

# **Jacksonville Humane Society, Inc.**

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## **Financial Statements**

**Years Ended December 31, 2018 and 2017**

## **Table of Contents**

<b>Independent Auditors' Report .....</b>	<b>1</b>
<b>Financial Statements:</b>	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Functional Expenses .....	4
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7

## **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, 2018 and 2017, 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, 2018 and 2017, 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 25, 2019**

**Jacksonville Humane Society, Inc.**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,195,109	\$ 2,128,764
Investments at fair value	2,437,741	2,191,304
Accounts receivable	117,054	115,470
Unconditional promises to give, current	478,750	350,234
Prepaid expenses	49,392	39,769
Inventory	55,046	52,187
	<u>6,333,092</u>	<u>4,877,728</u>
Total current assets	6,333,092	4,877,728
Property and equipment, net	20,502,655	21,001,472
Other assets:		
Unconditional promises to give, net	768,467	1,394,878
Land held for resale	1,081,505	1,081,505
	<u>1,081,505</u>	<u>1,081,505</u>
Total assets	<u>\$ 28,685,719</u>	<u>\$ 28,355,583</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 139,570	\$ 781,704
Deferred revenue	149,684	184,451
Note payable, current	366,675	136,899
Capital lease, current	11,000	10,765
	<u>666,929</u>	<u>1,113,819</u>
Total current liabilities	666,929	1,113,819
Long term liabilities:		
Note payable	1,626,837	2,953,381
Capital lease	36,365	46,619
	<u>1,663,202</u>	<u>3,000,000</u>
Total long term liabilities	1,663,202	3,000,000
Total liabilities	2,330,131	4,113,819
Net assets:		
Without donor restrictions	18,710,781	16,745,519
With donor restrictions	7,644,807	7,496,245
	<u>26,355,588</u>	<u>24,241,764</u>
Total net assets	26,355,588	24,241,764
Total liabilities and net assets	<u>\$ 28,685,719</u>	<u>\$ 28,355,583</u>

See accompanying notes.

**Jacksonville Humane Society, Inc.**  
**Statements of Activities**  
**Years Ended December 31, 2018 and 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	As Adjusted Without Donor Restrictions	As Adjusted With Donor Restrictions	Total
Revenues						
Program Revenues:						
Outreach	\$ 107,866	\$ -	\$ 107,866	\$ 8,540	\$ -	\$ 8,540
Adoptions	241,077	-	241,077	214,564	-	214,564
Hospital services	1,000,981	-	1,000,981	1,119,794	-	1,119,794
Obedience classes	14,979	-	14,979	-	-	-
Cemetery plots and related fees	17,959	-	17,959	23,537	-	23,537
Contributions	1,637,819	968,061	2,605,880	1,522,757	2,225,276	3,748,033
In-kind contributions	228,406	-	228,406	149,663	-	149,663
Bequests	2,079,592	-	2,079,592	829,266	-	829,266
Grants	354,358	-	354,358	326,526	-	326,526
Special events (net of expenses of \$48,143 and \$28,670 in 2018 and 2017, respectively)	353,391	-	353,391	306,768	-	306,768
Merchandise	96,922	-	96,922	82,471	-	82,471
Investment income (loss)	(138,137)	-	(138,137)	291,497	-	291,497
Miscellaneous income	111,973	-	111,973	100,998	-	100,998
Total revenue	<u>6,107,186</u>	<u>968,061</u>	<u>7,075,247</u>	<u>4,976,381</u>	<u>2,225,276</u>	<u>7,201,657</u>
Net assets released from restrictions	<u>819,499</u>	<u>(819,499)</u>	<u>-</u>	<u>3,061,191</u>	<u>(3,061,191)</u>	<u>-</u>
Expenses:						
Program services	4,188,924	-	4,188,924	3,444,690	-	3,444,690
Management and general	232,310	-	232,310	154,574	330,781	485,355
Fundraising	540,189	-	540,189	535,483	-	535,483
Total expenses	<u>4,961,423</u>	<u>-</u>	<u>4,961,423</u>	<u>4,134,747</u>	<u>330,781</u>	<u>4,465,528</u>
Change in net assets	<u>1,965,262</u>	<u>148,562</u>	<u>2,113,824</u>	<u>3,902,825</u>	<u>(1,166,696)</u>	<u>2,736,129</u>
Net assets, beginning	<u>16,745,519</u>	<u>7,496,245</u>	<u>24,241,764</u>	<u>12,842,694</u>	<u>8,662,941</u>	<u>21,505,635</u>
Net assets, ending	<u>\$ 18,710,781</u>	<u>\$ 7,644,807</u>	<u>\$ 26,355,588</u>	<u>\$ 16,745,519</u>	<u>\$ 7,496,245</u>	<u>\$ 24,241,764</u>

See accompanying notes.

**Jacksonville Humane Society, Inc.**  
**Statements of Functional Expenses**  
**Year Ended December 31, 2018**

	Program Expenses				Supporting Services		Total
	Shelter Services	Medical/Vet Services	Hospital Services	Total	Management and General	Fundraising	
Salaries	\$ 931,749	\$ 317,555	\$ 577,709	\$ 1,827,013	\$ 86,634	\$ 153,465	\$ 2,067,112
Payroll taxes	72,807	23,732	42,722	139,261	6,221	11,148	156,630
Employee benefits	103,865	26,966	52,558	183,389	4,985	10,193	198,567
Personnel costs	1,108,421	368,253	672,989	2,149,663	97,840	174,806	2,422,309
Professional fees	46,271	17,797	46,271	110,339	4,939	113,462	228,740
Repairs and maintenance	12,858	4,945	22,287	40,090	1,331	1,154	42,575
Telephone	7,133	2,744	7,133	17,010	738	640	18,388
Food, medicine and exam room	305,979	141,021	394,205	841,205	-	-	841,205
Insurance	30,525	11,741	30,525	72,791	5,816	2,739	81,346
Community education	32,326	2,056	5,472	39,854	553	1,249	41,656
Utilities	91,845	35,325	91,845	219,015	9,506	8,242	236,763
Vehicle expense	1,274	490	1,274	3,038	132	114	3,284
Taxes and licenses	977	88	1,028	2,093	494	20	2,607
Office expense	13,465	6,084	14,446	33,995	79,841	9,541	123,377
Postage	467	180	467	1,114	48	6,535	7,697
Printing	-	-	-	-	-	2,796	2,796
Direct mail	-	-	-	-	-	195,509	195,509
Miscellaneous	57,467	7,673	19,834	84,974	6,170	1,790	92,934
Total expenses before non-cash expenses	1,709,008	598,397	1,307,776	3,615,181	207,408	518,597	4,341,186
Depreciation	240,602	92,539	240,602	573,743	24,902	21,592	620,237
Total expenses	\$ 1,949,610	\$ 690,936	\$ 1,548,378	\$ 4,188,924	\$ 232,310	\$ 540,189	\$ 4,961,423

See accompanying notes.

**Jacksonville Humane Society, Inc.**  
**Statements of Functional Expenses**  
**Year Ended December 31, 2017**

**(Continued)**

	Program Expenses				Supporting Services		
	Shelter Services	Medical/Vet Services	Hospital Services	Total	Management and General	Fundraising	Total
Salaries	\$ 734,646	\$ 299,968	\$ 549,459	\$ 1,584,073	\$ 96,757	\$ 171,526	\$ 1,852,356
Payroll taxes	58,497	23,431	43,398	125,326	7,360	12,858	145,544
Employee benefits	106,441	32,171	55,876	194,488	10,083	12,743	217,314
Personnel costs	899,584	355,570	648,733	1,903,887	114,200	197,127	2,215,214
Professional fees	39,197	15,076	45,522	99,795	6,772	51,479	158,046
Repairs and maintenance	10,758	4,138	18,629	33,525	901	901	35,327
Telephone	7,612	2,928	7,612	18,152	750	750	19,652
Food, medicine and exam room	204,956	125,607	411,155	741,718	-	-	741,718
Insurance	26,117	10,045	26,117	62,279	5,527	2,347	70,153
Community education	8,905	857	3,169	12,931	200	711	13,842
Utilities	39,079	15,030	52,115	106,224	3,512	3,512	113,248
Vehicle expense	1,803	693	1,803	4,299	162	162	4,623
Taxes and licenses	26,080	116	1,042	27,238	447	27	27,712
Office expense	13,366	7,510	25,991	46,867	2,289	10,397	59,553
Postage	1,130	435	1,130	2,695	102	5,543	8,340
Printing	559	-	-	559	-	3,849	4,408
Direct mail	-	-	-	-	-	243,687	243,687
Miscellaneous	27,716	11,081	9,770	48,567	7,052	2,331	57,950
Total expense before depreciation	1,306,862	549,086	1,252,788	3,108,736	141,914	522,823	3,773,473
Depreciation	136,295	52,421	136,295	325,011	12,248	12,248	349,507
Loss on pledge receivable	-	-	-	-	330,781	-	330,781
Loss on the disposal of assets	4,589	1,765	4,589	10,943	412	412	11,767
Total expenses	<u>\$ 1,447,746</u>	<u>\$ 603,272</u>	<u>\$ 1,393,672</u>	<u>\$ 3,444,690</u>	<u>\$ 485,355</u>	<u>\$ 535,483</u>	<u>\$ 4,465,528</u>

See accompanying notes.

**Jacksonville Humane Society, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,113,824	\$ 2,736,129
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	620,237	349,507
Loss on disposal of property and equipment	-	11,767
Realized and unrealized loss (gain) on investments	121,632	(90,399)
Changes in operating assets and liabilities:		
Accounts receivable	(1,584)	(12,240)
Unconditional promises to give	497,895	747,849
Prepaid expenses	(9,623)	32,915
Inventory	(2,859)	(9,542)
Accounts payable and accrued expenses	(642,134)	71,166
Deferred revenue	(34,767)	97,633
Net cash provided by operating activities	<u>2,662,621</u>	<u>3,934,785</u>
Cash flows from investing activities:		
Sales of investments	2,231,765	3,258,648
Purchases of investments	(2,599,836)	(1,983,128)
Purchase of property and equipment	(121,419)	(9,050,870)
Net cash used by investing activities	<u>(489,490)</u>	<u>(7,775,350)</u>
Cash flows from financing activities:		
Net borrowings (repayments) on line of credit	(2,089,072)	3,181,807
Capital lease repayments	(10,018)	-
Long term debt borrowings	2,106,693	-
Long term debt repayments	(1,114,389)	-
Net cash (used) provided by financing activities	<u>(1,106,786)</u>	<u>3,181,807</u>
Net increase (decrease) in cash and cash equivalents	1,066,345	(658,758)
Cash and cash equivalents, beginning	<u>2,128,764</u>	<u>2,787,522</u>
Cash and cash equivalents, ending	<u>\$ 3,195,109</u>	<u>\$ 2,128,764</u>
Supplemental disclosure of noncash investing and financing activities:		
Equipment financed with capital lease obligations	<u>\$ -</u>	<u>\$ 57,384</u>
Cash paid for interest	<u>\$ 78,943</u>	<u>\$ 19,937</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.

Net assets and revenue, gains, expenses and losses are required to be classified as without or with donor restrictions based upon the following criteria:

1. Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
2. Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.

#### ***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.

***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 (ranges from 2% to 3%). 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, 2018 and 2017, the Organization considered all remaining pledge receivables to be fully collectible.

***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 financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, office and occupancy, which are allocated on a department size, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

***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**

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***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 25, 2019, the date of the financial statements were available for issue.

***New accounting standard***

During 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. The fiscal year 2017 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosures around liquidity and availability of resources and analysis of expenses by functional and natural categories. These disclosures have been presented for 2018 as allowed by ASU No. 2016-14.

The net asset reclassifications resulting from the adoption of ASU 2016-14 as of December 31, 2017 is as follows:

<u>Net Asset Classifications</u>	<u>ASU 2016-14 Classifications</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented:			
Unrestricted	\$ 16,745,519	\$ -	\$ 16,745,519
Temporarily restricted	-	2,796,245	2,796,245
Permanently restricted	-	4,700,000	4,700,000
Net assets as previously presented	<u>\$ 16,745,519</u>	<u>\$ 7,496,245</u>	<u>\$ 24,241,764</u>

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

**2. Availability of Financial Assets**

The following reflects the Organization's financial assets as of the balance sheet date reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date, as required by the Organization's application of ASU 2016-14 in 2018.

Financial assets, at December 31, 2018:	
Cash and cash equivalents	\$ 3,195,109
Accounts receivable	117,054
Unconditional promise to give, current	478,750
Marketable securities	<u>2,437,741</u>
	6,228,654
Less those unavailable for general expenditures within one year due to:	
Donor-imposed restrictions with time or purpose restrictions	<u>(478,750)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,749,904</u>

The Organization is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has to a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Organization also has a significant degree of flexibility and discretion to manage its costs based on the annual contribution levels and financial assets available.

**3. Investments**

Investments at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stocks and bonds:				
Large cap	\$ -	\$ -	\$ 776,759	\$ 935,251
Fixed income	<u>411,950</u>	<u>405,127</u>	<u>-</u>	<u>-</u>
	411,950	405,127	776,759	935,251
Mutual funds:				
Fixed income	573,797	558,033	297,276	296,872
Equities	1,576,808	1,401,012	129,292	145,768
Alternative investments	<u>70,887</u>	<u>73,569</u>	<u>44,985</u>	<u>51,651</u>
	2,221,492	2,032,614	471,553	494,291
Certificate of deposit	<u>-</u>	<u>-</u>	<u>757,872</u>	<u>761,762</u>
	<u>\$ 2,633,442</u>	<u>\$ 2,437,741</u>	<u>\$ 2,006,184</u>	<u>\$ 2,191,304</u>

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

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Investment income (loss) for December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 53,614	\$ 62,720
Net realized and unrealized gains (losses)	<u>(175,246)</u>	<u>246,520</u>
	<u>(121,632)</u>	309,240
Less: investment fees	<u>(16,505)</u>	<u>(17,743)</u>
	<u>\$ (138,137)</u>	<u>\$ 291,497</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, 2018 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. Unconditional Promises to Give**

Unconditional promises to give at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Unconditional promises to give	<u>\$ 1,247,217</u>	<u>\$ 1,745,112</u>
Amounts due in:		
Less than one year	\$ 478,750	\$ 350,234
One to five years	418,000	1,125,347
More than five years	<u>740,645</u>	<u>697,000</u>
Total unconditional promises to give	<u>1,637,395</u>	<u>2,172,581</u>
Less: present value discounts and allowance	<u>(390,178)</u>	<u>(427,469)</u>
Unconditional promises to give, net	<u>\$ 1,247,217</u>	<u>\$ 1,745,112</u>

**6. Property and Equipment**

Property and equipment consists of the following at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Adoption and Education Center	\$ 11,599,381	\$ 11,599,381
Donated land	4,700,000	4,700,000
Community animal hospital	3,246,520	3,246,520
Land	273,054	273,054
Clinic – building and improvements	212,876	212,876
Clinic equipment	22,832	22,832
Shelter and improvements	1,798,154	1,739,474
Equipment	840,425	777,686
Vehicles	<u>81,910</u>	<u>81,910</u>
	22,775,152	22,653,732
Less: accumulated depreciation	<u>(2,272,497)</u>	<u>(1,652,260)</u>
	<u>\$ 20,502,655</u>	<u>\$ 21,001,472</u>

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. The construction was completed in September 2017. The final payment to the contractor was made in January 2018.

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

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**7. Note Payable**

In connection with the Organization's capital campaign, and the temporarily restricted capital campaign amounts described in Note 9, the Organization previously obtained bank financing for as part of the construction of the Organization's brand-new animal shelter. Prior to February 2018, the financing was structured as an open line of credit, at which time it was converted to a term note.

Effective November 2018, the Organization refinanced the note with another lender at a 1.25% interest rate. The note is secured by real estate. The loan agreement matures in October 2023.

The future principal payments at December 31, 2018 are as follows:

2019	\$	366,675
2020		417,810
2021		421,250
2022		427,450
2023		<u>360,327</u>
Total future payments	\$	<u>1,993,512</u>

**8. Capital Lease**

The Organization entered into a lease contract in December 2017 for equipment. The asset and liability under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The net book value of the equipment is \$45,907 and \$57,384 on December 31, 2018 and 2017, respectively.

The future minimum lease payments under this capital lease at December 31, 2018 are as follows:

2019	\$	11,460
2020		11,460
2021		11,460
2022		11,460
2023		<u>2,865</u>
Total future minimum lease payments		48,705
Less: imputed interest		<u>(1,840)</u>
Present value of lease payments		46,865
Less: current portion of obligation		<u>(11,000)</u>
	\$	<u>35,865</u>

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

**9. Assets with Donor Restrictions**

Donor restricted net assets consist of the following:

	<u>January 1, 2018</u>	<u>Increase / Contributions</u>	<u>Decreases / Uses</u>	<u>December 31, 2018</u>
Capital campaign	\$ 1,694,429	\$ 942,834	\$ (798,867)	\$ 1,838,396
Bo's Fund	8,417	6,959	(12,030)	3,346
Mend a Friend	2,472	13,268	(6,923)	8,817
Peaches	867	5,000	(1,465)	4,402
Emergency boarding	8,560	-	(214)	8,346
Donated land for resale	1,081,500	-	-	1,081,500
Land donation	<u>4,700,000</u>	<u>-</u>	<u>-</u>	<u>4,700,000</u>
	<u>\$ 7,496,245</u>	<u>\$ 968,061</u>	<u>\$ (819,499)</u>	<u>\$ 7,644,807</u>

  

	<u>January 1, 2017</u>	<u>Increase / Contributions</u>	<u>Decreases / Uses</u>	<u>December 31, 2017</u>
Capital campaign	\$ 2,864,047	\$ 2,209,130	\$ (3,378,748)	\$ 1,694,429
Bo's Fund	4,457	13,549	(9,589)	8,417
Mend a Friend	-	2,472	-	2,472
Peaches	4,377	125	(3,635)	867
Emergency boarding	8,560	-	-	8,560
Donated land for resale	1,081,500	-	-	1,081,500
Land donation	<u>4,700,000</u>	<u>-</u>	<u>-</u>	<u>4,700,000</u>
	<u>\$ 8,662,941</u>	<u>\$ 2,225,276</u>	<u>\$ (3,391,972)</u>	<u>\$ 7,496,245</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. 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.

Land donation consists of approximately 16 acres of land adjacent to the Organization's current site donated to Organization for use in future operations and expansion.

**10. 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, 2018 and 2017 included donated food and medicine of approximately \$228,000 and \$150,000, respectively.



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

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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 27,637 in December 31, 2018 and 23,579 in 2017. No amounts have been reflected in the financial statements for donated volunteer hours.

**11. 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, 2018 and 2017.