

Jacksonville Humane Society, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Jacksonville Humane Society, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Jacksonville Humane Society, Inc. as of December 31, 2022 and 2021, 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") and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Jacksonville Humane Society, Inc. 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 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 of financial statements that are free of 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 Jacksonville Humane Society, Inc.'s ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibility 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 auditor's 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 and Government Auditing Standards 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.

FORVIS

In performing an audit in accordance with GAAS and Government Auditing Standards, 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 consolidated 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 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 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.

FORVIS,LLP

**Jacksonville, FL
June 13, 2023**

Jacksonville Humane Society, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,774,099	\$ 4,261,974
Investments at fair value	8,874,440	7,446,497
Accounts receivable	247,576	184,963
Unconditional promises to give, current	330,000	331,000
Prepaid expenses	54,919	49,888
Inventory	24,319	46,988
	<u>12,305,353</u>	<u>12,321,310</u>
Property and equipment, net	18,179,166	18,792,794
Other assets:		
Unconditional promises to give, net	427,561	749,356
Land held for investment	1,081,505	1,081,505
	<u>1,081,505</u>	<u>1,081,505</u>
Total assets	<u>\$ 31,993,585</u>	<u>\$ 32,944,965</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 262,294	\$ 253,524
Refundable advances	299,940	340,295
Finance lease payable, current	2,393	11,324
	<u>564,627</u>	<u>605,143</u>
Total current liabilities	564,627	605,143
Long term liabilities:		
Finance lease payable, less current portion	-	1,999
	<u>-</u>	<u>1,999</u>
Total long term liabilities	-	1,999
Total liabilities	<u>564,627</u>	<u>607,142</u>
Net assets:		
Without donor restrictions	26,428,692	25,186,807
With donor restrictions	5,000,266	7,151,016
	<u>31,428,958</u>	<u>32,337,823</u>
Total net assets	31,428,958	32,337,823
Total liabilities and net assets	<u>\$ 31,993,585</u>	<u>\$ 32,944,965</u>

See accompanying notes.

Jacksonville Humane Society, Inc.
Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Program revenues:						
Outreach	\$ 136,729	\$ -	\$ 136,729	\$ 112,598	\$ -	\$ 112,598
Adoptions	365,057	-	365,057	354,867	-	354,867
Hospital services	40,529	-	40,529	1,001,027	-	1,001,027
Obedience classes	9,726	-	9,726	-	-	-
Cemetery plots and related fees	-	-	-	15,449	-	15,449
Contributions	2,601,198	-	2,601,198	2,223,082	418,492	2,641,574
In-kind contributions	128,828	-	128,828	138,110	-	138,110
Bequests	886,558	-	886,558	1,169,572	-	1,169,572
Grants	662,815	203,000	865,815	1,102,859	1,300,000	2,402,859
Special events (net of expenses of \$147,985 and \$70,159 in 2022 and 2021, respectively)	635,621	-	635,621	624,099	-	624,099
Merchandise	53,072	-	53,072	78,926	-	78,926
Investment (loss) income, net	(1,211,733)	-	(1,211,733)	430,792	-	430,792
Miscellaneous income	201,789	-	201,789	115,346	-	115,346
Total revenue	4,510,189	203,000	4,713,189	7,366,727	1,718,492	9,085,219
Net assets released from restrictions	2,353,750	(2,353,750)	-	943,509	(943,509)	-
Expenses:						
Program services	4,861,164	-	4,861,164	5,671,798	-	5,671,798
Management and general	148,611	-	148,611	126,068	-	126,068
Fundraising	612,279	-	612,279	467,465	-	467,465
Total expenses	5,622,054	-	5,622,054	6,265,331	-	6,265,331
Change in net assets	1,241,885	(2,150,750)	(908,865)	2,044,905	774,983	2,819,888
Net assets, beginning	25,186,807	7,151,016	32,337,823	23,141,902	6,376,033	29,517,935
Net assets, ending	\$ 26,428,692	\$ 5,000,266	\$ 31,428,958	\$ 25,186,807	\$ 7,151,016	\$ 32,337,823

See accompanying notes.

Jacksonville Humane Society, Inc.
Statements of Functional Expenses
Year Ended December 31, 2022

	Program Expenses				Supporting Services			
	Shelter Services	Medical/Vet Services	Florida Leaders in Lifesaving	Education Outreach	Total	Management and General	Fundraising	Total
Salaries	\$ 1,156,176	\$ 817,938	\$ 334,774	\$ 189,587	\$ 2,498,475	\$ 101,665	\$ 250,330	\$ 2,850,470
Payroll taxes	87,577	61,193	22,386	13,727	184,883	6,267	18,148	209,298
Employee benefits	77,098	52,410	10,253	15,254	155,015	4,212	13,015	172,242
Personnel costs	1,320,851	931,541	367,413	218,568	2,838,373	112,144	281,493	3,232,010
Professional fees	46,019	50,894	21,840	21,840	140,593	3,897	8,749	153,239
Repairs and maintenance	20,796	24,265	10,413	10,413	65,887	1,733	1,733	69,353
Telephone	7,114	8,301	3,562	3,562	22,539	593	593	23,725
Food, medicine and exam room	252,964	375,509	-	-	628,473	-	-	628,473
Lodge and lifesaving	-	-	43,583	-	43,583	-	-	43,583
Insurance	30,174	35,206	15,108	15,108	95,596	6,835	2,515	104,946
Community education	5,391	5,435	2,332	32,727	45,885	388	1,116	47,389
Utilities	73,475	85,729	36,789	36,789	232,782	6,123	6,123	245,028
Vehicle expense	1,653	1,928	828	828	5,237	138	138	5,513
Taxes and licenses	438	512	220	220	1,390	37	37	1,464
Office expense	30,482	25,762	7,771	7,771	71,786	1,132	17,721	90,639
Postage	302	352	151	151	956	25	5,189	6,170
Printing	-	-	-	-	-	-	1,699	1,699
Direct mail	-	-	-	-	-	-	265,572	265,572
Travel	-	3,670	22,313	-	25,983	-	-	25,983
Miscellaneous	27,234	14,504	6,112	6,224	54,074	3,186	1,032	58,292
Total expenses before non-cash expenses	1,816,893	1,563,608	538,435	354,201	4,273,137	136,231	593,710	5,003,078
Depreciation	185,693	216,642	92,846	92,846	588,027	12,380	18,569	618,976
Total expenses	\$ 2,002,586	\$ 1,780,250	\$ 631,281	\$ 447,047	\$ 4,861,164	\$ 148,611	\$ 612,279	\$ 5,622,054

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	<u>\$ 1,448,820</u>	<u>\$ 1,488,244</u>	<u>\$ 1,327,699</u>	<u>\$ 994,040</u>	<u>\$ 412,995</u>	<u>\$ 5,671,798</u>	<u>\$ 126,068</u>	<u>\$ 467,465</u>	<u>\$ 6,265,331</u>

Jacksonville Humane Society, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (908,865)	\$ 2,819,888
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	618,976	625,498
Realized and unrealized losses (gains) on investments	1,211,733	(430,792)
Changes in operating assets and liabilities:		
Accounts receivable	(62,613)	94,886
Unconditional promises to give	322,795	(470,920)
Prepaid expenses	(5,031)	4,831
Inventory	22,669	24,909
Accounts payable and accrued expenses	8,770	85,761
Refundable advances	(40,355)	179,422
Net cash provided by operating activities	<u>1,168,079</u>	<u>2,933,483</u>
Cash flows from investing activities:		
Proceeds from sale of investments	4,360,792	6,703,456
Purchases of investments	(7,000,468)	(7,873,001)
Purchase of property and equipment	(5,348)	(13,705)
Net cash used by investing activities	<u>(2,645,024)</u>	<u>(1,183,250)</u>
Cash flows from financing activities:		
Finance lease repayments	(10,930)	(10,569)
Net cash used by financing activities	<u>(10,930)</u>	<u>(10,569)</u>
Net change in cash and cash equivalents	(1,487,875)	1,739,664
Cash and cash equivalents, beginning	<u>4,261,974</u>	<u>2,522,310</u>
Cash and cash equivalents, ending	<u>\$ 2,774,099</u>	<u>\$ 4,261,974</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 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 statements 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 statements 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. 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, 2022 and 2021, 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 recognized hospital service revenue based on a fixed fee and at a point in time when the services were provided. Currently the Organization provides veterinary services to those in need at no cost via on-site services by referral, spay/neuter outreach efforts, and via a mobile veterinary clinic targeted to underserved areas.

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 \$605,113 and \$1,562,867 at a point in time for the years ended December 31, 2022 and 2021, respectively.

Adoption of new accounting standards

Contributed nonfinancial assets

During 2022, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires the Organization to present gifts-in-kind as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. The ASU also requires additional disclosures related to contributed nonfinancial assets. The additional disclosure requirements include disclosing the Organization's policy about monetizing rather than utilizing contributed nonfinancial assets, description of any donor-imposed restrictions associated with the contributed nonfinancial asset, description of the valuation techniques and inputs used to arrive at a fair value measure of contributed nonfinancial assets, and to disclose the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The adoption of Topic 958 did not have a material impact on the financial statements.

Leases

On January 1, 2022, the Organization adopted the requirements of Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (Topic 840) is the recognition of a right-of-use ("ROU") asset and lease liability on the statements of financial position. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all leases. Also, the Organization elected to keep short-term leases with an initial term of 12 months or less off the statements of financial position for all asset classes. The Organization did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use ("ROU") asset and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying for the lease term, and lease liabilities represent the obligation to make lease payment arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement.

Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Organization if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term.

The adoption of Topic 842 did not have a significant impact on the financial statements.

Jacksonville Humane Society, Inc.
Notes to Financial Statements

Subsequent events

In preparing these financial statements, the Organization evaluated events and transactions for potential recognition or disclosure through June 13, 2023, 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 statements 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>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 2,774,099	\$ 4,261,974
Accounts receivable	247,576	184,963
Unconditional promise to give, current	330,000	331,000
Investments at fair value	<u>8,874,440</u>	<u>7,446,497</u>
	12,226,115	12,224,434
Those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions with time or purpose restrictions	<u>(300,266)</u>	<u>(1,069,515)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,925,849</u>	<u>\$ 11,154,919</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, 2022 and 2021 consist of the following:

	<u>2022</u>		<u>2021</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	3,046,130	2,777,523	1,979,684	1,951,219
Equities	5,422,513	4,949,126	4,610,777	4,843,140
Alternative investments	983,521	891,449	712,319	651,116
Certificates of deposit	<u>256,000</u>	<u>256,342</u>	-	-
Total investments	<u>\$ 9,708,164</u>	<u>\$ 8,874,440</u>	<u>\$ 7,302,999</u>	<u>\$ 7,446,497</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 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.

Level 2 Fair Value Measurement – The fair value of a certificate of deposit is equal to the present value of the calculated maturity value of the certificate of deposit.

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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, 2022 and 2021 to the Organization's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following summarizes the Organization's investments carried by level within the valuation hierarchy:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Mutual funds	\$ 8,618,098	\$ -	\$ -	\$ 8,618,098
Certificates of deposit	-	256,342	-	256,342
Total	<u>\$ 8,618,098</u>	<u>\$ 256,342</u>	<u>\$ -</u>	<u>\$ 8,874,440</u>

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Mutual funds	\$ 7,446,497	\$ -	\$ -	\$ 7,446,497

5. Unconditional Promises to Give

Unconditional promises to give at December 31, 2022 and 2021 are as follows:

	2022	2021
Amounts due in:		
Less than one year	\$ 330,000	\$ 331,000
One to five years	120,000	420,000
More than five years	<u>648,234</u>	<u>670,029</u>
Total unconditional promises to give	1,098,234	1,421,029
Present value discounts and allowance	<u>(340,673)</u>	<u>(340,673)</u>
Unconditional promises to give, net	<u>\$ 757,561</u>	<u>\$ 1,080,356</u>

The long-term pledges receivable are recorded at their net present value based on a discount rate of 3% for the years ended December 31, 2022 and 2021.

6. Property and Equipment

Property and equipment consists of the following at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</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	221,359
Clinic equipment	22,832	22,832
Shelter and improvements	1,863,562	1,858,214
Equipment	895,486	895,486
Vehicles	<u>116,203</u>	<u>116,203</u>
	22,938,397	22,933,049
Accumulated depreciation	<u>(4,759,231)</u>	<u>(4,140,255)</u>
	<u>\$ 18,179,166</u>	<u>\$ 18,792,794</u>

7. In-Kind Contributions

The Organization's in-kind contributions consisted of the following during the years ended December 31:

	<u>2022</u>	<u>2021</u>
Pet food	<u>\$ 128,828</u>	<u>\$ 138,110</u>

Pet food contributions are valued at their retail price per pound based on the type of food contributed. Pet food contributions were used in program activities and are reported as food, medicine and exam room on the statements of functional expenses.

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 23,000 in 2022 and 21,000 in 2021. No amounts have been reflected in the financial statements for donated volunteer hours.

8. Net Assets with Donor Restrictions

Donor restricted net assets consist of the following:

	<u>January 1, 2022</u>	<u>Increase / Contributions</u>	<u>Decreases / Uses</u>	<u>December 31, 2022</u>
Capital campaign	\$ 419,754	\$ -	\$ (419,754)	\$ -
Pawsitive reading expansion	-	100,000	(100,000)	-
Furyk and friends	-	55,000	(55,000)	-
Paws and stripes	-	48,000	(48,000)	-
Peaches	7,829	-	(7,829)	-
Emergency boarding	266	-	-	266
Petco Love	600,000	-	(300,000)	300,000
Jessie Ball duPont	41,667	-	(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>\$ 7,151,016</u>	<u>\$ 203,000</u>	<u>\$ (2,353,750)</u>	<u>\$ 5,000,266</u>

	<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>

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. This item is listed as Donated land held for investment in the table above.

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. This item is listed as Land donation in the table above.

9. Defined Contribution Retirement Plan

The Organization sponsors a defined contribution retirement plan covering substantially all full-time permanent employees. Employer contributions are determined at the Board of Directors' discretion. The plan may be terminated at any time without further obligation to the Organization. There was no employer contribution to the plan for the years ending December 31, 2022 and 2021.