

HUMANE SOCIETY OF SARASOTA COUNTY, INC.

Independent Auditors' Report
and
Audited Financial Statements

December 31, 2018 and 2017

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Audited Financial Statements	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5A-5B
Notes to the Financial Statements.....	6-20



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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, 2018 and 2017, 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, 2018 and 2017, 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.

Suplee, Shea, Cramer & Rocklein, P.A.
Sarasota, Florida
August 20, 2019

Humane Society of Sarasota County, Inc.
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,968,016	\$ 1,500,250
Investments	8,182,612	9,219,812
Promises to give	2,772	7,580
Inventory	30,152	34,954
Prepaid expenses and other assets	76,230	98,655
Contributions receivable from charitable trusts	816,076	1,297,718
Contributions receivable - donated leasehold interest in land	-	59,608
Beneficial interest in assets held by others	982,085	1,009,013
Life insurance cash surrender value	29,891	29,134
Property and equipment, net of accumulated depreciation	<u>1,958,214</u>	<u>1,430,343</u>
TOTAL ASSETS	<u>\$ 14,046,048</u>	<u>\$ 14,687,067</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Line of credit	\$ -	\$ -
Accounts payable and accrued expenses	93,129	86,157
Accrued payroll and benefits	89,015	81,352
Unearned income	<u>10,081</u>	<u>57,498</u>
Total Liabilities	<u>192,225</u>	<u>225,007</u>
 <u>Net Assets</u>		
Without donor restrictions	12,865,209	12,977,838
With donor restrictions	<u>988,614</u>	<u>1,484,222</u>
Total Net Assets	<u>13,853,823</u>	<u>14,462,060</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,046,048</u>	<u>\$ 14,687,067</u>

Humane Society of Sarasota County, Inc.
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restriction	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total
Revenues, Gains, (Losses) and Other Support:						
Donations	\$ 717,655	\$ 108,550	\$ 826,205	\$ 851,489	\$ 32,446	\$ 883,935
Grants	-	26,500	26,500	1,460	60,000	61,460
Bequests	657,284	-	657,284	716,963	-	716,963
Change in the value of contributions from charitable trusts	-	(215,195)	(215,195)	-	195,913	195,913
Change in beneficial interest in assets held by others	(26,928)	-	(26,928)	11,108	-	11,108
Change in the cash surrender value of life insurance	-	757	757	-	4,813	4,813
Interest and dividend income	347,405	-	347,405	280,315	-	280,315
Realized and unrealized gains (losses) on investments, net of investment fees of \$59,886 in 2018 and \$80,562 in 2017	(1,011,597)	-	(1,011,597)	540,077	-	540,077
Special events, net of expenses of \$99,664 in 2018 and \$125,113 in 2017	140,104	-	140,104	195,477	-	195,477
Retail center sales, net of cost of goods sold of \$419,952 in 2018 and \$314,787 in 2017	278,248	-	278,248	238,054	-	238,054
Program services	1,260,826	-	1,260,826	1,075,345	7,150	1,082,495
Loss on disposition of assets	(57,787)	-	(57,787)	(3,007)	-	(3,007)
Other income	12,280	-	12,280	659	-	659
Net assets released from restrictions	416,220	(416,220)	-	214,305	(214,305)	-
Total revenues, gains, (losses) and other support	2,733,710	(495,608)	2,238,102	4,122,245	86,017	4,208,262
Operating Expenses:						
Program services	2,597,613	-	2,597,613	2,385,724	-	2,385,724
Management and general	110,275	-	110,275	83,013	-	83,013
Fundraising	138,451	-	138,451	121,430	-	121,430
Total operating expenses	2,846,339	-	2,846,339	2,590,167	-	2,590,167
Increase (decrease) in net assets	(112,629)	(495,608)	(608,237)	1,532,078	86,017	1,618,095
Net assets at beginning of year	12,977,838	1,484,222	14,462,060	11,445,760	1,398,205	12,843,965
Net assets at end of year	\$ 12,865,209	\$ 988,614	\$ 13,853,823	\$ 12,977,838	\$ 1,484,222	\$14,462,060

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	\$ (608,237)	\$ 1,618,095
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	124,385	184,757
Loss on disposition of assets	57,787	3,007
Non-cash contributions	(36,229)	(28,595)
Realized and unrealized gain (loss) on investments	951,711	(620,639)
Change in the value of contributions from charitable trusts	215,195	(195,913)
Change in the value of beneficial interest in assets held by others	26,928	(11,108)
Change in the cash surrender value of life insurance	(757)	(4,813)
Donated leasehold interest in land	1,821	2,300
(Increase) Decrease in:		
Promises to give	4,808	(4,154)
Inventory	4,802	5,408
Prepaid expenses and other assets	22,425	(30,070)
Change in contributions receivable from charitable trusts	266,447	92,488
Increase (Decrease) in:		
Accounts payable and accrued expenses	6,972	(28,846)
Accrued payroll and benefits	7,663	14,828
Unearned income	(47,417)	32,498
Total Adjustments	<u>1,606,541</u>	<u>(588,852)</u>
Net cash provided by operating activities	<u>998,304</u>	<u>1,029,243</u>
Cash Flows From Investing Activities:		
Investment in beneficial interest in assets held by other	-	(887,000)
Purchase of property and equipment	(698,402)	(108,839)
Proceeds from sale of investments	11,626,585	2,417,766
Purchases of investments	(11,458,721)	(1,706,600)
Net cash used by investing activities	<u>(530,538)</u>	<u>(284,673)</u>
Cash Flows From Financing Activities:		
Proceeds from line of credit	400,000	-
Repayments of line of credit	(400,000)	(257,769)
Net cash used by financing activities	<u>-</u>	<u>(257,769)</u>
Net increase in cash and cash equivalents	467,766	486,801
Cash and cash equivalents, beginning of year	<u>1,500,250</u>	<u>1,013,449</u>
Cash and cash equivalents, end of year	<u>\$ 1,968,016</u>	<u>\$ 1,500,250</u>
Supplemental cash flow information		
Cash paid during the year for interest	<u>\$ 13,094</u>	<u>\$ 2,730</u>

Humane Society of Sarasota County, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services				Total Program Expenses	Supporting Services		Total Supporting Services Expenses	Total Program & Supporting Services Expenses
	Adoption	Kennel	Clinic	Community Outreach		General and Administrative	Fund- Raising		
Salaries	\$ 175,479	\$ 414,278	\$ 618,843	\$ 213,023	\$ 1,421,623	\$ 45,201	\$ 17,738	\$ 62,939	\$ 1,484,562
Employee benefits & taxes	35,294	83,111	88,890	37,088	244,383	8,464	4,126	12,590	256,973
Kennel supplies	-	85,076	627	460	86,163	-	-	-	86,163
Veterinary medical services	-	1,938	170,316	350	172,604	-	-	-	172,604
Contracts and services	222	20,580	69,114	185	90,101	1,732	36,213	37,945	128,046
Utilities	1,193	32,223	6,193	6,892	46,501	1,193	-	1,193	47,694
Repairs and maintenance	10,712	36,613	14,153	24,426	85,904	10,478	13,149	23,627	109,531
Insurance	4,989	20,996	15,836	5,489	47,310	2,648	62	2,710	50,020
Printing	1,844	666	1,864	1,414	5,788	2,952	3,609	6,561	12,349
Development	2,137	268	1,637	1,258	5,300	-	50,089	50,089	55,389
Accounting and legal	3,583	8,794	15,170	3,257	30,804	16,922	1,628	18,550	49,354
Telephone	1,786	2,108	4,913	1,774	10,581	1,030	573	1,603	12,184
Postage	28	49	252	15	344	1,121	2,080	3,201	3,545
Auto	3,089	23,774	-	133	26,996	15	-	15	27,011
Equipment lease	604	1,029	868	129	2,630	587	587	1,174	3,804
Office supplies	642	1,195	3,512	715	6,064	76	378	454	6,518
Bank charges	6,622	886	33,495	882	41,885	13,447	7,614	21,061	62,946
Program materials	960	11,439	1,269	23,200	36,868	-	-	-	36,868
Property taxes	170	1,152	-	175	1,497	40	-	40	1,537
Lease expense	55	1,530	86,231	200	88,016	36	-	36	88,052
Dues and subscriptions	19	953	2,638	172	3,782	115	369	484	4,266
Seminars and training	-	2,514	2,668	973	6,155	48	159	207	6,362
Miscellaneous	921	2,002	8,992	974	12,889	3,210	77	3,287	16,176
Total Direct Expenses	250,349	753,174	1,147,481	323,184	2,474,188	109,315	138,451	247,766	2,721,954
Depreciation	31,004	31,004	30,413	31,004	123,425	960	-	960	124,385
Total Expenses	\$ 281,353	\$ 784,178	\$ 1,177,894	\$ 354,188	\$ 2,597,613	\$ 110,275	\$ 138,451	\$ 248,726	\$ 2,846,339

Humane Society of Sarasota County, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services				Total Program Expenses	Supporting Services		Total Supporting Services Expenses	Total Program & Supporting Services Expenses
	Adoption	Kennel	Clinic	Community Outreach		General and Administrative	Fund- Raising		
Salaries	\$ 189,394	\$ 380,736	\$ 581,625	\$ 192,557	\$ 1,344,312	\$ 50,705	\$ 17,865	\$ 68,570	\$ 1,412,882
Employee benefits & taxes	39,409	82,241	68,052	37,039	226,741	8,755	3,317	12,072	238,813
Kennel supplies	-	76,377	-	-	76,377	-	-	-	76,377
Veterinary medical services	-	-	140,568	-	140,568	-	-	-	140,568
Contracts and services	143	26,388	11,933	163	38,627	180	2,071	2,251	40,878
Utilities	1,113	31,374	7,529	4,823	44,839	1,113	-	1,113	45,952
Repairs and maintenance	10,212	32,636	6,814	9,710	59,372	7,685	2,261	9,946	69,318
Insurance	4,277	17,634	11,307	4,587	37,805	2,529	88	2,617	40,422
Printing	2,950	881	1,700	2,171	7,702	2,203	1,441	3,644	11,346
Development	798	-	821	804	2,423	-	76,465	76,465	78,888
Accounting and legal	1,829	4,574	7,772	2,134	16,309	1,012	610	1,622	17,931
Telephone	1,594	2,279	4,462	2,086	10,421	1,141	663	1,804	12,225
Postage	38	18	380	3	439	682	2,530	3,212	3,651
Auto	1,326	18,655	-	257	20,238	8	-	8	20,246
Equipment lease	491	885	873	98	2,347	491	491	982	3,329
Office supplies	728	845	3,535	710	5,818	74	290	364	6,182
Bank charges	1,841	1,533	28,776	1,265	33,415	189	12,708	12,897	46,312
Program materials	826	7,886	104	24,166	32,982	-	-	-	32,982
Property taxes	172	1,152	-	175	1,499	1,302	-	1,302	2,801
Lease expense	69	1,932	82,365	253	84,619	56	-	56	84,675
Dues and subscriptions	18	1,311	1,252	189	2,770	353	410	763	3,533
Seminars and training	546	-	2,499	1,228	4,273	48	123	171	4,444
Miscellaneous	477	1,109	6,023	858	8,467	3,091	97	3,188	11,655
Total Direct Expenses	258,251	690,446	968,390	285,276	2,202,363	81,617	121,430	203,047	2,405,410
Depreciation	46,062	46,062	45,175	46,062	183,361	1,396	-	1,396	184,757
Total Expenses	\$ 304,313	\$ 736,508	\$ 1,013,565	\$ 331,338	\$ 2,385,724	\$ 83,013	\$ 121,430	\$ 204,443	\$ 2,590,167

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

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:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions – Net assets subject to explicit or implicit donor-imposed stipulations. These stipulations may be met either by action or the passage of time or the assets be maintained permanently. Generally, the donors of permanently maintained assets permit the Organization to use all or part of the income earned on the related investments for general or specific purposes.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 net assets without donor restrictions unless the use of the investments is restricted by explicit donor stipulations.

Dividends, interest, and other investment income is reported in the period earned as increases in net assets without donor restrictions, unless the use of the asset received is limited by donor-imposed restrictions. Donor-restricted investment income is reported as an increase in net assets without donor restrictions.

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.

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, 2018 and 2017, all amounts included in promises to give are deemed collectible, therefore no allowance was necessary.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 4 - 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.

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, 2018 and 2017.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Income Tax Status (continued)

The Organization files a U.S. Federal information return. The Federal returns for the tax years 2015 through 2017 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:

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.

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 – 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.

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.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 2 – Investments (continued)

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equity securities	\$ 3,997,257	\$ 3,566,190
Fixed income securities	3,700,888	4,888,088
Commodity mutual funds	353,322	464,110
Preferred/Fixed rate cap sec	-	57,600
Cash and cash equivalents	<u>131,145</u>	<u>243,824</u>
Total	<u>\$ 8,182,612</u>	<u>\$ 9,219,812</u>

The following schedule summarizes the components of net investment income as reported in the statement of activities for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 347,405	\$ 280,315
Net realized and unrealized gains (losses)	(951,711)	620,639
Investment fees	<u>(59,886)</u>	<u>(80,562)</u>
Total	<u>\$ (664,192)</u>	<u>\$ 820,392</u>

NOTE 3 – 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 \$1,399,701 and \$1,534,912 at December 31, 2018 and 2017, 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 4.3% discount rate in 2018 and a 3.4% discount rate in 2017, the present value of the future benefit expected to be received by the Organization was estimated to be \$781,478 and \$979,994 at December 31, 2018 and 2017, respectively.

NOTE 3 – Contributions Receivable from Charitable Trusts (continued)

In 1994, the Organization was named as a beneficiary of a 25% current income and remainder interest in certain other investments valued at \$29,806 and \$1,009,620 (100%) at December 31, 2018 and 2017, 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 1.3% discount rate in 2018 and a 0.9% discount rate in 2017, the present value of the future benefit expected to be received by the Organization was estimated to be \$6,030 and \$250,610 at December 31, 2018 and 2017, respectively. During the reporting period the Organization received a distribution amounting to \$235,780, constituting a partial distribution of the contribution receivable.

In 2001, a donor established a trust naming the Organization as a 25% beneficiary in the remainder interest of two other trusts valued at \$173,551 and \$209,382 (100%) in total at December 31, 2018 and 2017, 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 4.2% discount rate in 2018 and a 3.4% discount rate in 2017, the present value of the future benefit expected to be received by the Organization was estimated to be \$28,568 and \$36,447, in total, at December 31, 2018 and 2017, 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. The Organization received the balance of \$50,000 on March 9, 2017.

In February 2013, the Organization was notified that it was named as a beneficiary in a donor established 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 2017 reporting period revenue in the amount of \$2,325 was recognized, constituting the completion of the trust.

The Organization was notified that it was named as a beneficiary in a donor established trust 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. During the 2017 reporting period the Organization received two separate distributions amounting to \$101,125, which exceeded the balance of the contribution receivable previously recorded.

NOTE 3 - Contributions Receivable from Charitable Trusts (continued)

The Organization was notified that it was named as a beneficiary in a donor established 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. During the 2017 reporting period the Organization received a distribution amounting to \$8,966, constituting the entire balance of the contribution receivable.

During 2017 the Organization was notified that it was named as a beneficiary in a donor established trust dated August 21, 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. During the reporting period the Organization received a distribution amounting to \$20,667, constituting the entire balance of the contribution receivable.

During 2017 the Organization was notified that it was named as a beneficiary in a donor established trust dated April 16, 2017. 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. During the reporting period the Organization received a distribution amounting to \$10,000, constituting the entire balance of the contribution receivable.

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 4 - 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. During the years ended December 31, 2017 the Organization transferred an additional \$887,000 to the Community Foundation of Sarasota County.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 4 - 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, 2018, the fair market value of the Fund was \$982,085 and the change in the value of the Fund was \$(26,928). As of December 31, 2017, the fair market value of the Fund was \$1,009,013 and the change in the value of the Fund was \$11,108.

NOTE 5 – 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 was 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 net assets with donor restrictions and recorded as an expense. Net assets released from restrictions in regards to the contribution of the land for the years ended December 31, 2018 and 2017 was \$1,821 and \$2,300, respectively. Lease expense for the property was \$1,917 and \$2,300 for the years ended December 31, 2018 and 2017, respectively.

In October 2018 the City of Sarasota accepted a purchase proposal from the Organization for the land stipulated in the above noted lease contract. The purchase released all currently held net assets with donor restrictions during the current reporting period.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 6 - Property and Equipment

A summary of property and equipment as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 336,860	\$ 5,000
Buildings and improvements	1,824,612	1,824,612
Furniture and equipment	995,520	965,562
Vehicle	84,609	84,609
Construction in progress	<u>336,585</u>	<u>46,147</u>
	3,578,186	2,925,930
Less accumulated depreciation	<u>(1,619,972)</u>	<u>(1,495,587)</u>
Furniture, fixtures and equipment, net	<u>\$ 1,958,214</u>	<u>\$ 1,430,343</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$124,385 and \$184,757, respectively.

NOTE 7 – 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, 2018 and 2017, was \$90,036 and \$85,695, respectively.

As of December 31, 2018, 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:

2019	\$ 90,309
2020	89,456
2021	87,720
2022	87,720
2023	<u>36,679</u>
	<u>\$ 391,884</u>

NOTE 8 – Operating Line of Credit

During the year the Organization obtained a line of credit renewal agreement with Northern Trust. The line of credit allows for up to \$700,000 in draws and a maturity date of November 1, 2019. As of December 31, 2018 and 2017 there was no balance payable.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions relate to amounts from donors restricted for specific purposes or contributions from trusts from future periods. Net assets with donor restrictions consist of the following:

	<u>2018</u>	<u>2017</u>
Milton Medical Fund	\$ 13,574	\$ 15,375
Contributions receivable from charitable trusts	816,076	1,297,718
Contributions receivable – donated leasehold interest in land	-	59,608
Life insurance cash surrender value	29,891	29,134
ASPCA	2,681	2,200
Baldwin Fund	43,898	43,898
Brown Fund	10,000	-
Dupuis Fund	42,157	3,050
Byrd Family Fund	13,204	14,301
CFSC	10,000	11,819
Robert Buzelli Fund	4,569	4,569
Meals on Wheels	416	-
Pets for Vets	2,148	2,550
	<u>\$ 988,614</u>	<u>\$ 1,484,222</u>

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

	<u>2018</u>	<u>2017</u>
Milton Medical Fund	\$ (1,801)	\$ -
Contributions Receivable	(266,447)	(92,487)
ASPCA	(22,519)	(11,509)
Dupuis Fund	(33,893)	(8,854)
Bissel Pet Foundation	-	(1,730)
Brown Fund	(4,000)	-
Byrd Family Fund	(1,097)	(5,413)
CFSC	(11,819)	(38,181)
Daniel Gobic Fund	-	(3,441)
Heinz Fund	-	(21,316)
Land lease	(59,608)	(2,300)
Robert Buzelli Fund	-	(15,000)
Meals on Wheels	(11,134)	(7,628)
Petco Foundation	(3,500)	(4,982)
Pets for Vets	(402)	(1,464)
	<u>\$ (416,220)</u>	<u>\$ (214,305)</u>

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 10 – Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor restricted amounts that are available for use within one year for general purposes include the final distribution for a charitable trust receivable in the amount of \$6,030 as of December 31, 2018.

	<u>2018</u>	<u>2017</u>
Financial assets at year end	\$ 11,888,736	\$ 13,031,717
Less those unavailable for general expenditures within one year, due to:		
Charitable trusts receivable	810,046	1,297,718
Life insurance cash surrender value	29,891	29,134
Beneficial asset held by others	<u>982,085</u>	<u>1,009,013</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 10,066,714</u>	<u>\$ 10,695,852</u>

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 \$862,816 and \$1,205,220 in excess of federally insured deposits at December 31, 2018 and 2017, respectively.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017:

Description of asset	12/31/18	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	\$ 3,997,257	\$ 3,997,257	\$ -	\$ -
Fixed income securities	3,700,888	3,700,888	-	-
Commodity mutual fund	353,322	353,322	-	-
Cash and cash equivalents	131,145	131,145	-	-
Contributions receivable from charitable trusts	816,076	-	-	816,076
Life insurance cash surrender value	29,891	-	-	29,891
Beneficial interest in assets held by others*	<u>982,085</u>	<u>924,808</u>	<u>-</u>	<u>57,277</u>
Total	<u>\$ 10,010,664</u>	<u>\$ 9,107,420</u>	<u>\$ -</u>	<u>\$ 903,244</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, 2018.

Reconciliation of Level 3 Fair Value Measurements

Balance as of December 31, 2017	\$ 1,414,715
Change in value	<u>(511,471)</u>
Balance as of December 31, 2018	<u>\$ 903,244</u>

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 12 - Fair Value Measurements (continued)

Description of asset	12/31/17	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	\$ 3,566,190	\$ 3,566,190	\$ -	\$ -
Fixed income securities	4,888,088	4,888,088	-	-
Public REITs	57,600	57,600	-	-
Commodity mutual fund	464,110	464,110	-	-
Cash and cash equivalents	243,824	243,824	-	-
Contributions receivable from charitable trusts	1,297,718	-	-	1,297,718
Life insurance cash surrender value	29,134	-	-	29,134
Beneficial interest in assets held by others*	<u>1,009,013</u>	<u>921,150</u>	<u>-</u>	<u>87,863</u>
Total	<u>\$ 11,555,677</u>	<u>\$ 10,140,962</u>	<u>\$ -</u>	<u>\$ 1,414,715</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, 2017.

Reconciliation of Level 3 Fair Value Measurements

Balance as of December 31, 2016	\$ 1,228,981
Change in value	<u>185,734</u>
Balance as of December 31, 2017	<u>\$ 1,414,715</u>

NOTE 13 – Commitments

During the year ended December 31, 2017 the Organization approved a shelter renovation project. As a result of this project the Organization has entered into contracts with architectural, engineering and construction management firms. As a result of the project entering the planning and design phase of construction the budgetary and contract amounts may vary from complete project costs. The contract commitments for each, as currently estimated, will be presented below.

NOTE 13 – Commitments (continued)

The architectural service contract establishes several commitments that may vary upon completion of the different project phases. The renovation project holds a preliminary budget of \$4,000,000 for construction and materials. The architect fee is 5.75% of the final construction costs, but not less than \$230,000 (5.75% of the preliminary budget.) A pre-construction retainer fee of \$20,000 has been remitted from the Organization to the architecture firm, the payment is to be credited upon final construction invoice. The remaining contract commitment is approximately \$118,594.

The engineering service contract is presented at a total cost of \$22,500, including a 25% discount. The remaining contract commitment is approximately \$15,000.

The construction management service contract is presented as a two phase contract: pre-construction and construction. The Pre-construction phase of the contract consists of eight monthly payments of \$2,500 with the caveat that if this phase proceeds as planned the entire phase cost (\$20,000) will be treated as a contribution from JE Charlotte to the Organization. The construction phase of the contract is subject to change orders throughout the process of completion. The estimated contract is approximately \$290,304 which is also the remaining commitment.

The organization has entered into several other service contracts with a total remaining commitment of approximately \$9,927.

NOTE 14 – Subsequent Events

Subsequent events have been evaluated through August 20, 2019, the date the financial statements were available to be issued.