

ANIMAL PLACE
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To Management and Board of Directors of
Animal Place
Grass Valley, California

We have audited the accompanying financial statements of Animal Place (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, 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 Place as of December 31, 2016, 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.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
August 25, 2017

**ANIMAL PLACE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

ASSETS

Current Assets		
Cash and Cash Equivalents	\$ 486,124	
Investments	1,143,145	
Grants Receivable	90,152	
Inventory - Merchandise	4,191	
Inventory - Animal Place Vegan Republic	28,570	
Prepaid Expenses	538	
Total Current Assets		\$ 1,752,720
Fixed Assets		
Fixed Assets	6,754,475	
Less: Accumulated Depreciation	(795,655)	
Total Net Fixed Assets		5,958,820
Other Assets		
Endowment Account		118,877
Deposits		150
TOTAL ASSETS		\$ 7,830,567

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 75,974	
Payroll Liabilities	75,005	
Current Portion of Note Payable for Vacaville Land	21,714	
Current Portion of Long Term Debt	26,731	
Total Current Liabilities		\$ 199,424
Long Term Liabilities		
Note Payable for Vacaville Land	46,610	
Note Payable for Grass Valley Land	222,207	
Long-Term Liabilities		268,817
TOTAL LIABILITIES		\$ 468,241
Net Assets		
Unrestricted Net Assets		7,143,282
Temporarily Restricted Net Assets		90,152
Permanently Restricted Net Assets		128,892
TOTAL NET ASSETS		7,362,326
TOTAL LIABILITIES AND NET ASSETS		\$ 7,830,567

See Accompanying Notes

**ANIMAL PLACE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions				
Grants	\$ 626,459	\$ -	\$ -	\$ 626,459
Bequests	211,265	-	-	211,265
Donations	1,105,743	90,152	-	1,195,895
Debt Forgiveness	41,000	-	-	41,000
In-Kind Donations	47,340	-	-	47,340
Fundraising	41,485	-	-	41,485
Sales	8,176	-	-	8,176
Animal Place Vegan Republic Sales	453,263			
Less cost of goods sold	<u>(340,484)</u>			
	112,779	-	-	112,779
Chicken Adoptions	11,031	-	-	11,031
Unrealized Gain (Loss)	43,166	-	-	43,166
Interest and Dividends	37,478	-	-	37,478
Realized Gain (Loss)	(650)	-	-	(650)
Net Assets Released from Restriction	144,057	(144,057)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	2,429,329	(53,905)	-	2,375,424
EXPENSES AND LOSSES				
Program	1,869,726	-	-	1,869,726
Administrative	115,217	-	-	115,217
Fundraising	131,421	-	-	131,421
TOTAL EXPENSES AND LOSSES	2,116,364	-	-	2,116,364
Change in Net Assets	312,965	(53,905)	-	259,060
Prior Period Adjustment	(21,187)	-	-	(21,187)
Net Assets at December 31, 2015	6,851,504	144,057	128,892	7,124,453
NET ASSETS AT December 31, 2016	\$ 7,143,282	\$ 90,152	\$ 128,892	\$ 7,362,326

See Accompanying Notes

**ANIMAL PLACE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services	Administrative Expenses	Fundraising Expenses	Total Expenses
Personnel Costs	\$ 692,675	\$ 81,057	\$ 18,500	\$ 792,232
Advertising	1,631	-	-	1,631
Animal Care	135,955	-	-	135,955
Bank & Credit Card Fees	9,566	6,820	-	16,386
Computer Services	8,020	-	-	8,020
Conferences	9,369	-	-	9,369
Contract Services	348,172	7,295	57,252	412,718
Dues & Subscriptions	20,461	-	-	20,461
Events - Classes, Open House	14,711	-	-	14,711
Filing Fees	-	-	2,067	2,067
In-Kind Food Donations	31,191	-	-	31,191
Insurance	35,936	-	-	35,936
Interest Expense	-	20,045	-	20,045
Miscellaneous	3,653	-	-	3,653
Postage & Printing	73,754	-	53,602	127,357
Property Taxes & Water Rights	7,871	-	-	7,871
Rent - Animal Place Vegan Republic	31,191	-	-	31,191
Repairs & Maintenance	88,227	-	-	88,227
Sales Taxes	8,253	-	-	8,253
Equipment	2,491	-	-	2,491
Supplies	94,003	-	-	94,003
Telephone	11,769	-	-	11,769
Travel	19,719	-	-	19,719
Utilities	46,310	-	-	46,310
Vehicle Expenses	21,998	-	-	21,998
Volunteer In-Kind Expenses	16,140	-	-	16,140
Total Expenses before Depreciation	<u>1,733,066</u>	<u>115,217</u>	<u>131,421</u>	<u>1,979,704</u>
Depreciation Expense	136,660	-	-	136,660
TOTAL EXPENSES	<u><u>\$ 1,869,726</u></u>	<u><u>\$ 115,217</u></u>	<u><u>\$ 131,421</u></u>	<u><u>\$ 2,116,364</u></u>

See Accompanying Notes

**ANIMAL PLACE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash Flows From Operating Activities

Change in Net Assets	\$ 259,060
Adjustments to Reconcile Change in Net Assets to Net Cash	
Depreciation and Amortization	136,660
Unrealized Gains on Investments	(43,166)
(Increase) Decrease in Operating Assets	
Grants Receivable	53,905
Inventory - Merchandise	15,431
Inventory - Animal Place Vegan Republic	20,505
Prepaid Expenses	2,425
Increase (Decrease) in Operating Liabilities	
Accounts Payable	(24,335)
Payroll Liabilities	55,438
Net Cash Provided by Operating Activities	475,923

Cash Flows From Investing Activities

Stock Liquidations (Purchases)	(12,345)
Investment Gains and Income Reinvested	(37,478)
Purchases of Capital Assets	(193,326)
Net Cash Used by Investing Activities	(243,149)

Cash Flows From Financing Activities

Payments of Principal for Vacaville Land	(20,717)
Loan Forgiveness	(25,178)
Net Cash Used by Financing Activities	(45,895)

Net Increase in Cash	186,879
Beginning Cash at December 31, 2015	299,245
Ending Cash at December 31, 2016	\$ 486,124

Supplemental Information:

Interest expense for the year ended December 31, 2016 was \$20,045.
\$15,762 of this amount was forgiven by a private lender.

Income taxes paid in 2016 was \$0.

See Accompanying Notes

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 1: Nature of the Organization

Incorporated in the State of California in 1989, Animal Place is one of the oldest and largest sanctuaries for farmed animals in the country. Nestled on 600-acres in Grass Valley, CA, Animal Place provides refuge to hundreds of neglected farmed animals. In addition to permanent sanctuary, Animal Place's Rescue Ranch is a 60-acre adoption center, placing needy farmed animals into permanent homes. Each year, more than 4,000 birds are rescued from egg farms, rehabilitated, and placed in forever homes.

Sanctuary is important work, but Animal Place strives to create meaningful change for farmed animals through advocacy and education. Thousands of visitors flock to the sanctuary each year to learn more about the animals and farming. Volunteer classes introduce folks to the more intense ways people can help. Animal Place operates a residential student internship program. Interns come from around the world to immerse themselves for 2-3 months in sanctuary work. It is a life-changing experience.

Animal Place promotes a vegan diet through its publications, e-alerts, cooking classes, and popular events such as Thank the Turkeys at Thanksgiving, Chicken Care Classes that teach people the basics of chicken care, and our Farmed Animal Conference. Animal Place also operates the Animal Place Vegan Republic, an all-vegan specialty store in Berkeley, California which supports animals at the sanctuary.

Animal Place is opening at its Grass Valley sanctuary the first of its kind Museum of Animal Farming which will further educate the public about where their food comes from. Its mission is simple - to extend compassion to all life.

The majority of the funding for this Organization comes from individual donations. Animal Place is a not-for-profit corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively. It is classified as an Organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contribution deduction for individual donors. During the year ended December 31, 2016 the Organization did not have any unrelated business income.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting. Revenue is recognized when earned and expenditures are recognized when the liability is incurred, rather than when cash is received or disbursed.

Classes of Net Assets

The financial statements report amounts by class of net assets:

Unrestricted net assets are those currently available for use in the activities of the Organization under the direction of the board, and unrestricted resources invested in land, buildings, equipment, and furniture.

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 2: Summary of Significant Accounting Policies – continued

Temporarily restricted net assets are those stipulated by donors for specific operating purposes or for the acquisition of property and equipment; or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased. The Organization has decided to report temporarily restricted net assets received and used in the same fiscal year as unrestricted.

Permanently restricted net assets are those contributed with the donor stipulation that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes.

If situations arise where there is a possibility of assignment into more than one class of net assets, the Organization's practice is to reduce the temporarily restricted amounts and then unrestricted amounts.

Contributions

Under Statement of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, *Financial Statements of Not-for-Profit Organizations*, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Equipment

The Organization capitalizes all asset purchases and donations with a value over \$1,000. Purchased fixed assets are capitalized at historical cost. Donated fixed assets are recorded as contributions at their estimated fair market value. Such donations are recorded as unrestricted unless the donor has restricted the donated asset to a specific purpose. Maintenance and repairs are expensed when incurred, while betterments are capitalized and depreciated. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets.

Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents are considered to be highly liquid depository accounts with a maturity of less than three months.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value based on quoted prices in active markets (all Level 1 measurements). Equity securities without readily determinable fair values are stated at cost.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Actual results could differ from those estimates.

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 3: Concentrations

Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits, investments in stocks, bonds, mutual funds and money market accounts.

The Organization places its cash deposits with a creditworthy, high quality financial institution. At December 31, 2016, the balance held with this institution did not exceed the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC) or a related entity.

The Organization's investments in stocks, bonds, mutual funds and money market accounts are held with internationally recognized investment companies. These funds are not insured by the Federal Deposit Insurance Corporation (FDIC) or a related entity. Although market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization and its beneficiaries. At December 31, 2016, the Organization had approximately \$1,493,573 of investments and cash in money market accounts that were not insured by the FDIC or a related entity.

Major Donors

During the year ended December 31, 2016, the Organization received 23% of its revenues and other support from a continuing donor.

Note 4: Fair Value Measurements

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Investments – The fair value of investments in marketable equity and debt securities is based on quoted market prices. Nonmarketable debt securities are valued based on estimated discounted future cash flows; nonmarketable equity securities are carried at estimated current value if it is possible to determine this, otherwise at cost.

Beneficial interest in perpetual trust (endowment) – Endowments consisted of an investment held by the Community Foundation of Sonoma County (CFSC). The principal was contributed by a private donor and is held in perpetuity by the CFSC. Income is disbursed at the discretion of the CFSC annually. The endowment is carried at fair market value on the Statement of Financial Position as reported by the trustee.

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 4: Fair Value Measurements – continued

Fair values of assets measured at December 31, 2016 are as follows:

Recurring Fair Value Measurements:	Total	Fair Value Measurements at the end of the Reporting Period Using...		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents:	\$ 486,124	\$ 486,124	-	-
Mutual Funds:				
500 Index Fund	572,171	572,171	-	-
GNMA Fund	511,775	511,775	-	-
Intl Stock Admiral	59,199	59,199	-	-
Total Investments	<u>1,143,145</u>	<u>1,143,145</u>	-	-
Beneficial Interest in Perpetual Trust - Endowment	118,877	-	-	\$ 118,877
Total Recurring Fair Value Measurement:	<u>\$1,748,146</u>	<u>\$ 1,629,269</u>	<u>-</u>	<u>\$ 118,877</u>

Fair value for the beneficial interest in a perpetual trust (endowment) is measured using the fair value of the assets held in the trust as reported by the trustee as of December 31, 2016. The Organization considers the measurement of its beneficial interest in the trust to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

The table below presents information about fair value measurements that use significant unobservable inputs (Level 3):

Beneficial interest in a perpetual trust

Balance – January 1, 2016	\$ 115,302
Transfer out to Level 1	(4,526)
Total gains or losses recognized in the change in unrestricted net assets:	
Change in value of perpetual trust	<u>8,101</u>
Balance – December 31, 2016	<u>\$ 118,877</u>

The Board of Directors reviews and approves the Organization’s fair market value measurement policies and procedures annually. At least quarterly, the finance committee and the Board determine if the valuation techniques used in fair value measurements are still appropriate.

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
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Note 5: Endowment Fund

A. General

The Endowment Fund is a donor-restricted permanent fund created to provide long-term general operating support for Animal Place. The endowment fund is held and managed by the Sonoma County Community Foundation in accordance with their investment policy.

B. Interpretation of Relevant Law

It is the intent of the Sonoma County Community Foundation Board of Directors to have the Investment Advisory Committee apply the investment standards of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as they apply to both Donor Restricted Funds as well as Unrestricted Institutional Funds in the management of the investment assets.

Donor Restricted Funds

Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. In making a determination to appropriate or accumulate, the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider the following factors:

- The duration and preservation of the endowment fund.
- The purposes of the institution and the endowment fund.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the institution.
- The investment policy of the institution.

Unrestricted Institutional Funds

In managing and investing unrestricted institutional funds, all of the following factors, if relevant, must be considered:

- General economic conditions.
- The possible effect of inflation or deflation
- The expected tax consequences, if any, of investment decisions or strategies.
- The role that each investment or course of action plays within the overall investment portfolio of the fund's assets.
- The expected total return from income and the appreciation of investments.
- Other resources of the institution.
- The needs of the institution and the funds to make distributions and to preserve capital.
- An asset's special relationship or special value, if any, to the charitable purposes of the institution.
- Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the funds and to the institution.
- Except as otherwise provided by law other than this part, an institution may invest in any kind of property or type of investment consistent with the section.

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 5: Endowment Fund – continued

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the donor requires be retained as a fund of perpetual duration. In accordance with GAAP, Animal Place reports deficiencies of this nature in unrestricted net assets.

Note 6: Fixed Assets

Fixed assets dedicated to the purposes of the program are stated at cost or fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives are:

Buildings	30 years
Building Improvements	10-30 years
Small Barns	10 years
Transportation Equipment	5 years
Equipment	5-10 years

Fixed assets and changes in fixed assets are summarized by major classification as follows:

	2015	Additions	Disposals	2016
Transportation Equipment	\$ 136,545	\$ 73,453	\$ -	\$ 209,998
Buildings	1,555,011	23,996	-	1,579,007
Computer and Other Equipment	95,998	63,857	-	159,885
Leasehold Improvements	576,273	31,990	-	608,263
Land	4,197,322	-	-	4,197,322
Total	6,561,149	193,326	-	6,754,475
Less Accumulated Depreciation	(658,995)	(136,660)	-	(795,655)
Total Net Property Plant and Equipment	\$ 5,902,154	\$ 56,666	\$ -	\$ 5,958,820

Note 7: Contributions

The Organization reports gifts of cash and other assets as restricted support if they are pledged or received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is when a stipulated time ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed assets are recorded at fair market value when the Organization obtains possession of the asset or an unconditional promise to give is made. During the year ended December 31, 2016, the Organization received \$31,200 of in-kind donations of food for the support of the animals at the sanctuary.

During the year ended December 31, 2016, volunteer hours were provided for both program and fund-raising services but were not recognized as contributions in the financial statements as they did not meet the criteria of FASB ASC 958.

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 8: Long-Term Debt Obligations

On September 10, 2008, the Organization obtained a 20-year loan for \$1,175,000 at 6% interest, payable to a private foundation for the purchase of land in Grass Valley, California. Monthly payments were \$8,418 including interest. In July 2009, the private lender forgave \$750,000 of principal on this note. The balance at December 31, 2016 was \$248,938. For the remainder of the term of the loan the monthly payments will be \$3,412.

The foundation forgave twelve monthly loan payments in 2016 for a total of \$40,940.

In August of 2007, the Organization purchased from one of its board members 50% of the land on which they conduct their activities in Vacaville, California. The terms of this purchase were a total purchase price of \$323,775 with a deposit of \$100,000 and annual payments of \$25,000 including interest accruing at 4.81% on a secured promissory note which requires the lender's written approval prior to any sale, conveyance, or alienation of the property. The balance of this loan at December 31, 2016 was \$68,324.

Future maturities of long term debt are as follows as of December 31, 2016:

<u>Year Ended</u>	<u>Amount</u>
2017	48,445
2018	51,138
2019	53,893
2020	31,989
2021	33,961
Thereafter	<u>97,747</u>
	<u>\$ 317,263</u>

Note 9: Functional Expenses

The costs of providing the programs and other activities have been summarized in the accompanying Statement of Functional Expenses. The Statement of Functional Expenses presents expenses by functional classification. Direct expenses to the programs, administration, or fundraising are classified accordingly. Personnel costs are allocated to the functions based on management's perception of time spent, and job descriptions.

In 2016, Animal Place conducted activities which included both requests for contributions, and program components. Those activities included Direct Mailings for a Donor Appeal, an Acquisition Appeal, and a Newsletter. The costs of conducting those activities included a total of \$169,286 of joint costs, which are not specifically attributable to particular components of activities.

According to the requirements of the Statement of Position 98-1 issued by the AICPA, these joint costs were allocated as follows:

Program	93,625
Management	-
Fundraising	<u>75,661</u>
Total Allocated	<u>\$ 169,286</u>

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
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Note 10: Advertising and Publicity

Advertising costs are expensed as incurred. Advertising expense was \$1,631 for the year ended December 31, 2016.

Note 11: Prior Period Adjustment

Prior period adjustments were required to properly state the beginning net assets.

- 1) A prior period adjustment was recorded to properly state the beginning balance of accounts payable and unrestricted net assets. Accounts payable had been understated, creating an overstatement of net assets.
- 2) A prior period adjustment was recorded to properly state the beginning balance of inventory and unrestricted net assets. Inventory had been overstated, creating an overstatement of net assets.

The total effect on net assets as of December 31, 2016 is as follows:

Unrestricted net assets as reported	\$ 6,815,504
Correction to Accounts Payable	(11,187)
Correction to Inventory	<u>(10,000)</u>
Unrestricted net assets as corrected	<u><u>\$ 6,830,317</u></u>

Note 12: Subsequent Events

Events subsequent to December 31, 2016 have been evaluated through August 25, 2017, the date at which the Organization's audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.