



Jacksonville Humane Society, Inc.

Financial Statements

Years Ended December 31, 2021 and 2020



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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Jacksonville Humane Society, Inc. (the "Organization"), a non-profit corporation, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Jacksonville Humane Society, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Jacksonville Humane Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Dixon Hughes Goodman LLP

Jacksonville, FL
May 25, 2022

Jacksonville Humane Society, Inc.
 Statements of Financial Position
 December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,261,974	\$ 2,522,310
Investments at fair value	7,446,497	5,846,160
Accounts receivable	184,963	279,849
Unconditional promises to give, current	331,000	140,000
Prepaid expenses	49,888	54,719
Inventory	46,988	71,897
	<hr/>	<hr/>
Total current assets	12,321,310	8,914,935
Property and equipment, net	18,792,794	19,404,587
Other assets:		
Unconditional promises to give, net	749,356	469,436
Land held for investment	1,081,505	1,081,505
	<hr/>	<hr/>
Total assets	<u>\$ 32,944,965</u>	<u>\$ 29,870,463</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 253,524	\$ 167,763
Refundable advances	340,295	160,873
Capital lease, current	11,324	11,460
	<hr/>	<hr/>
Total current liabilities	605,143	340,096
Long term liabilities:		
Capital lease, less current portion	1,999	12,432
	<hr/>	<hr/>
Total liabilities	607,142	352,528
Net assets:		
Without donor restrictions	25,186,807	23,141,902
With donor restrictions	7,151,016	6,376,033
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Total net assets	32,337,823	29,517,935
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Total liabilities and net assets	<u>\$ 32,944,965</u>	<u>\$ 29,870,463</u>

Jacksonville Humane Society, Inc.
 Statements of Activities
 Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Program Revenues:						
Outreach	\$ 112,598	\$ -	\$ 112,598	\$ 190,795	\$ -	\$ 190,795
Adoptions	354,867	-	354,867	273,353	-	273,353
Hospital services	1,001,027	-	1,001,027	961,681	-	961,681
Cemetery plots and related fees	15,449	-	15,449	27,939	-	27,939
Contributions	2,223,082	418,492	2,641,574	2,692,351	156,635	2,848,986
In-kind contributions	138,110	-	138,110	233,798	-	233,798
Bequests	1,169,572	-	1,169,572	728,631	-	728,631
Grants	1,102,859	1,300,000	2,402,859	484,863	-	484,863
Special events (net of expenses of \$70,159 and \$14,955 in 2021 and 2020, respectively)	624,099	-	624,099	453,818	-	453,818
Merchandise	78,926	-	78,926	65,080	-	65,080
Rental income	-	-	-	-	-	-
Investment income, net	430,792	-	430,792	775,556	-	775,556
PPP loan forgiveness	-	-	-	442,250	-	442,250
Miscellaneous income	115,346	-	-	123,713	-	123,713
Total revenue	7,366,727	1,718,492	9,085,219	7,453,828	156,635	7,610,463
Net assets released from restrictions	943,509	(943,509)	-	370,111	(370,111)	-
Expenses:						
Program services	5,671,798	-	5,671,798	4,446,383	-	4,446,383
Management and general	126,068	-	126,068	124,193	-	124,193
Fundraising	467,465	-	467,465	625,417	-	625,417
Total expenses	6,265,331	-	6,265,331	5,195,993	-	5,195,993
Change in net assets	2,044,905	774,983	2,819,888	2,627,946	(213,476)	2,414,470
Net assets, beginning	23,141,902	6,376,033	29,517,935	20,513,956	6,589,509	27,103,465
Net assets, ending	\$ 25,186,807	\$ 7,151,016	\$ 32,337,823	\$ 23,141,902	\$ 6,376,033	\$ 29,517,935

See accompanying notes.

Jacksonville Humane Society, Inc.
 Statements of Functional Expenses
 Year Ended December 31, 2021

	Program Expenses					Supporting Services			
	Shelter Services	Medical/Vet Services	Hospital Services	Florida Leaders in Lifesaving	Education Outreach	Total	Management and General	Fundraising	Total
Salaries	\$ 826,307	\$ 517,107	\$ 598,692	\$ 192,790	\$ 180,104	\$ 2,315,000	\$ 76,911	\$ 178,399	\$ 2,570,310
Payroll taxes	63,283	39,038	45,307	12,141	13,148	172,917	5,590	12,398	190,905
Employee benefits	57,296	30,843	41,065	8,675	12,555	150,434	6,267	10,434	167,135
Personnel costs	946,886	586,988	685,064	213,606	205,807	2,638,351	88,768	201,231	2,928,350
Professional fees	23,996	23,996	45,844	17,997	17,997	129,830	2,999	7,412	140,241
Repairs and maintenance	11,591	11,591	18,525	8,693	8,693	59,093	1,449	1,449	61,991
Telephone	4,602	4,602	5,752	3,451	3,451	21,858	575	575	23,008
Food, medicine and exam room	239,466	649,731	309,754	-	-	1,198,951	-	-	1,198,951
Lodge and lifesaving	-	-	-	582,479	-	582,479	-	-	582,479
Insurance	18,816	18,816	23,519	14,112	14,112	89,375	5,884	2,352	97,611
Community education	1,071	990	1,237	742	25,523	29,563	124	857	30,544
Utilities	39,492	39,492	49,365	29,619	29,619	187,587	4,937	4,937	197,461
Vehicle expense	1,878	1,878	2,348	1,409	1,409	8,922	235	235	9,392
Taxes and licenses	186	186	6,204	140	140	6,856	93	23	6,972
Office expense	15,982	12,406	10,718	4,727	4,727	48,560	940	14,722	64,222
Postage	173	173	217	130	130	823	22	4,135	4,980
Printing	-	-	-	-	-	-	-	1,269	1,269
Direct mail	-	-	-	-	-	-	-	214,164	214,164
Travel	-	2,211	-	15,548	-	17,759	-	-	17,759
Miscellaneous	19,648	10,151	12,860	7,612	7,612	57,883	1,287	1,269	60,439
Total expenses before non-cash expenses	1,323,787	1,363,211	1,171,407	900,265	319,220	5,077,890	107,313	454,630	5,639,833
Depreciation	125,033	125,033	156,292	93,775	93,775	593,908	18,755	12,835	625,498
Total expenses	\$ 1,448,820	\$ 1,488,244	\$ 1,327,699	\$ 994,040	\$ 412,995	\$ 5,671,798	\$ 126,068	\$ 467,465	\$ 6,265,331

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	<u>\$ 1,549,093</u>	<u>\$ 945,042</u>	<u>\$ 1,458,732</u>	<u>\$ 493,516</u>	<u>\$ 4,446,383</u>	<u>\$ 124,193</u>	<u>\$ 625,417</u>	<u>\$ 5,195,993</u>

See accompanying notes.

Jacksonville Humane Society, Inc.
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,819,888	\$ 2,414,470
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	625,498	625,434
Realized and unrealized gains on investments	(430,792)	(690,591)
Loss on sale and disposal of equipment	-	63,744
Changes in operating assets and liabilities:		
Accounts receivable	94,886	(112,714)
Unconditional promises to give	(470,920)	160,448
Prepaid expenses	4,831	(13,452)
Inventory	24,909	39,747
Accounts payable and accrued expenses	85,761	44,114
Deferred revenue	179,422	(45,325)
	<u>2,933,483</u>	<u>2,485,875</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	6,703,456	1,954,473
Purchases of investments	(7,873,001)	(3,566,265)
Purchase of property and equipment	(13,705)	(114,683)
Proceeds from sale of property and equipment	-	500
	<u>(1,183,250)</u>	<u>(1,725,975)</u>
Net cash used by investing activities		
Cash flows from financing activities:		
Capital lease repayments	(10,569)	(11,695)
Long term debt repayments	-	(194,580)
	<u>(10,569)</u>	<u>(206,275)</u>
Net cash used by financing activities		
Net increase in cash and cash equivalents	1,739,664	553,625
Cash and cash equivalents, beginning	<u>2,522,310</u>	<u>1,968,685</u>
Cash and cash equivalents, ending	<u>\$ 4,261,974</u>	<u>\$ 2,522,310</u>

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 Organization may spend the funds.

Contributions

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Receive and Contributions Made*, contributions are recognized when the donor makes an unconditional promise to give to the Organization and are recorded under contributions, grants, and special events. The Organization determines whether a contribution is unconditional based on the absence of any specific barriers and a right of return. Conditional contributions are recognized when the Organization has overcome any barriers related to the contribution. The Organization determines whether a contribution is conditional based on the existence of a barrier and a right of return.

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, 2021 and 2020, 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.

Refundable advances

Refundable advances consist of contributions received which have conditions that have not yet been satisfied. These amounts will be recognized into contribution revenue when the conditions have been substantially met or explicitly waived by the donor.

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.

Revenue recognition

The Organization recognizes revenue from contracts with customers in accordance with the five-step process under FASB ASU 606, *Revenue from Contracts with Customers*. The Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. The Organization's two significant revenue streams from contracts with customers are described below.

Hospital services

The Organization provides on-site hospital and veterinary care services to animals for a fixed fee. Revenue is recognized at a point in time when the service is provided.

Adoptions

The Organization provides pet adoption services to individuals for a fixed fee. Revenue is recognized at a point in time when the adoption is completed.

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.

The Organization recognized revenue of \$1,562,867 and \$1,518,848 at a point in time for the years ended December 31, 2021 and 2020, respectively.

Recent accounting pronouncements

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofit organizations to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The Organization is currently evaluating the impact on the standard.

Subsequent events

In preparing these financial statements, the Organization evaluated events and transactions for potential recognition or disclosure through May 25, 2022, 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>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 4,261,974	\$ 2,522,310
Accounts receivable	184,963	279,849
Unconditional promise to give, current	331,000	140,000
Investments at fair value	<u>7,446,497</u>	<u>5,846,160</u>
	12,224,434	8,788,319
Those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions with time or purpose restrictions	<u>(1,069,515)</u>	<u>(140,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,154,919</u>	<u>\$ 8,648,319</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, 2021 and 2020 consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common Stocks:				
Large Cap	\$ 219	\$ 1,022	\$ -	\$ -
Mutual funds:				
Fixed income	1,979,684	1,951,219	1,432,837	1,459,527
Equities	4,610,777	4,843,140	3,403,707	3,799,135
Mutual funds	<u>712,319</u>	<u>651,116</u>	<u>157,653</u>	<u>587,498</u>
	<u>\$ 7,302,999</u>	<u>\$ 7,446,497</u>	<u>\$ 4,994,197</u>	<u>\$ 5,846,160</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.

Jacksonville Humane Society, Inc.
Notes to Financial Statements

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 years ended December 31, 2021 and 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 331,000	\$ 140,000
One to five years	420,000	150,000
More than five years	<u>670,029</u>	<u>677,062</u>
Total unconditional promises to give	1,421,029	967,062
Present value discounts and allowance	<u>(340,673)</u>	<u>(357,626)</u>
Unconditional promises to give, net	<u>\$ 1,080,356</u>	<u>\$ 609,436</u>

6. Property and Equipment

Property and equipment consists of the following at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</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	221,359	212,876
Clinic equipment	22,832	22,832
Shelter and improvements	1,858,214	1,858,214
Equipment	895,486	890,597
Vehicles	<u>116,203</u>	<u>116,203</u>
	22,933,049	22,919,677
Accumulated depreciation	<u>(4,140,255)</u>	<u>(3,515,090)</u>
	<u>\$ 18,792,794</u>	<u>\$ 19,404,587</u>

7. 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 in the 2020 statement of activities.

8. Capital Lease

The Organization entered into a lease contract 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 was \$13,323 and \$23,892 on December 31, 2021 and 2020, respectively.

The future minimum lease payments under this capital lease at December 31, 2021 are as follows:

2022	\$	11,324
2023		<u>2,865</u>
Total future minimum lease payments		14,189
Imputed interest		<u>(866)</u>
Present value of lease payments		13,323
Current portion of obligation		<u>(11,324)</u>
	\$	<u>1,999</u>

9. Net Assets with Donor Restrictions

Donor restricted net assets consist of the following:

	<u>January 1, 2021</u>	<u>Increase / Contributions</u>	<u>Decreases / Uses</u>	<u>December 31, 2021</u>
Capital campaign	\$ 580,987	\$ 415,393	\$ (576,626)	\$ 419,754
Peaches	5,200	3,099	(470)	7,829
Emergency boarding	8,346	-	(8,080)	266
Petco Love	-	900,000	(300,000)	600,000
Jessie Ball duPont	-	100,000	(58,333)	41,667
Mobile veterinary unit	-	300,000	-	300,000
Donated land held for investment	1,081,500	-	-	1,081,500
Land donation	<u>4,700,000</u>	<u>-</u>	<u>-</u>	<u>4,700,000</u>
	<u>\$ 6,376,033</u>	<u>\$ 1,718,492</u>	<u>\$ (943,509)</u>	<u>\$ 7,151,016</u>
	<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 held for investment	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>

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 reported as held for investment 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, 2021 and 2020 included donated food and medicine of approximately \$138,000 and \$234,000, 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 21,000 in 2021 and 19,000 in 2020. 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, 2021 and 2020.