

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

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

TABLE OF CONTENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2 - 3
Statements of Activity	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8 - 9
Notes to Financial Statements	10 - 19

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, 2019 and 2018, 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, 2019 and 2018, 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
July 1, 2020

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ -	\$ 835,436	\$ 14,743	\$ 850,179
Contract support receivable (net)	133,582	-	-	133,582
Prepaid expenses	11,446	-	-	11,446
Investments, at market	321,605	-	990,808	1,312,413
Total Current Assets	<u>466,633</u>	<u>835,436</u>	<u>1,005,551</u>	<u>2,307,620</u>
Other Assets				
Land, buildings, and equipment (net)	2,904,183	-	-	2,904,183
Land held for investment	189,720	-	-	189,720
Deposits	14,433	-	-	14,433
Total Other Assets	<u>3,108,336</u>	<u>-</u>	<u>-</u>	<u>3,108,336</u>
TOTAL ASSETS	<u>\$ 3,574,969</u>	<u>\$ 835,436</u>	<u>\$ 1,005,551</u>	<u>\$ 5,415,957</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Current Liabilities				
Cash deficit	\$ 13,718	\$ -	\$ -	\$ 13,718
Accounts payable	48,822	-	-	48,822
Deferred revenue	13,132	10,000	-	23,132
Accrued liabilities	17,655	-	-	17,655
Total Current Liabilities	<u>93,327</u>	<u>10,000</u>	<u>-</u>	<u>103,327</u>
Total Liabilities	<u>93,327</u>	<u>10,000</u>	<u>-</u>	<u>103,327</u>
 <u>NET ASSETS</u>				
Unrestricted	3,481,642	-	-	3,481,642
Temporarily restricted	-	825,436	-	825,436
Permanently restricted	-	-	1,005,551	1,005,551
Total Net Assets	<u>3,481,642</u>	<u>825,436</u>	<u>1,005,551</u>	<u>5,312,629</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,574,969</u>	<u>\$ 835,436</u>	<u>\$ 1,005,551</u>	<u>\$ 5,415,957</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, 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 ACTIVITY
YEAR ENDED SEPTEMBER 30, 2019

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT</u>				
Contributions and bequests	\$ 844,609	\$ 178,872	\$ -	\$ 1,023,481
Special events proceeds	437,444	95,800	-	533,244
Less cost of direct benefits to participants	(140,945)	-	-	(140,945)
Thrift store sales	922,425	-	-	922,425
Less store operating costs	(570,279)	-	-	(570,279)
Pet boutique (net)	7,582	-	-	7,582
Total Public Support	<u>1,500,836</u>	<u>274,672</u>	<u>-</u>	<u>1,775,508</u>
<u>OTHER REVENUES</u>				
Program service fees	429,236	-	-	429,236
Governmental contracts	555	743,227	-	743,782
Interest and dividends	24,195	14,835	30,587	69,617
Less investment expenses	-	-	(8,549)	(8,549)
Ground lease	15,077	-	-	15,077
Realized gain (loss) on sales of investments	20,110	-	43,537	63,647
Realized gain (loss) on sales of other assets	-	-	-	-
Unrealized gain (loss) on investments	(17,752)	-	(5,930)	(23,682)
Total Other Revenues	<u>471,421</u>	<u>758,062</u>	<u>59,645</u>	<u>1,289,128</u>
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>				
Satisfaction of time and usage restrictions	1,243,707	(1,233,796)	(9,911)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>3,215,964</u>	<u>(201,062)</u>	<u>49,734</u>	<u>3,064,636</u>
<u>EXPENSES</u>				
Program services	2,508,766			2,508,766
Management and general	101,982			101,982
Fundraising	489,507			489,507
TOTAL EXPENSES	<u>3,100,255</u>			<u>3,100,255</u>
CHANGE IN NET ASSETS	\$ 115,709	\$ (201,062)	\$ 49,734	\$ (35,619)
NET ASSETS AT				
BEGINNING OF YEAR	3,315,933	1,026,498	1,005,817	5,348,248
Interfund transfers	50,000	-	(50,000)	-
NET ASSETS AT END OF YEAR	<u>\$ 3,481,642</u>	<u>\$ 825,436</u>	<u>\$ 1,005,551</u>	<u>\$ 5,312,629</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	384,230	51,550	-	435,780
Less cost of direct benefits to participants	(177,558)	-	-	(177,558)
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>1,283,175</u>	<u>190,675</u>	<u>-</u>	<u>1,473,850</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>2,682,721</u>	 <u>(11,843)</u>	 <u>43,197</u>	 <u>2,714,075</u>
<u>EXPENSES</u>				
Program services	2,325,658			2,325,658
Management and general	118,522			118,522
Fundraising	395,378			395,378
 TOTAL EXPENSES	 <u>2,839,558</u>			 <u>2,839,558</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 FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,159,160	\$ 76,693	\$ 167,192	\$ 1,403,045
Payroll costs	126,020	8,232	18,069	152,321
Health and workers' compensation insurances, other benefits	203,748	15,440	12,926	232,114
Total payroll and related expenses	1,488,928	100,365	198,187	1,787,480
Medical and surgical supplies	163,074	-	-	163,074
Depreciation	150,329	206	584	151,119
Occupancy	144,734	514	5,822	151,070
Fundraising events - general	-	-	141,261	141,261
Animal care and wellness	114,733	-	-	114,733
Feed and shelter supplies	100,981	-	-	100,981
Mail campaigns	-	-	100,101	100,101
Veterinary consultations	75,700	-	-	75,700
Equipment and computer supplies	61,828	552	6,859	69,239
Insurance	49,611	8	3,702	53,321
Vehicles and other general operating	50,985	-	21	51,006
Public relations	31,419	-	4,846	36,265
Cremations and burials	17,669	-	-	17,669
Publication - Wagging Tales	-	-	16,902	16,902
Investment and bank fees	8,305	-	6,802	15,107
Office supplies, postage, copying, printing	12,368	337	669	13,374
Accounting and legal fees	11,687	-	764	12,451
Advertising and marketing	9,468	-	1,419	10,887
Humane education and memorial garden	7,119	-	671	7,790
Volunteers	4,545	-	-	4,545
Other personnel	3,149	-	897	4,046
Other administrative	2,027	-	-	2,027
Training, conferences, meetings	107	-	-	107
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,508,766</u>	<u>\$ 101,982</u>	<u>\$ 489,507</u>	<u>\$ 3,100,255</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
Fundraising events - general	-	-	103,110	103,110
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
Insurance	53,169	449	4,277	57,895
Animal care and wellness	55,885	-	-	55,885
Veterinary consultations	46,500	-	-	46,500
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
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,325,658</u>	<u>\$ 118,522</u>	<u>\$ 395,378</u>	<u>\$ 2,839,558</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, 2019

SCHEDULE OF CASH FLOWS	
Cash flows from operating activities:	
Cash received from:	
Contributions	\$ 988,266
Thrift stores (gross sales)	922,425
Governmental contracts	680,931
Program service fees	419,468
Special events (gross receipts)	357,929
Interest and dividends	69,976
Ground lease	15,077
Pet boutique (net sales)	7,582
	<u>3,461,654</u>
Cash disbursed for:	
Functional expenses	2,845,831
Thrift stores (operating expenses)	562,784
Special events (direct benefits)	48,754
Direct investment fees (permanently restricted)	8,549
	<u>3,465,918</u>
Net cash provided (used) by operating activities	<u>\$ (4,264)</u>
Cash flows from investing activities:	
Proceeds from sales of investments	\$ 1,727,839
Purchases of investments	(1,467,837)
Proceeds from sales of other assets	-
Expenditures for building and equipment	(586,617)
	<u>(465,615)</u>
Net cash provided (used) by investing activities	<u>\$ (326,615)</u>
Net increase (decrease) in cash and cash equivalents	\$ (330,879)
Cash and cash equivalents, beginning of year	<u>1,167,340</u>
Cash and cash equivalents, end of year	<u>\$ 836,461</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Change in net assets	<u>\$ (35,619)</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	157,924
Donated securities	-
Donated assets	-
Realized (gain) loss from dispositions of investments	(63,647)
Realized (gain) loss from dispositions of other assets	-
Unrealized (gain) loss on investments	23,682
(Increase) decrease in operating assets:	
Contract support receivable	(72,562)
Prepaid expenses	(4,466)
Accrued interest on investments	359
Deposits	(662)
Increase (decrease) in operating liabilities:	
Accounts payable	(19,796)
Deferred revenue	5,831
Accrued liabilities	4,692
Net adjustments	<u>31,355</u>
Net cash provided (used) by operating activities	<u>\$ (4,264)</u>

SUPPLEMENTAL DISCLOSURES	
Noncash operating and investing transactions:	
Donated securities:	
Special events (gross receipts)	<u>\$ -</u>
Total donated securities	<u>\$ -</u>
Noncash donations:	
Auction items for special events	\$ 92,191
Services for special events	73,723
Shelter food and supplies	50,504
Total noncash donations	<u>\$ 216,418</u>

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	(222,664)
	<u>43,348</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:	
Special events (gross receipts)	\$ 457
Total donated securities	<u>\$ 457</u>
Noncash donations:	
Auction items for special events	\$ 83,864
Services for special events	67,041
Shelter food and supplies	-
Total noncash donations	<u>\$ 150,905</u>

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019 AND 2018

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. Note H and the Supplemental Disclosures on the Statements of Cash Flows include the values of donated materials and services for the items listed.

Additionally, 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 services is not recorded in the financial records because such services do not involve specialized skills. For the years ended September 30, 2019 and 2018, the estimated average value of volunteer services in the locality is \$24 per hour; and the Society estimates the value of these services at \$1,193,950 and \$1,095,448, respectively. The estimated values of these services are not reflected in the accompanying financial statements.

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.

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 2018 were as follows:

	2019		2018	
	Cost	Market	Cost	Market
<u>Unrestricted</u>				
Common stocks, publicly-traded corporations	\$ 109,828	\$ 136,237	\$ 221,962	\$ 266,010
Mutual funds, publicly-traded funds	133,450	132,661	134,192	132,153
Corporate bonds, maturing within twenty-five years, bearing variable interest rates	48,797	52,416	147,550	152,857
Federal agency bonds and notes, maturing within five years, bearing variable interest rates	-	-	24,962	24,492
Accrued interest receivable	291	291	649	649
Sub totals - Unrestricted	\$ 229,366	\$ 321,605	\$ 529,315	\$ 576,161
<u>Restricted, Board Designated</u>				
Common stocks, publicly-traded Corporations	\$ 390,177	456,490	\$ -	\$ -
Mutual funds, publicly-traded funds	\$ 521,352	534,318	877,529	956,648
Sub totals - Restricted	\$ 911,529	\$ 990,808	\$ 877,529	\$ 958,648
Totals	\$ 1,140,895	\$ 1,312,413	\$ 1,406,844	\$ 1,532,809

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE D – LAND, IMPROVEMENTS, AND EQUIPMENT

Components of fixed assets as of September 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Building – Shelter	\$ 3,421,981	\$ 3,459,772
Building – Towl Educational Facility	489,658	489,658
Equipment and furnishings	376,169	367,115
Savastano's Dog Play Area	251,127	-
Surgery center	142,521	56,932
Landscaping and water	138,687	129,787
Dog adoption/Lobby renovation	136,128	112,591
Land improvements	116,384	-
Memorial garden	103,893	103,893
Thrift store – Jensen Beach	57,972	57,972
Software	47,922	47,922
Thrift store – Stuart	11,366	11,366
Total fixed assets	<u>5,293,808</u>	<u>4,837,008</u>
Less accumulated depreciation	<u>(2,765,325)</u>	<u>(2,607,401)</u>
	2,528,483	2,229,607
Wurz Humane Education Center (project in-process)	92,138	-
New construction (project in-process)	37,679	-
Retired fixed assets	77,894	77,894
Land	<u>167,989</u>	<u>167,989</u>
Totals	<u>\$ 2,904,183</u>	<u>\$ 2,475,490</u>

Assets now reported as “Landscaping and water” previously were reported as a component of “Building – Shelter”.

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Dog adoption/Lobby renovation	\$ 803,321	\$ 973,010
Dolly's Dream	11,905	15,813
Special projects - Vehicles	8,005	8,005
Medical emergencies	2,105	6,624
Special projects – Other	100	-
Disaster relief	-	19,530
Save Our Seniors	<u>-</u>	<u>3,516</u>
Totals	<u>\$ 825,436</u>	<u>\$ 1,026,498</u>

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE F – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets during the years ended September 30, 2019 and 2018 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>2019</u>	<u>2018</u>
<u>Temporarily Restricted</u>		
Martin County contract	\$ 743,227	\$ 732,243
Dog adoption/Lobby renovation	329,525	108,917
Medical emergencies	111,319	19,079
Disaster relief	29,102	470
Spay and neuter program	10,000	46,000
Dolly's Dream	3,957	3,805
Save Our Seniors	3,516	-
Memorial garden	1,650	3,222
Positive heartworm	1,500	525
Adoptions	-	20,000
Special projects - other	-	500
	<u>\$ 1,233,796</u>	<u>\$ 934,761</u>
<u>Permanently Restricted</u>		
Shelter, adoption and foster services	<u>9,911</u>	<u>2,631</u>
Totals	<u>\$ 1,243,707</u>	<u>\$ 937,392</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, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
<u>Board-Designated Funds (see Items 1 and 2 following)</u>		
Cash and cash equivalents	\$ 14,743	\$ 49,169
Mutual funds	990,808	956,648
Sub total	<u>\$ 1,005,551</u>	<u>\$ 1,005,817</u>
Totals	<u>\$ 1,005,551</u>	<u>\$ 1,005,817</u>

With respect to the Board Designated restricted funds described in Items 1 and 2 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.

- 1) 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.

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE G – ENDOWMENT FUNDS (continued)

- 2) 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, 2019 and 2018 were as follows:

	2019			2018		
	Gross Proceeds	Costs	Net Proceeds	Gross Proceeds	Costs	Net Proceeds
<u>Unrestricted</u>						
Paws & Claws	\$ 268,227	\$ 157,617	\$ 110,610	\$ 229,855	\$ 177,496	\$ 52,359
Mutt March	100,054	88,148	11,906	103,114	85,637	17,477
Bunfest	21,330	10,285	11,045	23,269	6,549	16,720
Pooch Plunge	6,690	3,046	3,644	4,721	2,898	1,823
Pup Crawl	5,532	2,066	3,466	7,869	837	7,032
Kitty Catalina	6,066	4,532	1,534	2,860	1,318	1,542
Other events	<u>29,545</u>	<u>10,296</u>	<u>19,249</u>	<u>12,542</u>	<u>1,018</u>	<u>11,524</u>
	437,444	275,990	161,454	384,230	275,753	108,477
<u>Restricted</u>						
Paws & Claws	\$ 95,800	\$ -	\$ 95,800	\$ 51,550	\$ -	\$ 51,550
Totals	<u>\$ 533,244</u>	<u>\$ 275,990</u>	<u>\$ 257,254</u>	<u>\$ 435,780</u>	<u>\$ 275,753</u>	<u>\$ 160,027</u>

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.

Gross proceeds and costs for the following events include the value of noncash donations as of September 30, 2019 and 2018:

	2019	2018
Paws & Claws	\$ 87,551	\$ 83,924
Mutt March	71,594	65,195
Bunfest	3,315	1,065
Kitty Catalina	3,078	232
Pooch Plunge	262	-
Pup Crawl	114	250
Donor Appreciation Evening	-	239
	<u>\$ 165,914</u>	<u>\$ 150,905</u>

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018 were as follows:

	<u>Central</u>	<u>North</u>	<u>Total</u>
<u>2019</u>			
Gross sales	\$ 567,354	\$ 355,071	\$ 922,425
Operating costs:			
Personnel	169,163	118,930	288,093
Occupancy and operations	117,702	112,616	230,318
Administrative	17,152	13,430	30,582
General operating	5,521	4,060	9,581
Public relations	<u>2,846</u>	<u>2,054</u>	<u>4,900</u>
	312,384	251,090	563,474
Depreciation	<u>1,394</u>	<u>5,411</u>	<u>6,805</u>
	<u>313,778</u>	<u>256,501</u>	<u>570,279</u>
 Net revenue	 <u>\$ 253,576</u>	 <u>\$ 98,570</u>	 <u>\$ 352,146</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	<u>2,705</u>	<u>1,976</u>	<u>4,681</u>
	299,922	240,467	540,389
Depreciation	<u>1,621</u>	<u>6,302</u>	<u>7,923</u>
	<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>

Thrift store costs were allocated 90% and 10% between program services and fundraising activities for both locations, respectively, for the years ended September 30, 2019 and 2018.

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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. A lease extension was executed in 2020, and now expires December 31, 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, 2019 and 2018 were \$83,605 and \$82,192, 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, 2019 and 2018 were \$91,664 and \$90,078, respectively.

The Society is unsure whether the leases will be extended beyond their respective current expiration dates. 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>
2020	\$ 86,261	\$ 95,121
2021	-	97,974
2022	-	66,610
2023	-	-
2024	-	-
2025 and beyond	-	-
Total	<u>\$ 86,261</u>	<u>\$ 259,705</u>

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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”).

Under the terms of the Contract for the years ended September 30, 2019 and 2018, Martin County provides financial support to the Society. The total amount provided by Martin County toward the animal shelter’s operating expenses for the year ended September 30, 2019 and 2018 was \$743,227 and \$732,243, 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, 2019 and 2018.

	<u>2019</u>		<u>2018</u>	
	<u>Animal Shelter Operations</u>	<u>County Contract Allocation</u>	<u>Animal Shelter Operations</u>	<u>County Contract Allocation</u>
Salaries and wages	\$ 964,661	\$ 384,568	\$ 942,302	\$ 384,833
Payroll taxes	104,795	41,777	101,764	41,560
Health & workers’ compensation insurance, other benefits	<u>178,550</u>	<u>71,180</u>	<u>141,946</u>	<u>57,970</u>
Total payroll and related expenses	1,248,006	497,525	1,186,012	484,363
Occupancy	134,885	53,773	152,040	62,093
Medical supplies	161,410	64,347	163,335	66,706
Veterinary fees	97,617	38,916	65,579	26,782
Feed and shelter supplies	64,803	25,834	48,745	19,907
Cremation and burial fees	17,669	7,044	18,524	7,565
Equipment and computer costs	54,720	21,814	63,325	25,862
Other animal shelter expenses	65,261	26,017	70,973	28,985
Office supplies	11,326	4,515	10,509	4,292
Advertising	<u>8,634</u>	<u>3,442</u>	<u>13,928</u>	<u>5,688</u>
Totals	<u>\$ 1,864,331</u>	<u>\$ 743,227</u>	<u>\$ 1,792,970</u>	<u>\$ 732,243</u>
Percentage of costs covered		<u>40%</u>		<u>41%</u>

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE L – PRIOR PERIOD ADJUSTMENT

The accompanying financial statements have been restated to correct an error made in the year ended September 30, 2018. The error relates to an understatement of noncash donations attributable to special events by \$108,613. The effects of the restatement:

Statement of Activity

Increase in "Special events proceeds"	\$ 108,613
Increase in "Less cost of direct benefits to participants"	(41,572)

Statement of Functional Expenses

Increase in "Fundraising events – general"	<u>(67,041)</u>
--	-----------------

Net increase in unrestricted net assets	<u>\$ -</u>
---	-------------

Statement of Cash Flows – Supplemental Disclosures

Increase in "Auction items for special events"	\$ 41,572
Increase in "Services for special events"	<u>67,041</u>
	<u>\$ 108,613</u>

Note H

Increases in both "Gross Proceeds" and "Costs":

Paws & Claws	\$ 41,632
Mutt March	65,195
Bunfest	1,065
Kitty Catalina	232
Pooch Plunge	-
Pup Crawl	250
Donor Appreciation Evening	<u>239</u>
	<u>\$ 108,613</u>

NOTE M – SUBSEQUENT EVENTS

Management has evaluated all activities of the Society through July 1, 2020, 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.