

**WAYSIDE WAIFS, INC.**

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**FINANCIAL STATEMENTS**

---

**December 31, 2016 and 2015**

# IFFT & CO. PA

*Certified Public Accountants*

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Wayside Waifs, Inc.  
Kansas City, Missouri

We have audited the accompanying financial statements of Wayside Waifs, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 auditors' 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 Wayside Waifs, 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.

*Jfft + Co. PA*

September 7, 2017

**WAYSIDE WAIFS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 558,658	459,178
Investments	7,819,459	6,995,033
Accounts receivable	28,879	28,851
Donations receivable	204,906	108,676
Campaign pledges receivable, current portion	-	20,500
Bequests receivable	10,000	288,663
Retail inventory	22,179	21,980
Prepaid expenses	34,017	49,483
TOTAL CURRENT ASSETS	8,678,098	7,972,364
PROPERTY AND EQUIPMENT, net	8,398,590	8,921,552
CAMPAIGN PLEDGES RECEIVABLE, less current portion	-	8,726
ASSETS LIMITED AS TO USE - INVESTMENTS	98,000	98,000
TOTAL ASSETS	\$ 17,174,688	17,000,642
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 157,834	310,232
Accrued expenses and payroll withholdings	275,367	267,420
TOTAL CURRENT LIABILITIES	433,201	577,652
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	8,760,969	9,328,898
Board-designated	7,819,459	6,995,033
Total unrestricted	16,580,428	16,323,931
Temporarily restricted	63,059	1,059
Permanently restricted	98,000	98,000
TOTAL NET ASSETS	16,741,487	16,422,990
TOTAL LIABILITIES AND NET ASSETS	\$ 17,174,688	17,000,642

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

**WAYSIDE WAIFS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>UNRESTRICTED NET ASSETS</b>		
Support and revenues		
Contributions	\$ 2,876,441	2,870,147
Bequests	331,293	712,086
Adoption services	566,584	511,743
Animal receiving	30,524	39,980
Cremations and burials	159,693	184,574
City fees	105,250	100,700
Special events, net of direct benefits to donors of \$132,525 in 2016 and \$154,550 in 2015	1,017,437	945,965
Sales revenue, net of cost of goods sold of \$145,794 in 2016 and \$109,288 in 2015	123,708	101,818
Interest and dividends	175,459	163,363
Realized gains on investments	63,772	24,690
Unrealized gains (losses) on investments	376,908	(188,412)
Other	7,337	1,710
In-kind contributions	58,021	57,647
Net assets released from restrictions	-	30,201
	<u>5,892,427</u>	<u>5,556,212</u>
Expenses		
Program services	4,324,008	4,284,280
General and administrative	487,254	538,424
Fundraising	824,668	785,459
	<u>5,635,930</u>	<u>5,608,163</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>256,497</b>	<b>(51,951)</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Support and revenues		
Contributions	62,000	-
Net assets released from restrictions	-	(30,201)
	<u>62,000</u>	<u>(30,201)</u>
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>62,000</b>	<b>(30,201)</b>
<b>CHANGE IN NET ASSETS</b>	<b>318,497</b>	<b>(82,152)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>16,422,990</u></b>	<b><u>16,505,142</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 16,741,487</u></b>	<b><u>16,422,990</u></b>

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

**WAYSIDE WAIFS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2016**

	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,962,958	266,093	297,653	2,526,704
Payroll taxes	154,426	14,408	20,666	189,500
Employee benefits	193,241	35,474	26,309	255,024
	<u>2,310,625</u>	<u>315,975</u>	<u>344,628</u>	<u>2,971,228</u>
Property and liability insurance	55,214	-	-	55,214
Professional fees	-	48,673	-	48,673
Veterinary supplies	331,008	-	-	331,008
Office expense	22,177	9,923	38,932	71,032
Animal care related expenses	79,017	-	-	79,017
Maintenance and repairs	85,357	-	-	85,357
Utilities	154,477	4,065	4,065	162,607
Advertising	197,066	-	-	197,066
Information technology	54,387	9,469	10,799	74,655
Website maintenance	53,606	-	35,738	89,344
Training	13,823	3,770	3,099	20,692
Travel	1,216	943	2,060	4,219
Dog and cat food	56,814	-	-	56,814
Contract labor	222,161	-	-	222,161
Automobile and truck expense	9,527	-	-	9,527
Telephone	11,564	643	643	12,850
Taxes and licenses	3,680	-	-	3,680
Newsletter	13,770	-	13,770	27,540
Direct mail expenses	90,484	-	271,450	361,934
Dues and subscriptions	1,344	971	1,360	3,675
Direct fundraising costs, including special events	-	-	98,124	98,124
Other	-	63,691	-	63,691
	<u>3,767,317</u>	<u>458,123</u>	<u>824,668</u>	<u>5,050,108</u>
Depreciation	556,691	29,131	-	585,822
	<u>4,324,008</u>	<u>487,254</u>	<u>824,668</u>	<u>5,635,930</u>
Total	\$ 4,324,008	487,254	824,668	5,635,930

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

**WAYSIDE WAIFS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2015**

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 1,914,509	257,914	279,382	2,451,805
Payroll taxes	153,239	18,862	21,301	193,402
Employee benefits	<u>169,240</u>	<u>41,828</u>	<u>22,762</u>	<u>233,830</u>
	2,236,988	318,604	323,445	2,879,037
Property and liability insurance	56,719	-	-	56,719
Professional fees	-	50,518	-	50,518
Veterinary supplies	331,623	-	-	331,623
Office expense	59,661	18,115	25,013	102,789
Animal care related expenses	66,120	-	-	66,120
Maintenance and repairs	91,129	-	-	91,129
Utilities	145,509	3,829	3,829	153,167
Advertising	231,967	-	1,100	233,067
Information technology	57,635	4,981	8,538	71,154
Website maintenance	61,814	-	41,209	103,023
Training	10,798	3,389	4,035	18,222
Travel	2,194	925	1,469	4,588
Dog and cat food	56,867	-	-	56,867
Contract labor	208,840	-	13,049	221,889
Automobile and truck expense	7,125	-	-	7,125
Telephone	24,677	1,371	1,371	27,419
Taxes and licenses	3,570	-	-	3,570
Newsletter	12,990	-	12,989	25,979
Direct mail expenses	90,171	-	270,512	360,683
Dues and subscriptions	1,828	4,152	2,616	8,596
Direct fundraising costs, including special events	-	-	76,284	76,284
Bad debt expense	4,855	61,136	-	65,991
Other	-	<u>43,972</u>	-	<u>43,972</u>
	3,763,080	510,992	785,459	5,059,531
Depreciation	<u>521,200</u>	<u>27,432</u>	-	<u>548,632</u>
Total	<u>\$ 4,284,280</u>	<u>538,424</u>	<u>785,459</u>	<u>5,608,163</u>

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

**WAYSIDE WAIFS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 318,497	(82,152)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	585,822	548,632
Gain on sale of property and equipment	(3,225)	-
Realized gains on investments	(63,772)	(24,690)
Unrealized (gains) losses on investments	(376,908)	188,412
Changes in operating assets and liabilities		
Accounts receivable	(28)	18,703
Donations receivable	(96,230)	(18,202)
Campaign pledges receivable	29,226	174,739
Bequests receivable	278,663	(116,521)
Retail inventory	(199)	2,500
Prepaid expenses	15,466	30,098
Accounts payable	(152,398)	126,196
Accrued expenses and payroll withholdings	<u>7,947</u>	<u>40,401</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>542,861</u>	<u>888,116</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(1,744,657)	(2,450,121)
Proceeds from sale of investments	1,360,911	2,506,498
Purchases of property and equipment	(62,860)	(816,171)
Proceeds from sale of property and equipment	<u>3,225</u>	<u>-</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(443,381)</u>	<u>(759,794)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	99,480	128,322
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>459,178</u>	<u>330,856</u>
<b>CASH AND CASH EQUIVALENTS , END OF YEAR</b>	<u>\$ 558,658</u>	<u>459,178</u>

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



**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Wayside Waifs, Inc. (the Organization) is a charitable animal shelter whose purpose is to place adoptable companion animals in responsible homes. To accomplish this, three key strategies are employed:

- Providing temporary shelter for homeless companion animals
- Educating the public
- Developing partnerships, collaborations, and strategic alliances

The donor base of Wayside Waifs, Inc. consists primarily of businesses and residents in the Greater Kansas City area.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

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. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets not subject to donor-imposed restrictions but may be subject to Board designations.
- Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash Equivalents

The Organization considers all highly liquid investments purchased with initial maturities of less than three months to be cash equivalents.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

The Organization's receivables are due within thirty days from billing and are recorded at amounts due, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Organization determines its allowance by considering a number of factors, including the length of time receivables are past due, the Organization's previous loss history, the debtor's current ability to pay its obligations to the Organization, and the condition of the general economy as a whole. The Organization writes off receivables when they become uncollectible. At December 31, 2016 and 2015, the Organization considered accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was recorded.

Campaign Pledges Receivable

The present value of unconditional promises to give, less an allowance for uncollectible amounts, is recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At December 31, 2015, the Organization considered campaign pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts was recorded. There were no campaign pledges receivable at December 31, 2016

Property and Equipment

The Organization capitalizes all significant acquisitions of property and equipment, which are recorded at cost or fair value, if donated. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets.

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures that materially extend the life of an asset are capitalized.

Inventories

Inventories consist primarily of pet supplies. All inventories are valued at the lower of cost or market, with cost being determined using the first-in, first-out (FIFO) method.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of pet food and professional services from various donors. It is the policy of the Organization to record the estimated fair value of these in-kind contributions.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on management estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been included in the accompanying financial statements.

The Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Organization is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Organization is no longer subject to income tax examinations by the applicable tax authorities for the years before 2013. If any were to be incurred, the Organization's policy is to record penalties and interest assessed by income tax authorities as operating expenses.

Advertising and Promotion Costs

Advertising and promotion costs are charged to operations when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 will enhance the comparability of revenue-recognition practices across entities, industries, jurisdictions, and capital markets; reduce the number of requirements that must be considered in recognizing revenue; improve disclosure to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized; and provide guidance for transactions that are not currently addressed comprehensively. The Organization will adopt ASU 2014-09 in the reporting period beginning January 1, 2019. The Organization is currently evaluating the potential impact on the financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how they are presented and classified in the statement of cash flows. The Organization will adopt ASU 2016-15 in the reporting period beginning January 1, 2019, and it is not expected to have an impact on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* to improve the financial reporting of not-for-profit entities. The guidance requires two categories of net assets instead of the current three and will enhance disclosures. The Organization will adopt ASU 2016-14 in the reporting period beginning January 1, 2018, and is currently evaluating the potential impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 retains a distinction between operating leases and financing leases, and the classification criteria is substantially similar to previous lease guidance. The main change in the new guidance is the requirement for all leases to be recognized on the statement of financial position at the present value of lease payments. The Organization will adopt ASU 2016-02 in the reporting period beginning January 1, 2019. The Organization is currently evaluating the impact on the financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The Organization will adopt ASU 2014-15 in the reporting period beginning January 1, 2017, and it is not expected to have an impact on the financial statements.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform with the 2016 presentation. These reclassifications had no effect on the previously reported change in net assets.

Subsequent Events

Subsequent events have been evaluated through September 7, 2017, which is the date the financial statements were available to be issued.

NOTE 2 - FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. In accordance with ASC 820, the Organization classifies its investments into Level 1 (securities valued using quoted market prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies and inputs for investments measured at fair value pursuant to the valuation hierarchy.

- Funds held by a community foundation in pooled investment funds are valued at the net asset value (NAV) of shares held by the Organization at the reporting date. These pooled investment funds are invested in money market, equity, and fixed income funds. The fair value of the underlying assets is used to determine the NAV of the pooled fund, which is not publicly quoted. The funds are classified within Level 2 of the fair value hierarchy.
- Corporate common stocks are valued at the closing price reported on the active market on which the individual securities are traded and are classified within Level 1 of the fair value hierarchy.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

NOTE 2 - FAIR VALUE MEASUREMENTS - Continued

The following tables summarize the valuation of investments measured at fair value on a recurring basis in the accompanying statements of financial position, including the additional requirement to classify securities by major category, which is defined as the major security type classifications within ASC 820.

<u>Description</u>	<u>Assets at Fair Value as of December 31, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market pool	-	215,903	-	215,903
Fixed income pool - short term	-	1,113,464	-	1,113,464
Fixed income pool - intermediate	-	1,113,786	-	1,113,786
Equity pool	-	5,474,306	-	5,474,306
	<u>\$ -</u>	<u>7,917,459</u>	<u>-</u>	<u>7,917,459</u>

<u>Description</u>	<u>Assets at Fair Value as of December 31, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks - U.S.	\$ 26,963	-	-	26,963
Money market pool	-	83,282	-	83,282
Fixed income pool - short term	-	1,035,853	-	1,035,853
Fixed income pool - intermediate	-	1,032,279	-	1,032,279
Equity pool	-	4,914,656	-	4,914,656
	<u>\$ 26,963</u>	<u>7,066,070</u>	<u>-</u>	<u>7,093,033</u>

Disbursements can be made with authorization by the Board of Directors.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

NOTE 2 - FAIR VALUE MEASUREMENTS - Continued

Additional information about investments where fair value is estimated using NAV follows:

<u>December 31, 2016</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Expected liquidation term</u>	<u>Redemption terms</u>	<u>Redemption restrictions</u>
Money market pool	\$ 215,903	None	None	Immediate	None
Fixed income pools	2,227,250	None	None	Immediate	None
Equity pool	<u>5,474,306</u>	None	None	Immediate	None
	<u>\$ 7,917,459</u>				

<u>December 31, 2015</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Expected liquidation term</u>	<u>Redemption terms</u>	<u>Redemption restrictions</u>
Money market pool	\$ 83,282	None	None	Immediate	None
Fixed income pools	2,068,132	None	None	Immediate	None
Equity pool	<u>4,914,656</u>	None	None	Immediate	None
	<u>\$ 7,066,070</u>				

NOTE 3 - CAMPAIGN PLEDGES RECEIVABLE

Campaign pledges receivable were due as follows at December 31:

	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ -	20,500
Due in one to five years	-	<u>10,000</u>
	-	30,500
Discount to present value	-	<u>(1,274)</u>
	<u>\$ -</u>	<u>29,226</u>

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

NOTE 3 - CAMPAIGN PLEDGES RECEIVABLE - Continued

Campaign pledges receivable due over more than one year were recognized at fair value, using present value techniques and a discount rate of 4% at December 31, 2015.

At December 31, 2015, pledges due from Board members totaled \$4,500.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 272,731	263,814
Buildings	10,815,967	10,790,758
Furniture and equipment	2,075,277	2,072,886
Vehicles	194,125	178,324
Construction in progress	<u>-</u>	<u>12,638</u>
	13,358,100	13,318,420
Less accumulated depreciation	<u>4,959,510</u>	<u>4,396,868</u>
	<u>\$ 8,398,590</u>	<u>8,921,552</u>

NOTE 5 - UNRESTRICTED DESIGNATED NET ASSETS

Unrestricted net assets designated by the Board of Directors are set aside as a reserve fund and are available to fund Organization expenses approved by the Board of Directors.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following as of December 31:

	<u>2016</u>	<u>2015</u>
Advertising	\$ 62,000	-
Other	<u>1,059</u>	<u>1,059</u>
	<u>\$ 63,059</u>	<u>1,059</u>



**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

**NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets of \$98,000 consist of two trusts of \$50,000 and \$48,000 that are restricted to investment in perpetuity.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

The Organization has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year may vary from the desired amount. The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places emphasis on interest-bearing cash instruments, fixed income securities, and equity-based investments.

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**NOTE 8 - IN-KIND CONTRIBUTIONS**

In-kind contributions consisted of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Pet food	\$ 35,768	35,430
Professional services	<u>22,253</u>	<u>22,217</u>
	<u>\$ 58,021</u>	<u>57,647</u>

**NOTE 9 - RETIREMENT PLAN**

The Organization has a 401(k) retirement plan in which all employees meeting a service requirement may participate. Under the plan, the Organization matches 50% of each employee's contribution up to 3% of annual salary. Employer contributions in 2016 and 2015 were \$19,951 and \$15,024, respectively.

**NOTE 10 - LEASE COMMITMENTS**

The Organization leases certain office equipment under non-cancelable operating leases expiring through January 2019 and mobile office trailers under month-to-month leases. Rental expense associated with these leases totaled \$12,714 and \$19,275 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments under these operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 12,714
2018	10,122
2019	<u>395</u>
	<u>\$ 23,231</u>

**NOTE 11 - JOINT COSTS**

During 2016, the Organization incurred joint costs for advertising, website, newsletter, and direct mail expenses. The costs were allocated between program and fundraising based on the content and recipients of the marketing materials and mailings. All of the total advertising costs of \$197,066 were program costs. Of the total website costs of \$89,344, program costs were \$53,606, and fundraising costs were \$35,738. Of the total newsletter costs of \$27,540, program costs were \$13,770, and fundraising costs were \$13,770. Of the total direct mail costs of \$361,934, program costs were \$90,484 and fundraising costs were \$271,450.

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NOTE 11 - JOINT COSTS - Continued

Similarly during 2015, the Organization incurred joint costs for advertising, website, newsletter, and direct mail expenses. Of the total advertising costs of \$233,067, program costs were \$231,967, and fundraising costs were \$1,100. Of the total website costs of \$103,023, program costs were \$61,814, and fundraising costs were \$41,209. Of the total newsletter costs of \$25,979, program costs were \$12,990, and fundraising costs were \$12,989. Of the total direct mail costs of \$360,683, program costs were \$90,171 and fundraising costs were \$270,512.

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances in several financial institutions in the Greater Kansas City area. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016 and 2015, the Organization's uninsured cash balances totaled \$146,066 and \$104,020, respectively.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.