

# **Jacksonville Humane Society, Inc.**

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## **Financial Statements**

**Years Ended December 31, 2016 and 2015**

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## **Independent Auditors' Report**

Board of Directors  
Jacksonville Humane Society, Inc.  
Jacksonville, Florida

### ***Report on the Financial Statements***

We have audited the accompanying statements of financial position of Jacksonville Humane Society, Inc. (the "Organization"), a non-profit corporation, as of December 31, 2016 and 2015, and the related statements of activities, 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 fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 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 Organization as of December 31, 2016 and 2015, 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.

*Dixon Hughes Goodman LLP*

**Jacksonville, Florida  
June 20, 2017**

**Jacksonville Humane Society, Inc.**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$ 2,787,522	\$ 5,389,801
Investments at fair value	3,376,424	2,786,511
Accounts receivable	103,230	95,358
Unconditional promises to give	1,534,157	2,096,343
Prepaid expenses	72,684	72,091
Inventory	42,645	40,503
Total current assets	7,916,662	10,480,607
Property and equipment, net	12,254,493	8,295,178
Other assets:		
Unconditional promises to give, net	958,804	1,136,998
Land held for resale	1,081,505	1,081,505
Other assets	91,527	-
Total assets	\$ 22,302,991	\$ 20,994,288
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 710,538	\$ 257,274
Deferred revenue	86,818	270,642
Total current liabilities	797,356	527,916
Net assets:		
Unrestricted	12,842,694	8,107,649
Temporarily restricted	3,962,941	7,658,723
Permanently restricted	4,700,000	4,700,000
Total net assets	21,505,635	20,466,372
Total liabilities and net assets	\$ 22,302,991	\$ 20,994,288

See accompanying notes.

**Jacksonville Humane Society, Inc.**  
**Statements of Activities**  
**Years Ended December 31, 2016 and 2015**

	2016			2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues							
Program Revenues:							
Outreach	\$ 12,373	\$ -	\$ -	\$ 12,373	\$ 38,635	\$ -	\$ 38,635
Adoptions	230,314	-	-	230,314	235,941	-	235,941
Hospital services	1,575,122	-	-	1,575,122	1,789,544	-	1,789,544
Obedience classes	3,400	-	-	3,400	2,150	-	2,150
Cemetery plots and related fees	31,610	-	-	31,610	26,377	-	26,377
Contributions	1,454,063	712,923	-	2,166,986	1,888,365	3,023,855	4,912,220
In-kind contributions	122,963	-	-	122,963	138,694	-	138,694
Bequests	388,540	-	-	388,540	502,465	-	502,465
Grants	304,803	-	-	304,803	118,861	-	118,861
City of Jacksonville grants	-	-	-	-	112,213	-	112,213
Special events (net of expenses of \$44,525 and \$43,889 in 2016 and 2015, respectively)	280,699	-	-	280,699	269,974	-	269,974
Thrift shop (net of expenses of \$212,044 in 2015 and none in 2016)	-	-	-	-	(89,964)	-	(89,964)
Merchandise	74,813	-	-	74,813	81,761	-	81,761
Investment income (loss)	118,867	-	-	118,867	(60,318)	-	(60,318)
Miscellaneous income	110,089	-	-	110,089	10,561	-	10,561
Total revenue	<u>4,707,656</u>	<u>712,923</u>	<u>-</u>	<u>5,420,579</u>	<u>5,065,259</u>	<u>3,023,855</u>	<u>8,089,114</u>
Net assets released from restrictions	<u>4,408,705</u>	<u>(4,408,705)</u>	<u>-</u>	<u>-</u>	<u>547,148</u>	<u>(547,148)</u>	<u>-</u>
Expenses:							
Program services	3,763,445	-	-	3,763,445	3,942,673	-	3,942,673
Management and general	152,813	-	-	152,813	211,126	-	211,126
Fundraising	465,057	-	-	465,057	427,653	-	427,653
Total expenses	<u>4,381,315</u>	<u>-</u>	<u>-</u>	<u>4,381,315</u>	<u>4,581,452</u>	<u>-</u>	<u>4,581,452</u>
Change in net assets	<u>4,735,046</u>	<u>(3,695,782)</u>	<u>-</u>	<u>1,039,264</u>	<u>1,030,955</u>	<u>2,476,707</u>	<u>3,507,662</u>
Net assets, beginning	<u>8,107,649</u>	<u>7,658,723</u>	<u>4,700,000</u>	<u>20,466,372</u>	<u>7,076,694</u>	<u>5,182,016</u>	<u>16,958,710</u>
Net assets, ending	<u>\$ 12,842,695</u>	<u>\$ 3,962,941</u>	<u>\$ 4,700,000</u>	<u>\$ 21,505,636</u>	<u>\$ 8,107,649</u>	<u>\$ 7,658,723</u>	<u>\$ 20,466,372</u>

See accompanying notes.

**Jacksonville Humane Society, Inc.**  
**Statements of Functional Expenses**  
**Year Ended December 31, 2016**

	Program Expenses				Supporting Services		
	Shelter Services	Medical/Vet Services	Hospital Services	Total	Management and General	Fundraising	Total
Salaries	\$ 746,247	\$ 288,140	\$ 738,690	\$ 1,773,077	\$ 103,374	\$ 167,183	\$ 2,043,634
Payroll taxes	57,084	22,153	52,575	131,812	7,481	12,596	151,889
Employee benefits	95,096	37,168	64,734	196,998	9,808	11,492	218,298
Personnel costs	898,427	347,461	855,999	2,101,887	120,663	191,271	2,413,821
Professional fees	41,750	16,128	56,516	114,394	3,775	7,026	125,195
Repairs and maintenance	12,900	4,983	23,635	41,518	1,166	1,166	43,850
Telephone	10,903	4,212	11,916	27,031	986	986	29,003
Food, medicine and exam room	170,856	133,615	586,900	891,371	-	-	891,371
Insurance	30,118	11,635	32,915	74,668	5,408	347	80,423
Community education	11,131	1,497	9,463	22,091	323	1,736	24,150
Utilities	22,146	8,555	44,525	75,226	2,002	2,002	79,230
Vehicle expense	940	363	1,027	2,330	85	85	2,500
Taxes and licenses	33,365	127	931	34,423	511	30	34,964
Office expense	17,422	7,654	20,371	45,447	1,223	9,945	56,615
Postage	1,277	493	1,396	3,166	115	7,380	10,661
Printing	1,051	-	-	1,051	-	3,423	4,474
Direct mail	-	-	-	-	-	226,872	226,872
Miscellaneous	27,390	4,218	10,900	42,508	7,043	3,275	52,826
Total expenses before depreciation	1,279,676	540,941	1,656,494	3,477,111	143,300	455,544	4,075,955
Depreciation	105,225	40,649	114,996	260,870	9,513	9,513	279,896
Loss on the disposal of assets	10,271	3,968	11,225	25,464	-	-	25,464
Total expenses	\$ 1,395,172	\$ 585,558	\$ 1,782,715	\$ 3,763,445	\$ 152,813	\$ 465,057	\$ 4,381,315

See accompanying notes.

**Jacksonville Humane Society, Inc.**  
**Statements of Functional Expenses**  
**Year Ended December 31, 2015**

	Program Expenses				Supporting Services		
	Shelter Services	Medical/Vet Services	Hospital Services	Total	Management and General	Fundraising	Total
Salaries	\$ 725,291	\$ 392,152	\$ 807,388	\$ 1,924,831	\$ 93,498	\$ 167,231	\$ 2,185,560
Payroll taxes	60,727	32,127	62,932	155,786	7,076	12,963	175,825
Employee benefits	88,259	38,925	68,986	196,170	8,176	13,732	218,078
Personnel costs	874,277	463,204	939,306	2,276,787	108,750	193,926	2,579,463
Professional fees	26,495	10,642	31,687	68,824	2,614	27,274	98,712
Repairs and maintenance	10,225	4,107	23,487	37,819	1,009	1,009	39,837
Telephone	6,118	2,457	6,962	15,537	604	604	16,745
Food, medicine and exam room	196,432	139,000	673,087	1,008,519	-	-	1,008,519
Insurance	24,217	9,727	27,555	61,499	4,994	2,389	68,882
Community education	16,178	1,715	6,631	24,524	194	194	24,912
Utilities	18,392	7,387	40,651	66,430	1,814	1,814	70,058
Vehicle expense	1,078	433	1,227	2,738	106	106	2,950
Taxes and licenses	13,341	252	2,195	15,788	1,808	18	17,614
Office expense	14,743	4,744	39,058	58,545	-	10,733	69,278
Postage	1,542	619	1,754	3,915	152	5,449	9,516
Printing	987	-	-	987	-	3,295	4,282
Direct mail	-	-	-	-	-	171,966	171,966
Miscellaneous	33,836	8,137	23,051	65,024	82,203	1,998	149,225
Total expense before depreciation	1,237,861	652,424	1,816,651	3,706,936	204,248	420,775	4,331,959
Depreciation	128,393	28,006	79,338	235,737	6,878	6,878	249,493
Total expenses	\$ 1,366,254	\$ 680,430	\$ 1,895,989	\$ 3,942,673	\$ 211,126	\$ 427,653	\$ 4,581,452

See accompanying notes.



**Jacksonville Humane Society, Inc.**  
**Statements of Cash Flows**  
**Years ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,039,264	\$ 3,507,662
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	279,896	304,277
Loss on disposal of property and equipment	25,464	-
Realized and unrealized (gain) loss on investments	(159,576)	69,410
Changes in operating assets and liabilities:		
Accounts receivable	(7,872)	(57,822)
Unconditional promises to give	740,380	(494,841)
Prepaid expenses	(593)	(46,881)
Inventory	(2,143)	14,271
Accounts payable and accrued expenses	453,264	107,545
Deferred revenue	(183,824)	252,876
	<u>2,184,260</u>	<u>3,656,497</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Sales of investments	2,485,917	2,202,924
Purchases of investments	(2,916,254)	(3,707,419)
Purchase of property and equipment	(4,264,675)	(480,880)
Prepaid closing costs	(91,527)	-
	<u>(4,786,539)</u>	<u>(1,985,375)</u>
Net cash used by investing activities		
Net (decrease) increase in cash and cash equivalents	(2,602,279)	1,671,122
Cash and cash equivalents, beginning	<u>5,389,801</u>	<u>3,718,679</u>
Cash and cash equivalents, ending	<u>\$ 2,787,522</u>	<u>\$ 5,389,801</u>

See accompanying notes.

## **Notes to Financial Statements**

### **1. Nature of Organization and Summary of Significant Account Policies**

Jacksonville Humane Society, Inc. (“the Organization”) is a non-profit organization dedicated to the welfare of animals. Its primary purposes are the prevention of cruelty to animals, the relief of suffering animals, and presenting of humane education. The major sources of income are derived from public contributions and service revenue.

The financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into three classes of net assets – unrestricted, temporarily restricted, or permanently restricted as follows:

*Unrestricted* – Net assets representing resources generated from operations that are not subject to donor-imposed stipulations.

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

*Permanently Restricted* – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization.

#### ***Contributions***

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service.

The Organization recognizes revenue for certain donated services and other in-kind contributions received at fair value as of the date of the gift.

#### ***Cash and cash equivalents***

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

#### ***Investments***

Investments are recorded at fair value. The fair value of investments is based on the last sales price on the valuation date for those securities traded on national securities exchanges. For securities traded over-the-counter, the last bid price is used. Realized and unrealized gains or losses are determined by comparison of cost to either proceeds received from sales or market values.

Purchases and sales of securities are recorded on a trade-date basis. Investment income is recognized as revenue in the period it is earned. Dividends are recorded on the ex-dividend date.

**Jacksonville Humane Society, Inc.**  
**Notes to Financial Statements**

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***Fair value measurement***

Generally accepted accounting principles in the United States of America (GAAP) define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. See Note 4.

***Pledges receivable***

Unconditional promises to give are recorded as receivables and contribution revenue when the promises are received. Contributions to be received after one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. The carrying amount of pledges receivable is reduced by a valuation allowance. The valuation allowance is adjusted at year end to reflect the percentage of pledges considered uncollectible by management based on historical collection experience and review of pledges receivable.

An allowance for uncollectible pledge receivables is estimated and based on management's judgment of the collectability of these receivables. At December 31, 2016 and 2015, the Organization considered all remaining pledge receivables to be fully collectible. Accordingly, there was no allowance for uncollectible pledge receivables.

***Inventory***

Inventories are stated at lower of cost or market determined by the first-in, first-out method.

***Property and equipment***

Property and equipment are recorded at cost or if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives. The useful lives used for depreciation range from three years to forty years.

***Donated use of land***

In 1934 the Organization received a donation of the use approximately 10 acres. The Organization may continue to use this land at no charge for as long as it remains in operation on the site. No amounts have been reflected in the financial statements for donated use of land as no objective basis is available to measure the value of such use.

***Expense allocation***

The costs of providing program and management and fund raising activities have been summarized on a functional basis in the Schedules of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Concentrations of credit risk***

Cash and cash equivalents consist of cash on deposit in banks and cash invested in liquid asset trust funds with initial maturities of three months or less. The Organization periodically maintains bank deposits in excess of the Federal Deposit Insurance Corporation limit.

***Income taxes***

The Organization is recognized by the Internal Revenue Service as a nonprofit under Section 501(c) (3) of the Internal Revenue Code; accordingly the accompanying financial statements do not reflect a provision or liability for federal and state income taxes

**Jacksonville Humane Society, Inc.**  
**Notes to Financial Statements**

***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 (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the financial statements; and, (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent events***

In preparing these financial statements, the Organization evaluated events and transactions for potential recognition or disclosure through June 20, 2017, the date of the financial statements were available for issue.

**2. Unconditional Promises to Give**

Unconditional promises to give at December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Unconditional promises to give	<u>\$ 2,492,961</u>	<u>\$ 3,233,341</u>
Amounts due in:		
Less than one year	\$ 1,534,157	\$ 2,096,343
One to five years	1,055,492	1,212,812
More than five years	<u>-</u>	<u>20,874</u>
Total unconditional promises to give	<u>2,589,649</u>	<u>3,330,029</u>
Less: discounts to net present value (2%)	<u>(96,688)</u>	<u>(96,688)</u>
Net unconditional promises to give	<u>\$ 2,492,961</u>	<u>\$ 3,233,341</u>

**3. Investments**

Investments at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stocks:				
Large cap	\$ 1,514,664	\$ 1,622,172	\$ 1,060,101	\$ 1,060,177
Mutual funds:				
Fixed income	528,973	518,578	669,091	645,615
Equities	192,227	186,377	263,452	236,218
Alternative investments	<u>86,098</u>	<u>86,943</u>	<u>110,077</u>	<u>99,096</u>
	807,298	791,898	1,042,620	980,929
Certificate of Deposits	<u>959,837</u>	<u>962,354</u>	<u>745,379</u>	<u>745,405</u>
	<u>\$ 3,281,799</u>	<u>\$ 3,376,424</u>	<u>\$ 2,848,100</u>	<u>\$ 2,786,511</u>

**Jacksonville Humane Society, Inc.**  
**Notes to Financial Statements**

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Investment income for December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 68,861	\$ 52,556
Net realized and unrealized gains / (losses)	<u>69,151</u>	<u>(95,408)</u>
	<b>138,012</b>	<b>(42,852)</b>
Less: investment fees	<u>19,145</u>	<u>17,466</u>
	<u><b>\$ 118,867</b></u>	<u><b>\$ (60,318)</b></u>

#### **4. Fair Value of Financial Assets**

The Organization follows accounting standards requiring a framework for measuring fair value. The 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 the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management judgment and estimation. Such investment valuations are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Organization's investments are Level 1 assets. The following is a description of the valuation methodologies used for assets measured at fair value.

Level 1 Fair Value Measurements - The fair value of equities is based on the closing price reported on the active market on which the individual securities are traded. The fair value of mutual funds is based on quoted net asset values of the shares held by the Organization at year end. The fair value of money market funds and certificates of deposit are based on transacted values.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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.

There were no changes during the year ended December 31, 2016 to the Organization's valuation techniques used to measure asset and liability fair values on a recurring basis.

**Jacksonville Humane Society, Inc.**  
**Notes to Financial Statements**

**5. Property and Equipment**

Property and equipment consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Donated land	\$ 4,700,000	\$ 4,700,000
Community animal hospital	3,231,979	3,231,979
Land	273,054	273,054
Clinic – building and improvements	211,176	211,176
Clinic equipment	62,492	62,492
Shelter and improvements	1,739,474	851,714
Equipment	230,632	174,324
Vehicles	81,910	81,910
Construction in progress	<u>3,152,603</u>	<u>474,146</u>
	13,683,320	10,060,795
Less: accumulated depreciation	<u>(1,428,827)</u>	<u>(1,765,617)</u>
	<u>\$ 12,254,493</u>	<u>\$ 8,295,178</u>

The Organization's thrift store closed in April 2015.

In 2015, the Organization entered into an agreement with a construction contractor to build a new main Adoption and Education Center in the same location as the existing facility. Total construction costs are expected to be approximately \$15,000,000 which are funded by the Organization's capital campaign and the construction loan described at Note 7.

Construction in progress was \$3,152,603 and \$474,146 at December 31, 2016 and 2015, respectively. There was no debt related to the construction as of December 31, 2016 or 2015. The Organization expects construction to be completed by December 2017.

**6. Temporarily Restricted and Permanently Restricted Assets**

Temporarily restricted net assets consist of the following:

	<u>January</u> <u>1, 2016</u>	<u>Increase /</u> <u>Contributions</u>	<u>Decreases /</u> <u>Uses</u>	<u>December</u> <u>31, 2016</u>
Bo's Fund	\$ 7,296	\$ 5,527	\$ (8,366)	\$ 4,457
Mend a Friend	-	1,210	(1,210)	-
Peaches	9,039	1,425	(6,087)	4,377
Emergency boarding	8,560	-	-	8,560
Capital campaign	6,552,328	704,761	(4,393,042)	2,864,047
Donated land for resale	<u>1,081,500</u>	<u>-</u>	<u>-</u>	<u>1,081,500</u>
	<u>\$ 7,658,723</u>	<u>\$ 712,923</u>	<u>\$ (4,408,705)</u>	<u>\$ 3,962,941</u>

**Jacksonville Humane Society, Inc.**  
**Notes to Financial Statements**

	<u>January 1, 2015</u>	<u>Increase / Contributions</u>	<u>Decreases / Uses</u>	<u>December 31, 2015</u>
Bo's Fund	\$ 5,494	\$ 20,579	\$ (18,777)	\$ 7,296
Mend a Friend	-	27,835	(27,835)	-
Peaches	15,998	925	(7,884)	9,039
Emergency boarding	8,560	-	-	8,560
Capital campaign	4,070,464	2,974,516	(492,652)	6,552,328
Donated land for resale	<u>1,081,500</u>	<u>-</u>	<u>-</u>	<u>1,081,500</u>
	<u>\$ 5,182,016</u>	<u>\$ 3,023,855</u>	<u>\$ (547,148)</u>	<u>\$ 7,658,723</u>

In 2007, the Organization received two adjoining parcels of land in Duval County, Florida with a fair market value of \$3,500,000 as part of a capital campaign. This property was donated with the stipulation that the land cannot be sold within the ensuing three years for not less than \$3,500,000. As part of the gift, there are naming rights in favor of the grantor whenever the new facility is built. In 2011, the State of Florida Department of Transportation ("FDOT") initiated eminent domain proceedings on one of the parcels. This parcel was transferred to the FDOT in 2012 for \$432,600 and there was an additional remediation payment of \$355,379 in 2015. The remaining restricted balance is for the land still owned by the Organization, and was reduced in 2012 to market value based on the consideration received for the adjacent property transferred to the FDOT.

Permanently restricted net assets consist of approximately 16 acres of land adjacent to the Organization's current site donated to Organization for use in future operations and expansion.

## **7. Construction Loan**

In connection with the Organization's Campaign for the Compassionate Community, and the temporarily restricted capital campaign amounts described in Note 6, the Organization in 2016 obtained bank financing up to \$6,292,000 for as part of the construction of the Organization's brand-new animal shelter.

The bank financing provides for construction related financing and is secured by the subject mortgaged real estate. The loan agreement matures in October 2023, bears interest at the LIBOR rate plus 2.10% (4.3% at December 31, 2016). The loan is subject to certain non-financial covenants. At December 31, 2016 there were no borrowings on the mortgage.

## **8. Donated Materials and Services**

Donated materials are recorded as contributions at estimated fair values at the date of donation. Donated services are recognized as contributions in accordance with FASB ASC 958-10 *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The value of donated services which meet the criteria for recognition under FASB ASC 958-10 included in the financial statements and the corresponding shelter expenses for the year ended December 31, 2016 and 2015 included donated food and medicine of approximately \$123,000 and \$139,000, respectively.

Numerous volunteers have donated their time and have performed a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization received approximate volunteer hours of 25,171 in December 31, 2016 and 27,700 in 2015. No amounts have been reflected in the financial statements for donated volunteer hours.

**9. Defined Contribution Retirement Plan**

The Organization sponsors a defined contribution retirement plan covering substantially all full-time permanent employees. Employer contributions are determined at the Board of Directors' discretion. The plan may be terminated at any time without further obligation to the Organization. There was no employer contribution to the plan for the years ending December 31, 2016 and 2015.

**10. Operating Leases**

The Organization entered into an agreement in 2014 to lease printing equipment. The lease expires in 2019 with rent of approximately \$1,200 payable monthly.

Future minimum rents under non-cancelable operating leases as of December 31, 2016 are as follows:

2017	\$	14,506
2018		14,506
2019		<u>6,967</u>
	\$	<u>35,979</u>