

Animal Friends, Inc.
562 Camp Horne Road
Pittsburgh, PA 15237

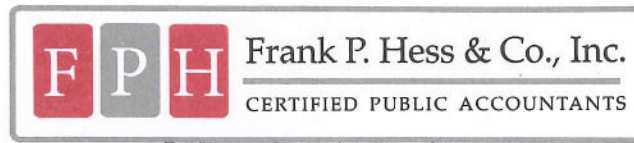
FINANCIAL REPORT

December 31, 2017 AND 2016

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Independent Auditor's Report

To the Board of Directors
of Animal Friends, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Animal Friends, Inc., (a nonprofit organization) which comprise the balance sheet as of December 31, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 Animal Friends, Inc., as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Animal Friends, Inc.'s 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.

Pittsburgh, PA
August 20, 2018

ANIMAL FRIENDS, INC.

BALANCE SHEET

DECEMBER 31, 2017

WITH SUMMARIZED FINANCIAL INFORMATION AT DECEMBER 31, 2016

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 2,912,878	\$ 125,188	\$ 0	\$ 3,038,066	\$ 1,894,596
Investments (Note 2)	590,780	588,831	2,558,497	3,738,108	3,437,821
Receivables (Note 3)	70,500	1,062,559	0	1,133,059	2,419,282
Inventory	60,242	0	0	60,242	51,242
Prepaid Expenses	95,169	0	0	95,169	102,582
Property, Plant and Equipment - Net (Note 4)	13,423,732	0	0	13,423,732	6,599,024
Construction in Progress (Note 3)	0	0	0	0	4,172,721
Assets Held In Trust (Note 5)	0	0	2,980,813	2,980,813	2,156,934
<u>TOTAL ASSETS</u>	<u>\$ 17,153,301</u>	<u>\$ 1,776,578</u>	<u>\$ 5,539,310</u>	<u>\$ 24,469,189</u>	<u>\$ 20,834,202</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 104,382	\$ 0	\$ 0	\$ 104,382	\$ 78,188
Accrued Expenses	179,554	0	0	179,554	134,075
Debt (Note 6)	5,942,421	0	0	5,942,421	2,992,463
<u>Total Liabilities</u>	<u>6,226,357</u>	<u>0</u>	<u>0</u>	<u>6,226,357</u>	<u>3,204,726</u>
<u>Net Assets (Note 7)</u>					
Unrestricted	10,926,944	0	0	10,926,944	9,723,140
Temporarily Restricted	0	1,776,578	0	1,776,578	3,190,905
Permanently Restricted	0	0	5,539,310	5,539,310	4,715,431
<u>Total Net Assets</u>	<u>10,926,944</u>	<u>1,776,578</u>	<u>5,539,310</u>	<u>18,242,832</u>	<u>17,629,476</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 17,153,301</u>	<u>\$ 1,776,578</u>	<u>\$ 5,539,310</u>	<u>\$ 24,469,189</u>	<u>\$ 20,834,202</u>

See Notes to Financial Statements

ANIMAL FRIENDS, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

	2017			2016	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>					
Donations and Grants (Note 8)	\$ 1,891,605	\$ 1,455,264	\$ 0	\$ 3,346,869	\$ 3,562,878
Legacies	1,293,853	0	598,442	1,892,295	2,007,923
Fund Raisers (Net of \$445,805 Direct Costs)	874,218	0	0	874,218	946,459
Investment Income (Note 9)	50,523	441,464	0	491,987	168,566
Trust Income (Loss) (Note 10)	123,723	0	225,437	349,160	110,193
Net Assets Released From Restrictions: Satisfaction of Donor Restrictions	<u>3,311,055</u>	<u>(3,311,055)</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>7,544,977</u>	<u>(1,414,327)</u>	<u>823,879</u>	<u>6,954,529</u>	<u>6,796,019</u>
<u>EXPENSES (Note 11)</u>					
Program	5,343,746	0	0	5,343,746	4,740,790
Administration	392,239	0	0	392,239	359,695
Fund Raising	<u>605,188</u>	<u>0</u>	<u>0</u>	<u>605,188</u>	<u>517,786</u>
	<u>6,341,173</u>	<u>0</u>	<u>0</u>	<u>6,341,173</u>	<u>5,618,271</u>
<u>NET ACTIVITY</u>	1,203,804	(1,414,327)	823,879	613,356	1,177,748
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>9,723,140</u>	<u>3,190,905</u>	<u>4,715,431</u>	<u>17,629,476</u>	<u>16,451,728</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 10,926,944</u>	<u>\$ 1,776,578</u>	<u>\$ 5,539,310</u>	<u>\$ 18,242,832</u>	<u>\$ 17,629,476</u>

See Notes to Financial Statements

ANIMAL FRIENDS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 613,356	\$ 1,177,748
Add (Deduct) Items Not Affecting Cash:		
Depreciation	407,438	276,621
Capital (Gains) Losses	(335,972)	(132,627)
Noncash Trust (Income) Loss	(823,879)	607
Change in Inventory	(9,000)	(1,879)
Change in Prepaid Expenses	7,413	(28,591)
Change in Accounts Payable	26,194	(24,692)
Change in Accrued Expenses	45,479	2,335
Donations Restricted to Long Term Use	<u>(739,319)</u>	<u>(1,016,377)</u>
<u>NET CASH FLOWS FROM OPERATIONS</u>	<u>(808,290)</u>	<u>253,145</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Marketable Investments	(913,264)	(1,056,638)
Sale of Marketable Investments	948,949	1,216,774
Purchase of Property, Plant and Equipment/Construction in Progress	<u>(3,059,425)</u>	<u>(4,032,483)</u>
<u>NET CASH FLOWS FROM INVESTING ACTIVITIES</u>	<u>(3,023,740)</u>	<u>(3,872,347)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Donations Restricted to Long Term Use	739,319	1,016,377
Change in Receivables	1,286,223	1,354,451
Draw on Loan	2,949,958	2,992,463
Retirement of Tax Exempt Bonds	<u>0</u>	<u>(2,985,000)</u>
<u>NET CASH FLOWS FROM FINANCING ACTIVITIES</u>	<u>4,975,500</u>	<u>2,378,291</u>
<u>NET CASH FLOWS</u>	1,143,470	(1,240,911)
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>1,894,596</u>	<u>3,135,507</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 3,038,066</u>	<u>\$ 1,894,596</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
Cash paid for interest	<u>\$ 169,726</u>	<u>\$ 59,783</u>

Donations of animal supplies (primarily food) valued at \$112,377 and \$123,275 were received in 2017 and 2016, respectively.

See Notes to Financial Statements

ANIMAL FRIENDS, INC.
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review

Management has evaluated subsequent events through August 20, 2018, which is the date the financial statements were available for issue.

Organization

Animal Friends, Inc., ("Animal Friends") received its charter as a nonprofit corporation from the Commonwealth of Pennsylvania on June 1, 1943. Since then it has operated as a public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The purpose of Animal Friends is to ensure the well-being of companion animals, while ending overpopulation, abuse and unwarranted euthanasia. It is the mission of the organization to 1) reduce the number of unwanted animals through aggressive spay/neuter programs; 2) provide for the well-being of companion animals in need, while adhering to our no-kill tradition, and find each a lifelong, loving home; 3) offer affordable wellness services and resources to pets and owners in need, targeting underserved communities, to support whole-life care; 4) promote the animal-human bond through outreach, education and therapeutic programs and; 5) act as an advocate on behalf of animals in crisis and as an enforcer of their rights and protection through education, investigation and legislative efforts.

Tax Status

Since incorporation, Animal Friends has operated as a public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Tax form 990, Return of Organization Exempt from Income Tax, for the years ending December 31, 2015, 2016, and 2017 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Accounting For Restrictions

Net assets, revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of Animal Friends are classified and reported as follows:

Unrestricted Net Assets - Net assets which are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets which are subject to donor-imposed restrictions which will be satisfied by actions of Animal Friends or by the passage of time.

Permanently Restricted Net Assets - Net assets which are subject to donor-imposed stipulations that they be maintained or used in a certain way or endowments which represent resources that must be invested permanently with income to be used for either general or specific purposes.

Animal Friends has adopted the following policies for gifts received with a donor-imposed restriction:

In the absence of donor stipulations specifying how long-lived donated assets must be used, restrictions on long-lived assets and other personal property items, or cash to acquire long-lived assets or personal property items, expire when the assets are placed in service or purchased as the case may be. The sale proceeds (or, in the case of a destroyed item, insurance proceeds) from either a donated asset or an asset purchased with a gift of cash are unrestricted unless specifically delineated otherwise by the original donor. In the absence of donor stipulations, interest income earned on temporarily restricted funds is unrestricted and may be used for general operations, programs and services.

Contributions

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 statement of activities as net assets released from restrictions.

Volunteer Services

Unpaid volunteers have made significant contributions of their services to develop Animal Friends' programs and assist in its support. The value of these contributions is not reflected in the accompanying financial statements since it is not susceptible to an objective measurement or valuation. In 2017 3,000 active volunteers donated 360,163 hours of service, which equate to approximately 173 full-time equivalent employees.

Basis of Accounting

All transactions of Animal Friends have been accounted for using the accrual basis of accounting. All restricted gifts are separately identified both in the financial statements and in the underlying accounting workpapers.

Estimates

These financial statements use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash, certificates of deposit, and other highly liquid investments with maturities of three months or less.

Fair Value Accounting

Investments and Assets Held in Trust are reported at fair value. Fair values are classified according to a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 - Securities traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 - Securities not traded in an active market but for which market inputs are readily available.

Level 3 - Securities not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

All Investments and Assets Held in Trust are Level 1 securities.

Receivables

Receivables are recorded at net realizable value. No allowance for doubtful accounts was deemed necessary. A present value discount rate of 5% is used valuing pledges receivable to the capital campaign.

Inventory

Inventory is comprised of food, clothing and gift items held for sale in the gift shop. Proceeds from the sale of donated food are recorded as Donations. Net proceeds from the sale of purchased items are recorded as a Fund Raiser. Inventory also includes animal supplies (primarily food) for use in the facility. Inventory is accounted for at the lower of cost or market, using the specific identification cost method.

Property, Plant and Equipment

All Property, Plant and Equipment are being depreciated using the straight-line method over each asset's useful life. Useful lives assigned are five years for transportation equipment; three to ten years for furniture and equipment; and twenty to forty years for buildings. Repairs and maintenance, which do not extend the lives of the applicable assets, are charged to expense as incurred. Gain or loss from the retirement or other disposition of these assets is included in the statement of activities.

Revenue Recognition

Donations and Grants are recognized as revenue when a donor makes an unconditional promise to give. Income from Legacies is recognized as cash is received. Reimbursements from reduced-cost spaying and neutering services are recognized on a cash basis due to the inability to reasonably estimate bad debts.

Allocations

Animal Friends reports fundraising costs and administration expenses by their functional classification. Some expenses have been allocated to functional classifications based on salary costs or square footage.

Prior Year Amounts

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

2. INVESTMENTS

Investments were composed of the following:

<u>Investment Type</u>	<u>2017</u>	<u>2016</u>
Money Market Funds	\$ 86,424	\$ 48,276
Equity Mutual Funds	2,089,325	1,825,018
Debt Mutual Funds	1,035,660	1,144,797
Common Stocks	<u>526,699</u>	<u>419,730</u>
Total	<u>3,738,108</u>	<u>3,437,821</u>

3. RECEIVABLES

In 2013 Animal Friends initiated an \$8,500,000 Capital Campaign. \$7,500,000 of the Campaign is allocated to construction of a new 18,400 square foot public spay/neuter clinic and Animal Wellness Center. \$1,000,000 of the campaign is allocated to the organization's current and on-going operational funding.

A \$50,000 allowance to adjust for present value has been recorded. Anticipated cash flow from these pledges is as follows:

<u>Year</u>	<u>Cash Collected</u>
2018	503,028
2019	364,731
2020	150,000
2,021	<u>94,800</u>
Total	<u>\$ 1,112,559</u>

4. PROPERTY, PLANT AND EQUIPMENT

At December 31, 2017, Property, Plant and Equipment were composed of the following:

<u>Description</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>2016</u>
Land	\$ 1,032,949	\$ 0	\$ 1,032,949	\$ 1,032,949
Building	13,859,346	2,052,964	11,806,382	5,120,783
Furniture and Equipment	1,153,343	688,451	464,892	324,899
Transportation Equipment	422,811	303,302	119,509	120,393
	<u>\$ 16,468,449</u>	<u>\$ 3,044,717</u>	<u>\$ 13,423,732</u>	<u>\$ 6,599,024</u>

5. ASSETS HELD IN TRUST

Permanently Restricted Assets Held In Trust represents assets held in twelve separate trusts by others. In these trusts, Animal Friends is entitled to receive a percentage of the future income earned as stipulated by the grantor in perpetuity.

6. DEBT

In 2016 Animal Friends received a \$6,000,000 loan commitment from PNC Bank to finance the new Animal Wellness Center (\$3,015,000) and retire existing bonds (\$2,985,000). The new loan commitment has an interest rate of 68% of the one month LIBOR rate plus 1.65% and required interest only payments through September 1, 2017. Monthly principal and interest payments of \$32,474 beginning October 1, 2017 are due through February 1, 2037. Payments each month are charged to interest first and principal is credited for the residual amount. With a variable interest rate each month, the loan could be paid off before February 1, 2037 (improbable) or have a balloon payment balance due (probable). The loan is secured by the Resource Center and Animal Wellness Center land and buildings.

Animal Friends has a \$300,000 line of credit with interest at the prime rate expiring October 20, 2018. At December 31, 2017, nothing was drawn on the line.

7. NET ASSETS

Animal Friends currently maintains three separate net asset classifications in order to control in detail all gifts received. These classifications include: 1) Unrestricted, which is used to account for revenues earned and gifts received without a restricted directive; 2) Temporarily Restricted, which is used to account for gifts received by Animal Friends with donor-restricted directives; and 3) Permanently Restricted, which is used to account for gifts received which are subject to donor restricted directives which never expire. A summary of the activity in the open Temporarily Restricted Net Asset class from January 1, 2017 to December 31, 2017 is as follows:

<u>Net Asset Class</u>	<u>January 1</u>	<u>Support and Revenue</u>	<u>Release of Net Assets</u>	<u>December 31</u>
Capital Campaign	\$ 2,753,470	\$ 739,319	\$ 2,430,230	\$ 1,062,559
Endowment	292,581	441,464	145,214	588,831
Major Ben Follansbee Pets for Vets	43,223	53,280	9,461	87,042
Therapeutic Programming	79,087	136,939	200,424	15,602
Reward	12,544	0	0	12,544
Spay/Neuter	0	503,726	503,726	0
AAARF	0	22,000	22,000	0
Other	10,000	0	0	10,000
	<u>\$ 3,190,905</u>	<u>\$ 1,896,728</u>	<u>\$ 3,311,055</u>	<u>\$ 1,776,578</u>

A summary of the activity in the Permanently Restricted Net Asset class from January 1, 2017 to December 31, 2017 is as follows:

<u>Net Asset Class</u>	<u>January 1</u>	<u>Support and Revenue</u>	<u>Release of Net Assets</u>	<u>December 31</u>
Permanent Endowment	\$ 2,558,497	\$ 0	\$ 0	\$ 2,558,497
Assets Held in Trust	2,156,934	823,879	0	2,980,813
	<u>\$ 4,715,431</u>	<u>\$ 823,879</u>	<u>\$ 0</u>	<u>\$ 5,539,310</u>

A reconciliation of endowment activity is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Balance January 1	\$ 292,581	\$ 2,558,497	\$ 2,851,078	\$ 2,858,303
Contributions	0	0	0	0
Investment Income	51,478	0	51,478	46,834
Capital Gains/(Losses)	408,636	0	408,636	110,959
Fees	(18,650)	0	(18,650)	(17,839)
Distributions	(145,214)	0	(145,214)	(147,179)
Balance December 31	<u>\$ 588,831</u>	<u>\$ 2,558,497</u>	<u>\$ 3,147,328</u>	<u>\$ 2,851,078</u>

7. NET ASSETS (continued)

Animal Friends' endowment fund is governed by Pennsylvania's Principal and Income Act (Act 141) enacted on December 21, 1998.

The Board of Directors has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the real value of the endowment portfolio. Under this policy, the endowment assets are invested in a manner that is intended to emphasize total return (aggregate return from capital appreciation and dividend and interest income) sufficient to preserve the real (inflation-adjusted) value of the portfolio, achieve long-term growth of principal, while avoiding excessive risk and to the extent necessary, provide for the operating needs of Animal Friends. The Board of Directors has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes (domestic and international equity, investment grade fixed income and cash equivalents). The investment objective for each asset class portfolio is to exceed the rate of return of a relevant benchmark after taking into account all manager fees.

Each year, Animal Friends appropriates a percentage of its endowment fund's average fair value over the prior three years preceding the fiscal year in which the distribution is planned. The Board of Directors votes on this appropriation each year. For the fiscal years 2017 and 2016, this percentage was 5%.

From time to time, the fair value of assets associated with endowment funds may fall below the level of the original gift. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets.

8. DONATIONS

Donations are received from a broad base of donors. There is not a significant concentration of risk in large donations.

9. INVESTMENT INCOME

Investment Income is composed of the following:

<u>Item</u>	<u>2017</u>	<u>2016</u>
Dividends	\$ 148,551	\$ 43,725
Interest	29,780	13,803
Capital Gains (Losses)	335,972	132,627
Expenses	<u>(22,316)</u>	<u>(21,589)</u>
	<u>\$ 491,987</u>	<u>\$ 168,566</u>

10. TRUST INCOME

Trust Income is composed of the following:

<u>Item</u>	<u>2017</u>	<u>2016</u>
Dividends	\$ 76,393	\$ 46,639
Interest	17,295	12,529
Capital Gains (Losses)	284,045	71,839
Expenses	<u>(28,573)</u>	<u>(20,814)</u>
	<u>\$ 349,160</u>	<u>\$ 110,193</u>

11. EXPENSES

Detail of functional expenses is as follows:

<u>Expense</u>	<u>2017</u>			<u>2016</u>	
	<u>Program</u>	<u>Administration</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Total</u>
Payroll & Related Costs*	\$ 2,870,788	\$ 294,127	\$ 392,858	\$ 3,557,773	\$ 3,288,132
Animal Care & Services	1,264,224	0	0	1,264,224	1,173,947
Depreciation	387,066	8,149	12,223	407,438	276,621
Utilities	207,062	4,382	7,669	219,113	176,053
Interest	159,542	3,395	6,789	169,726	89,783
Printing & Postage	76,735	7,589	84,324	168,648	145,934
Software Support	50,776	30,466	20,311	101,553	79,072
Office Costs	63,441	17,763	20,301	101,505	87,893
Repairs & Maintenance	65,708	1,383	2,075	69,166	77,907
Insurance	61,576	1,310	2,620	65,506	48,640
Publicity	29,288	0	29,289	58,577	16,675
Bank Fees	24,054	0	24,054	48,108	49,364
Professional Fees	0	22,337	0	22,337	29,852
Local Transportation	20,620	0	0	20,620	15,838
Other	62,866	1,338	2,675	66,879	62,560
Total	<u>\$ 5,343,746</u>	<u>\$ 392,239</u>	<u>\$ 605,188</u>	<u>\$ 6,341,173</u>	<u>\$ 5,618,271</u>

* On January 1, 1999 Animal Friends adopted a defined contribution pension plan covering employees who are twenty-one or over, worked over 1,000 hours, and have completed one year of service. Animal Friends can contribute 0%-15% of employee wages to the plan. Animal Friends' cost for this plan was \$19,592 in 2017 and \$18,238 in 2016.

12. CONCENTRATION OF CREDIT RISK

Although Animal Friends maintains cash balances in excess of federally insured limits, they have not historically experienced any credit loss.