

**THE HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)**

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Humane Society of the Treasure Coast, Inc.
Palm City, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Humane Society of the Treasure Coast, Inc., which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activity, functional expenses, and cash flows 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 error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 the Humane Society of the Treasure Coast, Inc. as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Koplas & Company, CPA, P.A.

Koplas & Company, CPA, P.A.
Palm City, Florida
April 6, 2018

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 70,968	\$ 1,038,341	\$ 46,114	\$ 1,155,423
Contract support receivable (net)	61,020	-	-	61,020
Prepaid expenses	12,170	-	-	12,170
Investments, at market	798,737	-	958,675	1,757,412
Accrued interfund transfers	-	-	-	-
Total Current Assets	<u>942,895</u>	<u>1,038,341</u>	<u>1,004,789</u>	<u>2,986,025</u>
Other Assets				
Land, buildings, and equipment (net)	2,405,351	-	-	2,405,351
Land held for investment	189,720	-	-	189,720
Deposits	14,271	-	-	14,271
Total Other Assets	<u>2,609,342</u>	<u>-</u>	<u>-</u>	<u>2,609,342</u>
TOTAL ASSETS	<u>\$ 3,552,237</u>	<u>\$ 1,038,341</u>	<u>\$ 1,004,789</u>	<u>\$ 5,595,367</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 71,328	\$ -	\$ -	\$ 71,328
Deferred revenue	31,630	-	-	31,630
Accrued liabilities	18,678	-	-	18,678
Accrued interfund transfers	-	-	-	-
Total Current Liabilities	<u>121,636</u>	<u>-</u>	<u>-</u>	<u>121,636</u>
Total Liabilities	<u>121,636</u>	<u>-</u>	<u>-</u>	<u>121,636</u>
<u>NET ASSETS</u>				
Unrestricted	3,430,601	-	-	3,430,601
Temporarily restricted	-	1,038,341	-	1,038,341
Permanently restricted	-	-	1,004,789	1,004,789
Total Net Assets	<u>3,430,601</u>	<u>1,038,341</u>	<u>1,004,789</u>	<u>5,473,731</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,552,237</u>	<u>\$ 1,038,341</u>	<u>\$ 1,004,789</u>	<u>\$ 5,595,367</u>

See accompanying notes to financial statements.

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 27,594	\$ 515,124	\$ 62,689	\$ 605,407
Contract support receivable (net)	3,645	-	-	3,645
Prepaid expenses	9,025	11,742	-	20,767
Accrued interfund transfers	74,953	-	-	74,953
Investments, at market	731,434	-	923,706	1,655,140
Total Current Assets	<u>846,651</u>	<u>526,866</u>	<u>986,395</u>	<u>2,359,912</u>
Other Assets				
Land, buildings, and equipment (net)	2,462,831	56,743	-	2,519,574
Land held for investment	189,720	-	-	189,720
Deposits	14,872	200	-	15,072
Total Other Assets	<u>2,667,423</u>	<u>56,943</u>	<u>-</u>	<u>2,724,366</u>
TOTAL ASSETS	<u>\$ 3,514,074</u>	<u>\$ 583,809</u>	<u>\$ 986,395</u>	<u>\$ 5,084,278</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 99,378	\$ -	\$ -	\$ 99,378
Deferred revenue	-	52,562	-	52,562
Accrued liabilities	18,074	-	-	18,074
Accrued interfund transfers	-	-	74,953	74,953
Total Current Liabilities	<u>117,452</u>	<u>52,562</u>	<u>74,953</u>	<u>244,967</u>
Total Liabilities	<u>117,452</u>	<u>52,562</u>	<u>74,953</u>	<u>244,967</u>
<u>NET ASSETS</u>				
Unrestricted	3,396,622	-	-	3,396,622
Temporarily restricted	-	531,247	-	531,247
Permanently restricted	-	-	911,442	911,442
Total Net Assets	<u>3,396,622</u>	<u>531,247</u>	<u>911,442</u>	<u>4,839,311</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,514,074</u>	<u>\$ 583,809</u>	<u>\$ 986,395</u>	<u>\$ 5,084,278</u>

See accompanying notes to financial statements.

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF ACTIVITY
YEAR ENDED SEPTEMBER 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT</u>				
Contributions and bequests	\$ 1,016,086	\$ 614,172	\$ -	\$ 1,630,258
Special events proceeds	322,786	40,700	-	363,486
Less cost of direct benefits to participants	(135,069)	-	-	(135,069)
Thrift store sales	826,411	-	-	826,411
Less store operating costs	(504,229)	-	-	(504,229)
Pet boutique (net)	3,459	-	-	3,459
Total Public Support	<u>1,529,444</u>	<u>654,872</u>	<u>-</u>	<u>2,184,316</u>
<u>OTHER REVENUES</u>				
Program service fees	345,471	-	-	345,471
Governmental contracts	8,745	617,446	-	626,191
Interest and dividends	20,934	-	22,813	43,747
Less investment expenses	-	-	(8,598)	(8,598)
Ground lease	13,354	-	-	13,354
Realized gain (loss) on sales of investments	1,904	-	28,488	30,392
Realized gain (loss) on sales of other assets	610	-	-	610
Unrealized gain (loss) on investments	4,535	-	55,745	60,280
Total Other Revenues	<u>395,553</u>	<u>617,446</u>	<u>98,448</u>	<u>1,111,447</u>
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>				
Satisfaction of time and usage restrictions	<u>770,325</u>	<u>(765,224)</u>	<u>(5,101)</u>	<u>0</u>
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>2,695,322</u>	<u>507,094</u>	<u>93,347</u>	<u>3,295,763</u>
<u>EXPENSES</u>				
Program services	2,202,922			2,202,922
Management and general	125,658			125,658
Fundraising	332,763			332,763
TOTAL EXPENSES	<u>2,661,343</u>			<u>2,661,343</u>
CHANGE IN NET ASSETS	\$ 33,979	\$ 507,094	\$ 93,347	\$ 634,420
NET ASSETS AT BEGINNING OF YEAR	<u>3,396,622</u>	<u>531,247</u>	<u>911,442</u>	<u>4,839,311</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,430,601</u>	<u>\$ 1,038,341</u>	<u>\$ 1,004,789</u>	<u>\$ 5,473,731</u>

See accompanying notes to financial statements.

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF ACTIVITY
YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT</u>				
Contributions and bequests	\$ 629,470	\$ 40,741	\$ -	\$ 670,211
Special events proceeds	314,717	80,173	-	394,890
Less cost of direct benefits to participants	(155,973)	-	-	(155,973)
Thrift store sales	903,057	-	-	903,057
Less store operating costs	(509,050)	-	-	(509,050)
Pet boutique (net)	2,518	-	-	2,518
Total Public Support	<u>1,184,739</u>	<u>120,914</u>	<u>-</u>	<u>1,305,653</u>
<u>OTHER REVENUES</u>				
Program service fees	355,679	-	-	355,679
Governmental contracts	10,672	560,047	-	570,719
Interest and dividends	37,531	-	22,559	60,090
Less investment expenses	-	-	-	-
Ground lease	-	-	13,354	13,354
Realized gain (loss) on sales of investments	44,039	-	(2,856)	41,183
Realized gain (loss) on sales of other assets	2,650	-	-	2,650
Unrealized gain (loss) on investments	40,091	-	56,596	96,687
Total Other Revenues	<u>490,662</u>	<u>560,047</u>	<u>89,653</u>	<u>1,140,362</u>
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>				
Satisfaction of time and usage restrictions	<u>681,766</u>	<u>(648,709)</u>	<u>(33,057)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>2,357,167</u>	<u>32,252</u>	<u>56,596</u>	<u>2,446,015</u>
<u>EXPENSES</u>				
Program services	2,454,980			2,454,980
Management and general	149,694			149,694
Fundraising	325,020			325,020
TOTAL EXPENSES	<u>2,929,694</u>			<u>2,929,694</u>
CHANGE IN NET ASSETS	\$ (572,527)	\$ 32,252	\$ 56,596	\$ (483,679)
NET ASSETS AT BEGINNING OF YEAR	<u>3,969,149</u>	<u>498,995</u>	<u>854,846</u>	<u>5,322,990</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,396,622</u>	<u>\$ 531,247</u>	<u>\$ 911,442</u>	<u>\$ 4,839,311</u>

See accompanying notes to financial statements.

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,076,421	\$ 65,634	\$ 140,576	\$ 1,282,631
Payroll costs	118,933	7,843	15,382	142,158
Health and workers' compensation insurances, other benefits	158,669	45,175	10,681	214,525
Total payroll and related expenses	1,354,023	118,652	166,639	1,639,314
Occupancy	131,543	2,712	7,057	141,312
Depreciation	134,403	168	474	135,045
Medical supplies	114,188	-	-	114,188
Animal care and wellness	101,645	-	-	101,645
Veterinary consultations	81,955	-	-	81,955
Mail campaigns	-	-	77,459	77,459
Equipment and computer supplies	42,724	851	9,263	52,838
Feed and shelter supplies	49,929	-	-	49,929
Insurance	44,258	1,529	3,728	49,515
Fundraising events - general	-	-	35,998	35,998
Humane education and memorial garden	31,376	-	1,576	32,952
Public relations	27,526	749	4,175	32,450
Cremations and burials	20,269	-	-	20,269
Publication - Wagging Tales	8,255	-	7,931	16,186
Vehicles and other general operating	12,283	-	47	12,330
Professional fees	10,350	379	1,071	11,800
Investment and bank fees	7,105	-	4,436	11,541
Office supplies, postage, copying, printing	10,075	401	822	11,298
Advertising and marketing	8,020	207	982	9,209
Planned giving	-	-	8,955	8,955
Volunteers	6,241	-	-	6,241
Other personnel	5,133	-	50	5,183
Other administrative	954	10	2,099	3,063
Training, conferences, meetings	667	-	-	667
Legal matter - shelter practices	-	-	-	-
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,202,922</u>	<u>\$ 125,658</u>	<u>\$ 332,763</u>	<u>\$ 2,661,343</u>

See accompanying notes to financial statements.

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,166,716	\$ 73,970	\$ 117,833	\$ 1,358,519
Payroll costs	130,904	10,558	12,869	154,331
Health and workers' compensation insurances, other benefits	161,936	56,338	7,263	225,537
Total payroll and related expenses	1,459,556	140,866	137,965	1,738,387
Occupancy	169,080	3,309	5,747	178,136
Depreciation	145,108	263	370	145,741
Medical supplies	139,907	-	-	139,907
Veterinary consultations	85,950	-	-	85,950
Animal care and wellness	80,943	-	-	80,943
Mail campaigns	-	-	77,037	77,037
Legal matter - shelter practices	58,325	-	-	58,325
Feed and shelter supplies	57,760	-	-	57,760
Equipment and computer supplies	39,709	955	9,742	50,406
Insurance	44,643	1,595	2,812	49,050
Fundraising events - general	-	-	44,984	44,984
Cremations and burials	39,892	-	-	39,892
Public relations	27,178	443	2,243	29,864
Publication - Wagging Tales	13,181	-	12,664	25,845
Humane education and memorial garden	24,118	-	904	25,022
Investment and bank fees	15,732	-	5,038	20,770
Planned giving	-	-	20,528	20,528
Office supplies, postage, copying, printing	14,577	607	1,231	16,415
Advertising and marketing	13,225	342	825	14,392
Professional fees	10,538	1,234	651	12,423
Volunteers	5,721	-	-	5,721
Vehicles and other general operating	5,370	-	310	5,680
Other personnel	2,276	10	1,889	4,175
Training, conferences, meetings	1,082	60	63	1,205
Other administrative	1,109	10	17	1,136
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,454,980</u>	<u>\$ 149,694</u>	<u>\$ 325,020</u>	<u>\$ 2,929,694</u>

See accompanying notes to financial statements.

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017

SCHEDULE OF CASH FLOWS

Cash flows from operating activities:

Cash received from:

Contributions
 Thrift stores (gross sales)
 Governmental contracts
 Program service fees
 Special events (gross receipts)
 Interest and dividends
 Ground lease
 Pet boutique (net sales)

\$ 1,628,168
 826,411
 567,138
 348,327
 263,404
 46,527
 13,354
 3,459
3,696,788

Cash disbursed for:

Functional expenses
 Thrift stores (operating expenses)
 Special events (direct benefits)
 Direct investment fees (permanently restricted)

2,544,346
 495,476
 57,467
 8,598
3,105,887

Net cash provided (used) by operating activities

\$ 590,901

Cash flows from investing activities:

Proceeds from sales of investments
 Purchases of investments
 Proceeds from sales of other assets
 Expenditures for building and equipment

Net cash provided (used) by investing activities

\$ (40,885)

Net increase (decrease) in cash and cash equivalents
 Cash and cash equivalents, beginning of year

\$ 550,016
605,407

Cash and cash equivalents, end of year

\$ 1,155,423

**RECONCILIATION OF CHANGE IN NET ASSETS TO
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Change in net assets \$ 634,420

**Adjustments to reconcile change in net assets to
 net cash provided (used) by operating activities:**

Depreciation 143,798
 Donated securities (2,460)
 Donated assets -
 Realized (gain) loss from dispositions of investments (30,392)
 Realized (gain) loss from dispositions of other assets (610)
 Unrealized (gain) loss on investments (60,280)
 (Increase) decrease in operating assets:
 Contract support receivable (57,375)
 Prepaid expenses 8,597
 Advances on behalf of employees -
 Accrued interest on investments 2,780
 Deposits 801
 Increase (decrease) in operating liabilities:
 Accounts payable (28,050)
 Deferred revenue (20,932)
 Accrued liabilities 604
 Net adjustments (43,519)

Net cash provided (used) by operating activities

\$ 590,901

SUPPLEMENTAL DISCLOSURES

Noncash operating and investing transactions:

Donated securities: \$ -
 Contributions 2,460
 Special events (gross receipts)
 Deferred revenue -
 Total donated securities \$ 2,460

Auction items for special events

\$ 77,602

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016

SCHEDULE OF CASH FLOWS

Cash flows from operating activities:

Cash received from:

Contributions
 Thrift stores (gross sales)
 Governmental contracts
 Program service fees
 Special events (gross receipts)
 Interest and dividends
 Ground lease
 Pet boutique (net sales)

\$ 671,896
 903,057
 570,256
 363,750
 321,653
 60,884
 13,354
2,907,368

Cash disbursed for:

Functional expenses
 Thrift stores (operating expenses)
 Special events (direct benefits)

2,771,900
 500,044
 66,669
3,338,613

Net cash provided (used) by operating activities

\$ (431,245)

Cash flows from investing activities:

Proceeds from sales of investments
 Purchases of investments
 Proceeds from sales of other assets
 Expenditures for building and equipment

\$ 885,977
 (444,041)
 2,650
(40,232)

Net cash provided (used) by investing activities

\$ 404,354

Net increase (decrease) in cash and cash equivalents
 Cash and cash equivalents, beginning of year

\$ (26,891)
632,298

Cash and cash equivalents, end of year

\$ 605,407

**RECONCILIATION OF CHANGE IN NET ASSETS TO
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Change in net assets \$ (483,679)

Adjustments to reconcile change in net assets to
 net cash provided (used) by operating activities:

Depreciation	154,747
Donated securities	(586)
Donated assets	-
Realized (gain) loss from dispositions of investments	(41,183)
Realized (gain) loss from dispositions of other assets	(2,650)
Unrealized (gain) loss on investments	(96,687)
(Increase) decrease in operating assets:	
Contract support receivable	6,643
Prepaid expenses	(4,968)
Advances on behalf of employees	-
Accrued interest on investments	794
Deposits	(50)
Increase (decrease) in operating liabilities:	
Accounts payable	38,561
Deferred revenue	19,303
Accrued liabilities	(21,490)
Net adjustments	<u>52,434</u>

Net cash provided (used) by operating activities

\$ (431,245)

SUPPLEMENTAL DISCLOSURES

Noncash operating and investing transactions:

Donated securities:	\$ -
Contributions	
Special events (gross receipts)	586
Deferred revenue	-
Total donated securities	<u>\$ 586</u>

Auction items for special events

\$ 89,304

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE A – NATURE OF ORGANIZATION

The Humane Society of the Treasure Coast, Inc. (the "Society") was incorporated in 1955 as an independent, tax exempt, not-for-profit corporation in the State of Florida. The Society's mission is to assure a better life for companion animals by providing shelter, finding loving homes, and promoting respect for their place in our lives. The mission is accomplished by providing progressive adoption programs, aggressive spay and neuter programs, humane education in schools, and through establishing community partnerships. Animals in the Society's care are provided with quality veterinary care, shelter, food, and unconditional love; there is no time limit on the animals' length of stay in the Society's adoption program. The low cost spay and neuter programs serve the community and encourage responsible pet ownership while preventing the heartbreak of pet overpopulation. The humane education and pet therapy programs promote literacy programs in schools and therapy programs in hospitals, senior centers, assisted-care facilities, and community centers. The Society partners with over a dozen local non-profit organizations in providing programs which showcase the joy of relationships with domestic pets and the resulting positive impact on daily life.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Financial Statement Presentation

The Society reports in accordance with the Not-for-Profit Entities Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or the "Codification"), (ASC 958-205, formerly Statement of Financial Accounting Standard ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*). Under this Topic, the Society is required to report information regarding its financial position and activities according to classes of net assets (unrestricted, temporarily restricted, or permanently restricted) based upon the absence or existence of donor-imposed restrictions.

The Society records contributions in accordance with the Not-for-Profit Entities Topic of the FASB Codification, (ASC 958-605, formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). Under this Topic, contributions received by the Society are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed restriction(s).

The Society also reports its marketable investments in debt and equity securities in accordance with the Not-for-Profit Entities Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or the "Codification"), (ASC 958-320, formerly Statement of Financial Accounting Standard ("SFAS") No. 124, *Accounting for Certain Investments held by Not-for-Profit Organizations*). Under this Topic, the Society accounts for its investments in equity securities with readily determinable fair values by using the lower of cost or market value of the investments. Unrealized gains and losses are included in the change in net assets.

Net Asset Classifications

1. Unrestricted net assets – Funds and assets under the discretion of the Society's Board of Directors.
2. Temporarily restricted net assets – Funds and assets that have restrictions (generally, use and/or time) imposed by the donors. Once the restrictions are satisfied, the related funds and assets are reclassified as unrestricted.
3. Permanently restricted net assets – Funds and assets that have donor-imposed restrictions, but the restrictions are of perpetual duration; the Society does not have the right to invade the related funds and assets.

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and the differences may be material.

Cash and Cash Equivalents

The Society considers all short-term investments with an original maturity of three months or less to be cash equivalents; however, short-term investments held in a brokerage account with marketable securities are considered to be a component of marketable securities.

Promises-to-Give

Unconditional promises-to-give are recognized as revenue in the period notification of the promise is received, with a corresponding recognition of an asset, decrease of a liability, or expense, depending on the form of the benefits promised. Promises-to-give which are scheduled to be received more than a year after the notification is received are recorded at the current fair value of the gift. Allowances for uncollectible promises-to-give are accrued when full realization is doubtful.

Bequests Receivable

From time to time, the Society is notified that it is a named beneficiary of an estate. When the bequest is for a specific amount, contribution revenue is recorded upon receipt of such notification. However, when the Society is a residual beneficiary and the amount is undeterminable until the estate administration has been or nearly is finalized, no contribution revenue is recorded until the amount to be received becomes certain.

Investments

Investments are reported at current market value, if readily determinable, or at cost, if no current market exists. Marketable securities received as donations are initially recorded at their fair market value as of the date of donation. Unrealized gains and losses are included in the Statements of Activity according to their Net Asset Classifications.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity terms of those financial instruments. The fair value of investments has been determined through quoted market values for each underlying asset.

Land, Buildings, and Equipment

Land and land improvements, buildings, equipment, and leasehold improvements are reported at original cost, if purchased, or at fair market value as of the date received, if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, principally 40 years for buildings and 3 to 10 years for equipment.

Donated Materials and Services

Donated materials are recorded at their estimated fair values as of the date they are received. In accordance with the Not-for-Profit Entities Topic of the FASB Codification, (ASC 958-605, formerly SFAS No. 116), donated services generally are not recorded in the financial records, except for those services which create or enhance the Society's nonfinancial assets; or those services that require specialized skills. Nonetheless, the Society's volunteers contribute a substantial number of hours and provide significant assistance to fund raising events and program services; the value of these donated materials and services is not recorded in the financial records.

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NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

Costs to provide program services and supporting services have been summarized on a functional basis in the consolidated statements of activities. Allocations among the functional classifications were performed based on an analysis of personnel time expended for the related activities.

Income Taxes

The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Also, the Society is classified as an entity that is not a private foundation within the meaning of IRC Section 509(a)(3); consequently, contributions to the Society are deductible as provided in IRC Section 170(b)(1)(A)(vi).

NOTE C – INVESTMENTS

The respective cost and market values of investments held at September 30, 2017 and 2016 were as follows:

	2017		2016	
	Cost	Market	Cost	Market
<u>Unrestricted</u>				
Corporate bonds, maturing within twenty-five years, bearing variable interest rates	\$ 219,966	\$ 233,986	\$ 418,532	\$ 440,773
Common stocks, publicly-traded corporations	259,987	300,643	182,517	211,263
Mutual funds, publicly-traded funds	155,176	157,025	59,570	60,769
Preferred stock, publicly-traded corporation	-	-	12,835	14,480
Federal agency bonds and notes, maturing within five years, bearing variable interest rates	24,962	24,715	-	-
Accrued interest receivable	1,369	1,369	4,149	4,149
<u>Allocations from Restricted Funds</u>				
Board Designated – Mutual funds, publicly-traded funds	60,315	68,152	-	-
Endowment Funds – Mutual funds, publicly-traded funds	11,335	12,847	-	-
Sub totals - Unrestricted	\$ 733,110	\$ 798,737	\$ 677,603	\$ 731,434
<u>Restricted, Board Designated</u>				
Mutual funds, publicly-traded funds	\$ 755,728	\$ 853,936	\$ 762,595	\$ 818,947
<u>Restricted, Endowment Funds</u>				
Mutual funds, publicly-traded funds	92,414	104,739	96,973	104,759
Sub totals - Restricted	\$ 848,142	\$ 958,675	\$ 859,568	\$ 923,706
Totals	\$ 1,581,252	\$ 1,757,412	\$ 1,537,171	\$ 1,655,140

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NOTE D – LAND, IMPROVEMENTS, AND EQUIPMENT

Components of fixed assets as of September 30, 2017 and 2016 were as follows:

	2017	2016
Building – New shelter building	\$ 3,412,685	\$ 3,419,385
Equipment and furnishings	508,790	507,815
Building – Towl Educational Facility	489,658	489,658
Memorial garden	103,893	103,893
Thrift store – Jensen Beach	57,972	57,972
Surgery center	56,932	56,932
Software	47,922	47,922
Thrift store – Stuart	11,366	11,366
Total fixed assets	4,767,114	4,772,837
Less accumulated depreciation	(2,615,285)	(2,477,996)
	2,151,829	2,294,841
Adoption renovation (project in-process)	85,533	56,743
Retired fixed assets	77,894	77,894
Land	167,989	167,989
Totals	<u>\$ 2,405,351</u>	<u>\$ 2,519,573</u>

In July 2016, the Society retired the fixed assets associated with its discontinued crematory operation. The Society has been unable to sell the retired assets thus far. Upon commencement of the construction activity associated with the adoption renovation project, the retired assets will be disposed of and removed from the Society's accounting records.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of September 30, 2017 and 2016:

	2017	2016
Dog adoption renovation	\$ 1,016,677	\$ 478,946
Dolly's Dream	9,618	-
Special projects - vehicles	8,005	8,005
Save Our Seniors	3,516	23,555
Positive heartworm	525	-
Medical emergencies	-	17,907
Pet therapy	-	2,834
Special projects – other	-	-
Memorial garden	-	-
Totals	<u>\$ 1,038,341</u>	<u>\$ 531,247</u>

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NOTE F – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets during the years ended September 30, 2017 and 2016 were released from donor restrictions by the incurring of expenses which satisfied the restrictions or by the occurrence of other events specified by the donors:

	<u>2017</u>	<u>2016</u>
<u>Temporarily Restricted</u>		
Martin County contract	\$ 617,446	\$ 560,047
Medical emergencies	76,242	7,679
Dog adoption renovation	27,269	37,076
Save Our Seniors	20,039	13,082
Positive heartworm	9,495	-
Memorial garden	3,990	19,222
Spay and neuter program	3,295	7,698
Pet therapy	2,834	300
Humane education programs	2,832	3,598
Paws & Claws event	1,400	-
Dolly's Dream	382	-
Special projects - other	<u>-</u>	<u>9</u>
	\$ 765,224	\$ 648,709
<u>Permanently Restricted</u>		
Shelter, adoption and foster services	5,101	2,455
<u>Board Designated</u>		
Shelter operations	<u>-</u>	<u>30,603</u>
Totals	<u>\$ 770,325</u>	<u>\$ 681,767</u>

Expenses incurred by the accounts held in Permanently and Board Restricted funds were charged directly against the related investment income and are not included in the above schedule.

Since the Board Restricted net assets were established by a prior Board decision, some or all of those funds could be released by a future Board decision. Consequently, for 2017, none of the net assets will be treated as being released from Board Designated net assets.

NOTE G – ENDOWMENT FUNDS

Components of permanently restricted net assets as of September 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
<u>Endowment Fund (see Item 1 below)</u>		
Cash and cash equivalents	\$ 5,583	\$ 7,135
Mutual funds	<u>104,739</u>	<u>104,759</u>
Sub total	\$ 110,322	\$ 111,894
<u>Board-Designated Funds (see Items 2 and 3 below)</u>		
Cash and cash equivalents	\$ 40,531	\$ 55,554
Mutual funds	<u>853,936</u>	<u>818,947</u>
Sub total	\$ 894,467	\$ 874,501
Accrued transfers to unrestricted net assets due to satisfaction of time and usage restrictions	\$ -	\$ (74,953)
Totals	<u>\$ 1,004,789</u>	<u>\$ 911,442</u>

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NOTE G – ENDOWMENT FUNDS (continued)

- 1) In August 2013, a group of donors established a \$100,000 endowment fund for providing shelter, adoption and foster services, wellness services, and veterinary care for older and other shelter dogs. The terms of the gift require annual disbursements to the Society in the amount of the lesser of 1) actual investment income, including realized gains; or 2) 5% of the endowment asset value as of the end of the year. These financial statements do not recognize any provision for future gifts, because all future gifts are at the donors' discretion.
- 2) In August 2013, the Society received notification that it was named as a Successor Trustee of a charitable remainder trust. Also, the Society received notice that it received a 50% interest in a parcel of commercial real estate in Miami, Florida. This parcel, along with an adjacent parcel, is subject to a ground lease with a tenant, with a lease termination date of March 30, 2067. In addition, the Society received a 25% interest in the net rents generated under the ground lease.

In October 2013, the charitable remainder trust disbursed to the Society the portion of the bequest comprised of cash and marketable securities. The Board of Directors later segregated the cash and marketable securities as an endowment-type fund. These funds will be reported in the accompanying financial statements as board-directed permanently restricted net assets.

- 3) In October 2014, the Society received a donation of \$150,000 from an estate. The Board of Directors segregated the cash and marketable securities as an endowment-type fund. These funds will be reported in the accompanying financial statements as board-directed permanently restricted net assets.

With respect to the Board Designated restricted funds described in Items 2 and 3 above, the permanence of these funds is not considered the same as if they had been permanently restricted by a donor. Some or all of these fund balances could be reclassified by a future Board decision.

NOTE H – SPECIAL EVENTS

The respective proceeds and costs from special events held during the years ended September 30, 2017 and 2016 were as follows:

	2017			2016		
	Gross Proceeds	Costs	Net Proceeds	Gross Proceeds	Costs	Net Proceeds
<u>Unrestricted</u>						
Paws & Claws	\$ 235,813	\$ 144,723	\$ 91,090	\$ 245,490	\$ 174,647	\$ 70,843
Mutt March	36,489	16,396	20,093	38,425	16,306	22,119
Bunfest	13,500	3,975	9,525	12,046	5,676	6,370
Run Fur Fun	9,995	-	9,995	2,658	99	2,259
Pooch Plunge	8,224	3,707	4,517			
Pup Crawl	6,639	728	5,911			
Other events	<u>12,126</u>	<u>1,538</u>	<u>10,588</u>	<u>16,098</u>	<u>4,229</u>	<u>11,869</u>
	322,786	171,067	151,719	314,717	200,957	113,760
<u>Restricted</u>						
Paws & Claws	\$ 40,700	\$ -	\$ 40,700	\$ 80,173	\$ -	\$ 80,173
Totals	<u>\$ 363,486</u>	<u>\$ 171,067</u>	<u>\$ 192,419</u>	<u>\$ 394,890</u>	<u>\$ 200,957</u>	<u>\$ 193,933</u>

Gross proceeds and costs for the Paws & Claws event includes the value of auction items donated, \$77,602 and \$89,304, respectively. Some of the costs related to the special events disclosed above did not result in a direct benefit to the participants and are classified as functional expenses; as such, those costs are included in the Statements of Functional Expenses instead of the total "cost of direct benefits to participants" reported in the Statements of Activity.

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NOTE I – THRIFT STORES

The Society operates two thrift stores off-premises in leased commercial storefronts in Stuart, Florida ("Central") and ("North"). The thrift stores receive donations of new and used clothing and other property, which they resell to customers. Operations for the years ended September 30, 2017 and 2016 were as follows:

	<u>Central</u>	<u>North</u>	<u>Total</u>
<u>2017</u>			
Gross sales	\$ 509,357	\$ 317,054	\$ 826,411
Operating costs:			
Personnel	134,065	121,114	255,179
Occupancy and operations	106,312	100,404	206,716
Administrative	9,879	9,456	19,335
General operating	5,400	4,608	10,008
Public relations	2,304	1,934	4,238
Advertising	-	-	-
	<u>257,960</u>	<u>237,516</u>	<u>495,476</u>
Depreciation	<u>1,804</u>	<u>6,949</u>	<u>8,753</u>
	<u>259,764</u>	<u>244,465</u>	<u>504,229</u>
Net revenue	<u>\$ 249,594</u>	<u>\$ 72,589</u>	<u>\$ 321,930</u>
<u>2016</u>			
Gross sales	\$ 561,806	\$ 341,251	\$ 903,057
Operating costs:			
Personnel	137,764	120,325	258,089
Occupancy and operations	107,985	98,697	206,682
Administrative	10,602	7,451	18,053
General operating	5,729	5,160	10,889
Public relations	2,551	2,235	4,786
Advertising	819	726	1,545
	<u>265,450</u>	<u>234,594</u>	<u>500,044</u>
Depreciation	<u>1,804</u>	<u>7,202</u>	<u>9,006</u>
	<u>267,254</u>	<u>241,796</u>	<u>509,050</u>
Net revenue	<u>\$ 294,552</u>	<u>\$ 99,455</u>	<u>\$ 394,007</u>

Thrift store costs were allocated 90% and 10% between program services and fund raising activities for both locations, respectively, for the years ended September 30, 2017 and 2016.

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NOTE J – COMMITMENTS AND CONTINGENCIES

Thrift Store Leases

The Society leases commercial space for its two thrift stores.

The lease for the Central thrift store location was renewed effective July 1, 2015 and expiring June 30, 2020. This lease requires the Society to pay a base minimum rent plus a proportionate share of common area water and sewer charges; trash removal and electricity are the responsibility of the Society. The lease provides for a 2.5% annual increase in the base minimum rent. Thrift store rent and common area charges for the years ended September 30, 2017 and 2016 were \$80,084 and \$79,325, respectively.

The lease for the North thrift store location was renewed effective August 1, 2017 and expiring July 31, 2022. The lease requires the Society to pay a base minimum rent plus a proportionate share of common area water and sewer charges; trash removal and electricity are the responsibility of the Society. The lease provides for a 3.0% annual increase in the base minimum rent. Thrift store rent and common area charges for the years ended September 30, 2017 and 2016 were \$86,618 and \$84,304, respectively.

Future base minimum rent payments for each thrift store location under the current leases are as follows:

<u>Period Ended September 30</u>	<u>Central</u>	<u>North</u>
2018	\$ 81,555	\$ 89,217
2019	83,593	91,893
2020	85,683	94,650
2021	87,825	97,489
2022	90,021	100,414
2023 and beyond	<u>92,271</u>	<u>103,426</u>
Total	<u>\$ 520,948</u>	<u>\$ 577,089</u>

Legal Matter

In 2016, the Martin County (Florida) Sheriff's Department ("MCSD"), at the request of the Martin County (Florida) Board of County Commissioners, commenced an investigation related to the clinical operating practices of the shelter; most specifically, adherence to regulatory guidance when performing euthanasia procedures. The outcome of the thorough investigation found no evidence of misconduct by the Society or any of its employees. MCSD has closed the case and the Society's management expects no material adverse effect on the Society's future financial position or changes in net assets.

While cooperating with and providing its public response to the MCSD investigation, the Society incurred one-time costs of \$58,325 for the year ended September 30, 2016, consisting primarily of legal and consulting fees, which is reported in the Statement of Functional Expenses.

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NOTE K – GOVERNMENTAL CONTRACT

The Society contracts with Martin County, Florida to fulfill certain public health responsibilities regarding the impoundment of stray animals (the "Contract" or "Contracts").

During the year ended September 30, 2017, the Society and Martin County entered into negotiations for a new Contract; pending the completion of negotiations, a verbal agreement extended the terms of the prior Contract into the current fiscal year. A second verbal agreement increased the monthly payments for June 2017 through September 2017 to the level of the new Contract effective for the year commencing October 1, 2017. The total amount provided by Martin County toward the animal shelter's operating expenses for the year ended September 30, 2017 was \$617,446. The terms of the Contract for the year ended September 30, 2016 called for Martin County to provide \$560,047, per year, toward the animal shelter's annual operating expenses pertaining to basic care of the animals and of the facility.

Impoundment and license fees, which are established by Martin County, are collected at the animal shelter and are remitted to Martin County; these fees are not recorded as revenue by the Society.

The following table shows selected expenses (pertinent to the Contracts) from animal sheltering operations; program expenses related to adoption and humane education are not included in the table. Terms of the Contracts call for payment based on fixed annual amounts rather than on percentages of costs or on units of service provided. The columns labeled "County Contract Allocation" represent the application, for illustrative purposes only, of the funds provided by Martin County for the years ended September 30, 2017 and 2016.

	2017		2016	
	Animal Shelter Operations	County Contract Allocation	Animal Shelter Operations	County Contract Allocation
Salaries and wages	\$ 912,757	\$ 335,587	\$ 989,186	\$ 300,252
Payroll taxes	98,169	36,093	108,581	32,958
Health & workers' compensation insurance, other benefits	<u>139,958</u>	<u>51,458</u>	<u>146,018</u>	<u>44,322</u>
Total payroll and related expenses	1,150,884	423,138	1,243,785	377,532
Occupancy	125,957	46,310	156,674	47,556
Medical supplies	114,188	41,983	139,907	42,467
Veterinary fees	137,455	50,537	119,215	36,186
Feed and shelter supplies	49,929	18,357	57,760	17,532
Cremation and burial fees	20,269	7,452	39,892	12,109
Equipment and computer costs	37,580	13,817	35,553	10,791
Other animal shelter expenses	26,285	9,664	26,999	8,195
Office supplies	9,355	3,440	13,311	4,040
Advertising	<u>7,477</u>	<u>2,749</u>	<u>11,989</u>	<u>3,639</u>
Totals	<u>\$ 1,679,379</u>	<u>\$ 617,447</u>	<u>\$ 1,845,085</u>	<u>\$ 560,047</u>
Percentage of costs covered		<u>37%</u>		<u>30%</u>

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NOTE L – SUBSEQUENT EVENTS

Management has evaluated all activities of the Society through April 6, 2018, which is the date the financial statements were available to be issued.

On November 1, 2017, the group of donors who established a \$100,000 endowment fund described in Note G, Item 1, amended the endowment agreement. The amendment permits the Society to use the income and principal at any time for:

- 1) providing shelter, adoption and foster services, and veterinary care for older dogs; and
- 2) providing shelter, nutrition, and supervised veterinary care for shelter dogs.

The reclassification of the affected net assets is not reflected on the accompanying financial statements.

Management has determined there were no other subsequent events which would require recognition or disclosure in these financial statements.