



Jacksonville Humane Society, Inc.

Financial Statements

Years Ended December 31, 2020 and 2019



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Independent Auditors' Report

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

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, 2020 and 2019, 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, 2020 and 2019, 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, FL
June 8, 2021

Jacksonville Humane Society, Inc.
 Statements of Financial Position
 December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,522,310	\$ 1,968,685
Investments at fair value	5,846,160	3,543,777
Accounts receivable	279,849	167,135
Unconditional promises to give, current	140,000	165,000
Prepaid expenses	54,719	41,268
Inventory	71,897	111,644
	<u>8,914,935</u>	<u>5,997,509</u>
Total current assets	8,914,935	5,997,509
Property and equipment, net	19,404,587	19,979,582
Other assets:		
Unconditional promises to give, net	469,436	604,884
Land held for resale	1,081,505	1,081,505
	<u>1,081,505</u>	<u>1,081,505</u>
Total assets	<u>\$ 29,870,463</u>	<u>\$ 27,663,480</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 167,763	\$ 123,649
Deferred revenue	160,873	206,198
Note payable, current	-	194,580
Capital lease, current	11,460	11,188
	<u>11,460</u>	<u>11,188</u>
Total current liabilities	<u>340,096</u>	<u>535,615</u>
Long term liabilities:		
Capital lease, less current portion	12,432	24,400
	<u>12,432</u>	<u>24,400</u>
Total liabilities	<u>352,528</u>	<u>560,015</u>
Net assets:		
Without donor restrictions	23,141,902	20,513,956
With donor restrictions	6,376,033	6,589,509
	<u>6,376,033</u>	<u>6,589,509</u>
Total net assets	<u>29,517,935</u>	<u>27,103,465</u>
Total liabilities and net assets	<u>\$ 29,870,463</u>	<u>\$ 27,663,480</u>

See accompanying notes.

Jacksonville Humane Society, Inc.
 Statements of Activities
 Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Program Revenues:						
Outreach	\$ 190,795	\$ -	\$ 190,795	\$ 249,626	\$ -	\$ 249,626
Adoptions	273,353	-	273,353	331,364	-	331,364
Hospital services	961,681	-	961,681	741,527	-	741,527
Cemetery plots and related fees	27,939	-	27,939	18,170	-	18,170
Contributions	2,692,351	156,635	2,848,986	1,788,582	459,512	2,248,094
In-kind contributions	233,798	-	233,798	303,771	-	303,771
Bequests	728,631	-	728,631	199,220	-	199,220
Grants	484,863	-	484,863	226,733	-	226,733
Special events (net of expenses of \$14,955 and \$61,101 in 2020 and 2019, respectively)	453,818	-	453,818	484,008	-	484,008
Merchandise	65,080	-	65,080	113,542	-	113,542
Investment income	775,556	-	775,556	566,802	-	566,802
PPP loan forgiveness	442,250	-	442,250	-	-	-
Miscellaneous income	123,713	-	123,713	117,430	-	117,430
Total revenue	<u>7,453,828</u>	<u>156,635</u>	<u>7,610,463</u>	<u>5,140,775</u>	<u>459,512</u>	<u>5,600,287</u>
Net assets released from restrictions	<u>370,111</u>	<u>(370,111)</u>	<u>-</u>	<u>1,514,810</u>	<u>(1,514,810)</u>	<u>-</u>
Expenses:						
Program services	4,446,383	-	4,446,383	4,138,264	-	4,138,264
Management and general	124,193	-	124,193	164,294	-	164,294
Fundraising	625,417	-	625,417	549,852	-	549,852
Total expenses	<u>5,195,993</u>	<u>-</u>	<u>5,195,993</u>	<u>4,852,410</u>	<u>-</u>	<u>4,852,410</u>
Change in net assets	<u>2,627,946</u>	<u>(213,476)</u>	<u>2,414,470</u>	<u>1,803,175</u>	<u>(1,055,298)</u>	<u>747,877</u>
Net assets, beginning	<u>20,513,956</u>	<u>6,589,509</u>	<u>27,103,465</u>	<u>18,710,781</u>	<u>7,644,807</u>	<u>26,355,588</u>
Net assets, ending	<u>\$ 23,141,902</u>	<u>\$ 6,376,033</u>	<u>\$ 29,517,935</u>	<u>\$ 20,513,956</u>	<u>\$ 6,589,509</u>	<u>\$ 27,103,465</u>

See accompanying notes.

Jacksonville Humane Society, Inc.
Statements of Functional Expenses
Year Ended December 31, 2020

	Program Expenses				Supporting Services			
	Shelter Services	Medical/Vet Services	Hospital Services	Education Outreach	Total	Management and General	Fundraising	Total
Salaries	\$ 803,532	\$ 458,102	\$ 658,912	\$ 200,177	\$ 2,120,723	\$ 78,244	\$ 217,709	\$ 2,416,676
Payroll taxes	59,450	32,229	47,658	-	139,337	5,137	14,357	158,831
Employee benefits	78,238	33,499	30,189	25,970	167,896	4,038	11,844	183,778
Personnel costs	941,220	523,830	736,759	226,147	2,427,956	87,419	243,910	2,759,285
Professional fees	27,012	27,012	27,012	21,609	102,645	2,701	26,436	131,782
Repairs and maintenance	11,757	11,757	15,520	9,406	48,440	1,176	1,176	50,792
Telephone	4,633	4,633	4,633	3,706	17,605	463	463	18,531
Food, medicine and exam room	296,685	114,458	406,577	-	817,720	-	-	817,720
Insurance	22,672	22,672	22,672	18,137	86,153	5,347	2,267	93,767
Community education	1,305	1,197	1,947	19,244	23,693	120	343	24,156
Utilities	50,314	50,314	50,314	40,251	191,193	5,031	5,031	201,255
Vehicle expense	823	823	823	658	3,127	82	82	3,291
Taxes and licenses	166	166	3,423	133	3,888	87	17	3,992
Office expense	22,969	18,487	19,450	9,828	70,734	1,617	15,633	87,984
Postage	393	393	393	315	1,494	39	6,089	7,622
Printing	-	-	-	-	-	-	3,524	3,524
Direct mail	-	-	-	-	-	-	306,375	306,375
Miscellaneous	12,852	13,008	12,917	19,049	57,826	1,356	1,301	60,483
Total expenses before non-cash expenses	1,392,801	788,750	1,302,440	368,483	3,852,474	105,438	612,647	4,570,559
Depreciation	156,292	156,292	156,292	125,033	593,909	18,755	12,770	625,434
Total expenses	\$ 1,549,093	\$ 945,042	\$ 1,458,732	\$ 493,516	\$ 4,446,383	\$ 124,193	\$ 625,417	\$ 5,195,993

See accompanying notes.

Jacksonville Humane Society, Inc.
 Statements of Functional Expenses
 Year Ended December 31, 2019

	Program Expenses				Total	Supporting Services		Total
	Shelter Services	Medical/Vet Services	Hospital Services	Education Outreach		Management and General	Fundraising	
Salaries	\$ 820,140	\$ 361,879	\$ 459,346	\$ 125,027	\$ 1,766,392	\$ 74,909	\$ 184,192	\$ 2,025,493
Payroll taxes	61,313	26,818	31,722	9,261	129,114	5,141	13,579	147,834
Employee benefits	93,272	32,779	40,665	9,360	176,076	5,400	12,111	193,587
Personnel costs	974,725	421,476	531,733	143,648	2,071,582	85,450	209,882	2,366,914
Professional fees	32,951	32,951	21,968	10,984	98,854	5,492	17,064	121,410
Repairs and maintenance	14,627	14,627	17,452	4,875	51,581	2,438	2,438	56,457
Telephone	4,880	4,880	3,254	1,627	14,641	813	813	16,267
Food, medicine and exam room	348,551	178,599	346,816	-	873,966	-	-	873,966
Insurance	26,109	26,109	17,406	8,703	78,327	7,259	4,352	89,938
Community education	1,783	1,224	6,066	43,194	52,267	204	1,913	54,384
Utilities	70,154	70,154	46,769	23,384	210,461	11,692	11,692	233,845
Vehicle expense	1,673	1,673	1,116	558	5,020	279	279	5,578
Taxes and licenses	174	174	940	58	1,346	561	29	1,936
Office expense	22,629	9,386	8,728	2,348	43,091	14,645	6,893	64,629
Postage	469	469	313	156	1,407	78	6,099	7,584
Printing	-	-	-	-	-	-	2,756	2,756
Direct mail	-	-	-	-	-	-	251,969	251,969
Miscellaneous	39,496	16,810	11,143	12,588	80,037	4,512	2,802	87,351
Total expenses before non-cash expenses	1,538,221	778,532	1,013,704	252,123	3,582,580	133,423	518,981	4,234,984
Depreciation	185,228	185,228	123,485	61,743	555,684	30,871	30,871	617,426
Total expenses	<u>\$ 1,723,449</u>	<u>\$ 963,760</u>	<u>\$ 1,137,189</u>	<u>\$ 313,866</u>	<u>\$ 4,138,264</u>	<u>\$ 164,294</u>	<u>\$ 549,852</u>	<u>\$ 4,852,410</u>

See accompanying notes.

Jacksonville Humane Society, Inc.
 Statements of Cash Flows
 Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,414,470	\$ 747,877
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	625,434	617,426
Realized and unrealized gains on investments	(690,591)	(502,527)
Loss on sale and disposal of equipment	63,744	-
Changes in operating assets and liabilities:		
Accounts receivable	(112,714)	(50,081)
Unconditional promises to give	160,448	477,333
Prepaid expenses	(13,452)	8,123
Inventory	39,747	(56,598)
Accounts payable and accrued expenses	44,114	(15,921)
Deferred revenue	(45,325)	56,514
Net cash provided by operating activities	<u>2,485,875</u>	<u>1,282,146</u>
Cash flows from investing activities:		
Proceeds from sale of investments	1,954,473	3,364,246
Purchases of investments	(3,566,265)	(3,967,755)
Purchase of property and equipment	(114,683)	(94,353)
Proceeds from sale of property and equipment	500	-
Net cash used by investing activities	<u>(1,725,975)</u>	<u>(697,862)</u>
Cash flows from financing activities:		
Capital lease repayments	(11,695)	(11,776)
Long term debt repayments	(194,580)	(1,798,932)
Net cash used by financing activities	<u>(206,275)</u>	<u>(1,810,708)</u>
Net increase (decrease) in cash and cash equivalents	553,625	(1,226,424)
Cash and cash equivalents, beginning	<u>1,968,685</u>	<u>3,195,109</u>
Cash and cash equivalents, ending	<u>\$ 2,522,310</u>	<u>\$ 1,968,685</u>
Cash paid for interest	<u>\$ 388</u>	<u>\$ 13,052</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, 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.

Unconditional promises to give

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, 2020 and 2019, the Organization had a \$91,235 allowance for uncollectible pledge receivables.

Inventory

Inventories are stated at lower of cost or net realizable value 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 of 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

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.

Adoption of new accounting standard

Revenue recognition

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2019, the first day of the Organization’s fiscal year, using the modified retrospective method.

As part of the adoption of the ASU, the Organization elected to use the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) the Organization used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Organization expects to recognize such revenue for all periods prior to the date of initial application of the ASU; and (iv) the Organization has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

The Organization’s revenue is recognized at a point in time based on the transfer of control. Revenue consists of performance obligations satisfied within one year or less. In addition, the Organization’s contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

The adoption of this ASU did not have any impact on the Organization’s financial statements. The Organization’s revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Organization’s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Contributions

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted the new standard effective January 1, 2019, the first day of the Association’s fiscal year, using the modified retrospective approach. No changes were required to previously reported revenues as a result of the adoption.

Subsequent events

In preparing these financial statements, the Organization evaluated events and transactions for potential recognition or disclosure through June 8, 2021, the date of the financial statements were available for issue.

2. Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position date reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 2,522,310	\$ 1,968,685
Accounts receivable	279,849	167,135
Unconditional promise to give, current	140,000	165,000
Investments at fair value	<u>5,846,160</u>	<u>3,543,777</u>
	8,788,319	5,844,597
Those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions with time or purpose restrictions	<u>(140,000)</u>	<u>(165,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,648,319</u>	<u>\$ 5,679,597</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 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, 2020 and 2019 consist of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds:				
Fixed income	\$ 1,432,837	\$ 1,459,527	\$ 884,235	\$ 885,565
Equities	3,403,707	3,799,135	2,353,985	2,483,366
Alternative investments	<u>157,653</u>	<u>587,498</u>	<u>172,195</u>	<u>174,846</u>
	<u>\$ 4,994,197</u>	<u>\$ 5,846,160</u>	<u>\$ 3,410,415</u>	<u>\$ 3,543,777</u>

Investment income for December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 112,005	\$ 87,454
Net realized and unrealized gains	<u>690,591</u>	<u>502,527</u>
	802,596	589,981
Investment fees	<u>(27,040)</u>	<u>(23,179)</u>
	<u>\$ 775,556</u>	<u>\$ 566,802</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, 2020 to the Organization's valuation techniques used to measure asset and liability fair values on a recurring basis.

5. Unconditional Promises to Give

Unconditional promises to give at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 140,000	\$ 165,000
One to five years	150,000	270,000
More than five years	<u>677,062</u>	<u>709,849</u>
Total unconditional promises to give	967,062	1,144,849
Present value discounts and allowance	<u>(357,626)</u>	<u>(374,965)</u>
Unconditional promises to give, net	<u>\$ 609,436</u>	<u>\$ 769,884</u>

6. Property and Equipment

Property and equipment consists of the following at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</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	1,858,214	1,858,214
Equipment	890,597	840,426
Vehicles	<u>116,203</u>	<u>116,203</u>
	22,919,677	22,869,506
Accumulated depreciation	<u>(3,515,090)</u>	<u>(2,889,924)</u>
	<u>\$ 19,404,587</u>	<u>\$ 19,979,582</u>

7. Note Payable

In connection with a capital campaign, the Organization obtained bank financing as part of the construction of the Organization's brand-new animal shelter. The note was paid in full in January 2020.

8. Payroll Protection Program

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act provides for the establishment of the Paycheck Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Organization received \$442,250 under the PPP. The Organization believes that it was eligible under the PPP to receive the funds and asserted that it met the requirements under the program to have the loan forgiven. Therefore, management has concluded that the receipt of these funds represents a government grant. Accounting principles generally accepted in the United States of America do not provide explicit guidance on accounting for government grants provided to business entities. The Organization elected to account for the receipt of these funds as a government grant by analogy to ASC 958-605.

These funds were recognized as a refundable advance when received and classified in accordance with the scheduled maturity outlined in the PPP loan agreement assuming a ten-month deferral of payments from the end of the Organization's covered period. Grant income under this method of accounting may only be recognized when the conditions attached to the grant have been substantially met. The Organization has fully utilized the proceeds of the loan for qualifying expenses under the PPP and the Organization's covered period was closed as of the statement of financial position. A forgiveness calculation was prepared and submitted to the Organization's lender indicating that the full amount of the loan qualified for forgiveness. In December 2020, the Organization received notification from its lender and the SBA that its application was approved. Income has been recognized on the statements of activities.

9. Capital Lease

The Organization entered into a lease contract for an 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 \$23,892 and \$34,430 on December 31, 2020 and 2019, respectively.

The future minimum lease payments under this capital lease at December 31, 2020 are as follows:

2021	\$	11,460
2022		11,460
2023		<u>2,865</u>
Total future minimum lease payments		25,785
Imputed interest		<u>(1,893)</u>
Present value of lease payments		23,892
Current portion of obligation		<u>(11,460)</u>
	\$	<u><u>12,432</u></u>

10. Assets with Donor Restrictions

Donor restricted net assets consist of the following:

	<u>January 1, 2020</u>	<u>Increase / Contributions</u>	<u>Decreases / Uses</u>	<u>December 31, 2020</u>
Capital campaign	\$ 794,862	\$ 149,902	\$ (363,777)	\$ 580,987
Peaches	4,801	6,733	(6,334)	5,200
Emergency boarding	8,346	-	-	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>\$ 6,589,509</u>	<u>\$ 156,635</u>	<u>\$ (370,111)</u>	<u>\$ 6,376,033</u>

	<u>January 1, 2019</u>	<u>Increase / Contributions</u>	<u>Decreases / Uses</u>	<u>December 31, 2019</u>
Capital campaign	\$ 1,838,396	\$ 419,919	\$ (1,463,453)	\$ 794,862
Bo's Fund	3,346	4,559	(7,905)	-
Mend a Friend	8,817	28,301	(37,118)	-
Peaches	4,402	6,733	(6,334)	4,801
Emergency boarding	8,346	-	-	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>\$ 7,644,807</u>	<u>\$ 459,512</u>	<u>\$ (1,514,810)</u>	<u>\$ 6,589,509</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.

11. 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, 2020 and 2019 included donated food and medicine of approximately \$234,000 and \$304,000, 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 19,041 in 2020 and 28,413 in 2019. No amounts have been reflected in the financial statements for donated volunteer hours.

12. 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, 2020 and 2019.

13. Commitments and Contingencies

In March 2020 and continuing through the date of this report, World Health Organization's declaration of the outbreak of COVID-19, a novel strain of Coronavirus, as a pandemic continues. The coronavirus outbreak is affecting operations and revenues across a range of organizations. The extent of the impact of the outbreak on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the impact on the Organization's funding sources, employees and vendors, and governmental, regulatory and private sector responses. The Organization is responding to these conditions through a number of measures including the modification of its operating budget. The financial statements do not reflect any adjustments as a result of this economic uncertainty.