

Humane Society of the Treasure Coast, Inc.

FINANCIAL STATEMENTS

September 30, 2023

Humane Society of the Treasure Coast, Inc.

FINANCIAL STATEMENTS

September 30, 2023

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Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

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Report of Independent Auditors

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

Opinion

We have audited the accompanying financial statements of the Humane Society of the Treasure Coast, Inc. (the "Society"), a non-profit organization, which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, cash flows and functional expenses for the year then ended and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Humane Society of the Treasure Coast, Inc. as of September 30, 2023, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Humane Society of the Treasure Coast, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Humane Society of the Treasure Coast, Inc.'s ability to continue as a going concern for one year beyond the financial statement date, including currently known information that may raise substantial doubt thereafter.



To the Board of Directors
Humane Society of the Treasure Coast, Inc

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Berger, Toombs, Elam,
Gaines & Frank
Certified Public Accountants PL

To the Board of Directors
Humane Society of the Treasure Coast, Inc

Other Matters

We have previously audited the Society's September 30, 2022 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2023. Subsequent to the issuance of the report the Society adopted FASB ASC Topic 842 pertaining to the reporting of leases, these changes resulted in the restatement of beginning net assets. See Note U. The beginning net assets reported on the Statement of Activities have been restated to conform with the change.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Stuart, Florida

July 10, 2024

Humane Society of the Treasure Coast, Inc.
STATEMENT OF FINANCIAL POSITION
September 30, 2023

Assets	2023
Current assets	
Cash and cash equivalents	\$ 3,170,755
Contract support receivable	79,489
Bequest receivable, net of present value discount of \$1,528	36,105
Lease receivable	2,650
Prepaid expenses	64,452
Total current assets	<u>3,353,451</u>
Property and equipment	
Right-of-use asset - Property, net of accumulated amortization of \$444,254	176,007
Property and equipment at cost, net of accumulated depreciation of \$3,257,997	<u>3,429,919</u>
Other assets	
Investments	2,990,612
Bequest receivable, net of present value discount of \$335,754	379,266
Lease receivable	320,663
Land held for investment	189,720
Deposits	<u>13,819</u>
Total assets	<u><u>\$ 10,853,457</u></u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 79,473
Deferred revenues	14,769
Deferred rent revenues	7,241
Lease payable	199,570
Accrued expenses	54,902
Total current liabilities	<u>355,955</u>
Non current liabilities	
Deferred rent revenue	<u>307,722</u>
Total liabilities	<u>663,677</u>
Net Assets	
With donor restrictions	1,752,035
Without donor restrictions	8,437,745
Total net assets	<u>10,189,780</u>
Total liabilities and net assets	<u><u>\$ 10,853,457</u></u>

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

Humane Society of the Treasure Coast, Inc.
STATEMENT OF ACTIVITIES
For the year ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2023
Support and Revenues			
Contributions	\$ 1,685,065	\$ 700,254	\$ 2,385,319
Contracts	783,164	68,036	851,200
Program fees	454,484	-	454,484
Thrift Shop sales	1,192,713	-	1,192,713
Less direct costs	(824,494)	-	(824,494)
Special Events income	318,020	3,878	321,898
Less direct costs	(118,906)	-	(118,906)
Pet boutique	1,349	-	1,349
Investment Income	137,414	236,399	373,813
Rental income	21,853	-	21,853
Total net support and revenues	<u>3,650,662</u>	<u>1,008,567</u>	<u>4,659,229</u>
Net Assets Released From Restrictions			
Satisfaction of program restrictions	<u>486,496</u>	<u>(486,496)</u>	<u>-</u>
Total support and revenues	<u>4,137,158</u>	<u>522,071</u>	<u>4,659,229</u>
Expenses			
Program Services	3,106,691	-	3,106,691
Support services:			
General and administrative expenses	232,163	-	232,163
Fundraising	366,649	-	366,649
Total support services	<u>598,812</u>	<u>-</u>	<u>598,812</u>
Total expenses	3,705,503	-	3,705,503
Loss on fixed asset disposal	<u>659</u>	<u>-</u>	<u>659</u>
Total expenses and losses	3,706,162	-	3,706,162
Change in net assets	<u>430,996</u>	<u>522,071</u>	<u>953,067</u>
Net assets at beginning of year	<u>8,006,749</u>	<u>* 1,229,964</u>	<u>9,236,713 *</u>
Net assets at end of year	<u><u>\$ 8,437,745</u></u>	<u><u>\$ 1,752,035</u></u>	<u><u>\$ 10,189,780</u></u>

* Restated

Humane Society of the Treasure Coast, Inc.
STATEMENT OF CASH FLOWS
For the year ended September 30, 2023

	<u>2023</u>
Cash Flows From Operating Activities	
Change in net assets	\$ 953,067
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	417,263
Unrealized/realized gain on investments	(63,156)
Unrealized gain on bequest trust	(38,604)
(Increase) decrease in assets:	
Accounts receivable	(14,448)
Lease receivable	2,541
Prepaid expenses	(6,108)
Deposits	(6,315)
Increase (decrease) in liabilities:	
Deferred revenues	(12,146)
Deferred rent revenues	(7,241)
Accounts payable and accrued expenses	34,710
Net cash provided by operating activities	<u>1,259,563</u>
Cash Flows From Investing Activities	
Purchases of investments	(6,184,271)
Proceeds from sales of Investments	4,616,708
Building and equipment purchases	<u>(16,697)</u>
Net cash used in investing activities	<u>(1,584,260)</u>
Cash Flows From Financing Activities	
Principal payments on lease payable	<u>(236,758)</u>
Net decrease in Cash and Cash Equivalents	(561,455)
Cash at beginning of year	<u>3,732,210</u>
Cash at end of year	<u><u>\$ 3,170,755</u></u>

Humane Society of the Treasure Coast, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2023

	SUPPORT SERVICES				2023
	Program Services	General and Administrative	Fundraising & Development	Total Support Services	
Salaries	\$ 1,677,455	\$ 123,225	\$ 126,225	\$ 249,450	\$ 1,926,905
Payroll taxes	169,209	12,343	11,233	23,576	192,785
Employee benefits	196,874	14,618	8,898	23,516	220,390
Total salaries and related expenses	2,043,537	150,186	146,357	296,543	2,340,080
Depreciation	155,616	19,513	19,513	39,026	194,642
Medical and surgical supplies	178,091	-	-	-	178,091
Non-medical pet supplies	64,621	-	-	-	64,621
Occupancy	149,894	17,347	6,226	23,573	173,467
Flea & Heartworm	35,961	-	-	-	35,961
Mail campaigns	-	-	118,371	118,371	118,371
Software and equipment	25,623	4,859	1,909	6,768	32,390
Network and website	32,660	5,965	1,142	7,107	39,767
Insurance	72,244	16,703	5,547	22,250	94,493
Animal feed	42,357	-	-	-	42,357
Repairs and maintenance	35,211	6,233	108	6,341	41,552
Fundraising Events - General	-	-	28,686	28,686	28,686
Public Relations	28,868	-	1,696	1,696	30,564
Travel	5,794	-	-	-	5,794
Merchant and bank fees	41,241	-	7,714	7,714	48,955
Cremations and burials	16,447	-	-	-	16,447
Publication - Wagging Tales	-	-	13,844	13,844	13,844
Program expense	39,133	-	443	443	39,576
Professional fees	70,343	-	1,297	1,297	71,640
Staff expenses	34,332	7,745	2,890	10,635	44,967
Humane education and memorial garden	3,218	-	672	672	3,890
Office supplies, postage, copying, printing	9,047	1,572	5,077	6,649	15,696
Advertising and marketing	5,866	-	4,215	4,215	10,081
Training and meetings	6,091	731	-	731	6,822
Shelter supplies	93	-	-	-	93
Licenses, subscriptions & dues	6,484	1,310	942	2,252	8,736
Misc Expenses	3,920	-	-	-	3,920
Total expenses	<u>\$ 3,106,691</u>	<u>\$ 232,163</u>	<u>\$ 366,649</u>	<u>\$ 598,812</u>	<u>\$ 3,705,503</u>

**Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE A – DESCRIPTION OF ORGANIZATION

Humane Society of the Treasure Coast, Inc. (the "Society") is a Florida nonprofit corporation located in Palm City, Florida, founded in 1955. It operates as the only open access, no kill animal welfare organization operating in Martin County. Humane Society of the Treasure Coast accepts all animals regardless of health, age, temperament, or breed. Over the years more than 350,000 animals have received care through its programs and services. The Society is funded primarily through program service fees, public support, and a contract with Martin County. The Society also operates two thrift stores in Stuart, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Financial Statements

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. Assets and related revenues are recorded when earned, and liabilities and related expenses are recognized as incurred. In applying generally accepted accounting principles to program service revenue, the legal and contractual requirements of the individual programs are used as guidance. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. In accordance with generally accepted accounting principles as they relate to non-profit organizations, account balances and transactions of the Society have been classified into two classes of net assets – net assets without donor restrictions and net assets with donor restrictions as follows:

- a. Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in corporate documents and the application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others entered into in the course of its operations.
- b. Net Assets With Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

**Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Financial Statements (continued)

- b. Net Assets With Donor Restrictions (continued) – The society's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions are reported as net assets with donor restrictions if a donor imposes a restriction that may be satisfied by the passage of time or the actions of the organization. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions also include contributions that include stipulations by the donor that the contribution be maintained perpetually but may allow the organization to use all or part of the income derived from the underlying asset for unrestricted purposes.

2. Income Taxes

The Society is exempt from federal and state income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. In accordance with the Internal Revenue Code, Humane Society of the Treasure Coast, Inc. is not considered a private foundation.

3. Donated Services

While the Society receives donated services throughout the year that enhance the effectiveness of the programs, these services do not create or enhance non-financial assets nor do they require specialized skills that if not provided by a volunteer would be purchased. Accordingly, while these services contribute to the success of the programs, they have not been reflected in the accompanying financial statements.

4. Receivables

Accounts receivable due from contracts, grantors and donors are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest.

**Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Bequests Receivable

The Society recognizes bequests receivable at their estimated fair values when the donor makes a promise to give that is, in substance, unconditional.

Unconditional promises and bequests to give cash over a period of time exceeding one year are recorded at their present value of estimated future cash flows using a discount rate appropriate for the level of risk involved, if significant to the financial statements. Any related interest income is recorded as contribution revenue over the duration of the pledge.

The Society is named the beneficiary in a Trust held by a third party. This Trust is initially recorded at fair value, based on the Society's interest in the fair value of the underlying assets at the time of the gift discounted by the net present value of future cash flows to be received. Subsequent changes to the Trust's fair value are reported as net unrealized gains or losses related to net assets with donor restrictions and are included in the Statement of Activities. Future distributions from the Trust are recorded at the net present value of the future cash flow, adjusted by the annual change in the Trust's fair value calculated by the Trust's third party. Under the terms of the Trust, the Society has an irrevocable right to receive the annual distributions of the Trust's assets. Distributions from the Trust are based on the terms of the underlying Trust agreement and generally require a minimum distribution of 5% of the Trust's assets to be distributed on an annual basis. The Trust is invested in cash equivalents, municipal bonds, preferred securities, common stocks and mutual funds. The Trust assets are not insured by the FDIC and are subject to investment risks, including the possible loss of the principal invested.

Unconditional promises to give and bequests receivable that are due in future periods and are not restricted by the donor generally increase net assets with donor restrictions unless the donor explicitly stipulates that the promise or bequest is to support current period activities. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

6. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded at cost.

The Society has elected to capitalize those assets costing or having a fair market value at time of donation of \$500 or more and a useful life greater than one year. Depreciation is provided for all classes of property, plant, and equipment using straight-line methods over estimated useful lives ranging from 5 to 39 years. Contributed property and equipment is recorded at fair value at the date of donation if material to the financial statements.

**Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Leases

The Society has implemented FASB ASC Topic 842, *Leases*, in the current year, which changes the accounting and financial reporting for leases. FASB ASU 2016-02 defines a lease as a contract that conveys the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Under FASB ASU 2016-02, leases other than short-term leases, defined as having a maximum possible term of 12 months or less, are required to be recognized on the Statement of Financial Position. A lessee should recognize a lease liability and an intangible right of use asset, while a lessor should recognize a lease receivable and a deferred income. Contracts that transfer ownership should be accounted for as finance leases by the lessee or sales-type leases by the lessor.

The Society determines if an arrangement is a lease, or contains a lease, at inception. Lessee arrangements recognize a lease liability and a right of use (ROU) asset in the Statement of Financial Position at the commencement date of the lease. The lease liability represents the Society's obligation to make lease payments arising from the lessee arrangement and is initially and subsequently recognized based on the present value of future lease payments. The ROU asset represents the Society's right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction, and is amortized on a straight-line basis over the terms of the associated leases. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Society will exercise that option.

Payment for short-term leases with a lease term of less than twelve months, and lease agreements below the Society's approved annualized threshold, are recognized as expenses as incurred. The Society has established a \$5,000 threshold, for total annual payments, for leases subject to FASB ASC Topic 842. Short-term leases and leases under the threshold are not included as lease liabilities or right of use assets on the Statement of Financial Position.

At implementation on October 1, 2022, the Society, as lessee, recognized a lease liability of \$436,328 along with a corresponding right of use asset of \$398,135.

8. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on units of service.

10. Cash Flows

The Society presents its cash flows using the indirect method. Cash and cash equivalents may consist of cash on hand, time deposits, and all highly liquid debt instruments with original maturities of three months or less.

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and short-term money market funds. These financial instruments are potentially subject to concentrations of credit risk as follows. Cash balances are maintained at financial institutions located in Martin County, Florida. Cash accounts at each of these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Society has deposits in these financial institutions totaling \$3,196,989 at September 30, 2023 of which \$103,087 is uninsured by the FDIC. Included in the deposit total are \$2,777,088 in money market funds detailed below and protected by the SIPC.

NOTE D – INVESTMENTS

Securities held by brokerage institutions are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 which includes a \$250,000 limit for cash equivalents. The asset protection provided by SIPC is not against losses from fluctuations in the value of the securities, but rather only if the brokerage firm ceases doing business. Investments and money market funds subject to market risk of fluctuations in value at September 30, 2023 are as follows:

Money market funds awaiting investment	\$ 2,777,088
Mutual funds	1,859,109
Equities	1,129,411
Corporate bonds	2,092
	<u>\$ 5,767,700</u>

Investments as of September 30, 2023 consisted of the following:

	Market Value	Cost
Corporate bonds	\$ 2,092	\$ 2,661
Mutual funds	1,859,109	1,867,853
Equities	1,129,411	1,077,071
	<u>\$ 2,990,612</u>	<u>\$ 2,947,585</u>

Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE D – INVESTMENTS (CONTINUED)

Investments consist primarily of securities traded on national exchanges, corporate bonds, and mutual funds and are stated at fair value. Investment income for the year ended September 30, 2023 consisted of interest and dividend income of \$183,547; realized gains on investment sales of \$88,506; and unrealized gains of \$63,156 for a total gain of \$335,209.

NOTE E – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2023 are:

Financial Assets	
Cash	\$ 3,170,755
Investments	2,990,612
Accounts receivable	118,244
Less financial assets held to meet donor imposed restrictions	<u>(1,752,035)</u>
Amount available for general expenditures within one year	<u>\$ 4,527,576</u>

NOTE F – BEQUEST RECEIVABLE

The Bequest receivable is stated at the net present value of future payments. The balance as of September 30, 2023 is as follows:

Bequests receivable	\$ 752,653
Less discount on future cash flows	<u>(337,282)</u>
Total	<u>\$ 415,371</u>

Details of the bequest receivable at September 30, 2023 are as follows:

Due within one year	\$ 37,633
Due within two to five years	132,632
Thereafter	582,388
Less discount on future cash flows	<u>(337,282)</u>
Total	<u>\$ 415,371</u>

**Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE G – PROPERTY AND EQUIPMENT

At September 30, 2023 property and equipment consists of the following:

	<u>2023</u>
Land	\$ 167,989
Land Improvements	369,676
Building	5,090,421
Building Improvements	409,674
Furniture & Fixtures	23,747
Equipment	300,546
Software	42,649
Surgery Clinic	157,301
Thrift Store - Stuart	14,057
Thrift Store - Jensen	57,972
CIP – Dog Renovations	<u>53,884</u>
	\$ 6,687,916
Less - accumulated depreciation	<u>(3,257,997)</u>
Total	<u><u>\$ 3,429,919</u></u>

Depreciation expense was \$195,136 for the year ended September 30, 2023

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of September 30, 2023:

	<u>2023</u>
Dog adoption/Lobby renovation	\$ 990,012
Time restriction – bequest	415,371
Dog adoption and care	184,465
Martin County Contract	68,036
Dolly's Dream	14,743
Medical emergencies	20,867
Humane education	23,282
Misty's pals	2,272
TNVR	16,500
Disaster relief	8,382
Special projects – Vehicles	8,005
Special projects – Other	<u>100</u>
Totals	<u><u>\$ 1,752,035</u></u>

**Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE I – FAIR VALUE MEASUREMENTS

FASB ASC 820-10, Fair Value Measurements and Disclosures, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

<u>Level 1</u>	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access
<u>Level 2</u>	Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability
<u>Level 3</u>	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value:

Level 1 Fair Value Measurements – Equity Securities, Mutual Funds, Corporate Bonds
The fair values of investments are based on quoted prices.

Level 2 Fair Value Measurements
The Society had no investments considered Level 2 at September 30, 2023.

Level 3 Fair Value Measurements – Bequest Receivable
Valued at the pledge amount discounted to the present value of the future cash flows to be received at September 30, 2023.

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE I – FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of September 30, 2023.

Description	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Equity Securities	\$ 1,129,411	\$ -	\$ -	\$ 1,129,411
Mutual Funds	1,859,109	-	-	1,859,109
Corporate Bonds	2,092	-	-	2,092
Bequest Receivable	-	-	415,371	415,371
Total Assets at Fair Value	<u>\$ 2,990,612</u>	<u>\$ -</u>	<u>\$ 415,371</u>	<u>\$ 3,405,983</u>

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the entity's Level 3 assets for the fiscal year ended September 30, 2023.

Level 3 Assets Year Ended September 30, 2023

Description	Beginning Balance	Unrealized Gains/Loss	Purchases, Issuances, settlements	Ending Balance
Bequest Receivable	<u>\$403,307</u>	<u>\$101,348</u>	<u>\$(89,284)</u>	<u>\$415,371</u>

NOTE J – COMPENSATED ABSENCES

Employees of the Society are entitled to paid leave. Full-time employees are entitled to 10 days for first year hires, and it increases based off years of service with employees having over 15 years receiving 29 days. Part-time employees are eligible for 50% of the time accrued. An employee can carry over a maximum of 56 hours of unpaid leave from year to year based off their hire anniversary date. PTO can be paid out at resignation or retirement at a percentage of the employee's accrual based off years of service. Employees with 15 years or more of service will receive 69% of their accrual. On September 30, 2023, \$34,564 was accrued for paid leave.

Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE K – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released during the year ended September 30, 2023 by incurring expenses which satisfied the restrictions or by the occurrence of other events, including the passage of time

	<u>2023</u>
Martin County contract	\$ 75,835
Time Restriction - Bequest	89,283
Dolly's Dream	383
Dog Adoption/Lobby renovation	16,205
Adoptions	16,765
Investment fees	1,573
Medical emergencies	50,149
Medical care	500
Medical expenses	3,878
Spay & neuter	4,400
Humane education	3,218
ASPCA	4,500
Care of dogs	85,125
Cats	500
Food Pantry	12,500
Misty's Pals	806
Paws to Read	1,272
Investment income	<u>119,604</u>
Total	<u>\$ 486,496</u>

NOTE L – LEASES

The Society has an obligation as a lessee for commercial space with initial noncancelable terms in excess of one year. The Society has classified this lease as a operating lease. The Organization's lease does not include termination options for either party to the lease. Payments due under the lease arrangements are comprised entirely of fixed payments, with some agreements including an agreed upon annual increase of the fixed amount.

North Thrift Store

In July 2022, the Society entered into an extension of an agreement to lease commercial building space which required monthly payments ranging from \$10,538.63 to \$10,854.79, based on annual base payment increases. The lease liability was measured at a discount rate of 4.22%, which is the Organization's incremental borrowing rate. As a result of the lease, the Organization reported a right of use asset with a net book value of \$94,122 at September 30, 2023.

**Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE L – LEASES (continued)

Central Thrift Store

In June 2022, the Society entered into an agreement to lease building space which required monthly payments ranging from \$10,219.71 to \$10,526.30, based on annual base payment increases. The lease liability was measured at a discount rate of 4.22%, which is the Organization's incremental borrowing rate. As a result of the lease, the Organization reported a right of use asset with a net book value of \$81,885 at September 30, 2023.

The lease cost for the year ended September 30, 2023 are as follows:

Operating Lease Cost	<u>\$ 472,780</u>
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Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of
lease liabilities:

Operating cash flows from operating leases	<u>\$ 250,652</u>
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Non-cash investing and financing activities:

Additions to right of use assets obtained from:

New operating lease liabilities	<u>\$ -</u>
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Supplemental balance sheet information related to leases was as follows:

Operating Lease Right of Use Assets	<u>\$ 176,007</u>
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Operating Lease Liabilities	<u>\$ 199,570</u>
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**Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE L – LEASES (continued)

Future minimum payments of lease liabilities under noncancellable operating leases as of September 30, 2023, were as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2024	\$ 203,285
2025	-
2026	-
2027	-
Total minimum lease payments	203,285
Less: amount representing interest	(3,715)
Lease liability as of June 30, 2023	<u>199,570</u>

As of September 30, 2023, the weighted-average remaining lease term for all operating leases is 0.79 years. As the discount rate was not indicated on the lease agreements, the Organization utilized the incremental borrowing rate as the discount rate. The weighted-average discount rate associated with all operating leases is 4.22%.

Butscher Land Lease

The Society received a 25% ownership in a Butscher Trust in 2013. This trust holds land that is under lease from January 2013 through March 2067. The leased property is located in Miami, Florida. The Society receives 25% of the rental income which equates to monthly payments of \$1,353.58. The lease receivable was measured at a discount rate of 4.22%, which is the risk-free borrowing rate. As a result of the lease, the Society reported a Lease Receivable of \$323,313 at September 30, 2023.

Future minimum payments of lease receivables under noncancellable operating leases as of September 30, 2023, were as follows:

<u>Year Ending September 30,</u>	<u>Total</u>
2024	\$ 16,243
2025	16,243
2026	16,243
2027	16,243
2028 and thereafter	641,597
Total minimum lease payments	706,569
Less: amount representing interest	(383,256)
Lease receivable as of June 30, 2023	<u>323,313</u>

**Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE M – SPECIAL EVENTS

The respective proceeds and direct costs from special events held during the year ended September 30, 2023 were as follows:

	<u>Gross Proceeds</u>	<u>Direct Costs</u>	<u>Net Proceeds</u>
Paws & Claws	\$ 204,162	\$ 77,586	\$126,576
Mutt March	23,075	14,082	8,993
Pooch Plunge	6,881	3,085	3,796
Pup Crawl	8,716	603	8,113
Bunfest	9,616	5,128	4,488
Kitty Catalina	4,132	983	3,149
Other events	<u>61,438</u>	<u>17,439</u>	<u>43,999</u>
Total unrestricted	318,020	118,906	199,114
Restricted			
Paws & Claws	<u>3,878</u>	<u>-</u>	<u>3,878</u>
Total	<u>\$ 321,898</u>	<u>\$ 118,906</u>	<u>\$ 221,971</u>

Some of the costs related to the special events above did not result in a direct benefit to the participants and are classified as functional expenses and included in the Statement of Functional Expenses instead of the direct costs listed above.

Revenues and expenses for the following events include the value of noncash donations as of September 30, 2023:

Paws & Claws	\$ 52,171
Bunfest	166
Mutt March	74,000
Pooch Plunge	95
Pup Crawl	193
Kitty Catalina	<u>523</u>
Total	<u>\$ 127,148</u>

The noncash donation to the Mutt March fundraiser (\$74,000) was for radio media sponsorship for the event.

**Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE N – THRIFT STORES

The Society operated 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 year ended September 30, 2023 were as follows:

	Central	North	Total
2023			
Gross Sales	\$ 689,080	\$ 503,633	\$ 1,192,713
Operating Costs:			
Personnel	313,593	124,718	438,311
Occupancy and operations	168,590	158,878	327,468
Administrative	20,465	15,296	35,761
General operating	11,909	5,115	17,024
Public relations	3,953	1,483	5,436
	518,510	305,490	824,000
Depreciation	494	-	494
Total costs	519,004	305,490	824,494
Net revenue	\$ 170,076	\$ 198,143	\$ 368,219

NOTE O – RETIREMENT PLAN

The Society sponsors a defined contribution retirement plan which qualifies under the provisions of Section 403(b) of the Internal Revenue Code for Section 501(c)(3) not-for-profit organizations. The plan allows for an employer match of 4% of compensation, with no limits on the match up to the contribution limitation allowed by the Internal Revenue Code for each participant per year. All full-time employees are eligible for the voluntary salary reduction plan. For the years ended September 30, 2023 and 2022, the employer contribution to the plan was \$42,637 and \$35,544, respectively.

NOTE P – BOARD DESIGNATED NET ASSETS

The Board has designated a portion of unrestricted net assets to be held for future projects, programs, capital or other expenditures to be determined by the Board of Directors. The Board designated amount on September 30, 2023 was \$997,426.

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE Q – 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 terms of the Contract for the year ended September 30, 2023, 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, 2023 was \$820,515.

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" represents the application, for illustrative purposes only, of the funds provided by Martin County for the year ended September 30, 2023.

	2023	
	Animal Shelter Operations	County Contract Allocation
Salaries and Wages	\$1,165,434	\$ 417,925
Payroll costs	160,053	51,217
Health & workers' compensation insurance, other benefits	228,426	88,091
Total payroll and related expenses	\$1,553,913	\$ 557,233
Occupancy	248,633	89,160
Medical supplies	236,279	84,730
Veterinary fees	98,714	35,399
Feed and shelter supplies	51,280	18,389
Cremation and burial fees	3,763	1,349
Equipment and computer costs	52,901	18,970
Other animal shelter expenses	19,135	6,862
Office expenses and supplies	21,944	7,869
Advertising	1,460	554
Totals	<u>\$2,288,022</u>	<u>\$ 820,515</u>
Percentage of costs covered		<u>35.9%</u>

**Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE R – INCOME TAXES

The Society has adopted accounting guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Society's tax filings are subject to audit by various taxing authorities. The Society's income tax returns for the years ended September 30, 2022, 2021 and 2020 remain open to examination by the Internal Revenue Service.

NOTE S – MANAGEMENT REVIEW

The date to which events occurring after September 30, 2023, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is July 10, 2024, which is the date on which the financial statements were available to be issued.

NOTE T – PRIOR PERIOD ADJUSTMENT – FASB ASC TOPIC 842 ADOPTION

During fiscal year 22/23 the Society adopted FASB ASC Topic 842 pertaining to leases. The Society leases (lessee) commercial space in Martin County through operating leases. The lease term continues for another 10 months after September 30, 2023. The Society also leases (lessor) out commercial space located in Miami, Florida. The lease term continues for another 522 months after September 30, 2023. Upon adoption of the new guidance, the Society elected to apply the following package practical expedients:

- All existing leases that were previously classified as operating leases continue to be classified as operating leases, and all existing leases that were previously classified as capital leases continue to be classified as financial (capital) leases, if applicable.

NOTE U – RESTATEMENT OF BEGINNING NET ASSETS

Net Assets were restated to properly reflect beginning net assets related to the implementation of a new accounting standard (Note T).

Net Assets without donor restrictions – October 1, 2022, previously reported	\$8,041,292
Increase in right of use assets	398,135
Increase in lease receivable	325,854
Increase in lease liabilities	(436,328)
Increase in deferred rent revenues	(322,204)
Net Assets without donor restrictions – October 1, 2022, restated	<u>\$8,006,749</u>