

HUMANE SOCIETY OF SARASOTA COUNTY, INC.

Independent Auditors' Report
and
Audited Financial Statements

December 31, 2016 and 2015

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Independent Auditors' Report

To the Board of Directors
Humane Society of Sarasota County, Inc.

We have audited the accompanying financial statements of Humane Society of Sarasota County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses 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 of 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 Humane Society of Sarasota County, Inc. as of December 31, 2016 and 2015, and the change 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.

Suplee, Shea, Cramer & Rocklein, P.A.
Sarasota, Florida
August 18, 2017

Humane Society of Sarasota County, Inc.
Statements of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,013,449	\$ 659,190
Investments	9,281,743	8,796,039
Promises to give	3,426	5,641
Inventory	40,362	8,809
Prepaid expenses and other assets	68,585	40,111
Contributions receivable from charitable trusts	1,194,293	1,068,195
Contributions receivable - donated leasehold interest in land	61,908	64,208
Beneficial interest in assets held by others	110,905	108,172
Life insurance cash surrender value	24,321	20,251
Property and equipment, net of accumulated depreciation	<u>1,509,269</u>	<u>1,316,369</u>
TOTAL ASSETS	<u>\$ 13,308,261</u>	<u>\$ 12,086,985</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Line of credit	\$ 257,769	\$ -
Accounts payable and accrued expenses	115,003	62,886
Accrued payroll and benefits	66,524	45,697
Unearned income	<u>25,000</u>	<u>3,740</u>
Total Liabilities	<u>464,296</u>	<u>112,323</u>
<u>Net Assets</u>		
Unrestricted net assets	11,445,760	10,723,702
Temporarily restricted net assets	<u>1,398,205</u>	<u>1,250,960</u>
Total Net Assets	<u>12,843,965</u>	<u>11,974,662</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,308,261</u>	<u>\$ 12,086,985</u>

Humane Society of Sarasota County, Inc.
Statements of Activities
For the Years Ended December 31, 2016 and 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Revenues, Gains, (Losses) and Other Support:				
Donations	\$ 706,772	\$ 165,427	\$ 635,130	\$ -
Grants	3,000	28,175	-	25,000
Bequests	555,182	83,967	483,094	-
Change in the value of contributions from charitable trusts	-	42,132	-	(85,341)
Change in beneficial interest in assets held by others	2,733	-	(5,887)	-
Change in the cash surrender value of life insurance	-	4,070	-	4,124
Interest and dividend income	241,273	-	222,402	-
Realized and unrealized gains (losses) on investments, net of investment fees of \$76,047 in 2016 and \$71,421 in 2015	239,909	-	(418,889)	-
Special events, net of expenses of \$157,560 in 2016 and \$138,606 in 2015	124,074	-	171,452	-
Retail center sales, net of cost of goods sold of \$167,375 in 2016 and \$33,419 in 2015	132,397	-	26,984	-
Program services	744,754	6,050	199,082	-
BP settlement	-	-	460,967	-
Other income	266	-	169	-
Net assets released from restrictions	182,576	(182,576)	816,488	(816,488)
Total revenues, gains, (losses) and other support	2,932,936	147,245	2,590,992	(872,705)
Operating Expenses:				
Program services	2,042,365	-	1,274,904	-
Management and general	71,484	-	92,029	-
Fundraising	97,029	-	122,566	-
Total operating expenses	2,210,878	-	1,489,499	-
Increase (decrease) in net assets	722,058	147,245	1,101,493	(872,705)
Net assets at beginning of year	10,723,702	1,250,960	9,622,209	2,123,665
Net assets at end of year	\$ 11,445,760	\$ 1,398,205	\$ 10,723,702	\$ 1,250,960
				\$ 11,974,662

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

Humane Society of Sarasota County, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Increase in net assets	\$ 869,303	\$ 228,788
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	138,618	78,175
Non-cash contributions	(6,245)	(1,045,706)
Realized and unrealized (gain) loss on investments	(315,956)	347,468
Change in the value of contributions from charitable trusts	(42,132)	85,341
Change in the value of beneficial interest in assets held by others	(2,733)	5,887
Change in the cash surrender value of life insurance	(4,070)	(4,124)
Donated leasehold interest in land	2,300	2,300
(Increase) Decrease in:		
Promises to give	2,215	(5,101)
Inventory	(31,553)	1,081
Prepaid expenses and other assets	(28,474)	(14,303)
Change in contributions receivable from charitable trusts	(126,098)	844,238
Increase in:		
Accounts payable and accrued expenses	52,117	29,963
Accrued payroll and benefits	20,827	1,692
Unearned income	21,260	115
Total Adjustments	(319,924)	327,026
Net cash provided by operating activities	<u>549,379</u>	<u>555,814</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(331,517)	(105,343)
Proceeds from sale of investments	2,609,492	1,586,866
Purchases of investments	(2,730,864)	(2,192,049)
Net cash (used) by investing activities	<u>(452,889)</u>	<u>(710,526)</u>
Cash Flows From Financing Activities:		
Proceeds from line of credit	400,000	-
Repayments of line of credit	(142,231)	-
Net cash provided by financing activities	<u>257,769</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>354,259</u>	<u>(154,712)</u>
Cash and cash equivalents, beginning of year	<u>659,190</u>	<u>813,902</u>
Cash and cash equivalents, end of year	<u>\$ 1,013,449</u>	<u>\$ 659,190</u>
Supplemental cash flow information		
Cash paid during the year for interest	<u>\$ 8,089</u>	<u>\$ -</u>

Humane Society of Sarasota County, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services					Supporting Services			Total
	Adoption	Kennel	Clinic	Community Outreach	Total Program Expenses	General and Administrative	Fund-Raising	Total Supporting Services Expenses	
Salaries	\$ 176,805	\$ 361,554	\$ 425,930	\$ 204,233	\$ 1,168,522	\$ 44,753	\$ 21,319	\$ 66,072	\$ 1,234,594
Employee benefits & taxes	34,958	76,379	43,566	34,173	189,076	8,003	2,948	10,951	200,027
Kennel supplies	-	75,141	-	-	75,141	-	-	-	75,141
Veterinary medical services	-	170	105,670	-	105,840	-	-	-	105,840
Contracts and services	148	13,069	8,931	1,068	23,216	167	71	238	23,454
Utilities	1,111	31,279	6,384	4,812	43,586	1,111	-	1,111	44,697
Repairs and maintenance	5,442	29,378	21,196	8,796	64,812	4,771	2,121	6,892	71,704
Insurance	4,108	19,650	7,543	4,776	36,077	2,596	44	2,640	38,717
Printing	1,460	763	1,290	1,290	4,714	2,733	395	3,128	7,842
Development	1,642	143	9,692	841	12,318	143	55,584	55,727	68,045
Accounting and legal	3,102	7,582	862	3,274	14,820	1,034	1,379	2,413	17,233
Telephone	1,911	2,293	4,642	2,374	11,220	1,159	534	1,693	12,913
Postage	46	13	117	37	213	949	2,119	3,068	3,281
Auto	2,644	2,389	-	281	5,314	6	-	6	5,320
Equipment lease	917	1,218	775	98	3,008	185	228	413	3,421
Office supplies	641	519	2,507	511	4,178	82	225	307	4,485
Bank charges	1,480	691	16,583	494	19,248	141	9,107	9,248	28,496
Program materials	620	5,739	-	10,656	17,015	-	-	-	17,015
Property taxes	100	3,304	-	434	3,838	183	-	183	4,021
Lease expense	69	1,932	80,137	253	82,391	56	-	56	82,447
Dues and subscriptions	-	505	1,052	36	1,593	241	650	891	2,484
Seminars and training	184	517	895	470	2,066	17	234	251	2,317
Miscellaneous	327	5,715	11,144	482	17,668	1,027	71	1,098	18,766
Total Direct Expenses	237,715	639,943	748,827	279,389	1,905,874	69,357	97,029	166,386	2,072,260
Depreciation	34,199	34,199	33,894	34,199	136,491	2,127	-	2,127	138,618
Total Expenses	\$ 271,914	\$ 674,142	\$ 782,721	\$ 313,588	\$ 2,042,365	\$ 71,484	\$ 97,029	\$ 168,513	\$ 2,210,878

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

**Humane Society of Sarasota County, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2015**

	Program Services					Supporting Services			Total Program & Supporting Services Expenses
	Adoption	Kennel	Clinic	Community Outreach	Total Program Expenses	General and Administrative	Fund- Raising	Total Supporting Services Expenses	
Salaries	\$ 184,972	\$ 357,486	\$ 30,105	\$ 196,150	\$ 768,713	\$ 68,333	\$ 45,923	\$ 114,256	\$ 882,969
Employee benefits & taxes	32,292	71,364	2,628	27,896	134,180	9,539	5,687	15,226	149,406
Kennel supplies	-	84,635	-	-	84,635	-	-	-	84,635
Veterinary medical services	-	11,533	-	-	11,533	-	-	-	11,533
Contracts and services	164	1,875	-	1,097	3,136	391	54	445	3,581
Utilities	1,233	34,450	1,540	5,341	42,564	1,322	-	1,322	43,886
Repairs and maintenance	3,154	19,097	9,156	5,441	36,848	1,519	442	1,961	38,809
Insurance	4,574	17,435	-	3,585	25,594	1,706	90	1,796	27,390
Printing	1,456	763	206	1,285	3,710	1,514	363	1,877	5,587
Development	328	-	2,746	886	3,960	-	55,830	55,830	59,790
Accounting and legal	3,401	7,681	5,029	3,238	19,349	1,250	1,138	2,388	21,737
Telephone	1,784	2,003	-	2,235	6,022	979	704	1,683	7,705
Postage	55	61	-	18	134	2	3,203	3,205	3,339
Auto	4,615	2,057	-	37	6,709	7	-	7	6,716
Equipment lease	939	1,248	-	98	2,285	187	231	418	2,703
Office supplies	350	144	204	396	1,094	9	265	274	1,368
Bank charges	1,217	304	60	533	2,114	99	7,700	7,799	9,913
Program materials	1,554	2,486	3,593	8,208	15,841	-	-	-	15,841
Property taxes	233	2,802	-	434	3,469	3,527	-	3,527	6,996
Lease expense	69	1,932	13,655	253	15,909	56	-	56	15,965
Dues and subscriptions	75	447	50	150	722	105	350	455	1,177
Seminars and training	-	-	-	868	868	-	522	522	1,390
Miscellaneous	209	5,886	2,493	316	8,904	(80)	64	(16)	8,888
Total Direct Expenses	242,674	623,689	71,465	258,465	1,198,293	90,465	122,566	213,031	1,411,324
Depreciation	25,537	25,537	-	25,537	76,611	1,564	-	1,564	78,175
Total Expenses	\$ 268,211	\$ 651,226	\$ 71,465	\$ 284,002	\$ 1,274,904	\$ 92,029	\$ 122,566	\$ 214,595	\$ 1,489,499

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

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies

Organization

Humane Society of Sarasota County, Inc. ("The Organization") is a Florida nonprofit corporation formed in 1954. The Organization's purpose is to provide pet adoption and related services in Sarasota County, Florida.

The Organization relies on community funding to pursue its mission to provide abandoned pets with compassionate care and shelter while promoting responsible pet ownership and securing permanent homes. The Organization offers pet adoptions, humane education, veterinary clinic services, pet therapy for children, seniors and those living with special needs and a large community outreach program.

Financial Statements

The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statement.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates and Assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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 revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates and assumptions.

Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to explicit or implicit donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on the related investments for general or specific purposes.

Cash and Cash Equivalents

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

Investments

The Organization has adopted FASB Accounting Standards Codification 958-320-45, *Accounting for Certain Investments Held by Not-for-Profit Organizations* ("FASB ASC 958-320-45"). This statement requires reporting investments in equity securities that have readily determinable fair values and for all investments in debt securities at fair value.

Gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless the use of the investments are temporarily or permanently restricted by explicit donor stipulations.

Dividends, interest, and other investment income is reported in the period earned as increases in unrestricted net assets, unless the use of the asset received is limited by donor-imposed restrictions. Donor-restricted investment income is reported as an increase in temporarily or permanently restricted net assets.

Fair market valuations are generally determined as follows:

Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Investments: The fair values of investments are based on quoted market prices for those or similar investments.

Contributions and Promises to Give

Contributions, including unconditional promises to give, are recognized as revenue when the donor commitment is received. Unconditional promises are recognized net of allowances. Promises made that are designated for future periods or restricted by donor specific purposes are recorded as temporarily restricted or permanently restricted support. However if the restriction is fulfilled in the same time period in which the contribution is received, the Organization records the support as unrestricted.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contributions and Promises to Give (continued)

The Organization used the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2016 and 2015, all amounts included in promises to give are deemed collectible, therefore no allowance was necessary.

Beneficial Interest in Assets Held by Others

The Organization has transferred assets to The Community Foundation of Sarasota County, Inc. (the Foundation) to manage its investment fund. In accordance with FASB Accounting Standards Codification 958-605 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* ("FASB ASC 958-605", the Organization records the beneficial interest in the assets held by the Foundation at fair value in its statements of financial position; the fair value is re-measured annually and the change in fair value is reflected in the Foundation's statements of activities. See also "Fair Value Measurements", below, and Note 5 - Beneficial Interest in Assets Held by Others.

Property and Equipment

Property and equipment are stated at cost, if purchased, or estimated fair value at the date of receipt if acquired by gift. Property and equipment are recorded as unrestricted net assets or temporarily restricted net assets when the donations have a time stipulation. Expenditures over \$1,000 that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are expensed to operations in the period the costs are incurred. It is the policy of the Organization to maintain all property and equipment in good condition.

Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Estimated service lives range from three to thirty-nine years.

Donated Materials and Services

The Organization's policy is to record donated materials and equipment at their estimated fair market values at the date of receipt. No amounts have been reflected in the statements for donated services, since no objective basis is available to measure the value of such services. A substantial number of volunteers donated significant amounts of their time by working directly with the adoptable animals in training and enhancing the overall quality of their lives as well as providing the Organization services in its fund raising efforts.

Inventory

Inventory consists of pet supplies, pet medications, and food and is recorded at cost.

Income Tax Status

The Organization has been recognized by the Internal Revenue Service as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Income Tax Status (continued)

ASC Topic 740 requires the Organization to recognize in the financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2016 and 2015.

The Organization files a U.S. Federal information return. The Federal returns for the tax years 2013 through 2015 remain subject to examination by the Internal Revenue Service.

Revenue Recognition

The Organization recognizes donations when a written commitment from a donor is received. Occasionally, the Organization receives revenue from other nonprofit organizations, and the Organization recognizes grant revenue when awarded on an unconditional basis.

Bequests are recorded as revenue when the donor is deceased, the estate has been finalized, and the amount to be received can be estimated and is reasonably certain. Contributions from charitable trusts are recorded when trusts are irrevocable and the amount to be received can be estimated and is reasonably certain. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discount is included in bequest revenue. Conditional promises to give are not included until the conditions are substantially met.

Donations that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted donations are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Fair Value Measurements

The Organization adopted FASB Accounting Standards Codification 820-10 *Fair Value Measurements* ("FASB ASC 820-10", which defines fair value, expands disclosure requirements around fair value, and specifies a hierarchy of valuation techniques. FASB ASC 820-10 applies to all assets and liabilities required to be measured and reported at fair value on a recurring or nonrecurring basis. In the Organization's case, FASB ASC 820-10 applies to its contributions receivable from charitable trusts, investments, and assets included in the line item "Beneficial Interest in Assets Held by Others". The fair value hierarchy, which ranks the quality and reliability of the information used to determine fair value, is as follows:

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2016 and 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar or identical instruments in active markets, non-active markets, or other significant observable inputs.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on direct usage or management's estimates of the benefit derived by each activity. The three classifications of expenses are program expenses, management and general expenses, and fundraising expenses.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2 – Promises to Give

Promises to give include unconditional promises made by donors that are receivable in one year or less. The balance at December 31, 2016 and 2015 was \$3,426 and \$5,641.

NOTE 3 – Investments

The goal for the Organization is to provide a real total rate of return that preserves the purchasing power of the Organization's assets, while generating an income stream to support the Organization's activities. The Organization's real total return will be sought from an investment strategy that provides an opportunity for superior total return within acceptable levels of risk and volatility.

For the long-term, the primary investment objective for the Organization is to earn a total return (net of portfolio management fees), within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the Organization's assets and support the defined spending policy. Therefore, the primary objective of the Organization is to achieve a total return of 6.5%.

The Board of Directors understands the long-term nature of the Organization and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the percentage of assets will be in equity or equity-like securities and alternative investments, while maintaining broad diversification across major asset classes in order to avoid dramatic declines in portfolio value.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2016 and 2015

NOTE 3 – Investments (continued)

Fixed income and absolute return strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the Organization, but is residual to the investment process and is used to meet short-term liquidity needs.

To achieve its investment objectives, the Organization shall allocate among a number of broad asset and sub-asset classes. Diversification among the various asset classes is necessary to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total investment portfolio.

The general policy shall be to diversify investments among equity, fixed income and alternative asset securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single class or investment category.

The target asset allocation should provide an expected total return equal to or greater than the primary return objective of the Organization, while avoiding undue risk concentrations in any single asset class or category; thus, reducing risk at the overall portfolio level. To achieve these goals, the asset allocation mix will include domestic equities and international equities (20-30%), fixed income securities (50%-70%), alternatives, hedge funds, and REITs (5%-15%) and cash and equivalents (0%-12%).

The following summarizes the market value of investments as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Equity securities	\$ 3,261,944	\$ 2,970,046
Fixed income securities	4,870,510	4,602,943
Commodity mutual funds	720,435	681,960
Preferred/Fixed rate cap sec	130,176	202,303
Cash and cash equivalents	<u>298,678</u>	<u>338,787</u>
Total	<u>\$ 9,281,743</u>	<u>\$ 8,796,039</u>

The following schedule summarizes the components of net investment income as reported in the statement of activities for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 241,273	\$ 222,402
Net realized and unrealized gains (losses)	315,956	(347,468)
Investment fees	<u>(76,047)</u>	<u>(71,421)</u>
Total	<u>\$ 481,182</u>	<u>\$ (196,487)</u>

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2016 and 2015

NOTE 4 – Contributions Receivable from Charitable Trusts

In 1998, a donor established a trust naming the Organization as a 100% beneficiary of a charitable remainder trust. Fair market value of the assets held in the charitable remainder trust totaled \$1,405,377 and \$1,391,640 at December 31, 2016 and 2015, respectively. The Organization is to receive the remainder interest upon the death of the last of the income beneficiaries. Based on the donors' life expectancies, the assumption that the annual rate of return will equal the 5% payout that is paid to the beneficiaries each year, and use of a 3.9% discount rate in 2016 and a 3.9% discount rate in 2015, the present value of the future benefit expected to be received by the Organization was estimated to be \$816,218 and \$778,576 at December 31, 2016 and 2015, respectively.

In 1994, the Organization was named as a beneficiary of a 25% current income and remainder interest in certain other investments valued at \$924,401 and \$905,993 (100%) at December 31, 2016 and 2015, respectively. Income is distributed monthly to the income beneficiaries. The principal remainder will be paid out to the Organization in 2018, which is the 20th anniversary of the grantor's death. Based on the use of a 1.7% discount rate in 2016 and a 1.9% discount rate in 2015, the present value of the future benefit expected to be received by the Organization was estimated to be \$224,213 and \$218,880 at December 31, 2016 and 2015, respectively.

In 2001, a donor established a trust naming the Organization as a 25% beneficiary in the remainder interest of two other trusts valued at \$190,959 and \$229,615 (100%) in total at December 31, 2016 and 2015, respectively. Periodic payments totaling 7% of the fair value of the investments annually are made to each of the two income beneficiaries. The Humane Society is to receive its share of the net assets upon the death of each of the income beneficiaries. Based on the donors' life expectancies, the assumption that the annual rate of return will equal the 7% payout that is paid to the beneficiaries each year, and use of a 3.8% and 3.7% discount rate in 2016 and a 3.9% and 3.8% discount rate in 2015, the present value of the future benefit expected to be received by the Organization was estimated to be \$30,706 and \$31,029, in total, at December 31, 2016 and 2015, respectively.

In 2008, a donor established a trust naming the Organization as a beneficiary in a charitable remainder trust. The Organization is to receive \$50,000 upon the death of the income beneficiary. Fair market value of the assets held in the charitable remainder trust totaled \$1,640,932 and \$1,651,051 at December 31, 2016 and 2015, respectively. Based on the donors' life expectancy and use of a 3.2% discount rate for 2016 and a 3.3% discount rate for 2015, the present value of the future benefit expected to be received by the Organization was estimated to be \$39,189 and \$39,710 at December 31, 2016 and 2015, respectively.

Humane Society of Sarasota County, Inc.
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NOTE 4 - Contributions Receivable from Charitable Trusts (continued)

In February 2013, the Organization was notified that it was named as a beneficiary in the Jeanne L. Key Trust dated August 16, 1991, as amended and restated on March 12, 2008. The trust specifies that after the payment of liabilities, expense of administration, and numerous specific devises as outlined in the trust, the balance of the assets will be divided equally between the Organization and one other charitable organization. For the current calendar year revenue in the amount of \$72,000 was recognized. Due to the uncertainty of liabilities and trust administration expenses and potential market fluctuations, a receivable was not recognized as of December 31, 2016, nor is it possible to reasonably estimate the total amount anticipated.

The Organization was notified that it was named as a beneficiary in the Estate and Trust of Philip Brennan dated July 16, 2015. The trust specifies that after the payment of liabilities, expense of administration, and numerous specific devises as outlined in the trust, the Organization will receive a quarter interest of the remaining balance of the assets. As of December 31, 2016 the receivable is reasonably estimated at a balance of \$75,000.

The Organization was notified that it was named as a beneficiary in the Edmond J. Poire Revocable Trust dated August 17, 1990. The trust specifies that after the payment of liabilities, expense of administration, and numerous specific devises as outlined in the trust, the Organization will receive a four percent interest of the remaining balance of the assets. As of December 31, 2016 the receivable is reasonably estimated at a balance of \$8,967.

The Organization is aware that it is a named beneficiary in certain other wills and trusts. It is difficult to estimate a value for such intentions to give because individuals retain the ability to modify their wills and trusts during their lifetimes. Because of this uncertainty, no revenue or receivable has been recognized, nor is it possible to reasonably estimate a meaningful range of the total amount anticipated. Also, due to potential market fluctuations, it is reasonably possible that the amount of the Organization's contributions receivable from charitable trusts that is expected to be realized might change in the near future.

NOTE 5 - Beneficial Interest in Assets Held by Others

As explained in Note 1, "Beneficial Interest in Assets Held by Others", the Organization has transferred assets to The Community Foundation of Sarasota County, Inc. ("the Foundation"). The Foundation is a nonprofit community foundation that, among other things, offers donors such as the Organization the ability to participate in the Foundation's investment pool.

On January 1, 2008, the Organization transferred an initial deposit of \$100,000 to the Community Foundation of Sarasota County, Inc. (the Foundation) to establish the Humane Society of Sarasota County Endowment Fund ("Fund"). According to the agreement, with the Foundation, the fund shall be used for support of the charitable and educational purposes of the Organization.

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Notes to the Financial Statements
December 31, 2016 and 2015

NOTE 5 - Beneficial Interest in Assets Held by Others (continued)

Distributions from the fund shall be in accordance with the spending policy established by the Board of the Foundation and shall be paid and distributed at least annually, or more frequently, as the parties may agree, but no more frequently than quarterly. Distributions in excess of the Foundation's spending policy may be made to the Organization in any year as determined by the Board of the Foundation.

The Foundation will have the responsibility and authority for the investment of the assets of the Fund. The Fund may be commingled with other funds held by the Foundation to maximize investment value. The Fund shall be continued as long as the need therefore exists and money or other property is available in the Fund for its purpose. Variance power was granted to the Foundation. The exercise of such power shall not be effective until the Foundation notifies the Organization of any decision made to exercise the variance power. Notification should be delivered in writing within 30 days following the Board's decision. The Foundation shall also notify the Organization of any other action instituted or proposed by any person to vary the purposes, uses or method of administration of the Fund.

The beneficial interest is recorded at the fair market value of the Fund as reported by the Foundation. Changes in the value of the Fund are recorded as changes in beneficial interest in assets held by others in the statement of activities. As of December 31, 2016, the fair market value of the Fund was \$110,905 and the change in the value of the Fund was \$2,733. As of December 31, 2015, the fair market value of the Fund was \$108,172 and the change in the value of the Fund was (\$5,887.)

NOTE 6 – Contributions Receivable – Donated Leasehold Interest in Land

Part of the Organizations facilities presently used to provide housing for sheltered animals is situated on land that is leased under a 50 year agreement with the City of Sarasota, Florida at \$10 per year, terminating in the year 2043.

In accordance with FASB Accounting Standards Codification 958-605, *Accounting for Contributions Received and Contributions Made* ("FASB ASC 958-605", the difference between the Organizations' annual rent and the fair market value of the lease has been recorded as contribution revenue. Each year, a portion of the revenue is released from temporarily restricted net assets and recorded as an expense. Net assets released from restrictions in regards to the contribution of the land for the years ended December 31, 2016 and 2015 was \$2,300 and \$2,300, respectively. Lease expense for the property was \$2,300 and \$2,300 for the years ended December 31, 2016 and 2015, respectively.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
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NOTE 7 - Property and Equipment

A summary of property and equipment as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 5,000	\$ 5,000
Buildings and improvements	1,824,612	1,630,494
Furniture and equipment	910,974	772,257
Vehicle	84,609	80,591
Construction in Progress	<u>-</u>	<u>25,344</u>
	2,825,195	2,513,686
Less accumulated depreciation	<u>(1,315,926)</u>	<u>(1,197,317)</u>
Furniture, fixtures and equipment, net	<u>\$ 1,509,269</u>	<u>\$ 1,316,369</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$138,618 and \$78,175, respectively.

NOTE 8 – Operating Lease

The organization leases office space and office equipment under non-cancelable operating leases, expiring over different periods of time. The total expense for these leases for the years ended December 31, 2016 and 2015, was \$83,557 and \$16,358, respectively.

As of December 31, 2016, the future minimum lease payments, by year and in aggregate, for the operating leases with an initial or remaining terms of one year or more consist of the following:

2017	\$ 87,209
2018	37,328
2019	2,036
2020	<u>1,736</u>
	<u>\$ 128,309</u>

NOTE 9 – Operating Line of Credit

During the prior year the Organization obtained a line of credit agreement with Northern Trust. The line of credit allows for up to \$700,000 in draws and a maturity date of November 1, 2017. As of December 31, 2016 and 2015 the balance payable was \$257,769 and \$-0-, respectively.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
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NOTE 10 - Temporarily Restricted Net Assets

Temporary restrictions on net assets relate to amounts from donors restricted for specific purposes or contributions from trusts from future periods. Temporarily restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Catherine Tringali Fund	\$ -	\$ 7,785
Milton Medical Fund	15,375	15,545
Contributions receivable from charitable trusts	1,194,293	1,068,195
Contributions receivable – donated leasehold interest in land	61,908	64,208
Life insurance cash surrender value	24,321	20,251
ASPCA	3,710	685
Baldwin Fund	43,898	43,898
Dupuis Fund	2,423	8,500
Heinz Fund	21,316	21,893
Bissel Pet Foundation	1,730	-
Robert Buzelli Fund	4,569	-
Byrd Family Fund	19,301	-
Daniel Gobic Fund	3,296	-
Meals on Wheels	478	-
Petco Foundation	1,587	-
	<u>\$ 1,398,205</u>	<u>\$ 1,250,960</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2016</u>	<u>2015</u>
Catherine Tringali Fund	(7,785)	(36,000)
Milton Medical Fund	(170)	(11,533)
Contributions Receivable	-	(758,898)
ASPCA	(4,975)	(6,257)
Dupuis Fund	(6,077)	(1,500)
Heinz Fund	(77,525)	-
Land lease	(2,300)	(2,300)
Bissell Pet Foundation	(3,270)	-
Robert Buzelli Fund	(3,911)	-
Byrd Family Fund	(56,199)	-
Community Foundation of Sarasota County	(2,300)	-
Daniel Gobic Fund	(1,204)	-
Meals on Wheels	(5,572)	-
Petco Foundation	(8,413)	-
Petsmart Charities	(2,875)	-
	<u>\$ (182,576)</u>	<u>\$ (816,488)</u>

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2016 and 2015

NOTE 11 - Concentration of Credit Risk

Humane Society of Sarasota County, Inc. maintains cash accounts in a commercial bank located in Sarasota, Florida. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the account balance may exceed \$250,000. The Organization had \$710,728 and \$425,931 in excess of federally insured deposits at December 31, 2016 and 2015, respectively.

NOTE 12 - Fair Value Measurements

The Organization's assets measured at fair value by level in the fair value hierarchy described at Note 1 "Fair Value Measurements" consists of the following at December 31, 2016 and 2015:

Description of asset	12/31/16	Fair Value Measurements at Reporting Date		
		Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	\$ 3,261,944	\$ 3,261,944	\$ -	\$ -
Fixed income securities	4,870,510	4,870,510	-	-
Preferred/Fixed rate cap sec	130,176	130,176	-	-
Commodity mutual fund	720,435	720,435	-	-
Cash and cash equivalents	298,678	298,678	-	-
Contributions receivable from charitable trusts	1,194,293	-	-	1,194,293
Life insurance cash surrender value	24,321	-	-	24,321
Beneficial interest in assets held by others*	<u>110,905</u>	<u>100,538</u>	<u>-</u>	<u>10,367</u>
Total	<u>\$ 10,611,262</u>	<u>\$ 9,382,281</u>	<u>\$ -</u>	<u>\$ 1,228,981</u>

*Allocation of the Organization's assets held by the Foundation, at fair value, to the types of fair value measurement categories described above (i.e., Levels 1, 2, or 3) is based on the Foundation's representation as to the distribution of the pooled investments in which the Organization participates using the Foundation's reasonable estimate as of December 31, 2016.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
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NOTE 12 - Fair Value Measurements (continued)

Reconciliation of Level 3 Fair Value Measurements

Balance as of December 31, 2015	\$ 1,095,499
Change in value	<u>130,346</u>
Balance as of December 31, 2016	<u>\$ 1,225,845</u>

Description of asset	12/31/15	Fair Value Measurements at Reporting Date		
		Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	\$ 2,970,046	\$ 2,970,046	\$ -	\$ -
Fixed income securities	4,602,943	4,602,943	-	-
Public REITs	202,303	202,303	-	-
Commodity mutual fund	681,960	681,960	-	-
Cash and cash equivalents	338,787	338,787	-	-
Contributions receivable from charitable trusts	1,068,195	-	-	1,068,195
Life insurance cash surrender value	20,251	-	-	20,251
Beneficial interest in assets held by others*	<u>108,172</u>	<u>99,183</u>	<u>1,936</u>	<u>7,053</u>
Total	<u>\$ 9,992,657</u>	<u>\$ 8,895,222</u>	<u>\$ 1,936</u>	<u>\$ 1,095,499</u>

*Allocation of the Organization's assets held by the Foundation, at fair value, to the types of fair value measurement categories described above (i.e., Levels 1, 2, or 3) is based on the Foundation's representation as to the distribution of the pooled investments in which the Organization participates using the Foundation's reasonable estimate as of December 31, 2015.

Reconciliation of Level 3 Fair Value Measurements

Balance as of December 31, 2014	\$ 1,935,985
Change in value	<u>(840,486)</u>
Balance as of December 31, 2015	<u>\$ 1,095,499</u>

Humane Society of Sarasota County, Inc.
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NOTE 13– Deepwater Horizon Settlement

Due to the effects of the 2010 Deepwater Horizon Oil Spill the Organization underwent the process of applying for a Deepwater Horizon Claim. During the prior year the settlement claim was completely processed and considered complete. The Organization received a settlement payment of \$460,967, net of professional service fees. This payment is considered to represent full and final disbursement of the claim.

NOTE 14 – Subsequent Events

Subsequent events have been evaluated through August 18, 2017, the date the financial statements were available to be issued.