

HUMANE SOCIETY OF PINELLAS, INC.

Financial Statements

December 31, 2017

(With Independent Auditors' Report Thereon)

HUMANE SOCIETY OF PINELLAS, INC.

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Fontana CPAs, P.A.

Independent Auditors' Report

The Board of Directors
Humane Society of Pinellas, Inc.:

We have audited the accompanying statement of financial position of the Humane Society of Pinellas, Inc. (the Organization) as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Organization'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 Organization'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 Pinellas, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Humane Society of Pinellas, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

FONTANA CPAs

July 18, 2018

HUMANE SOCIETY OF PINELLAS, INC.

Statement of Financial Position

December 31, 2017

With comparative totals for 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,822,510	\$ 698,369
Investments	2,599,203	2,438,493
Inventory	24,213	18,654
Grants receivable	4,133	1,738
Prepaid expenses	<u>23,686</u>	<u>4,590</u>
Total current assets	4,473,745	3,161,844
Property and equipment, net of accumulated depreciation of \$1,204,861 and \$1,140,854 respectively	1,076,581	1,052,972
Deposits	<u>5,673</u>	<u>650</u>
Total assets	<u>\$ 5,555,999</u>	<u>\$ 4,215,466</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long term debt	\$ 15,332	\$ 5,814
Accounts payable	79,905	78,973
Accrued salaries and benefits	69,050	55,741
Deferred revenue	<u>380,152</u>	<u>92,056</u>
Total current liabilities	544,439	232,584
Long term debt, net of current portion	<u>108,810</u>	<u>75,422</u>
Total liabilities	<u>653,249</u>	<u>308,006</u>
Net assets:		
Unrestricted	4,870,250	3,874,558
Temporarily restricted	<u>32,500</u>	<u>32,902</u>
Total net assets	<u>4,902,750</u>	<u>3,907,460</u>
Total liabilities and net assets	<u>\$ 5,555,999</u>	<u>\$ 4,215,466</u>

See accompanying notes to financial statements.

HUMANE SOCIETY OF PINELLAS, INC.

Statement of Activities

December 31, 2017

With comparative totals for 2016

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
Revenue and other support:				
Bequests	\$ 1,094,195	\$ —	\$ 1,094,195	\$ 378,244
Contributions	926,704	—	926,704	706,101
Adoption fees	161,606	—	161,606	159,582
Program fees	440,396	—	440,396	414,766
Special events, net of related expense of \$83,173 and \$45,622, respectively	134,381	—	134,381	137,376
Grants / contracts	91,461	—	91,461	45,589
In-kind contributions	66,766	—	66,766	65,760
Merchandise sales	199,241	—	199,241	161,813
Investment income	381,622	—	381,622	282,428
Other income	(3,700)	—	(3,700)	1,769
Net assets released from restrictions	402	(402)	—	—
Total revenue and other support	<u>3,493,074</u>	<u>(402)</u>	<u>3,492,672</u>	<u>2,353,428</u>
Expenses:				
Program services	1,864,715	—	1,864,715	1,732,662
Supporting services:				
Management and general	170,487	—	170,487	187,514
Fundraising	462,180	—	462,180	379,113
Total supporting services	<u>632,667</u>	<u>—</u>	<u>632,667</u>	<u>566,627</u>
Total expenses	<u>2,497,382</u>	<u>—</u>	<u>2,497,382</u>	<u>2,299,289</u>
Change in net assets	995,692	(402)	995,290	54,139
Net assets at beginning of year	<u>3,874,558</u>	<u>32,902</u>	<u>3,907,460</u>	<u>3,853,321</u>
Net assets at end of year	<u>\$ 4,870,250</u>	<u>\$ 32,500</u>	<u>\$ 4,902,750</u>	<u>\$ 3,907,460</u>

See accompanying notes to financial statements.

HUMANE SOCIETY OF PINELLAS, INC.

Statement of Functional Expenses

December 31, 2017

With comparative totals for 2016

	<u>Supporting services</u>			<u>Total expenses</u>	
	<u>Program Services</u>	<u>Management and general</u>		<u>2017</u>	<u>2016</u>
		<u>Fundraising</u>			
Salaries	\$ 966,127	\$ 112,924	\$ 175,660	\$ 1,254,711	\$ 1,158,365
Fringe benefits	171,404	20,034	31,165	222,603	200,135
Total salaries and related expenses	<u>1,137,531</u>	<u>132,958</u>	<u>206,825</u>	<u>1,477,314</u>	<u>1,358,500</u>
Kennel feed and supplies	130,948	—	—	130,948	120,629
Mailer expense	—	—	199,509	199,509	188,957
Grooming and mobile clinic	71,482	—	—	71,482	74,649
Medical supplies	92,933	—	—	92,933	87,928
Utilities	52,946	6,188	9,627	68,761	63,763
Occupancy	48,761	5,699	8,866	63,326	51,953
Veterinary spay and neuter	10,227	—	—	10,227	3,631
Professional fees	33,751	3,945	6,137	43,833	50,604
Insurance	17,591	2,056	3,198	22,845	20,093
Licenses and permits	36,536	—	350	36,886	36,311
Merchandise sold	114,349	—	—	114,349	93,989
Supplies	9,905	1,158	1,801	12,864	8,456
Travel and training	10,257	1,199	1,865	13,321	9,637
Postage and delivery	—	383	7,279	7,662	9,236
Equipment rental & office equipment	—	6,150	—	6,150	6,883
Promotional activities	1,136	133	207	1,476	2,668
Vehicle expenses	5,509	—	—	5,509	7,228
Interest expense	2,362	276	429	3,067	3,116
Dues and subscriptions	2,221	260	404	2,885	353
Bank and merchant fees	22,250	2,601	4,045	28,896	22,156
Other	6,415	748	1,164	8,327	5,147
Total expenses before depreciation	<u>1,807,110</u>	<u>163,754</u>	<u>451,706</u>	<u>2,422,570</u>	<u>2,225,887</u>
Depreciation	<u>57,605</u>	<u>6,733</u>	<u>10,474</u>	<u>74,812</u>	<u>73,402</u>
Total expenses	<u>\$ 1,864,715</u>	<u>\$ 170,487</u>	<u>\$ 462,180</u>	<u>\$ 2,497,382</u>	<u>\$ 2,299,289</u>

See accompanying notes to financial statements.

HUMANE SOCIETY OF PINELLAS, INC.

Statement of Cash Flows

December 31, 2017
With comparative totals for 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 995,290	\$ 54,139
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	74,812	73,402
Loss on sale of property and equipment	4,632	—
Changes in assets and liabilities:		
Increase in grants and accounts receivable	(2,395)	782
Increase in inventory	(5,559)	(2,685)
Decrease (increase) in prepaid expenses	(19,096)	(711)
Increase in deposits	(5,023)	—
Increase in accounts payable, accrued expenses, deferred revenue and refundable advances	302,337	71,683
Net cash provided by operating activities	1,344,998	196,610
Cash flows from investing activities:		
Dividends and interest from investments	(37,298)	(114,088)
Net change in investments	(123,413)	(8,648)
Proceeds from sale of property and equipment	1,000	—
Purchases of property and equipment	(104,053)	(20,415)
Net cash used in investing activities	(263,764)	(143,151)
Cash flows from financing activities:		
Proceeds from long-term debt	50,000	—
Payments of long-term debt	(7,093)	(5,557)
Net cash provided by (used in) financing activities	42,907	(5,557)
Net increase in cash and cash equivalents	1,124,141	47,902
Cash and cash equivalents at beginning of year	698,369	650,467
Cash and cash equivalents at end of year	\$ 1,822,510	\$ 698,369
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 3,067	\$ 3,116

See accompanying notes to financial statements.

HUMANE SOCIETY OF PINELLAS, INC.

Notes to Financial Statements

December 31, 2017

(1) Nature of Organization

Humane Society of Pinellas, Inc. (the Organization) is a Florida not for profit organization organized under the laws of the State of Florida and founded on October 8, 1949 to serve the community through the compassionate care of all animals. The Organization operates as an animal shelter providing lifesaving services to the community's sick, injured, abused, and abandoned pets and wildlife. The Organization is funded primarily through contributions from concerned Pinellas County residents and through fees received from the animal adoption program.

(2) Summary of Significant Accounting Policies and Practices

(a) Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present revenue, expenses, and net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets which are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Revenue recognition – Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Grants are considered exchange transactions and are recorded as unrestricted revenue when earned. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the unrestricted net asset class. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional.

Expenses – Expenses are reported as decreases in unrestricted net assets.

(b) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(c) Grant Receivables

Accounts receivables represent contract fees due from various cities in Pinellas County. Management assesses the collectability of accounts receivable periodically, and when determined that an amount is not collectible, writes off the receivable in question. As of December 31, 2017, all receivable amounts were expected to be collected in full.

HUMANE SOCIETY OF PINELLAS, INC.

Notes to Financial Statements

December 31, 2017

(d) Inventory

Inventories consist primarily of informational books, pet related household items and pet supplies. Inventory is valued at the cost as determined using first-in first-out (FIFO) accounting method.

(e) Fair Value of Financial Instruments

FASB Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

ASC 820 *Fair Value Measurements and Disclosures* establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2017.

(f) Property and Equipment

Equipment is stated at cost, if purchased, or at estimated fair value at the date of receipt if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. It is the policy of the Organization to maintain all property and equipment in good condition. The Organization capitalized items with a life expectancy greater than a year and with a cost or fair value of \$1,000 or greater.

HUMANE SOCIETY OF PINELLAS, INC.

Notes to Financial Statements

December 31, 2017

(f) *Property and Equipment (continued)*

Property acquired with governmental funds is considered to be owned by the Organization while used in the program for which it was purchased or in future authorized programs; however, its disposition as well as the ownership of any proceeds therefrom is subject to applicable regulations.

(g) *Deferred Revenue*

Revenue is deferred until eligible expenses are incurred.

(h) *Accrued Benefits*

Accrued benefits represent vested vacation leave. Vacation leave is charged as an expense in the period in which it is earned by the employee.

(i) *Functional Allocation of Expenses*

Expenses are allocated between program services and management and general and fundraising. Salaries are allocated based on actual time spent in these activities or administration of programs. Other expenses are allocated based on direct usage or management's estimates of the benefit derived by each activity.

(j) *In-Kind Revenue*

Contributions of non-cash assets are recorded at their fair values in the period received. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, and are recorded at their fair values in the period received.

(k) *Use of Estimates*

Management of the Organization has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, as well as pro rata allocations in the recording of expenditures, to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(l) *Income Taxes*

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue code.

HUMANE SOCIETY OF PINELLAS, INC.

Notes to Financial Statements

December 31, 2017

(m) *Uncertain Tax Positions*

The Organization accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in the uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization’s federal returns are generally open for examination for three years following the date filed.

(n) *Summarized Financial Information for 2016*

The financial information for the year ended December 31, 2016, presented for comparative purposes, is not intended to be a complete presentation. Certain 2016 amounts have been reclassified to conform with the 2017 presentation.

(3) **Investments**

The Organization’s investments are recorded based on fair value. The following is a schedule of the fair value of investments held at December 31, 2017:

	<u>Amount</u>	<u>% of Investments</u>
Money market / cash	\$ 147,255	6%
Equity	1,924,800	74%
Fixed income	357,233	14%
Other	169,915	6%
	<u>\$ 2,599,203</u>	<u>100%</u>

The following are the components of investment income for the year ended December 31, 2017:

Realized and unrealized gains	\$ 344,324
Interest and dividends	<u>37,298</u>
	<u>\$ 381,622</u>

HUMANE SOCIETY OF PINELLAS, INC.

Notes to Financial Statements

December 31, 2017

(4) Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis were measured using ASC 820 input guidance and valuation techniques as follows:

Fair Value Measurements at Reporting Date Using

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Observable Inputs Level 3	Total Fair Value
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Value</u>
Mutual funds	\$ 2,482,000	\$ —	\$ —	\$ 2,482,000
Community Foundation	\$ —	\$ —	\$ 117,203	\$ 117,203
Total assets at fair value	<u>\$ 2,482,000</u>	<u>\$ —</u>	<u>\$ 117,203</u>	<u>\$ 2,599,203</u>

(5) Property and Equipment

Property and equipment consists of the following at December 31, 2017:

		<u>Estimated useful lives</u>
Building and improvements	\$ 1,790,868	10 - 40 years
Furniture and equipment	221,542	5 - 10 years
Landscaping and improvements	109,993	10 - 40 years
Automobile	71,726	5 - 7 years
Land	8,215	—
Construction in progress	79,098	—
	<u>2,281,442</u>	
Less accumulated depreciation	<u>1,204,861</u>	
	<u>\$ 1,076,581</u>	

(6) Retirement Plan

The Organization's 401(k) retirement plan, effective in 2010, was open to all employees, 21 years of age or older who worked over 1,000 hours in a year. Employees' contributions are immediately fully vested. Employer's contributions are vested from 2 to 6 years of service. The Organization's match is evaluated on an annual basis as a percentage of employee-elected deferrals, up to a maximum of 3% of eligible salaries. The Organization's contribution to the plan in 2017 was \$3,811.

HUMANE SOCIETY OF PINELLAS, INC.

Notes to Financial Statements

December 31, 2017

(7) Concentration

The Organization maintains several deposit accounts with what management believes to be high credit quality financial institutions. The total balances of these accounts were not fully covered by federal deposit insurance limits at December 31, 2017.

(8) Long Term Debt

Long-term debt consists of the following at December 31, 2017:

First mortgage note payable, with a variable interest rate that adjusts every five years to 2.75% over LIBOR. The current monthly payment is \$723 including interest (at 3.625% as of December 31, 2017) and principal, maturing June 27, 2028. The note is not secured by the property.	\$ 75,452
Note payable with an original amount of \$50,000, at 4.0% fixed interest rate, with a 3 year term and an initial payment of \$1,476 due upon execution and the remaining payments of \$1,476 for 35 months beginning May 2018. The loan is secured by the leasehold improvements to the clinic.	<u>48,690</u>
Total long-term debt	124,142
Less current installments	<u>15,332</u>
Long-term debt, excluding current installments	<u><u>\$ 108,810</u></u>

The future minimum payments for the next five years and thereafter are as follows:

<u>Year ending December</u> <u>31,</u>	
2018	\$ 15,332
2019	22,703
2020	23,603
2021	12,591
2022	6,984
Thereafter	<u>42,930</u>
Total minimum payments	<u><u>\$ 124,142</u></u>

HUMANE SOCIETY OF PINELLAS, INC.

Notes to Financial Statements

December 31, 2017

(9) Commitments and Contingencies

In 1984, the Organization entered into an agreement, as part of a retirement package, to provide pension to the former Executive Director in the amount of \$9,600 per year, paid in monthly installments until his death and until the death of his spouse. The \$9,600 was included in fringe benefits expense for the year ended December 31, 2017.

(10) Temporarily Restricted Net Assets

Temporary restrictions on net assets as of December 31, 2017 consist of contributions restricted by donors for the following:

Clinic expansion	\$ 25,000
Fire alarm	<u>7,500</u>
	<u>\$ 32,500</u>

(11) Operating Leases

During 2017 the Organization entered into a lease for additional clinic space under an operating lease, which will expire in 2020. The rent expense on this lease for the year ended December 31, 2017 was approximately \$0.

Future minimum lease payments required under non-cancelable operating leases as of December 31, 2017 are as follows:

2018	\$ 17,663
2019	30,280
2020	30,280
2021	10,093
2022	<u>—</u>
Total	<u>\$ 88,316</u>

(12) Subsequent Events

Management has evaluated subsequent events through July 18, 2018, the date which the financial statements were available for issue.

On June 7, 2018 the Organization opened a new pet clinic. The expanded facility includes four exam rooms, a digital x-ray machine, new dental and diagnostic equipment and a surgery suite. The clinic is expected to increase the services offered and the pets served each year.