



Financial Statements
September 30, 2017 and 2016

Idaho Humane Society, Incorporated

Idaho Humane Society, Incorporated
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September 30, 2017 and 2016

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Independent Auditor's Report

The Board of Directors
Idaho Humane Society, Incorporated
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of Idaho Humane Society, Incorporated, (the Society), which comprise the statements of financial position as of September 30, 2017 and 2016 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Society'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 Society'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 Idaho Humane Society, Incorporated as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
January 24, 2018

Idaho Humane Society, Incorporated
 Statements of Financial Position
 September 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 631,395	\$ 264,350
Cash and cash equivalents restricted for programs	182,828	49,149
Accounts receivable, less allowance of \$51,859 and \$33,601 in 2017 and 2016, respectively	153,330	137,649
Promises to give, net	161,877	466,806
Inventory	27,566	27,170
Prepaid expenses	22,675	30,013
Total current assets	1,179,671	975,137
Board Designated Reserve Fund and Capital Campaign Assets		
Cash and cash equivalents	7,835,875	4,891,730
Investments	2,756,146	4,822,332
Total board designated reserve fund and Capital Campaign assets	10,592,021	9,714,062
Easy Fund Assets		
Cash and cash equivalents	25,023	16,725
Investments	1,960,271	1,807,793
Total Easy Fund assets	1,985,294	1,824,518
Promises to Give, Long-Term, net	233,110	150,625
Property and Equipment, net	5,006,699	4,255,286
	\$ 18,996,795	\$ 16,919,628

Idaho Humane Society, Incorporated
 Statements of Financial Position
 September 30, 2017 and 2016

	2017	2016
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 284,750	\$ 141,921
Accrued expenses	220,593	191,436
Capital lease obligations	-	1,612
Total liabilities	505,343	334,969
Net Assets		
Unrestricted		
Operations or undesignated	5,536,858	4,611,904
Board designated reserve fund	5,275,113	4,780,111
Board designated Capital Campaign	569,109	1,044,036
Temporarily restricted		
Donor restricted Capital Campaign	4,942,250	4,274,941
Easy Fund	1,985,294	1,824,518
Other	182,828	49,149
Total net assets	18,491,452	16,584,659
	\$ 18,996,795	\$ 16,919,628

Idaho Humane Society, Incorporated
Statement of Activities
Year Ended September 30, 2017

	Unrestricted		Temporarily Restricted	Total
	Operations	Designated		
Public Support, Revenues, and Gains				
Donations and Contributions				
Capital Campaign	\$ -	\$ 454,272	\$ 667,309	\$ 1,121,581
Easy Fund	-	-	175	175
General Support and Other	1,037,786	-	228,660	1,266,446
Animal control contracts	1,765,582	-	-	1,765,582
Clinic services	2,034,723	-	-	2,034,723
Shelter services	552,143	-	-	552,143
PetSmart	262,296	-	-	262,296
Other revenues	256,247	-	-	256,247
Interest and dividends	711	90,467	39,350	130,528
Realized gain on investments	-	8,546	3,492	12,038
Unrealized gain on investments	-	395,989	192,141	588,130
Net assets released from restrictions				
Satisfaction of program restrictions	169,363	-	(169,363)	-
Total public support, revenues, and gains	<u>6,078,851</u>	<u>949,274</u>	<u>961,764</u>	<u>7,989,889</u>
Expenses				
Programs				
Animal control and shelter services	2,410,919	-	-	2,410,919
Clinic services	2,417,133	-	-	2,417,133
PetSmart	176,146	-	-	176,146
Other programs	268,724	-	-	268,724
Supporting services				
Management and general	384,526	-	-	384,526
Fundraising	425,648	-	-	425,648
Total expenses	<u>6,083,096</u>	<u>-</u>	<u>-</u>	<u>6,083,096</u>
Interfund Transfers				
Designated fund transfers	929,199	(929,199)	-	-
Change in Net Assets	<u>924,954</u>	<u>20,075</u>	<u>961,764</u>	<u>1,906,793</u>
Capital Campaign	-	1,044,036	4,274,941	5,318,977
Easy Fund	-	-	1,824,518	1,824,518
Other	4,611,904	4,780,111	49,149	9,441,164
Net Assets, Beginning of Year	<u>4,611,904</u>	<u>5,824,147</u>	<u>6,148,608</u>	<u>16,584,659</u>
Capital Campaign	-	569,109	4,942,250	5,511,359
Easy Fund	-	-	1,985,294	1,985,294
Other	5,536,858	5,275,113	182,828	10,994,799
Net Assets, End of Year	<u>\$ 5,536,858</u>	<u>\$ 5,844,222</u>	<u>\$ 7,110,372</u>	<u>\$ 18,491,452</u>

Idaho Humane Society, Incorporated
Statement of Activities
Year Ended September 30, 2016

	Unrestricted		Temporarily Restricted	Total
	Operations	Designated		
Public Support, Revenues, and Gains				
Donations and Contributions				
Capital Campaign	\$ -	\$ 432,890	\$ 180,936	\$ 613,826
Easy Fund	-	-	1,735	1,735
General Support and Other	938,811	-	109,066	1,047,877
Animal control contracts	1,682,602	-	-	1,682,602
Clinic services	1,809,456	-	-	1,809,456
Shelter services	548,514	-	-	548,514
PetSmart	186,802	-	-	186,802
Other revenues	244,771	-	-	244,771
Gain on disposal of assets	-	337,341	-	337,341
Interest and dividends	775	107,918	36,521	145,214
Realized gain on investments	-	177,603	17,347	194,950
Unrealized gain on investments	-	270,812	129,473	400,285
Net assets released from restrictions				
Satisfaction of program restrictions	179,252	-	(179,252)	-
Total public support, revenues, and gains	<u>5,590,983</u>	<u>1,326,564</u>	<u>295,826</u>	<u>7,213,373</u>
Expenses				
Programs				
Animal control and shelter services	2,283,324	-	-	2,283,324
Clinic services	2,141,009	-	-	2,141,009
PetSmart	202,177	-	-	202,177
Other programs	276,749	-	-	276,749
Supporting services				
Management and general	390,165	-	-	390,165
Fundraising	324,778	-	-	324,778
Total expenses	<u>5,618,202</u>	<u>-</u>	<u>-</u>	<u>5,618,202</u>
Interfund Transfers				
Designated fund transfers	250,424	(250,424)	-	-
Change in Net Assets	<u>223,205</u>	<u>1,076,140</u>	<u>295,826</u>	<u>1,595,171</u>
Capital Campaign	-	524,229	4,094,005	4,618,234
Easy Fund	-	-	1,714,855	1,714,855
Other	4,388,699	4,223,778	43,922	8,656,399
Net Assets, Beginning of Year	<u>4,388,699</u>	<u>4,748,007</u>	<u>5,852,782</u>	<u>14,989,488</u>
Capital Campaign	-	1,044,036	4,274,941	5,318,977
Easy Fund	-	-	1,824,518	1,824,518
Other	4,611,904	4,780,111	49,149	9,441,164
Net Assets, End of Year	<u>\$ 4,611,904</u>	<u>\$ 5,824,147</u>	<u>\$ 6,148,608</u>	<u>\$ 16,584,659</u>

See Notes to Financial Statements

Idaho Humane Society, Incorporated
 Statements of Cash Flows
 Years Ended September 30, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 1,906,793	\$ 1,595,171
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	190,560	196,473
Investment income net of fees	(101,497)	(113,790)
Realized gain on investments	(12,038)	(194,950)
Unrealized gain on investments	(588,130)	(400,285)
Gain on disposal of assets	-	(337,341)
Temporary restricted contributions	(896,144)	(291,737)
Changes in assets and liabilities		
Accounts receivable	(15,681)	(21,252)
Inventory	(397)	2,935
Prepaid expenses	7,338	(6,885)
Accounts payable	142,829	(20,650)
Accrued expenses	29,157	23,475
Net Cash from Operating Activities	662,790	431,164
Investing Activities		
Purchase of investments	(118,557)	(185,232)
Proceeds from sale of investments	2,733,931	1,009,378
Purchase of property and equipment	(941,973)	(223,820)
Proceeds from sale of property	-	595,430
Net Cash from Investing Activities	1,673,401	1,195,756
Financing Activities		
Collections of contributions restricted to building project	222,444	145,188
Proceeds from temporarily restricted contributions	896,144	291,737
Payments on capital lease	(1,612)	(2,405)
Net Cash from Financing Activities	1,116,976	434,520
Net Change in Cash	3,453,167	2,061,440
Cash and Cash Equivalents, Beginning of Year	5,221,954	3,160,514
Cash and Cash Equivalents, End of Year	\$ 8,675,121	\$ 5,221,954

Idaho Humane Society, Incorporated
Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Supplemental Disclosures of Cash Flows Information		
Noncash donation of stock	<u>\$ 31,014</u>	<u>\$ 50,287</u>
Reconciliation of Cash and Cash Equivalents		
Current assets	\$ 814,223	\$ 313,499
Board Designated Reserve Fund and Capital Campaign Assets	7,835,875	4,891,730
Easy Fund	<u>25,023</u>	<u>16,725</u>
	<u>\$ 8,675,121</u>	<u>\$ 5,221,954</u>

Note 1 - Summary of Significant Accounting Policies

Activity

The primary exempt purpose of the Idaho Humane Society, Incorporated (the Society) is to prevent cruelty, abuse and neglect of animals by: sheltering lost and unwanted companion animals; providing full-service affordable veterinary medical care emphasizing spay and neuter; conducting community outreach and education programs on humane care of animals; enforcing animal welfare laws; and conducting cruelty investigation and rescue. The Society was incorporated in the State of Idaho in 1945 and is a non-profit corporation.

Basis of Accounting

The financial statements of the Society are prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand as well as checking, savings and money market accounts with financial institutions. The Society considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statements of cash flows includes operating, temporarily restricted for programs, Board Designated Reserve Fund, Capital Campaign Reserve Fund, and Easy Fund cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Society provides for losses on accounts receivable using the allowance method. The allowance is based on experience. It is the Society's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The Society extends credit to its customers for veterinary services. The Society charges a monthly service fee of \$4.50 on outstanding balances, but does not require collateral, for outstanding balances.

Promises to Give

The Society records unconditional promises to give at net realizable value. The Society assesses collectability of promises to give and records an allowance for any for which collectability is questionable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At September 30, 2017 and 2016, unconditional promises to give are considered collectible by management, as such the allowance was zero for both years.

Inventory

Inventory consists of retail pet supplies, feed, and veterinary supplies valued at the lower of cost (first-in, first-out method) or market.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Property and Equipment

Property and equipment are recorded at cost except for donated property, which is recorded at fair market value when donated. Depreciation on property and equipment is provided on the straight-line method over estimated useful lives of the assets. The building was constructed with funds received from donor-imposed restrictions. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Expenditures over \$2,500 for major renewals and betterments that extend the useful lives are capitalized. Expenditures for maintenance and repairs that do not improve or extend the useful lives of the respective assets are charged to expense as incurred. Useful lives are as follows:

Buildings	40 years
Vehicles and equipment	3 - 15 years

The Society reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2017 and 2016.

Display of Net Assets

The Society complies with the requirements of the Financial Accounting Standards Codification as set forth in ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the net assets of the Society are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and are available for use in general operations. The Society's policy is to report restricted revenues as unrestricted if the restriction is met in the same period as the revenues are recognized. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for the capital campaign and board-designated endowment.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Society and/or the passage of time. The Society reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statements of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Society. The Society had no permanently restricted net assets as of September 30, 2017 and 2016.

All other net assets, including board designated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Revenue and Revenue Recognition

The Society recognizes revenue in the form of shelter and clinic services, donations and contributions, and animal control contracts. Virtually all donations and contributions are from private sources. Revenue is recognized when earned. Contributions are recognized when cash, securities, or other asset is received or when an unconditional promise to give is received and considered collectible.

Contributed Support

Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. Restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted contributions.

The Society receives a significant amount of contributed time. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Accordingly, the value of the majority of this contributed time has not been determined and is not reflected in the accompanying financial statements, as the donated time does not meet the recognition criteria.

The Society received donated materials and supplies reflected at their fair value at the date of donation in the amounts of \$104,967 and \$68,201, respectively, during the years ended September 30, 2017 and 2016. During the year certain donations of supplies were received that were not recorded in the financial statements. These donations had no effect on net assets.

Advertising

Promotion and publicity charges are expensed when incurred. Advertising costs were \$10,972 and \$16,230 for the years ended September 30, 2017 and 2016, respectively.

Income Taxes

The Society is organized as a nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Society is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Society is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Society has determined it has no unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

The Society believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Society would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The Society uses estimates and assumptions in preparing financial statements in conformity with U.S. GAAP. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. It is at least reasonably possible that the estimates will change within the next year and could be material.

Financial Instruments and Credit Risk

The Society manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Society has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to historical collection rates. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Society.

Subsequent Events

The Society has evaluated subsequent events through January 24, 2018, the date which the financial statements were available to be issued.

Note 2 - Fair Value Measurements

The Society has determined the fair value of certain assets and liabilities in accordance with the provisions of ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Society can access at measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the related asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Society's assessment of the quality, risk or liquidity profile of the asset or liability.

All of the Society's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at September 30, 2017:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Board designated reserve and Capital Campaign investments				
Mutual funds				
Large blend	\$ 1,842,917	\$ 1,842,917	\$ -	\$ -
Intermediate bond	803,515	803,515	-	-
Mid blend	109,714	109,714	-	-
	<u>\$ 2,756,146</u>	<u>\$ 2,756,146</u>	<u>\$ -</u>	<u>\$ -</u>
Easy Fund investments				
Mutual funds				
Large blend	\$ 1,311,464	\$ 1,311,464	\$ -	\$ -
Intermediate bond	577,199	577,199	-	-
Mid blend	71,608	71,608	-	-
	<u>\$ 1,960,271</u>	<u>\$ 1,960,271</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents assets measured at fair value on a recurring basis at September 30, 2016:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Board designated reserve and Capital Campaign investments				
Mutual funds				
Large blend	\$ 3,184,855	\$ 3,184,855	\$ -	\$ -
Intermediate bond	1,449,627	1,449,627	-	-
Mid blend	187,850	187,850	-	-
	<u>\$ 4,822,332</u>	<u>\$ 4,822,332</u>	<u>\$ -</u>	<u>\$ -</u>
Easy Fund investments				
Mutual funds				
Large blend	\$ 1,210,228	\$ 1,210,228	\$ -	\$ -
Intermediate bond	525,789	525,789	-	-
Mid blend	71,776	71,776	-	-
	<u>\$ 1,807,793</u>	<u>\$ 1,807,793</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3 - Net Investment Return

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2017:

	Operations	Board Designated Reserve Fund	Temporarily Restricted	Total
Net unrealized gain	\$ -	\$ 395,989	\$ 192,141	\$ 588,130
Net realized gain	-	8,546	3,492	12,038
Investment fees	(29,031)	-	-	(29,031)
Interest and dividends	711	90,467	39,350	130,528
Net investment (loss) gain	<u>\$ (28,320)</u>	<u>\$ 495,002</u>	<u>\$ 234,983</u>	<u>\$ 701,665</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2016:

	Operations	Board Designated Reserve Fund	Temporarily Restricted	Total
Net unrealized gain	\$ -	\$ 270,812	\$ 129,473	\$ 400,285
Net realized gain	-	177,603	17,347	194,950
Investment fees	(31,424)	-	-	(31,424)
Interest and dividends	775	107,918	36,521	145,214
Net investment (loss) gain	<u>\$ (30,649)</u>	<u>\$ 556,333</u>	<u>\$ 183,341</u>	<u>\$ 709,025</u>

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at September 30, 2017 and 2016:

	2017	2016
Within one year	\$ 161,877	\$ 466,806
Over one year	233,110	150,625
	<u>\$ 394,987</u>	<u>\$ 617,431</u>

At September 30, 2017 and 2016, one donor accounted for 32% and 57% of total promises to give, respectively.

Note 5 - Property and Equipment

Property and equipment is comprised of the following at September 30, 2017 and 2016:

	2017	2016
Land	\$ 1,850,080	\$ 1,850,080
Buildings	3,716,697	3,684,158
Vehicles and equipment	1,232,251	1,177,216
Construction in Progress - New Shelter	1,091,892	237,493
	7,890,920	6,948,947
Accumulated depreciation	<u>(2,884,221)</u>	<u>(2,693,661)</u>
	<u>\$ 5,006,699</u>	<u>\$ 4,255,286</u>

Depreciation expense recorded on the fixed assets was \$190,560 and \$196,473, respectively, for the years ended September 30, 2017 and 2016.

The Society broke ground on a new adoption center and veterinary medical hospital during the year ended September 30, 2017, and construction costs are reflected in Construction in Progress – New Shelter. Construction is expected to be complete by early 2019.

Note 6 - Leases

The Society leases the land upon which their building is located from the City of Boise under a 40-year operating lease expiring August 1, 2036. The lease requires an annual payment of \$15,258, which is increased on the 5th, 15th, 25th and 35th lease anniversary date by a percentage of the increase in the Consumer Price Index. The annual payment is also increased on the 10th, 20th, and 30th anniversary date by the greater of 8 percent of the fair market value of the lease premises or a percentage of the increase in the Consumer Price Index. The future minimum lease payments are \$287,370. The current year rent expense totaled \$15,258.

In May 2006, the Society signed a second lease for additional land behind the shelter and the use of buildings that are located on the land from the City of Boise under a 30-year and three month lease expiring on July 31, 2036. The lease requires an annual payment of \$12,381, which is increased on the 5th, 10th, 15th, and 25th lease anniversary date by the greater of a percentage of the increase in the Consumer Price Index or the fair market value of the leased premises. The future minimum lease payments are \$233,173. The current year rent expense totaled \$12,381.

In April 2014, the Society signed a lease for multiple copiers and printers. In September 2014, three additional pieces of equipment were added to the lease. In August 2015, one additional piece of equipment was added to the lease. The lease expires in April 2019. Total monthly payments are \$2,475. The future minimum lease payments are \$47,025. The current year rent expense totaled \$29,700.

Total five year payout for commitments and contingencies are:

2018	\$	57,340
2019		44,965
2020		27,639
2021		27,639
2022		27,639
Thereafter		382,346
 Total minimum obligations		 \$ 567,568

Note 7 - Board Designated Reserve Fund

The Board of Directors established a reserve fund to help ensure the financial future of the Society. The reserve fund is composed of net assets set aside by the Board of Directors for specific purposes, such as future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. The Board of Directors also transfers funds from the reserve fund to the operations fund as deemed necessary.

The Society has adopted investment and spending policies for the reserve fund that attempt to provide a predictable stream of funding for operations, while seeking to maintain the purchasing power of the reserve fund assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the reserve fund assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the reserve fund investments.

All withdrawals from the reserve fund are at the discretion of the Board of Directors. Board approved distributions from the reserve fund were \$929,199 and \$250,424 during 2017 and 2016, respectively. The distributions for the year ended September 30, 2017 were primarily for architect fees and preliminary construction costs related to the future building, and related costs. The distributions for the year ended September 30, 2016 were primarily for the payoff of the note payable on the land purchased for the future adoption center and veterinary medical center, architect fees related to the future building, and related costs. The principal balance of the reserve fund was \$5,844,222 and \$5,824,147 at September 30, 2017 and 2016, respectively.

Note 8 - Temporarily Restricted Net Assets

The Society's temporarily restricted net assets consist of granted and donated money from various sources provided for the benefit of specific programs.

Temporarily restricted net assets at September 30, 2017 and 2016, consist of:

	2017	2016
Restricted by donors for		
Capital Campaign	\$ 4,942,250	\$ 4,274,941
Easy Fund	1,985,294	1,824,518
Medical Transfer	46,479	-
Pet Food Pantry	38,114	13,595
Community Cats	35,641	-
Senior Veterinary Care	30,644	-
Rescue Ranch	20,464	21,958
Others	11,486	13,596
	\$ 7,110,372	\$ 6,148,608

Net assets were released from restrictions as follows during the years ended September 30, 2017 and 2016:

	2017	2016
Satisfaction of purpose restrictions		
Easy Fund	\$ 74,382	\$ 75,413
Shelter Animal Care	22,789	5,474
Spay/Neuter Programs	1,675	8,191
Pet Food Pantry	22,887	23,577
IDAPI	4,345	22,395
Pets for Seniors	11,865	6,994
STAR	8,945	12,177
Senior Veterinary Care	9,356	-
Others	13,119	25,031
	\$ 169,363	\$ 179,252

Easy Fund

In fiscal year 2013, the Society received a bequest to provide funding for the Easy Fund of the Idaho Humane Society, Incorporated (Easy Fund), to benefit dogs by subsidizing the cost of (i) urgently needed veterinary care to companion animals of families, seniors, and individuals in the community that aren't otherwise able to afford the care and (ii) immediate medical care for ill and injured homeless and/or ownerless animals that are in the care of the Society. The goal is (i) to provide medical care for adoptable dogs with serious but treatable medical conditions that without such care would be rendered unadoptable and (ii) to provide medical care for treatable dogs belonging to members of the public that cannot afford such care and might lose the companionship of the dog without such care. The Easy Fund will specifically benefit dogs only. No other species shall benefit from the Easy Fund, per the donor's stipulations.

Each year no less than 2 1/2% or more than 5% of the Annual Value, as determined as of December 31, of the Easy Fund may be used to provide benefits contemplated under the Easy Fund. As of September 30, 2017, the value of the Easy Fund was \$1,985,294. Funds are presented under Easy Fund in the Statement of Financial Position as of September 30, 2017. Funds are invested according to donor guidelines with no fees charged to the funds. The allocation of funds to be used for the following year, beginning January 1, will be determined based on the balance of the Fund at December 31 each year. Additional donations to the Easy Fund will be encouraged and accepted per the donor's request. For calendar year 2017, the Society took a 4.5% distribution from the Fund to provide benefits under Fund guidelines. That amount, based on the December 31, 2016 balance, was \$81,779, of which \$56,735 of services under the fund had been provided to recipients as of September 30, 2017. For calendar year 2016, the Society took a 4.5% distribution from the Fund to provide benefits. That amount, based on the December 31, 2015, balance was \$78,593.

As of September 30, 2017, the Society has complied with the agreement as set forth by the donor.

Note 9 - Retirement Plan

All employees with greater than six months of service are eligible to participate in the retirement plan. Employees vest in Society contributions in 20% increments over five years. Employer contributions to the plan are not to exceed a maximum of 5% of the employee's salary. Contribution expense was \$69,626 and \$66,900 at September 30, 2017 and 2016, respectively.