

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

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

A handwritten signature in cursive script that reads "Koplas & Company, CPA, P.A.".

Koplas & Company, CPA, P.A.
Palm City, Florida
April 24, 2019

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 91,673	\$ 1,026,498	\$ 49,169	\$ 1,167,340
Contract support receivable (net)	61,020	-	-	61,020
Prepaid expenses	6,980	-	-	6,980
Investments, at market	576,161	-	956,648	1,532,809
Total Current Assets	<u>735,834</u>	<u>1,026,498</u>	<u>1,005,817</u>	<u>2,768,149</u>
Other Assets				
Land, buildings, and equipment (net)	2,475,490	-	-	2,475,490
Land held for investment	189,720	-	-	189,720
Deposits	13,771	-	-	13,771
Total Other Assets	<u>2,678,981</u>	<u>-</u>	<u>-</u>	<u>2,678,981</u>
TOTAL ASSETS	<u>\$ 3,414,815</u>	<u>\$ 1,026,498</u>	<u>\$ 1,005,817</u>	<u>\$ 5,447,130</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 68,618	\$ -	\$ -	\$ 68,618
Deferred revenue	17,301	-	-	17,301
Accrued liabilities	12,963	-	-	12,963
Total Current Liabilities	<u>98,882</u>	<u>-</u>	<u>-</u>	<u>98,882</u>
Total Liabilities	<u>98,882</u>	<u>-</u>	<u>-</u>	<u>98,882</u>
<u>NET ASSETS</u>				
Unrestricted	3,315,933	-	-	3,315,933
Temporarily restricted	-	1,026,498	-	1,026,498
Permanently restricted	-	-	1,005,817	1,005,817
Total Net Assets	<u>3,315,933</u>	<u>1,026,498</u>	<u>1,005,817</u>	<u>5,348,248</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,414,815</u>	<u>\$ 1,026,498</u>	<u>\$ 1,005,817</u>	<u>\$ 5,447,130</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, 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
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
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 ACTIVITY
YEAR ENDED SEPTEMBER 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT</u>				
Contributions and bequests	\$ 729,805	\$ 139,125	\$ -	\$ 868,930
Special events proceeds	275,617	51,550	-	327,167
Less cost of direct benefits to participants	(135,985)	-	-	(135,985)
Thrift store sales	888,400	-	-	888,400
Less store operating costs	(548,312)	-	-	(548,312)
Pet boutique (net)	6,609	-	-	6,609
Total Public Support	<u>1,216,134</u>	<u>190,675</u>	<u>-</u>	<u>1,406,809</u>
<u>OTHER REVENUES</u>				
Program service fees	409,657	-	-	409,657
Governmental contracts	516	732,243	-	732,759
Interest and dividends	30,849	-	25,040	55,889
Less investment expenses	-	-	(8,860)	(8,860)
Ground lease	13,354	-	-	13,354
Realized gain (loss) on sales of investments	(3,379)	-	70,564	67,185
Realized gain (loss) on sales of other assets	21,155	-	-	21,155
Unrealized gain (loss) on investments	(9,998)	-	(40,916)	(50,914)
Total Other Revenues	<u>462,154</u>	<u>732,243</u>	<u>45,828</u>	<u>1,240,225</u>
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>				
Satisfaction of time and usage restrictions	937,392	(934,761)	(2,631)	-
 TOTAL PUBLIC SUPPORT AND OTHER REVENUES	 <u>2,615,680</u>	 <u>(11,843)</u>	 <u>43,197</u>	 <u>2,647,034</u>
<u>EXPENSES</u>				
Program services	2,325,658			2,325,658
Management and general	118,522			118,522
Fundraising	328,337			328,337
 TOTAL EXPENSES	 <u>2,772,517</u>			 <u>2,772,517</u>
 CHANGE IN NET ASSETS	 \$ (156,837)	 \$ (11,843)	 \$ 43,197	 \$ (125,483)
NET ASSETS AT				
BEGINNING OF YEAR	3,430,601	1,038,341	1,004,789	5,473,731
Interfund transfers	42,169	-	(42,169)	-
 NET ASSETS AT END OF YEAR	 <u>\$ 3,315,933</u>	 <u>\$ 1,026,498</u>	 <u>\$ 1,005,817</u>	 <u>\$ 5,348,248</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	\$ -	\$ 1,630,259
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>2,184,317</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	60,279
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>2,695,323</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>2,661,344</u>			<u>2,661,344</u>
CHANGE IN NET ASSETS	\$ 33,979	\$ 507,094	\$ 93,347	\$ 634,420
NET ASSETS AT BEGINNING OF YEAR	3,396,622	531,247	911,442	4,839,311
Interfund transfers	-	-	-	-
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 FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,111,998	\$ 72,972	\$ 134,731	\$ 1,319,701
Payroll costs	120,946	8,392	14,426	143,764
Health and workers' compensation insurances, other benefits	161,797	34,522	8,000	204,319
Total payroll and related expenses	1,394,741	115,886	157,157	1,667,784
Occupancy	160,727	696	5,016	166,439
Medical and surgical supplies	163,335	-	-	163,335
Depreciation	139,614	194	549	140,357
Feed and shelter supplies	95,671	-	-	95,671
Mail campaigns	-	-	85,455	85,455
Equipment and computer supplies	69,377	1,001	6,101	76,479
Animal care and wellness	55,885	-	-	55,885
Insurance	53,169	449	4,277	57,895
Veterinary consultations	46,500	-	-	46,500
Fundraising events - general	-	-	36,069	36,069
Public relations	29,458	73	4,599	34,130
Vehicles and other general operating	26,535	-	-	26,535
Cremations and burials	18,524	-	-	18,524
Advertising and marketing	15,709	-	1,164	16,873
Humane education and memorial garden	12,259	-	3,424	15,683
Office supplies, postage, copying, printing	11,301	223	1,197	12,721
Investment and bank fees	7,436	-	5,264	12,700
Publication - Wagging Tales	-	-	12,694	12,694
Accounting and legal fees	11,999	-	687	12,686
Other personnel	5,446	-	351	5,797
Other administrative	1,220	-	4,297	5,517
Volunteers	5,295	-	-	5,295
Training, conferences, meetings	1,457	-	36	1,493
Planned giving	-	-	-	-
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,325,658</u>	<u>\$ 118,522</u>	<u>\$ 328,337</u>	<u>\$ 2,772,517</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 and surgical 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
Accounting and legal 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
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 CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018

SCHEDULE OF CASH FLOWS

Cash flows from operating activities:	
Cash received from:	
Contributions	\$ 857,823
Thrift stores (gross sales)	888,400
Governmental contracts	732,759
Program service fees	409,111
Special events (gross receipts)	281,742
Interest and dividends	56,608
Ground lease	13,354
Pet boutique (net sales)	6,609
	<u>3,246,406</u>
Cash disbursed for:	
Functional expenses	2,637,940
Thrift stores (operating expenses)	537,344
Special events (direct benefits)	93,693
Direct investment fees (permanently restricted)	8,860
	<u>3,277,837</u>
Net cash provided (used) by operating activities	<u>\$ (31,431)</u>
Cash flows from investing activities:	
Proceeds from sales of investments	\$ 582,305
Purchases of investments	(341,693)
Proceeds from sales of other assets	25,400
Expenditures for building and equipment	<u>(222,664)</u>
Net cash provided (used) by investing activities	<u>\$ 43,348</u>
Net increase (decrease) in cash and cash equivalents	\$ 11,917
Cash and cash equivalents, beginning of year	<u>1,155,423</u>
Cash and cash equivalents, end of year	<u>\$ 1,167,340</u>

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

Change in net assets	<u>\$ (125,483)</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	148,280
Donated securities	(457)
Donated assets	-
Realized (gain) loss from dispositions of investments	(67,185)
Realized (gain) loss from dispositions of other assets	(21,155)
Unrealized (gain) loss on investments	50,914
(Increase) decrease in operating assets:	
Contract support receivable	-
Prepaid expenses	5,190
Accrued interest on investments	719
Deposits	500
Increase (decrease) in operating liabilities:	
Accounts payable	(2,710)
Deferred revenue	(14,329)
Accrued liabilities	(5,715)
Net adjustments	<u>94,052</u>
Net cash provided (used) by operating activities	<u>\$ (31,431)</u>

SUPPLEMENTAL DISCLOSURES

Noncash operating and investing transactions:	
Donated securities:	
Contributions	\$ -
Special events (gross receipts)	457
Deferred revenue	-
Total donated securities	<u>\$ 457</u>
Auction items for special events	<u>\$ 42,292</u>

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	\$ 1,628,168
Thrift stores (gross sales)	826,411
Governmental contracts	567,138
Program service fees	348,327
Special events (gross receipts)	263,404
Interest and dividends	46,527
Ground lease	13,354
Pet boutique (net sales)	3,459
	<u>3,696,788</u>
Cash disbursed for:	
Functional expenses	2,544,346
Thrift stores (operating expenses)	495,476
Special events (direct benefits)	57,467
Direct investment fees (permanently restricted)	8,598
	<u>3,105,887</u>
Net cash provided (used) by operating activities	<u>\$ 590,901</u>
Cash flows from investing activities:	
Proceeds from sales of investments	\$ 484,873
Purchases of investments	(496,793)
Proceeds from sales of other assets	1,100
Expenditures for building and equipment	<u>(30,065)</u>
Net cash provided (used) by investing activities	<u>\$ (40,885)</u>
Net increase (decrease) in cash and cash equivalents	\$ 550,016
Cash and cash equivalents, beginning of year	<u>605,407</u>
Cash and cash equivalents, end of year	<u>\$ 1,155,423</u>

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

Change in net assets	<u>\$ 634,420</u>
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
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	<u>(43,519)</u>
Net cash provided (used) by operating activities	<u>\$ 590,901</u>

SUPPLEMENTAL DISCLOSURES

Noncash operating and investing transactions:	
Donated securities:	
Contributions	\$ -
Special events (gross receipts)	2,460
Deferred revenue	-
Total donated securities	<u>\$ 2,460</u>
Auction items for special events	<u>\$ 77,602</u>

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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.

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.

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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). The Society evaluates any uncertain income tax position based on the likelihood the positions would be sustained if the Internal Revenue Service (“IRS”) of the Florida Department of Revenue (“FDOR”) were to examine the positions. Accordingly, a contingency would be recorded if an income tax position is likely to be challenged upon an audit by the IRS or FDOR. There were no uncertain tax positions qualifying for disclosure for the tax years subject to audit. The Society’s Return of Organization Exempt From Income Tax (Form 990) is subject to a potential audit by the IRS for three years after the tax year in which it was filed. For the years ended September 30, 2018 and 2017, the Society paid no income tax, income tax penalties or interest, and has no liability for income taxes.

NOTE C – INVESTMENTS

The respective cost and market values of investments held at September 30, 2018 and 2017 were as follows:

	2018		2017	
	Cost	Market	Cost	Market
<u>Unrestricted</u>				
Common stocks, publicly-traded corporations	\$ 221,962	\$ 266,010	\$ 259,987	\$ 300,643
Corporate bonds, maturing within twenty-five years, bearing variable interest rates	147,550	152,857	219,966	233,986
Mutual funds, publicly-traded funds	134,192	132,153	155,176	157,025
Federal agency bonds and notes, maturing within five years, bearing variable interest rates	24,962	24,492	24,962	24,715
Accrued interest receivable	649	649	1,369	1,369
<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	\$ 529,315	\$ 576,161	\$ 733,110	\$ 798,737
<u>Restricted, Board Designated</u>				
Mutual funds, publicly-traded funds	\$ 877,529	\$ 956,648	\$ 755,728	\$ 853,936
<u>Restricted, Endowment Funds</u>				
Mutual funds, publicly-traded funds	-	-	92,414	104,739
Sub totals - Restricted	\$ 877,529	\$ 956,648	\$ 848,142	\$ 958,675
Totals	\$ 1,406,844	\$ 1,532,809	\$ 1,581,252	\$ 1,757,412

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NOTE D – LAND, IMPROVEMENTS, AND EQUIPMENT

Components of fixed assets as of September 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Building – New shelter building	\$ 3,589,559	\$ 3,412,685
Building – Towl Educational Facility	489,658	489,658
Equipment and furnishings	367,115	508,790
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	4,724,417	4,767,114
Less accumulated depreciation	<u>(2,607,401)</u>	<u>(2,615,285)</u>
	2,117,016	2,151,829
Adoption renovation (project in-process)	112,591	85,533
Retired fixed assets	77,894	77,894
Land	<u>167,989</u>	<u>167,989</u>
Totals	<u>\$ 2,475,490</u>	<u>\$ 2,405,351</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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dog adoption renovation	\$ 973,010	\$ 1,016,677
Disaster relief	19,530	-
Dolly's Dream	15,813	9,618
Special projects - vehicles	8,005	8,005
Medical emergencies	6,624	-
Save Our Seniors	3,516	3,516
Positive heartworm	<u>-</u>	<u>525</u>
Totals	<u>\$ 1,026,498</u>	<u>\$ 1,038,341</u>

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NOTE F – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets during the years ended September 30, 2018 and 2017 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>2018</u>	<u>2017</u>
<u>Temporarily Restricted</u>		
Martin County contract	\$ 732,243	\$ 617,446
Dog adoption renovation	108,917	27,269
Spay and neuter program	46,000	3,295
Adoptions	20,000	-
Medical emergencies	19,079	76,242
Dolly's Dream	3,805	382
Memorial garden	3,222	3,990
Positive heartworm	525	9,495
Special projects - other	500	-
Disaster relief	470	-
Save Our Seniors	-	20,039
Pet therapy	-	2,834
Humane education programs	-	2,832
Paws & Claws event	-	1,400
	<u>\$ 934,761</u>	<u>\$ 765,224</u>
<u>Permanently Restricted</u>		
Shelter, adoption and foster services	<u>2,631</u>	<u>5,101</u>
Totals	<u>\$ 937,392</u>	<u>\$ 770,325</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.

NOTE G – ENDOWMENT FUNDS

Components of permanently restricted net assets as of September 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
<u>Endowment Fund (see Item 1 following)</u>		
Cash and cash equivalents	\$ -	\$ 5,583
Mutual funds	-	104,739
Sub total	<u>\$ -</u>	<u>\$ 110,322</u>
<u>Board-Designated Funds (see Items 2 and 3 following)</u>		
Cash and cash equivalents	\$ 49,169	\$ 40,531
Mutual funds	956,648	853,936
Sub total	<u>\$ 1,005,817</u>	<u>\$ 894,467</u>
Totals	<u>\$ 1,005,817</u>	<u>\$ 1,004,789</u>

With respect to the Board Designated restricted funds described in Items 2 and 3 following, 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.

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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. In April 2018, the group of donors agreed to rescind the endowment fund, re-characterizing the donation as unrestricted.
- 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.

NOTE H – SPECIAL EVENTS

The respective proceeds and costs from special events held during the years ended September 30, 2018 and 2017 were as follows:

	2018			2017		
	Gross Proceeds	Costs	Net Proceeds	Gross Proceeds	Costs	Net Proceeds
<u>Unrestricted</u>						
Paws & Claws	\$ 188,223	\$ 135,864	\$ 52,359	\$ 235,813	\$ 144,723	\$ 91,090
Mutt March	37,919	20,442	17,477	36,489	16,396	20,093
Bunfest	22,205	5,485	16,720	13,500	3,975	9,525
Pup Crawl	7,619	587	7,032	6,639	728	5,911
Pooch Plunge	4,721	2,898	1,823	8,224	3,707	4,517
Kitty Catalina	2,628	1,086	1,542	2,321	980	1,341
Other events	<u>12,302</u>	<u>778</u>	<u>11,524</u>	<u>19,800</u>	<u>558</u>	<u>19,242</u>
	275,617	167,140	108,477	322,786	171,067	151,719
<u>Restricted</u>						
Paws & Claws	\$ 51,550	\$ -	\$ 51,550	\$ 40,700	\$ -	\$ 40,700
Totals	<u>\$ 327,167</u>	<u>\$ 167,140</u>	<u>\$ 160,027</u>	<u>\$ 363,486</u>	<u>\$ 171,067</u>	<u>\$ 192,419</u>

Gross proceeds and costs for the Paws & Claws event includes the value of auction items donated, \$42,292 and \$77,602, 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, 2018 and 2017 were as follows:

	<u>Central</u>	<u>North</u>	<u>Total</u>
<u>2018</u>			
Gross sales	\$ 543,508	\$ 344,892	\$ 888,400
Operating costs:			
Personnel	161,505	113,929	275,434
Occupancy and operations	113,798	106,080	219,878
Administrative	13,434	11,605	25,039
General operating	8,480	6,877	15,357
Public relations	2,705	1,976	4,681
	<u>299,922</u>	<u>240,467</u>	<u>540,389</u>
Depreciation	1,621	6,302	7,923
	<u>301,543</u>	<u>246,769</u>	<u>548,312</u>
Net revenue	<u>\$ 241,965</u>	<u>\$ 98,123</u>	<u>\$ 340,088</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
	<u>257,960</u>	<u>237,516</u>	<u>495,476</u>
Depreciation	1,804	6,949	8,753
	<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>

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, 2018 and 2017.

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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, 2018 and 2017 were \$82,192 and \$80,084, 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, 2018 and 2017 were \$90,078 and \$86,618, 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>
2019	\$ 83,593	\$ 91,893
2020	85,683	94,650
2021	87,825	97,489
2022	90,021	100,414
2023	92,271	103,426
2024 and beyond	<u>497,134</u>	<u>565,578</u>
Total	<u>\$ 939,527</u>	<u>\$ 1,053,450</u>

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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, 2018 and 2017 was \$732,243 and \$617,446, respectively.

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, 2018 and 2017.

	<u>2018</u>		<u>2017</u>	
	<u>Animal Shelter Operations</u>	<u>County Contract Allocation</u>	<u>Animal Shelter Operations</u>	<u>County Contract Allocation</u>
Salaries and wages	\$ 942,302	\$ 384,833	\$ 912,757	\$ 335,587
Payroll taxes	101,764	41,560	98,169	36,093
Health & workers’ compensation insurance, other benefits	<u>141,946</u>	<u>57,970</u>	<u>139,958</u>	<u>51,458</u>
Total payroll and related expenses	1,186,012	484,363	1,150,884	423,138
Occupancy	152,040	62,093	125,957	46,310
Medical supplies	163,335	66,706	114,188	41,983
Veterinary fees	65,579	26,782	137,455	50,537
Feed and shelter supplies	48,745	19,907	49,929	18,357
Cremation and burial fees	18,524	7,565	20,269	7,452
Equipment and computer costs	63,325	25,862	37,580	13,817
Other animal shelter expenses	70,973	28,985	26,285	9,664
Office supplies	10,509	4,292	9,355	3,440
Advertising	<u>13,928</u>	<u>5,688</u>	<u>7,477</u>	<u>2,749</u>
Totals	<u>\$ 1,792,970</u>	<u>\$ 732,243</u>	<u>\$ 1,679,379</u>	<u>\$ 617,447</u>
Percentage of costs covered		<u>41%</u>		<u>37%</u>

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NOTE L – SUBSEQUENT EVENTS

Management has evaluated all activities of the Society through April 24, 2019, which is the date the financial statements were available to be issued.

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