

FAITHFUL FRIENDS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

FAITHFUL FRIENDS, INC.

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JUNE 30, 2017 AND 2016

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Independent Auditor's Report

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Faithful Friends, Inc.

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Report on the Financial Statements

We have audited the accompanying financial statements of Faithful Friends, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

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 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 Faithful Friends, Inc. as of June 30, 2017 and 2016, and the results of its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Horty: Horty AA

Wilmington, Delaware
December 19, 2017

FAITHFUL FRIENDS, INC.

STATEMENTS OF FINANCIAL POSITIONASSETS

| | <u>June 30,</u> | |
|--|---------------------|---------------------|
| | <u>2017</u> | <u>2016</u> |
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ 586,394 | \$ 764,700 |
| Accounts receivable | 500 | 3,750 |
| Prepaid expenses | 5,379 | 5,379 |
| Property and equipment, net | 416,779 | 225,500 |
| Investment, Delaware Community Foundation | 10,247 | 9,370 |
| Other assets | <u>3,895</u> | <u>8,277</u> |
| <u>Total Assets</u> | <u>\$ 1,023,194</u> | <u>\$ 1,016,976</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------------|---------------------|
| <u>Liabilities</u> | | |
| Accounts payable and accrued expenses | <u>\$ 113,779</u> | <u>\$ 87,989</u> |
| <u>Net Assets</u> | | |
| Unrestricted | 391,555 | 283,049 |
| Temporarily restricted | <u>517,860</u> | <u>645,938</u> |
| <u>Total Net Assets</u> | <u>909,415</u> | <u>928,987</u> |
| <u>Total Liabilities and Net Assets</u> | <u>\$ 1,023,194</u> | <u>\$ 1,016,976</u> |

The accompanying notes are an integral part of these financial statements.

FAITHFUL FRIENDS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

| | <u>2017</u> | | |
|---|---------------------|-----------------------------------|-------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
| <u>Public Support and Revenue</u> | | | |
| <u>Public Support</u> | | | |
| Grants and contributions | \$ 1,461,439 | \$ 10,094 | \$ 1,471,533 |
| <u>Support and Revenue</u> | | | |
| Fundraising | 223,553 | | 223,553 |
| Program service fees | 19,247 | | 19,247 |
| Clinic fees | 451,934 | | 451,934 |
| Adoption fees | 118,194 | | 118,194 |
| Retail sales | 1,389 | | 1,389 |
| Interest income | 642 | | 642 |
| Unrealized gain (loss) on investment | 1,017 | | 1,017 |
| Miscellaneous revenue | 8,869 | | 8,869 |
| Loss on disposal of property and equipment | | | |
| <u>Total Support and Revenue</u> | <u>824,845</u> | | <u>824,845</u> |
| <u>Net Assets Released from Restriction</u> | <u>138,172</u> | <u>(138,172)</u> | |
| <u>Total Public Support and Revenue</u> | <u>2,424,456</u> | <u>(128,078)</u> | <u>2,296,378</u> |
| <u>Expenses</u> | | | |
| Program services | <u>1,985,824</u> | | <u>1,985,824</u> |
| <u>Support Services</u> | | | |
| Management and general | 72,756 | | 72,756 |
| Fundraising - development | 206,148 | | 206,148 |
| Fundraising - events | 51,222 | | 51,222 |
| <u>Total Support Services</u> | <u>330,126</u> | | <u>330,126</u> |
| <u>Total Expenses</u> | <u>2,315,950</u> | | <u>2,315,950</u> |
| <u>Change in Net Assets</u> | 108,506 | (128,078) | (19,572) |
| <u>Net Assets</u> | | | |
| Beginning of year | <u>283,049</u> | <u>645,938</u> | <u>928,987</u> |
| End of year | <u>\$ 391,555</u> | <u>\$ 517,860</u> | <u>\$ 909,415</u> |

The accompanying notes are an integral part of these financial statements.

| 2016 | | |
|---------------------|-----------------------------------|-------------------|
| <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
| \$ 1,337,523 | \$ 389,700 | \$ 1,727,223 |
| 174,300 | | 174,300 |
| 15,004 | | 15,004 |
| 313,288 | | 313,288 |
| 62,999 | | 62,999 |
| 1,601 | | 1,601 |
| 711 | | 711 |
| (407) | | (407) |
| 690 | | 690 |
| (200) | | (200) |
| <u>567,986</u> | | <u>567,986</u> |
| <u>12,069</u> | <u>(12,069)</u> | |
| <u>1,917,578</u> | <u>377,631</u> | <u>2,295,209</u> |
| <u>1,552,400</u> | | <u>1,552,400</u> |
| 70,444 | | 70,444 |
| 199,653 | | 199,653 |
| 36,159 | | 36,159 |
| <u>306,256</u> | | <u>306,256</u> |
| <u>1,858,656</u> | | <u>1,858,656</u> |
| 58,922 | 377,631 | 436,553 |
| <u>224,127</u> | <u>268,307</u> | <u>492,434</u> |
| <u>\$ 283,049</u> | <u>\$ 645,938</u> | <u>\$ 928,987</u> |

FAITHFUL FRIENDS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

| Expenses | Year Ended June 30, 2017 | | | | |
|--|--------------------------|------------------------------|-------------------|------------------------------|---------------------|
| | Support Services | | | | Total |
| | Program Services | Management and General | Fundraising | Total Support Services | |
| Director's salary | \$ 39,082 | \$ 6,514 | \$ 19,541 | \$ 26,055 | \$ 65,137 |
| Salaries and wages | 1,086,299 | 24,140 | 96,560 | 120,700 | 1,206,999 |
| Payroll taxes | 102,088 | 2,269 | 9,074 | 11,343 | 113,431 |
| Payroll fees | 3,254 | 72 | 289 | 361 | 3,615 |
| <u>Total Salaries and Related Expenses</u> | 1,230,723 | 32,995 | 125,464 | 158,459 | 1,389,182 |
| Advertising | 15,899 | | | | 15,899 |
| Bank and vendor fees | 5,366 | 20,124 | 1,342 | 21,466 | 26,832 |
| Clinic equipment | 9,993 | | | | 9,993 |
| Dept. of Agr. - Rabies | 9,795 | | | | 9,795 |
| Depreciation | 41,022 | 3,378 | 3,861 | 7,239 | 48,261 |
| Dog training | 9,700 | | | | 9,700 |
| Dues and publications | 5,722 | | | | 5,722 |
| Equipment rental | 10,260 | 845 | 966 | 1,811 | 12,071 |
| Fundraising - development | | | 56,107 | 56,107 | 56,107 |
| Fundraising - events | | | 51,222 | 51,222 | 51,222 |
| Gas and vehicle expense | 7,885 | | | | 7,885 |
| Husbandry | 53,054 | | | | 53,054 |
| Insurance | 37,602 | 6,636 | | 6,636 | 44,238 |
| Maintenance | 37,362 | 3,077 | 3,516 | 6,593 | 43,955 |
| Medical supplies | 242,171 | | | | 242,171 |
| Office supplies | 9,414 | 775 | 886 | 1,661 | 11,075 |
| Pest control and snow removal | 135 | 3 | 12 | 15 | 150 |
| Postage | 401 | 401 | 3,204 | 3,605 | 4,006 |
| Printing and copying | 2 | 2 | 18 | 20 | 22 |
| Professional fees | 8,322 | 1,827 | | 1,827 | 10,149 |
| Program supplies | 21,539 | | | | 21,539 |
| Property insurance | 2,279 | 51 | 203 | 254 | 2,533 |
| Rent | 67,057 | 1,490 | 5,961 | 7,451 | 74,508 |
| Retail expense | 1,563 | | | | 1,563 |
| Security system | 1,644 | 37 | 146 | 183 | 1,827 |
| Staff development | 1,630 | | | | 1,630 |
| Telephone and internet | 8,992 | 200 | 799 | 999 | 9,991 |
| Transfer fees | 9,621 | | | | 9,621 |
| Trash | 7,709 | 171 | 685 | 856 | 8,565 |
| Utilities | 33,502 | 744 | 2,978 | 3,722 | 37,224 |
| Veterinary hospitals | 91,502 | | | | 91,502 |
| Volunteer program expense | 1,923 | | | | 1,923 |
| Website | 2,035 | | | | 2,035 |
| <u>Total Expenses</u> | <u>\$ 1,985,824</u> | <u>\$ 72,756</u> | <u>\$ 257,370</u> | <u>\$ 330,126</u> | <u>\$ 2,315,950</u> |

The accompanying notes are an integral part of these financial statements.

FAITHFUL FRIENDS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

| Expenses | Year Ended June 30, 2016 | | | | |
|--|--------------------------|------------------------|-------------------|------------------------|---------------------|
| | Support Services | | | Total Support Services | Total |
| | Program Services | Management and General | Fundraising | | |
| Director's salary | \$ 38,700 | \$ 6,450 | \$ 19,350 | \$ 25,800 | \$ 64,500 |
| Salaries and wages | 809,562 | 18,827 | 112,962 | 131,789 | 941,351 |
| Employee benefits | 170 | 4 | 26 | 30 | 200 |
| Payroll taxes | 83,516 | 1,965 | 12,773 | 14,738 | 98,254 |
| Payroll fees | 3,235 | 76 | 495 | 571 | 3,806 |
| <u>Total Salaries and Related Expenses</u> | 935,183 | 27,322 | 145,606 | 172,928 | 1,108,111 |
| Advertising | 12,237 | | | | 12,237 |
| Bank and vendor fees | 3,719 | 13,945 | 930 | 14,875 | 18,594 |
| Clinic equipment | 1,465 | | | | 1,465 |
| Dept. of Agr. - Rabies | 12,726 | | | | 12,726 |
| Depreciation | 35,657 | 2,936 | 3,356 | 6,292 | 41,949 |
| Dog training | 3,594 | | | | 3,594 |
| Dues and publications | 1,904 | | | | 1,904 |
| Equipment rental | 7,042 | 391 | 391 | 782 | 7,824 |
| Fundraising - development | | | 45,761 | 45,761 | 45,761 |
| Fundraising - events | | | 36,159 | 36,159 | 36,159 |
| Gas and vehicle expense | 17,438 | | | | 17,438 |
| Husbandry | 57,025 | | | | 57,025 |
| Insurance | 31,201 | 5,506 | | 5,506 | 36,707 |
| Kennel renovations | 254 | | | | 254 |
| Maintenance | 32,875 | 5,801 | | 5,801 | 38,676 |
| Medical supplies | 206,499 | | | | 206,499 |
| Office supplies | 3,207 | 5,039 | 916 | 5,955 | 9,162 |
| Pest control and snow removal | 897 | 78 | | 78 | 975 |
| Postage | 333 | 333 | 2,664 | 2,997 | 3,330 |
| Printing and copying | 4 | 4 | 29 | 33 | 37 |
| Professional fees | 4,504 | 989 | | 989 | 5,493 |
| Program supplies | 29,292 | | | | 29,292 |
| Property insurance | 2,270 | 171 | | 171 | 2,441 |
| Rent | 56,372 | 4,243 | | 4,243 | 60,615 |
| Retail expense | 326 | | | | 326 |
| Security system | 804 | 70 | | 70 | 874 |
| Staff development | 2,705 | | | | 2,705 |
| Telephone and internet | 9,630 | 837 | | 837 | 10,467 |
| Trash | 5,997 | 521 | | 521 | 6,518 |
| Utilities | 29,995 | 2,258 | | 2,258 | 32,253 |
| Veterinary hospitals | 45,591 | | | | 45,591 |
| Volunteer program expense | 1,479 | | | | 1,479 |
| Website | 175 | | | | 175 |
| <u>Total Expenses</u> | <u>\$ 1,552,400</u> | <u>\$ 70,444</u> | <u>\$ 235,812</u> | <u>\$ 306,256</u> | <u>\$ 1,858,656</u> |

FAITHFUL FRIENDS, INC.

STATEMENTS OF CASH FLOWS

| | <u>Year Ended June 30,</u> | |
|---|----------------------------|-------------------|
| | <u>2017</u> | <u>2016</u> |
| <u>Cash Flows From Operating Activities</u> | | |
| Grants and contributions received | \$ 1,377,849 | \$ 1,515,377 |
| Program service and other fees received | 599,633 | 393,582 |
| Cash received from fundraising activities | 223,553 | 174,300 |
| Cash paid to suppliers and employees | (2,215,772) | (1,775,537) |
| Interest received | <u>642</u> | <u>711</u> |
| <u>Net Cash Provided By (Used For) Operating Activities</u> | <u>(14,095)</u> | <u>308,433</u> |
| <u>Cash Flows From Investing Activities</u> | | |
| Purchase of property and equipment | (239,540) | (20,439) |
| Proceeds from sale of investments, equity securities | 75,189 | 178,989 |
| Investment, Delaware Community Foundation - Net | <u>140</u> | <u>78</u> |
| <u>Net Cash Provided By (Used For) Investing Activities</u> | <u>(164,211)</u> | <u>158,628</u> |
| <u>Net Change In Cash and Cash Equivalents</u> | (178,306) | 467,061 |
| <u>Cash and Cash Equivalents</u> | | |
| Beginning of year | <u>764,700</u> | <u>297,639</u> |
| End of year | <u>\$ 586,394</u> | <u>\$ 764,700</u> |

The accompanying notes are an integral part of these financial statements.

RECONCILIATIONS OF CHANGE IN NET ASSETS TO NET CASH
PROVIDED BY (USED FOR) OPERATING ACTIVITIES

| | <u>Year Ended June 30,</u> | |
|--|----------------------------|-------------------|
| | <u>2017</u> | <u>2016</u> |
| <u>Change In Net Assets</u> | \$ (19,572) | \$ 436,553 |
| <u>Adjustments To Reconcile Change In Net Assets To Net Cash Provided By (Used For) Operating Activities</u> | | |
| Depreciation | 48,261 | 41,949 |
| Unrealized (gain) loss on investment | (1,017) | 407 |
| Non-cash contribution of securities | (75,189) | (178,989) |
| Loss on disposal of property and equipment | | 200 |
| Decrease (increase) in: | | |
| Accounts receivable | 3,250 | (3,750) |
| Prepaid expenses | | (2,575) |
| Other assets | 4,382 | (6,277) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | <u>25,790</u> | <u>20,915</u> |
| <u>Net Cash Provided By (Used For) Operating Activities</u> | <u>\$ (14,095)</u> | <u>\$ 308,433</u> |

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 1 - The Organization

Faithful Friends, Inc. (the "Organization") was established in 2001 to render services towards helping the State of Delaware reverse its 90% kill rate for homeless animals to a 90% or better save rate. The Organization protects homeless, abused, and neglected pets (primarily dogs and cats) through rescue, shelter, adoption, spay/neuter, and other services. It also provides pet retention services to help keep pets with their families or in the communities that care for them. Pet retention services include, among other things, free and low cost veterinary care. The Organization's services reach the entire State of Delaware as well as other surrounding states' communities.

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies of Faithful Friends, Inc. (the "Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Contributions

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

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Donated Goods and Services

Services received as donations are recorded at their fair values at the date of receipt. Donated goods and services were \$21,745 and \$29,107 for the years ended June 30, 2017 and 2016, respectively, and are included in revenue and expenses.

Recognition of Donor Restrictions

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires or restrictions have been satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Advertising Expense

The Organization expenses advertising costs when incurred. Advertising expenses total \$15,899 and \$12,237 for the years ended June 30, 2017 and 2016, respectively.

Functional Allocation of Expenses

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

Property, Equipment, Donated Assets and Depreciation

Assets are stated at cost unless they are donated. Donated assets are stated at their fair values as of the date of the donation. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the respective accounts and any gains or losses on such disposition are recognized in the statements of activities.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Property, Equipment, Donated Assets and Depreciation (Continued)

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2017 and 2016 was \$48,261 and \$41,949, respectively

Fair Value Measurements

The Organization follows Accounting Standards Codification (ASC) 820-10, "Fair Value Measurements." ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value 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 three levels of the fair value hierarchy under ASC 820-10 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value.

Investment - Delaware Community Foundation: The Organization relies on the investment information as reported by the Delaware Community Foundation (DCF). The underlying investments held by DCF are primarily mutual funds held in accordance with DCF's investment policy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value:

| | <u>June 30, 2017</u> | | | <u>Total</u> |
|---|----------------------|----------------|-----------------|-----------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | |
| Investment - Delaware Community Foundation | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$10,247</u> | <u>\$10,247</u> |

| | <u>June 30, 2016</u> | | | <u>Total</u> |
|---|----------------------|----------------|----------------|----------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | |
| Investment - Delaware Community Foundation | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$9,370</u> | <u>\$9,370</u> |

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

The changes in Investment - Delaware Community Foundation measured at fair value for which the Organization has categorized as Level 3 to determine fair value are as follows:

| | <u>June 30,</u> | |
|------------------------------------|-----------------|-----------------|
| | <u>2017</u> | <u>2016</u> |
| <u>Balance</u> - Beginning of year | \$ 9,370 | \$ 9,855 |
| Unrealized gain (loss) | 1,017 | (407) |
| Interest and dividends | 144 | 171 |
| Contributions | | 50 |
| Investment expenses | <u>(284)</u> | <u>(299)</u> |
| <u>Balance</u> - End of year | <u>\$10,247</u> | <u>\$ 9,370</u> |

Note 3 - Financial Instruments

Faithful Friends, Inc. maintains cash accounts at high quality financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The balances, at times, exceed federally insured limits.

Note 4 - Operating Leases

The Organization leases its office and shelter space. The lease agreement requires a monthly rental payment of \$4,596 and expires in June 2020. The Organization also entered into a three-year lease for an auxiliary building at 10 Germay Drive. The lease agreement requires a monthly rental payment of \$1,075 and expires in December 2018. The Organization also entered into a three-year lease for a second auxiliary building at 10 Germay Drive. The lease agreement commenced in January 2017 and requires monthly rental payments ranging from \$1,075 to \$1,175 and expires in December 2019. Rent expense related to these operating leases totaled \$74,508 and \$60,615 for the years ended June 30, 2017 and 2016, respectively. Future payments due under the leases are as follows:

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 4 - Operating Leases (Continued)

Fiscal year ended:

| | |
|---------------|------------------|
| June 30, 2018 | \$ 82,156 |
| June 30, 2019 | 77,410 |
| June 30, 2020 | <u>63,310</u> |
| <u>Total</u> | <u>\$222,876</u> |

Note 5 - Property and Equipment

The following summarizes property and equipment:

| | <u>June 30,</u> | |
|---------------------------------------|------------------|-------------------|
| | <u>2017</u> | <u>2016</u> |
| Furniture, fixtures and equipment | \$261,374 | \$228,805 |
| Leasehold improvements | 239,040 | 122,946 |
| Construction in progress | <u>90,877</u> | <u> </u> |
| | 591,291 | 351,751 |
| <u>Less: Accumulated depreciation</u> | <u>174,512</u> | <u>126,251</u> |
| <u>Net Property and Equipment</u> | <u>\$416,779</u> | <u>\$225,500</u> |

Note 6 - Income Tax Status

The Organization qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and its activities are not subject to income tax.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Organization is no longer subject to income tax examination by the U.S. federal, state or local tax authorities for years before 2014 due to expiration of statute of limitations.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 7 - Temporarily Restricted Net Assets

Temporary restricted net assets consisted of the following:

| | <u>June 30,</u> | |
|------------------|------------------|------------------|
| | <u>2017</u> | <u>2016</u> |
| Capital campaign | <u>\$517,860</u> | <u>\$645,938</u> |

Delaware Senate Bill #253, passed in 2014, granted the Organization 10 to 20 acres on undeveloped land for the construction of a Pet Adoption and Community Resource Center, subject to certain conditions. For the Organization to exercise the right to this land, it must submit construction plans and written confirmation of construction financing no later than July 1, 2019. The organization is currently raising funds for the financing through its ***Building Compassion*** Capital Campaign. The Pet Adoption and Community Resource Center will enable the Organization to build a modern, spacious facility better suited to the Organization's mission and more accessible to the public.

Note 8 - Subsequent Events

Management has evaluated all subsequent events through December 19, 2017, the date the financial statements were available to be issued.

Subsequent to June 30, 2017, the Organization received notice that it was the beneficiary of a portion of two decedents' estates.