

HARMONY FUND, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

AND

INDEPENDENT AUDITORS' REPORT

HARMONY FUND, INC.
DECEMBER 31, 2016 AND 2015
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Independent Auditors' Report

Board of Directors
Harmony Fund, Inc.

We have audited the accompanying financial statements of Harmony Fund, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility

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 of material misstatements.

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.



M Love & Associates, LLC
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harmony Fund, 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 conformity with accounting principles generally accepted in the United States of America.

M Love & Associates, LLC

Worcester, Massachusetts
September 28, 2017

HARMONY FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 61,262	\$ 118,898
Total current assets	\$ 61,262	\$ 118,898
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accrued liabilities	\$ 8,614	\$ 7,333
NET ASSETS		
Unrestricted	52,648	111,565
Total liabilities and net assets	\$ 61,262	\$ 118,898

See independent auditors' report and notes to financial statements.

HARMONY FUND, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
REVENUE AND SUPPORT		
Contributions and gifts	\$ 494,555	\$ 528,144
Interest income	15	236
Total revenue and support	494,570	528,380
EXPENSES		
Animal rescue program services	484,308	440,155
Management and general expenses	52,309	55,310
Fundraising	16,870	24,206
Total expenses	553,487	519,671
CHANGES IN NET ASSETS	(58,917)	8,709
NET ASSETS, beginning of year	111,565	102,856
NET ASSETS, end of year	\$ 52,648	\$ 111,565

See independent auditors' report and notes to financial statements.

HARMONY FUND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015				
	ANIMAL RESCUE PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	ANIMAL RESCUE PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
PERSONAL AND RELATED EXPENSES								
Salaries and wages	\$ 67,520	\$ 6,330	\$ 10,550	\$ 84,400	\$ 67,520	\$ 6,330	\$ 10,550	\$ 84,400
Payroll taxes	5,165	1,167	807	7,139	5,943	557	929	7,429
Total personnel and related expenses	72,685	7,497	11,357	91,539	73,463	6,887	11,479	91,829
OPERATING EXPENSES								
Animal rescue and humane education	397,911	-	-	397,911	347,707	-	-	347,707
Online donation processing fees	-	23,794	-	23,794	-	28,729	-	28,729
Professional fees	10,518	11,498	-	22,016	9,302	8,108	-	17,410
Bank charges	-	4,557	241	4,798	-	5,704	309	6,013
Advertising	-	-	4,640	4,640	-	-	6,463	6,463
Office expense	-	4,064	-	4,064	-	4,470	-	4,470
Outside contract services	1,707	-	-	1,707	3,000	-	-	3,000
Travel expenses	1,487	-	-	1,487	13	-	-	13
Other expenses	-	337	632	969	6,670	40	5,955	12,665
Postage	-	383	-	383	-	453	-	453
Telephone	-	179	-	179	-	179	-	179
Insurance	-	-	-	-	-	740	-	740
Total operating expenses	411,623	44,812	5,513	461,948	366,692	48,423	12,727	427,842
Total functional expenses	\$ 484,308	\$ 52,309	\$ 16,870	\$ 553,487	\$ 440,155	\$ 55,310	\$ 24,206	\$ 519,671

See independent auditors' report and notes to financial statements.

HARMONY FUND, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (58,917)	\$ 8,709
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
(Increase) decrease in operating assets		
Other receivable	-	9,970
Increase (decrease) in operating liabilities		
Accrued liabilities	1,281	(2,441)
Net cash provided by (used in) operating activities	(57,636)	16,238
NET INCREASE (DECREASE) IN CASH	(57,636)	16,238
CASH, beginning of year	118,898	102,660
CASH, end of year	\$ 61,262	\$ 118,898

See independent auditors' report and notes to financial statements.

HARMONY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(1) **OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

OPERATIONS

Harmony Fund, Inc. (the Organization) supports global projects and organizations whose mission is to rescue and protect animals and wildlife. The Organization is primarily supported by unrestricted contributions and gifts from the general public.

SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Cash

Cash consists of checking, savings, and PayPal accounts.

Financial statement presentation

The Organization presents information regarding its financial position and activities according to classifications of net assets described as follows:

Unrestricted – All resources over which the governing board of the Organization has discretionary control. The governing board may elect to designate such resources for specific purposes. This designation may be removed at the board’s discretion.

Temporarily restricted – Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantor have been satisfied through expenditures for the specific purpose or program or through passage of time.

Permanently restricted – Endowment resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to gift instruments.

Contributions

Contributions, including unconditional promises to give, are recorded as the contributions or promises to give are made. All contributions are available for unrestricted use unless specifically restricted by the donor. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded as pledges receivable at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable in the years in which the promises are to be received.

HARMONY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)

(1) **OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES** (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed services

The Organization receives the support and help from the community through volunteers. These volunteers donate their time to assist in the Organization's various program services and fundraising. The value of these contributed services meeting the requirements for recognition in the financial statements, while invaluable, is typically not material and, therefore, is not recorded.

Expense allocation

The costs of providing various programs and other activities of the Organization have been summarized on the functional basis in the statements of activities and changes in net assets. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

(2) **SUBSEQUENT EVENTS**

In preparing the financial statements, the Organization has evaluated all events and transactions for potential recognition or disclosure herein through September 28, 2017, the date the financial statements were available to be issued.

(3) **NONPROFIT STATUS**

The Organization is exempt from federal income taxes as a nonprofit organization recognized under Section 501(c)(3) of the Internal Revenue Code.

If the Organization had any unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position. The Organization's federal and state tax returns for the past three years remain subject to examination by federal and state taxing authorities.

HARMONY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)

(4) **RECLASSIFICATIONS**

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation. Such reclassifications had no impact on changes in net assets as previously reported.