

Humane Society of South Coastal
Georgia, Inc.

Financial Report

For the Years Ended
December 31, 2016 and 2015



C O N T E N T S

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Humane Society of South Coastal Georgia, Inc.
Brunswick, Georgia

We have audited the accompanying financial statements of the Humane Society of South Coastal Georgia, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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, 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 Humane Society of South Coastal Georgia, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moore Stephens Liller RRC

Brunswick, Georgia
February 12, 2018

Humane Society of South Coastal Georgia, Inc.

Statements of Financial Position

December 31, 2016 and 2015

Assets

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 215,791	\$ 215,519
Pledges receivable, net	15,000	29,350
Other receivable	5,543	760
Beneficial interest in remainder trust	87,970	82,939
Perpetual trust held by others	2,707,235	2,675,650
Inventories	11,195	11,195
Investments	17,069	15,965
Prepaid expenses	1,097	1,097
Property and equipment, net	<u>1,740,887</u>	<u>1,807,592</u>
Total Assets	<u>\$ 4,801,787</u>	<u>\$ 4,840,067</u>

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 8,760	\$ 1,979
Sales tax payable	2,166	559
Payroll taxes payable	2,361	4,095
Accrued expenses	3,658	2,365
Advance from trust	<u>100,000</u>	<u>100,000</u>
Total liabilities	<u>116,945</u>	<u>108,998</u>
Net Assets		
Unrestricted	1,974,641	2,043,134
Temporarily restricted	2,966	12,285
Permanently restricted	<u>2,707,235</u>	<u>2,675,650</u>
Total net assets	<u>4,684,842</u>	<u>4,731,069</u>
Total Liabilities and Net Assets	<u>\$ 4,801,787</u>	<u>\$ 4,840,067</u>

See accompanying notes to the financial statements.

Humane Society of South Coastal Georgia, Inc.

Statements of Activities

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted Net Assets		
Unrestricted revenues, gains and other support		
Contributions	\$ 247,432	\$ 182,374
Membership dues	8,071	7,750
Adoptions and surrenders	62,501	67,384
Microchip and rabies	9,943	3,805
Public spay and neuter	50,600	49,570
Special events	225,120	54,755
Kennel products	34,781	40,759
Memorials and sponsorships	22,723	24,366
Interest income	234	360
Realized and unrealized gains on investments	3,830	955
Loss on disposal of assets	(2,912)	(930)
Other income	10,470	10,831
	<u>672,793</u>	<u>441,979</u>
Total unrestricted net assets		
Net assets released from restrictions	<u>168,763</u>	<u>239,775</u>
Total unrestricted revenues, gains and other support and net assets released from restrictions	<u>\$ 841,556</u>	<u>\$ 681,754</u>

See accompanying notes to the financial statements.

Humane Society of South Coastal Georgia, Inc.

Statements of Activities

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Expenses		
Cost of goods sold	\$ 23,321	\$ 18,788
Program services	605,562	650,856
Supporting services:		
General and administrative	147,030	68,608
Fundraiser	134,136	51,328
Total expenses	<u>910,049</u>	<u>789,580</u>
Decrease in unrestricted net assets	<u>(68,493)</u>	<u>(107,826)</u>
Temporarily Restricted Net Assets		
Contributions and pledges	20,981	128,370
Change in value of remainder trusts	5,031	(8,055)
Bad debt loss	(350)	(14,000)
Net assets released from donor restrictions	<u>(34,981)</u>	<u>(96,820)</u>
Increase (Decrease) in temporarily restricted net assets	<u>(9,319)</u>	<u>9,495</u>
Permanently Restricted Net Assets		
Change in value of perpetual trust held by others	165,367	(40,498)
Net assets released from donor restrictions	<u>(133,782)</u>	<u>(142,955)</u>
Increase (Decrease) in permanently restricted net assets	31,585	(183,453)
Decrease in net assets	<u>(46,227)</u>	<u>(281,784)</u>
Net Assets, Beginning	<u>4,731,069</u>	<u>5,012,853</u>
Net Assets, Ending	<u>\$ 4,684,842</u>	<u>\$ 4,731,069</u>

See accompanying notes to the financial statements.

Humane Society of South Coastal Georgia, Inc.
 Statements of Functional Expenses
 For the Years Ended December 31, 2016 and 2015

	<u>Supporting Services</u>				2016 Total	2015 Total
	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>		
Salaries	\$ 268,707	\$ 87,195	\$ 24,458	\$ 111,653	\$ 380,360	\$ 366,192
Payroll taxes	23,528	7,969	3,414	11,383	34,911	35,940
Employee expenses	7,432	646	-	646	8,078	5,094
Automobile expenses	619	155	-	155	774	805
Dues and subscriptions	-	99	-	99	99	145
Food	7,430	7	-	7	7,437	6,240
Kennel supplies	13,068	785	-	785	13,853	13,834
Veterinary expenses	67,020	136	-	136	67,156	69,631
Veterinary service	43,567	-	-	-	43,567	42,651
Repairs and maintenance	23,334	-	-	-	23,334	12,716
Utilities	46,087	2,426	-	2,426	48,513	53,475
Office supplies	11,199	2,800	-	2,800	13,999	11,178
Insurance	11,242	1,756	-	1,756	12,998	17,091
Interest	-	-	-	-	-	79
Professional fees	-	17,115	-	17,115	17,115	21,224
Publicity and education	-	24,382	-	24,382	24,382	18,386
Telephone	4,178	220	-	220	4,398	4,579
Taxes and licenses	-	-	-	-	-	-
Travel and training	5,547	-	-	-	5,547	654
Miscellaneous	3,934	-	193	193	4,127	4,385
Fundraising events	-	120	106,071	106,191	106,191	15,961
Bank Charges	4,877	1,219	-	1,219	6,096	4,999
Total expenses before depreciation	541,769	147,030	134,136	281,166	822,935	705,259
Depreciation	63,793	-	-	-	63,793	65,533
Total Expenses	<u>\$ 605,562</u>	<u>\$ 147,030</u>	<u>\$ 134,136</u>	<u>\$ 281,166</u>	<u>\$ 886,728</u>	<u>\$ 770,792</u>

See accompanying notes to the financial statements.

Humane Society of South Coastal Georgia, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Decrease in net assets	\$ (46,227)	\$ (281,784)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	63,793	65,533
Bad debt	350	14,000
Realized and unrealized gains on investments	(3,830)	(955)
Loss on disposal of assets	2,912	930
Noncash contributions	(14,448)	(15,010)
Distribution from perpetual trust	133,782	142,955
Changes in operating assets and liabilities:		
Pledges receivable	14,000	68,450
Other receivables	(4,783)	(760)
Beneficial interest in remainder trusts	(5,031)	8,055
Perpetual trust held by others	(165,367)	40,498
Prepaid expenses	-	2,298
Accounts payable	6,781	(26,284)
Sales tax payable	1,607	39
Payroll taxes payable	(1,734)	(7,830)
Accrued Expenses	1,293	(12,552)
<i>Net Cash Used in Operating Activities</i>	<u>(16,902)</u>	<u>(2,417)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	17,174	-
<i>Net Cash (Used in) Investing Activities</i>	<u>17,174</u>	<u>-</u>
Cash Flows from Financing Activities		
Repayment to Trust	-	(100,000)
<i>Net Cash (Used in) Financing Activities</i>	<u>-</u>	<u>(100,000)</u>
Net Change in Cash and Cash Equivalents	<u>272</u>	<u>(102,417)</u>
Cash and Cash Equivalents, Beginning	215,519	317,936
Cash and Cash Equivalents, Ending	<u>\$ 215,791</u>	<u>\$ 215,519</u>
Supplemental disclosure of cash flow information		
Cash used to pay interest	\$ -	\$ 79
Supplemental disclosure of non-cash information		
Value of in-kind contributions received	<u>\$ 74,649</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – The Humane Society of South Coastal Georgia, Inc. (the “Society”) is a not-for-profit independent animal shelter located in Brunswick, Georgia, providing a haven for stray, abandoned and injured animals. The Society’s services include animal adoptions, animal cruelty prevention and a spay and neutering program. The Society is governed by a Board of Directors consisting of fourteen to twenty members and derives its operating funds primarily through donor contributions. The Society was incorporated in the State of Georgia on December 29, 1967.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation – The accounting and financial statement presentation of the Society follows accounting principles generally accepted in the United States of America (“GAAP”) as issued by the Financial Accounting Standards Board in their *Accounting Standards Codification*. To ensure observance of limitations and restrictions placed on the use of resources available to the Society, GAAP requires that resources be classified into categories established according to their nature and purpose. The Society reports its financial position and activities according to three classes of net assets as follows:

Unrestricted – Net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are those resulting from the nature of the Society and its purposes.

Temporarily restricted – Net assets are resources whose use by the Society is limited by donor-imposed restrictions that either expire by the passage of time or can be removed by actions of the Society.

Permanently restricted – Net assets are resources whose use by the Society is limited by donor-imposed stipulations that neither expire by the passage of time nor can be removed by the actions of the Society.

Contributions – In accordance with GAAP, contributions received as well as unconditional promises to give are recognized in the year the promise is received. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Contributions that are expected to be received in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contributions in the accompanying statement of activities. No discount on unconditional promises to give has been recognized for the years ended December 31, 2016 and 2015.

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from donor restrictions. Restricted contributions whose restrictions are met in the same year are reported as unrestricted contributions.

Cash and Cash Equivalents – The Society considers all highly liquid investments that are readily convertible into cash with maturity of three months or less when purchased to be cash equivalents.

On occasion, the Society maintains cash balances on deposit with financial institutions in excess of federally insured limits. Management continually monitors the soundness of these financial institutions and believes the exposure of loss to be minimal.

Pledges Receivable – Contributions are recognized when a donor makes a substantially unconditional promise to give to the Society. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets as determined by the nature of the restriction. As restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets. Promises to give are reviewed for collectability and reserves are established for estimated uncollectible amounts.

The Society uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Beneficial Interest in Remainder Trusts – The Society is a beneficiary of the remainder interest of a charitable remainder trust that is held and administered by an unrelated trustee. Under the terms of the trust, the trustee makes distributions to the income beneficiaries for their lifetime. Upon the death of the income beneficiaries, a portion of the remaining assets in the trust fund will be transferred to the Society. The Society has recorded its beneficial interest in the trust fund at fair value, estimated as the net present value of the expected future amount to be received.

Perpetual Trust Held by Others – The Society is the sole beneficiary of the Humane Society of South Coastal Georgia Consolidated Trust, a perpetual irrevocable trust held and administered by independent trustees. Under the terms of the trust, the Society has the right to petition the trust for distributions but the aggregate amount of annual distributions generally cannot exceed 5% of the net fair market value of the assets of the trust as of the first day of each applicable year. The fair value of the beneficial interest in the trust was recognized as an asset and as a permanently restricted contribution at the date the trust was established. The Society's estimate of fair value is based on fair value information received from the trustee. The trust assets are not subject to the

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

control or direction by the Society. Gains and losses, which are not distributed by the trust, are reflected as a change in value of perpetual trust held by others in the statements of activities.

Below is a summary of the assets of the Humane Society of South Coastal Georgia Consolidated Trust at December 31, 2016 and 2015 as provided to the Society by the trustee:

	2016		2015	
	Market	Cost	Market	Cost
Equities	\$ 1,676,440	\$ 1,534,824	\$ 1,583,699	\$ 1,564,407
Fixed income	881,750	878,820	885,162	894,721
	2,558,190	2,413,644	2,468,861	2,459,128
Money market funds	43,545	43,545	101,249	101,249
Note receivable	100,000	100,000	100,000	100,000
Accrued interest income	5,500	-	5,540	-
	\$ 2,707,235	\$ 2,557,189	\$ 2,675,650	\$ 2,660,377

Property and Equipment – Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets. Donated property and equipment are recorded at the estimated fair market value on the date received. Maintenance and repairs are charged to expense as incurred. Major repairs and improvements are capitalized and depreciated at the applicable straight-line rates. The cost and accumulated depreciation of property retired, sold or disposed of are removed from the related accounts with any gain or loss credited or charged to income. Estimated useful lives of assets are as follows:

Type of Property	Estimated Useful Life
Fencing and paving	10-20 years
Building improvements	5-40 years
Equipment	5-25 years

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

Income Taxes – Under GAAP, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis using currently enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

GAAP prescribes a threshold for measurement and recognition in the financial statements of an asset or liability resulting from a tax position taken or expected to be taken in an income tax return. GAAP also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Society is a tax exempt entity under Section 501(c)(3) of the Internal Revenue Code and as such generally is not subject to income taxes except for income for unrelated business activity. The Society has evaluated both its federal and state income tax positions, including positions that could have an effect on the Society's exempt status, and has concluded that it has no uncertain tax positions that require disclosure.

The Society files informational returns in the U.S. federal jurisdiction and one state jurisdiction. Interest and penalties are expensed as incurred. There were no interest and penalties charged to expense for the years ended December 31, 2016 and 2015.

Contributed Services – During the years ended December 31, 2016 and 2015, the value of contributed services meeting the requirement for recognition in the financial statements was not material and has not been recorded.

In-Kind Donations – In-kind donations are reflected as contributions at their estimated fair value at the date of the donation. The Society reports in-kind gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Society received \$74,649 in-kind donations in 2016. During 2015, in-kind donations were considered immaterial to the financial statements.

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, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates but are not expected to be material.

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable are expected to be collected as follows as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 19,000	\$ 22,350
One year to five years	-	12,000
	<u>19,000</u>	<u>34,350</u>
Less allowance for doubtful pledges	<u>(4,000)</u>	<u>(5,000)</u>
	<u>\$ 15,000</u>	<u>\$ 29,350</u>

NOTE 3 - INVENTORY

Inventory consists of merchandise in the Society's store and is stated at the lower of cost or market on a first in, first out basis.

NOTE 4 - RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Capital campaign liability	(85,004)	(70,654)
Beneficial interest in remainder trust	<u>87,970</u>	<u>82,939</u>
	<u>\$ 2,966</u>	<u>\$ 12,285</u>

Permanently restricted net assets consist of the beneficial interest in assets held by the Humane Society of South Coastal Georgia Consolidated Trust. For the years ended December 31, 2016 and 2015, the estimated fair value of trust assets was \$2,707,235 and \$2,675,650, respectively.

NOTE 5 - FAIR VALUE MEASUREMENTS

In accordance with the authoritative guidance on fair value measurements and disclosures under GAAP, the Society discloses and recognizes the fair value of its assets and liabilities using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The guidance establishes three levels of fair value as follows:

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Level 1 — Valuation is based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical investments.

Level 2 — Valuation is based on inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active and investments in investees which may permit redemption at the net asset value (or equivalent) within the near term of the measurement date.

Level 3 — Valuation is based on unobservable inputs and investments in investees which do not permit redemption at the net asset value (or equivalent) within the near term of the measurement date.

The Society's Level 3 assets subject to fair value measurement on a recurring basis consist of beneficial interest in trusts. The Society relies on fair value information provided by the trustees to measure and report the fair value of its beneficial interest in the trusts. The inputs or methodology used for valuing the Society's beneficial interest in the trusts are not necessarily an indication of the risk associated with the underlying investments held by the trusts. The common stocks are valued at their quoted market price in active markets.

Assets as of December 31, 2016 measured at fair value are summarized below:

	Level 1	Level 2	Level 3	Total
Beneficial interest in remainder trusts	\$ -	\$ -	\$ 87,970	\$ 87,970
Perpetual trust held by others	-	-	2,707,235	2,707,235
Common Stocks	17,069	-	-	17,069
Total	\$ 17,069	\$ -	\$ 2,795,205	\$ 2,812,274

Assets as of December 31, 2015 measured at fair value are summarized below:

Beneficial interest in remainder trusts	\$ -	\$ -	\$ 82,939	\$ 82,939
Perpetual trust held by others	-	-	2,675,650	2,675,650
Common Stocks	15,965	-	-	15,965
Total	\$ 15,965	\$ -	\$ 2,758,589	\$ 2,774,554

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Changes in assets measured at fair value using Level 3 inputs are as follows:

Balance at December 31, 2014	\$ 2,950,097
Distributions received from trusts	(142,955)
Total gains and losses (realized/unrealized), net of fees included in changes in net assets	<u>(48,553)</u>
Balance at December 31, 2015	2,758,589
Distributions received from trusts	(133,782)
Total gains and losses (realized/unrealized), net of fees included in changes in net assets	<u>170,398</u>
Balance at December 31, 2016	<u><u>\$ 2,795,205</u></u>

Investment fees for the years ending December 31, 2016 and 2015 were \$32,902 and \$33,818, respectively.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 152,822	\$ 152,822
Fencing & paving	10,443	10,443
Building improvements	1,822,322	1,822,322
Equipment	79,775	85,652
Vehicles	<u>33,000</u>	<u>33,000</u>
Total	2,098,362	2,104,239
Less: accumulated depreciation	<u>(357,475)</u>	<u>(296,647)</u>
Property & Equipment, net	<u><u>\$ 1,740,887</u></u>	<u><u>\$ 1,807,592</u></u>

Depreciation expense as of December 31, 2016 and 2015 totaled \$63,793 and \$65,533, respectively.

NOTE 7 - LINE OF CREDIT

During 2016 and 2015, the Organization had an available line of credit of \$100,000 with a financial institution at an interest rate of 3.25% secured by the assets of the Society. The balance of this line of credit was zero as of December 31, 2016 and 2015 and matures in March 2017 (See note 10).

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 8 – ADVANCE FROM PERPETUAL TRUST

During 2011, the Humane Society of South Coastal Georgia Consolidated Trust (the “Consolidated Trust”) made special distributions to the Society in the aggregate amount of \$450,000. The special distributions were made to provide advance funding for construction of a new animal shelter. Under a capital campaign to raise funds for the animal shelter construction, the Society had received or anticipated receiving pledges from donors earmarked for the animal shelter construction. Under the original terms of the special distribution, the Society is required to repay from capital campaign pledge collections the amount of the advance funding received from the Consolidated Trust. For the years ended December 31, 2016 and 2015, the total capital campaign pledge receivable balance is not sufficient to cover the balance of the loan. As of December 31, 2016 and 2015, the loan balance was \$100,000. The outstanding pledge balance as of December 31, 2016 and 2015 was \$19,000 and \$34,350, respectively. The remaining balance of the note will be paid out of the Society’s operating account. There is no stated interest rate and the balance is due on demand.

NOTE 9 - EXPENSE CLASSIFICATION

Below is a functional classification of the Society’s expenses for the year ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Program services	\$ 605,562	\$ 650,856
General & administrative services	147,030	68,608
Fundraising expenses	<u>134,136</u>	<u>51,328</u>
Total operating expenses	<u>\$ 886,728</u>	<u>\$ 770,792</u>

Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, facilities, other assets, or time. They include publicizing and conducting fundraising campaigns; maintaining donor mailing lists; conducting special fundraising events; and conducting other activities involved with soliciting contributions from individuals, foundations, and others.

NOTE 10 - SUBSEQUENT EVENTS

The Society has evaluated subsequent events occurring after December 31, 2016 through February 12, 2018 which is the date on which the financial statements were available for issuance.

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

On April 14, 2017, the Society renewed its line of credit. The renewed line of credit provides for borrowings up to \$100,000. Under the terms of the agreement, accrued interest at 4.00% is due monthly. This agreement will expire on April 15, 2019.

No other significant events occurred subsequent to the statement of financial position date but prior to issuance that would have a material impact on the financial statements or disclosures.

