

The Society is incorporated as a nonprofit corporation under laws of the State of California and is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and is not subject to federal income taxes except for income from unrelated business activities.

Accounting principles generally accepted in the United States of America require that the Board of Directors evaluate tax positions taken by the Society and recognize a tax liability (or asset) if the Society has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service and the California Franchise Tax Board.

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal and State Income Taxes (Continued)

The Board of Directors of the Society has analyzed the tax positions taken by the Society and has concluded that, as of December 31, 2017, the tax positions in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. If there were interest and penalties associated with any uncertain tax positions the Society would record them as tax expense. The Society is subject to routine audits by taxing organizations, however there are currently no audits for any tax period in progress. The Board of the Directors of the Society believes it is no longer subject to tax examinations for years prior to December 31, 2014.

Description of Funds

Unrestricted net assets include:

- The Operating Fund, which is used to record all activity relating to the operations of the Society, other than those separately designated by the Board of Directors (the “Board”) or subject to temporary or permanent restrictions. This also includes net assets released from restriction through the satisfaction of program restrictions or the passage of time.
- The Investment Fund, which was established to hold the investments of the Society, as designated by the Board. The Society hires outside independent advisors to manage the underlying investments.
- The Capital Campaign Fund, Board designated funds to be used for the construction project at 309 Raymond Avenue.
- The Steve McNall Heart Fund, Board designated funds in honor of Steve McNall for his 36 years of service to be used for saving lives of animals in the community.

Temporarily restricted net assets include:

- The Falk Foundation, established in 1993 to assist in the funding of adoption counselors. A monthly contribution is received from the Elizabeth M. Falk Foundation.
- The Harris Trust Fund, established in 1990 by the Olga B. Harris Trust to assist in the funding of dog related veterinary services and the care of homeless dogs, to the extent that the funds exceed the veterinary expenses.
- The Glide Wildlife Fund, established by a grant given to the Society by the Thornton S. Glide and Katrina D. Glide Foundation in 1998 to assist in funding wildlife programs.
- The G Fund, established by an anonymous donor to fund specific projects designated by the donor.
- The POOCH Fund, established to fund a local animal park.

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Funds (Continued)

- The HART Fund, established to raise funds to reduce euthanasia of animals. The funds are used for transportation and outside veterinary costs needed to aid the Society in transporting the animals to alternate shelters or rescues that will increase the opportunity for the animals to be adopted.
- The Neely Fund, established to fund the cattery construction project and the interactive cat toy project.
- The Operating Fund – temporarily restricted, established to fund specific designation requests of smaller designated contributions.

Joint Costs

The Society incurs costs that are shared by program, management and general fundraising activities. The amount allocated to each area depends on the purpose, audience and content of each program. The Society determined the allocation of joint costs based on current and historical data.

Reclassification

Certain prior year amounts have been reclassified to conform to current year's presentation.

Subsequent Events

Management has evaluated subsequent events and updated its statements through October 25, 2018, the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Petty cash	\$ 2,613	\$ 2,213
Operating	2,407,247	1,476,942
Credit cards	190,956	138,206
Subtotal	<u>2,600,816</u>	<u>1,617,361</u>
Falk Foundation Fund	60,780	29,712
Harris Trust Fund	143,420	80,892
Neely Fund	25,397	25,399
Investment Fund	<u>1,343,884</u>	<u>274,591</u>
Total cash and cash equivalents	<u>\$ 4,174,297</u>	<u>\$ 2,027,955</u>

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents listed on the previous page totaling \$2,600,816 and \$1,617,361 as of December 31, 2017 and 2016, respectively, are allocated among the various funds listed below:

	<u>2017</u>	<u>2016</u>
Operating Fund	2,466,889	1,483,434
Glide Wildlife Fund	54,174	54,174
The G Fund	108,237	108,237
Pooch Fund	1,029	1,029
HART Fund	(39,863)	(39,863)
Steve McNall Heart Fund	10,350	10,350
	<u>\$ 2,600,816</u>	<u>\$ 1,617,361</u>

Cash and cash equivalents included in temporarily restricted funds consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Falk Foundation Fund	60,780	29,712
Harris Trust Fund	143,420	80,892
Glide Wildlife Fund	54,174	54,174
The G Fund	108,237	108,237
Pooch Fund	1,029	1,029
HART Fund	(39,863)	(39,863)
Neely Fund	25,397	25,399
Operating Fund	87,863	160,962
	<u>\$ 441,037</u>	<u>\$ 420,542</u>

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Capital Campaign Fund	\$ 11,000	\$ 291,300
Less: Discount	(129)	(1,964)
Total contribution receivable, net	<u>\$ 10,871</u>	<u>\$ 289,336</u>

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CONTRIBUTIONS RECEIVABLE (Continued)

Future contributions receivable consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Amounts due in less than one year	11,000	247,200
Amounts due in one to five years	-	44,100
	<u>\$ 11,000</u>	<u>\$ 291,300</u>

NOTE 4 – NOTE RECEIVABLE

On April 1, 2016, the Society loaned \$50,000 to their tenant, which is non-interest bearing for the costs of the leasehold improvements of the office space. The note receivable payments are included in the monthly base rent for the first five years of the lease. The note receivable balance was \$32,500 and \$42,500 at December 31, 2017 and 2016.

NOTE 5 – INVESTMENTS

The Society's investments in equity and marketable debt securities with readily redeemable fair values are reported at their fair values based on quoted prices in active markets (Level 1 measurements).

The following is a summary of investments at December 31, 2017:

	<u>Adjusted Cost</u>	<u>Fair Value</u>
U.S. Obligations	\$ 527,065	\$ 527,618
Equities	5,269,424	6,611,060
Mutual Funds	3,234,521	3,205,200
	<u>\$ 9,031,010</u>	<u>\$ 10,343,878</u>

The following is a summary of investments at December 31, 2016:

	<u>Adjusted Cost</u>	<u>Fair Value</u>
U.S. Obligations	\$ 745,646	\$ 741,358
Equities	4,102,134	4,730,879
Mutual Funds	5,047,204	4,782,879
	<u>\$ 9,894,984</u>	<u>\$ 10,255,116</u>

The Society owns two parcels of undeveloped land of undetermined sizes which are carried on the books at a nominal value of \$1 per parcel for a total of \$2 for the years ended December 31, 2017 and 2016. Management has not established the fair value of the parcels.

PASADENA HUMANE SOCIETY AND S.P.C.A.**NOTES TO FINANCIAL STATEMENTS****NOTE 5 – INVESTMENTS (Continued)**

The following is a summary of return on investments at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 269,182	\$ 294,505
Net Realized Gains	274,431	124,515
Unrealized Gains (Losses)	949,419	14,566
Miscellaneous Income	-	15,437
	<u>\$ 1,493,032</u>	<u>\$ 449,023</u>

Investment fees expense was \$80,665 and \$67,555 for the years ended December 31, 2017 and 2016, respectively.

NOTE 6 – FAIR VALUE MEASUREMENTS

The Society's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP. See Note 1 for a discussion of the Society's policies.

The following table presents information about the Society's assets measured at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in money market at fair value (included in cash and cash equivalents)	\$ 1,343,884	\$ -	\$ -	\$ 1,343,884
Investments in fixed income at fair value (included in investments)	527,618			527,618
Investments in equities at fair value (included in investments)	6,611,060	-	-	6,611,060
Investments in mutual funds at fair value (included in investments)	3,205,200	-	-	3,205,200
Investments in land at nominal value (included in investments)	-	-	2	2
	<u>\$ 11,687,762</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 11,687,764</u>

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The following table presents information about the Society’s assets measured at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in money market at fair value (included in cash and cash equivalents)	\$ 274,591	\$ -	\$ -	\$ 274,591
Investments in fixed income at fair value (included in investments)	741,358			741,358
Investments in equities at fair value (included in investments)	4,730,879	-	-	4,730,879
Investments in mutual funds at fair value (included in investments)	4,782,879	-	-	4,782,879
Investments in land at nominal value (included in investments)	-	-	2	2
	<u>\$ 10,529,707</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 10,529,709</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2017:

	<u>Operating Fund</u>	<u>Falk Foundation Fund</u>	<u>Total</u>
Land	\$ 3,487,138	\$ -	\$ 3,487,138
Buildings	25,161,944	-	25,161,944
Building improvements	988,559	-	988,559
Furniture and fixtures	1,056,331	-	1,056,331
Equipment	1,601,843	35,969	1,637,812
Vehicles	1,104,176	-	1,104,176
Software	10,436	-	10,436
	33,410,427	35,969	33,446,396
Less: Accumulated depreciation and amortization	7,909,219	35,969	7,945,188
	<u>\$ 25,501,208</u>	<u>\$ -</u>	<u>\$ 25,501,208</u>

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – PROPERTY AND EQUIPMENT (Continued)

Property and equipment consist of the following at December 31, 2016:

	Operating Fund	Falk Foundation Fund	Total
Land	\$ 3,487,138	\$ -	\$ 3,487,138
Buildings	25,159,138	-	25,159,138
Building improvements	982,360	-	982,360
Furniture and fixtures	1,055,400	-	1,055,400
Equipment	1,543,515	35,969	1,579,484
Vehicles	1,035,231	-	1,035,231
Software	10,436	-	10,436
	<u>33,273,218</u>	<u>35,969</u>	<u>33,309,187</u>
Less: Accumulated depreciation and amortization	<u>6,932,995</u>	<u>35,969</u>	<u>6,968,964</u>
	<u><u>\$ 26,340,223</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,340,223</u></u>

Depreciation and amortization expense was \$976,224 and \$1,043,669 for the years ended December 31, 2017 and 2016, respectively.

NOTE 8 – RETIREMENT PLANS

Defined Benefit Plan

The Society maintained a noncontributory defined benefit pension plan (the “Plan”) under Section 403(b) of the Internal Revenue Code covering all eligible employees. Employees become eligible at the attainment of age 21 and the completion of one year of service and enter the plan on January 1 or July 1 coincident with and/or following their completion of the eligibility requirements. Normal retirement age is the participant’s 65th birthday or the 5th anniversary from the participant’s entry date, if later. There were 84 employees in the plan as of January 1, 2016. The Plan was terminated effective December 31, 2016.

The annual pension benefit was 1.00% of average compensation plus 0.65% of average compensation in excess of covered compensation, the resulting sum of which was multiplied by total years of participation, not to exceed 35 years.

The form of pension payment was a straight life annuity for single employees and a reduced joint and 100% survivor annuity for married employees. Optional forms included single sum and installment payments. There was no provision for early retirement.

The late retirement benefit calculation was the actuarial equivalent of normal retirement pension or normal retirement pension calculated based on average compensation and service as of late retirement date, if greater.

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – RETIREMENT PLANS (Continued)

Defined Benefit Plan (Continued)

The severance benefit was the accrued pension times vested percentage. The vested percentage varied according to years of service. A pre-retirement death benefit was available to both active and former participants.

The pension benefit obligation was calculated as part of an actuarial valuation performed as of January 1, 2016. The actuarial assumptions for 2016 included an interest rate of 7.50% per annum, a retirement age of 65, and an anticipated earnings progression of 0.00% per annum. The actuary used the interest rates prescribed by the Pension Protection Act of 2006 and the Moving Ahead for Progress in the 21st Century Act, as published by the Internal Revenue Service.

	<u>2016</u>
Assets	<u>\$ 2,171,393</u>
Unfunded vested benefits	<u>\$ 687,692</u>
Target normal cost as of beginning of year	<u>\$ 196,756</u>
Present value of accrued benefits (based on greater of plan rates or IRC 417(e) mortality and interest rates, limited by IRC 415(b) maximum rates)	<u>\$ 2,249,504</u>
Minimum required contribution for the plan year	<u>\$ 232,369</u>
Maximum contribution for the year	<u>\$ 2,451,220</u>

The Plan's assets were held in trust at a financial institution and consist of U.S. Government bonds, corporate stocks and a money fund account.

The Society terminated the Plan on December 31, 2016 and accrued an estimated payment of \$1,164,000 due to the Plan. During 2017, the Society paid \$808,000 to the Plan for the accrued payment due. The Society has an estimated balance of \$356,000 due to the Plan as of December 31, 2017.

403(b) Retirement Plan

Effective January 1, 2017, the Society has a qualified 403(b) retirement plan (the "Retirement Plan") covering all eligible employees, as defined in the Society's plan document. The Retirement Plan allows the Society to match the employees' contributions up to certain statutory limits. The Society made contributions of \$206,842 to the Retirement Plan for the year ended December 31, 2017, and is included in the statement of functional expenses.

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – NOTE PAYABLE

During 2004, the Society signed an agreement with Community Bank (the “Bank”) to establish a Variable Interest Revolving Line of Credit (the “Line of Credit”) in the amount of \$2,500,000 to purchase real estate for future development. During 2012, the Society renegotiated the Line of Credit to increase the amount to \$5,000,000, with a maturity date of October 1, 2013.

During October 2013, the Society exercised the option to extend the Line of Credit and the Bank amended the terms of the agreement. The amended agreement increased the Line of Credit to \$8,000,000, with a maturity date of August 1, 2019 and is collateralized by the real property and related fixtures located at 76 East Del Mar Boulevard and 361 South Raymond Avenue, Pasadena, California. During the period, November 1, 2013 through July 31, 2014, the Society was to make interest only payments at a rate of not less than 1.75%. Beginning August 1, 2014, the Line of Credit was converted to a Promissory Note (the “Note”) bearing interest at a rate of 3.33% per annum with a maturity date of August 1, 2019.

The Society had a balance due of \$865,927 and \$1,752,318 for the years ended December 31, 2017 and 2016, respectively. Interest expense was \$49,453 and \$111,267 for the years ending December 31, 2017 and 2016, respectively, which is included in interest expense on the accompanying statement of functional expenses.

Future minimum payments are as follows:

Years ending December 31,

2018	435,742
2019	<u>430,185</u>
	<u>\$ 865,927</u>

NOTE 10 – CAPITAL LEASES

The Society leases certain equipment pursuant to non-cancelable capital leases, expiring at various dates through August 2021.

Capital leases consist of the following at December 31, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 174,178	\$ 174,178
Less: Accumulated amortization	<u>103,414</u>	<u>71,991</u>
	<u>\$ 70,764</u>	<u>\$ 102,187</u>

PASADENA HUMANE SOCIETY AND S.P.C.A.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – CAPITAL LEASES (Continued)

The following is a schedule of future minimum payments under capital lease together with the present value of net minimum lease payments as of December 31, 2017:

Years ending December 31,	
2018	\$ 48,480
2019	48,480
2020	41,330
2021	<u>27,119</u>
Total minimum lease payments	165,409
Less: Amount representing interest	<u>25,255</u>
	140,154
Less: Current portion	<u>37,021</u>
	<u><u>\$ 103,133</u></u>

Interest expense was \$14,403 and \$12,746 for the years ending December 31, 2017 and 2016, respectively, which is included in interest expense on the accompanying statement of functional expenses.

NOTE 11 – SUBSEQUENT EVENTS

On May 18, 2018, the Society paid the final principal payment of \$695,526 to the Note.

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENT OF FINANCIAL POSITION
 NET ASSETS WITHOUT DONOR RESTRICTIONS
 DECEMBER 31, 2017

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Capital Campaign Fund</u>	<u>Steve McNall Heart Fund</u>	<u>Total</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 2,379,026	\$ 1,343,884	\$ -	\$ 10,350	\$ 3,733,260
Investments	-	10,343,880	-	-	10,343,880
Accounts receivable	163,616	-	-	-	163,616
Due from Falk Fund	58,000	-	-	-	58,000
Due from Harris Fund	90,354	-	-	-	90,354
Note receivable	32,500	-	-	-	32,500
Contributions receivable, net	-	-	10,871	-	10,871
Inventory	63,837	-	-	-	63,837
Prepaid expenses and other current assets	146,399	-	-	-	146,399
Total current assets	2,933,732	11,687,764	10,871	10,350	14,642,717
Deferred rental income	22,659	-	-	-	22,659
Property and equipment, net	25,501,208	-	-	-	25,501,208
Total assets	<u>\$ 28,457,599</u>	<u>\$ 11,687,764</u>	<u>\$ 10,871</u>	<u>\$ 10,350</u>	<u>\$ 40,166,584</u>

See independent auditors' report.

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENT OF FINANCIAL POSITION
NET ASSETS WITHOUT DONOR RESTRICTIONS
DECEMBER 31, 2017

	Operating Fund	Investment Fund	Capital Campaign Fund	Steve McNall Heart Fund	Total
Liabilities and net assets					
Current liabilities					
Accounts payable	\$ 286,765	\$ -	\$ -	\$ -	\$ 286,765
Accrued expenses	307,634	-	-	-	307,634
Accrued pension	356,000	-	-	-	356,000
Note payable, current	435,742	-	-	-	435,742
Capital lease, current	37,021	-	-	-	37,021
Total current liabilities	<u>1,423,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,423,162</u>
Long-Term liabilities					
Note payable, net of current portion	430,185	-	-	-	430,185
Capital lease, net of current portion	103,133	-	-	-	103,133
Total long-term liabilities	<u>533,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>533,318</u>
Total liabilities	<u>1,956,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,956,480</u>
Net assets					
Without donor restrictions					
Operating	26,501,119	-	-	-	26,501,119
Investment Fund - Board Designated	-	11,687,764	-	-	11,687,764
Capital Campaign Fund	-	-	10,871	-	10,871
Steve McNall Heart Fund	-	-	-	10,350	10,350
Total net assets without donor restrictions	<u>26,501,119</u>	<u>11,687,764</u>	<u>10,871</u>	<u>10,350</u>	<u>38,210,104</u>
Total liabilities and net assets	<u>\$ 28,457,599</u>	<u>\$ 11,687,764</u>	<u>\$ 10,871</u>	<u>\$ 10,350</u>	<u>\$ 40,166,584</u>

See independent auditors' report.

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENT OF FUND ACTIVITIES
 NET ASSETS WITHOUT DONOR RESTRICTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Investment Fund	Capital Campaign Fund	Steve McNall Heart Fund	Total
Support and Revenue					
Animal control services	11,658	-	-	-	\$ 11,658
Adoption fees, net of discounts	310,858	-	-	-	310,858
Behavior fees	65,380	-	-	-	65,380
Boarding income, net of discounts	187,700	-	-	-	187,700
Contract income	3,071,609	-	-	-	3,071,609
Contributions and bequests	6,117,314	-	2,370	-	6,119,684
Gains on disposal of fixed assets	1,085	-	-	-	1,085
Gifts-in-kind	134,350	-	-	-	134,350
Helping paws income, net of discounts	(562)	-	-	-	(562)
Humane education	32,300	-	-	-	32,300
Impound fees	9,155	-	-	-	9,155
Interest and dividends	-	268,992	-	-	268,992
License fees	428,060	-	-	-	428,060
Rental income	163,473	-	-	-	163,473
Room rental	11,447	-	-	-	11,447
Service fees, net of discounts	124,791	-	-	-	124,791
Special events - golf	221,846	-	-	-	221,846
Special events - Wiggle Waggle Walk	243,315	-	-	-	243,315
Store sales, net of discounts and cost of goods sold	169,553	-	-	-	169,553
Volunteer income	9,231	-	-	-	9,231
Wellness clinic, net of discounts	563,194	-	-	-	563,194
Net assets released from restriction	473,430	-	-	-	473,430
Total support and revenue	12,349,187	268,992	2,370	-	12,620,549

See independent auditors' report.

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENT OF FUND ACTIVITIES
 NET ASSETS WITHOUT DONOR RESTRICTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Capital Campaign Fund</u>	<u>Steve McNall Heart Fund</u>	<u>Total</u>
Expenses					
Program	8,318,446	-	-	-	8,318,446
Management and general	1,270,694	84,602	-	-	1,355,296
Fund raising	1,174,971	-	51,800	-	1,226,771
Total Expenses	<u>10,764,111</u>	<u>84,602</u>	<u>51,800</u>	<u>-</u>	<u>10,900,513</u>
Excess (deficiency) of support and revenue over expenses	1,585,076	184,390	(49,430)	-	1,720,036
Transfer from temporarily restricted	31,000	-	-	-	31,000
Interfund transfers	479,220	(250,185)	(229,035)	-	-
Gain on sale of investments	-	274,431	-	-	274,431
Unrealized gain on investments	-	949,419	-	-	949,419
Increase (Decrease) in net assets without donor restrictions	2,095,296	1,158,055	(278,465)	-	2,974,886
Net assets, beginning of year	<u>24,405,823</u>	<u>10,529,709</u>	<u>289,336</u>	<u>10,350</u>	<u>35,235,218</u>
Net assets, end of year	<u>\$ 26,501,119</u>	<u>\$ 11,687,764</u>	<u>\$ 10,871</u>	<u>\$ 10,350</u>	<u>\$ 38,210,104</u>

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PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENT OF FINANCIAL POSITION
 NET ASSETS WITH DONOR RESTRICTIONS
 DECEMBER 31, 2017

	Falk Foundation Fund	Harris Trust Fund	Glide Wildlife Fund	The G Fund	Pooch Fund	HART Fund	Neely Fund	Operating Fund	Total
Assets									
Current assets									
Cash and cash equivalents	\$ 60,780	\$ 143,420	\$ 54,174	\$ 108,237	\$ 1,029	\$ (39,863)	\$ 25,397	\$ 87,863	\$ 441,037
Due from unrestricted operating fund	-	-	-	-	-	-	-	-	-
Contributions receivable, net of allowance	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	-	-	-	-	-	-	-	-	-
Total current assets	60,780	143,420	54,174	108,237	1,029	(39,863)	25,397	87,863	441,037
Property and equipment, net	-	-	-	-	-	-	-	-	-
Total assets	\$ 60,780	\$ 143,420	\$ 54,174	\$ 108,237	\$ 1,029	\$ (39,863)	\$ 25,397	\$ 87,863	\$ 441,037
Liabilities and net assets									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,025	\$ -	\$ 27,025
Due to unrestricted operating fund	58,000	90,354	-	-	-	-	-	-	148,354
Total liabilities	58,000	90,354	-	-	-	-	27,025	-	175,379
Net assets									
With donor restrictions	2,780	53,066	54,174	108,237	1,029	(39,863)	(1,628)	87,863	265,658
Total liabilities and net assets	\$ 60,780	\$ 143,420	\$ 54,174	\$ 108,237	\$ 1,029	\$ (39,863)	\$ 25,397	\$ 87,863	\$ 441,037

See independent auditors' report.

PASADENA HUMANE SOCIETY AND S.P.C.A.

STATEMENT OF FUND ACTIVITIES
 NET ASSETS WITH DONOR RESTRICTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Falk Foundation Fund	Harris Trust Fund	Glide Wildlife Fund	The G Fund	Pooch Fund	HART Fund	Neely Fund	Operating Fund	Total
Support and revenue									
Contributions and bequests	\$ 31,000	\$ 66,443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 376,875	\$ 474,318
Interest and dividends	68	122	-	-	-	-	-	-	190
Net assets released from restriction	-	(23,454)	-	-	-	-	(2)	(449,974)	(473,430)
Total support and revenue in excess (under) net assets released from restriction	<u>31,068</u>	<u>43,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>(73,099)</u>	<u>1,078</u>
Expenses									
Program	-	-	-	-	-	-	-	-	-
Management and general	-	-	-	-	-	-	-	-	-
Fund raising	-	-	-	-	-	-	-	-	-
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of support and revenue over expenses	31,068	43,111	-	-	-	-	(2)	(73,099)	1,078
Transfer to net assets without donor restrictions	(31,000)	-	-	-	-	-	-	-	(31,000)
Increase (Decrease) in net assets	68	43,111	-	-	-	-	(2)	(73,099)	(29,922)
Net assets, beginning of year	<u>2,712</u>	<u>9,955</u>	<u>54,174</u>	<u>108,237</u>	<u>1,029</u>	<u>(39,863)</u>	<u>(1,626)</u>	<u>160,962</u>	<u>295,580</u>
Net assets, end of year	<u>2,780</u>	<u>53,066</u>	<u>54,174</u>	<u>108,237</u>	<u>1,029</u>	<u>(39,863)</u>	<u>(1,628)</u>	<u>87,863</u>	<u>\$ 265,658</u>

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