

HALIFAX HUMANE SOCIETY, INC.

**Financial Statements And
Independent Auditors' Report**

December 31, 2020 and 2019

**Halifax Humane Society, Inc.
December 31, 2020 and 2019**

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OLIVARI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
INDEPENDENT AUDITORS' REPORT

**To the Board Of Directors
Halifax Humane Society, Inc.
Daytona Beach, Florida**

We have audited the accompanying financial statements of Halifax Humane Society, Inc. (a nonprofit organization), which comprise the statements of financial position 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's judgment, including the assessment of the 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 entity'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 Halifax Humane Society, Inc. as of December 31, 2020 and 2019, 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.



Olivari & Associates
Certified Public Accountants and Consultants
Ormond Beach, Florida
July 15, 2021

Halifax Humane Society, Inc.
Statements Of Financial Position
December 31, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 439,075	\$ 216,152
Investments	5,220,204	4,314,897
Accounts receivable	51,570	73,691
Contribution and bequests receivables	459,480	541,301
Pledges receivable, net	2,000	3,000
Inventories	93,503	91,953
Prepaid expenses and other assets	40,657	35,884
Total Current Assets	6,306,489	5,276,878
Noncurrent Assets		
Charitable remainder trusts, net	18,174	19,157
Perpetual trust held by third party	919,767	821,503
Investments	663,693	663,693
Land, buildings and equipment, net	5,367,702	5,306,194
Refundable deposits	11,634	13,412
Total Noncurrent Assets	6,980,970	6,823,959
Total Assets	\$ 13,287,459	\$ 12,100,837
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 253,091	\$ 163,557
Deferred revenue	85,470	206,287
Annuity payable	8,300	13,265
Total Current Liabilities	346,861	383,109
Noncurrent Liabilities		
Note payable, noncurrent	357,500	-
Total Noncurrent Liabilities	357,500	-
Total Liabilities	704,361	383,109
Net Assets		
Without donor restrictions	10,465,498	9,501,100
With donor restrictions	2,117,600	2,216,628
Total Net Assets	12,583,098	11,717,728
Total Liabilities and Net Assets	\$ 13,287,459	\$ 12,100,837

The accompanying independent auditors' report and notes
should be read with these financial statements.

Halifax Humane Society, Inc.
Statements Of Activities
For The Years Ended December 31, 2020 and 2019

	2020		2019		Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
Public Support and Revenue					
Program service fees	\$ 1,004,371	\$ -	\$ 1,004,371	\$ -	\$ 1,164,311
Board and grooming	127,335	-	127,335	-	147,128
Legacies and bequests	614,543	459,268	1,073,811	540,674	785,342
Contributions	635,090	-	635,090	-	395,386
Grants	148,858	-	148,858	-	89,089
Thrift shop	353,896	-	353,896	-	363,903
Special events	509,679	-	509,679	-	508,378
Sale of supplies	25,828	-	25,828	-	23,172
Newsletter and advertising	40,796	-	40,796	-	46,573
Investment income	329,973	11,109	341,082	15,783	547,770
Income from split interest agreements	27,468	-	27,468	-	16,581
Gains/(losses) in perpetual trusts	-	98,264	98,264	-	135,996
Other income	62,879	-	62,879	-	47,218
Gains/(losses) in charitable remainder trusts	-	(984)	(984)	-	1,137
Total revenue	3,880,716	567,657	4,448,373	693,590	4,271,984
Net assets released from restrictions	666,685	(666,685)	-	(1,675,970)	-
Total Support, Revenue and Net Assets Released From Restrictions	4,547,401	(99,028)	4,448,373	(982,380)	4,271,984
Operating Expenses					
Program services:					
Animal care	2,724,396	-	2,724,396	-	2,618,739
Board and grooming	175,279	-	175,279	-	167,614
Supporting services:					
Management and general	214,853	-	214,853	-	214,694
Thrift shop	235,359	-	235,359	-	247,534
Fundraising	233,116	-	233,116	-	263,653
Total Expenses	3,583,003	-	3,583,003	-	3,512,234
Change in net assets from operations	964,398	(99,028)	865,370	(982,380)	759,750
Capital campaign revenues	-	-	-	86,258	86,258
Capital campaign expenses	-	-	-	(20,977)	(20,977)
Change in net assets	964,398	(99,028)	865,370	(917,099)	825,031
Net Assets, Beginning Of Year	9,501,100	2,216,628	11,717,728	3,133,727	10,892,697
Net Assets, End Of Year	\$ 10,465,498	\$ 2,117,600	\$ 12,583,098	\$ 2,216,628	\$ 11,717,728

The accompanying independent auditor's report and notes should be read with these financial statements.

Halifax Humane Society, Inc.
Statements Of Functional Expenses
For The Years Ended December 31, 2020 and 2019

	2020					2019						
	Animal Care	Board and Grooming	Management and General	Thrift Shop	Fundraising	Total Expenses	Animal Care	Board and Grooming	Management and General	Thrift Shop	Fundraising	Total Expenses
Compensation and benefits												
Compensation	\$1,374,901	\$ 81,167	\$ 172,504	\$146,835	\$ 79,884	\$1,855,291	\$1,337,394	\$ 76,604	\$ 170,773	\$ 154,480	\$ 77,725	\$ 1,816,976
Employee benefits	238,284	5,311	21,767	8,367	8,909	282,638	243,785	6,217	24,492	11,236	10,821	296,551
Payroll taxes	88,066	4,981	10,585	9,010	4,902	117,544	80,662	4,388	9,783	8,849	4,452	108,134
	1,701,251	91,459	204,856	164,212	93,695	2,255,473	1,661,841	87,209	205,048	174,565	92,998	2,221,661
Other operating expenses												
Advertising	4,665	650	-	4,181	-	9,496	3,206	1,975	-	3,847	-	9,028
Animal supplies/services	370,323	-	-	-	-	370,323	396,004	-	-	-	-	396,004
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	203,157	21,600	-	553	-	225,310	156,777	21,024	-	489	-	178,290
Education and development	3,657	-	-	-	9,517	13,174	4,112	-	-	-	7,072	11,184
Grant/Fundraising expenses	22,599	-	-	-	129,904	152,503	13,279	-	-	-	163,583	176,862
Insurance	53,717	1,978	207	671	-	56,573	48,773	2,729	210	1,346	-	53,058
Licenses and permits	2,255	1,393	-	-	-	3,648	2,589	2,012	-	-	-	4,601
Miscellaneous	7,469	-	-	-	-	7,469	10,705	-	-	-	-	10,705
Occupancy	114,974	19,247	4,478	35,109	-	173,808	124,434	19,600	4,955	34,001	-	182,990
Office expenses	54,950	7,876	2,293	-	-	65,119	53,728	7,996	1,609	-	-	63,333
Postage	10,438	-	-	-	-	10,438	8,899	-	-	-	-	8,899
Printing and publications	17,426	-	-	-	-	17,426	17,375	-	-	-	-	17,375
Professional fees	27,974	24,908	1,975	-	-	54,857	23,074	20,295	1,655	-	-	45,024
Repairs and maintenance	-	4,119	-	961	-	5,080	-	3,348	-	501	-	3,849
Shipping	-	-	-	2,134	-	2,134	-	-	-	987	-	987
Supplies - resale	109,706	2,049	-	24,099	-	135,854	70,827	1,426	-	28,003	-	100,256
Telephone	9,042	-	476	1,793	-	11,311	8,067	-	425	1,712	-	10,204
Vehicle expenses	10,793	-	568	1,646	-	13,007	15,049	-	792	2,083	-	17,924
	1,023,145	83,820	9,997	71,147	139,421	1,327,530	956,898	80,405	9,646	72,969	170,655	1,290,573
Total Expenses	\$2,724,396	\$175,279	\$ 214,853	\$235,359	\$ 233,116	\$3,583,003	\$2,618,739	\$ 167,614	\$ 214,694	\$ 247,534	\$ 263,653	\$ 3,512,234

The accompanying independent auditors' report and notes should be read with these financial statements

Halifax Humane Society, Inc.
Statements Of Cash Flows
For The Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 865,370	\$ 825,031
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation & amortization	225,310	178,291
Donated assets	(5,020)	-
Net unrealized and realized (gain) on investments	(241,229)	(400,637)
Loss (gain) in charitable remainder trusts	984	(1,137)
(Gain) in perpetual trusts	(98,264)	(135,996)
(Gain) on disposal of equipment	(271)	-
<i>Decreases (increases) in certain assets:</i>		
Accounts receivable	22,121	(21,161)
Contributions and bequests receivable	81,821	(300,535)
Pledges receivable	1,000	145,355
Inventory	(1,549)	30,602
Prepaid expenses	(4,773)	12,634
Refundable deposits	1,778	(7,515)
<i>Increases (decreases) in certain liabilities:</i>		
Accounts payable and accrued liabilities	89,534	43,156
Deferred revenue	(120,817)	102,548
Annuity payable	(4,965)	75
Total Adjustments	(54,340)	(354,320)
Net Cash Provided by Operating Activities	811,030	470,711
Cash Flows From Investing Activities		
Purchase of land, buildings and equipment	(296,144)	(469,381)
Sale of property	9,597	-
Sale of investments	2,391,755	370,186
Purchase of investments	(3,050,815)	(269,045)
Net Cash Used In Investing Activities	(945,607)	(368,240)
Cash Flows From Financing Activities		
Proceeds from long term borrowings	357,500	-
Net Cash Provided In Financing Activities	357,500	-
Net increase in cash and cash equivalents	222,923	102,471
Cash And Cash Equivalents, Beginning Of Year	216,152	113,681
Cash And Cash Equivalents, End Of Year	\$ 439,075	\$ 216,152

The accompanying independent auditors report and notes
should be read with these financial statements.

Halifax Humane Society, Inc.
Notes To Financial Statements
December 31, 2020 And 2019

NOTE 1 – Organization And Summary Of Significant Accounting Policies

A. Organization Activities

The Halifax Humane Society, Inc. (The Society) was established in 1937 as a not-for-profit organization to provide an animal shelter for care, remedial treatment, cruelty prevention, pet spay/neuter surgery, humane education programs, humane and animal bonding events, and other activities that promote the wellbeing and proper care of companion animals. The Society is supported primarily through donor contributions and fees for services.

The Boarding, Grooming & Travel Center was established in 2017 to provide pet services in the form of boarding, grooming and pet travel information to local residents and travelers. This program is supported through fees for services and the profits are designed to support the shelter operations and assist with sustainability.

B. Basis Of Accounting

The Society follows standards of accounting and financial reporting prescribed for not-for-profit organizations. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

C. Cash And Cash Equivalents

The Society considers all highly liquid cash instruments with a maturity of three months or less to be cash equivalents.

D. Basis of Presentation

The Society presents resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board can designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated assets and liabilities of the Society. Revenue and support received by the Society without explicit donor restrictions are reported as without donor restrictions to the Society.

In general, net assets without donor restrictions of the Society may be used at the discretion of the Society's management and the board of directors to support the Society's purposes and operations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

When the donor stipulated the investment of the gift corpus in perpetuity, the income generated from the investment of corpus is available for the Society's operations in accordance with the donor restrictions. Appreciation related to the net assets with donor restrictions, if not specifically restricted otherwise, follows the donor's income restriction and is included in the appropriate net asset class based on existence or absence of donor-imposed restrictions.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2020 And 2019

NOTE 1 – Organization And Summary Of Significant Accounting Policies (continued)

E. Revenue Recognition

Contributions, including unconditional promises to give, are recorded as received. All contributions are considered to be available for the general programs of the Society unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are reflected as short-term contributions receivable and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term contributions receivable and are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Program revenues, which include adoption and service fees, and portions of other income are derived from contracts with customers as defined by ASC 606, further described in Accounting Pronouncements adopted disclosure below. In accordance with ASC 606, the Society's revenue is measured based on consideration specified in contracts with customers. The Society recognizes such revenues when it satisfies a performance obligation by transferring control over an animal, product, or service to a customer. Most of these transactions involve either a single performance obligation or multiple obligations where only one is considered material to the contract. For these contracts, the Society has determined that revenue should be recognized at a point in time as control is transferred, generally at the point of adoption or delivery of goods or services. Within the contract price, the Society includes an assurance-type warranty that provides limited guarantee regarding an adopted pet's health and the quality of goods for a reasonable period after delivery.

F. Investments

Investments are stated at fair value. To calculate realized gain or loss on the disposition of investments and unrealized gains and losses, cost is determined by specific identification. All gains and losses and ordinary income from investments are accounted for as unrestricted revenue unless it is restricted for a specified purpose by the donor of the related investment.

G. Accounts Receivable

The accounts receivable arise from fees charged to local municipalities for animal care and shelter. Accounts are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts.

H. Inventories

Inventories, which consist of animal supplies for resale, are carried at the lower of cost or market determined on the first-in, first-out basis.

I. Land, Buildings and Equipment

Purchases of land, buildings and equipment having a unit cost of \$1,000 or more and an estimated useful life of five years or more are capitalized at cost. Donated assets are capitalized at the estimated fair-market value at the time of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 39 years. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted contributions.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2020 And 2019

NOTE 1 – Organization And Summary Of Significant Accounting Policies (continued)

J. Donated Services

A substantial number of volunteers donate significant amounts of their time to the Society's programs and supporting services. Such services have not been reflected in the accompanying financial statements because these services do not meet the criteria for recognition as contributed services.

K. Income Taxes

The Society qualifies for exemption from federal income taxation under Internal Revenue Code (IRC) Section 501(c)(3) and is not classified as a private foundation under IRC Section 509 (a)(2). Accordingly, the accompanying financial statements do not reflect a provision for income taxes.

Management reviews its tax position annually and has determined that there are no material uncertain tax positions that require recognition in the financial statements.

The Organization files tax returns in the U.S. federal jurisdiction. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by taxing authorities for years before December 31, 2017.

L. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Functional Allocation of Expenses

Expenses are charged directly to program, management or fundraising in general categories based on specific identification. Indirect expenses are allocated based on program revenue or other bases, as determined by management. Although methods of allocation used are considered reasonable and appropriate, other methods could be used that would produce different results.

N. Fair Value of Financial Instruments

The following methods and assumptions were used by the Society to estimate the fair market values of financial instruments as disclosed herein:

Cash and cash equivalents, investments and short-term contributions receivable:

The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Charitable remainder trusts:

The fair value is estimated by discounting the future cash flows using a current risk-free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection periods.

Perpetual trust held by third party:

The fair value of the Society's interest in perpetual trust assets is based on quoted market prices of the trust assets or similar investments.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2020 And 2019

NOTE 1 – Organization And Summary Of Significant Accounting Policies (continued)

O. Accounting Pronouncement Adopted

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Society implemented ASU 2016-14 during the fiscal year ended December 31, 2018 and is reflected in the presentation of these financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and are reflected in the presentation of these financial statements. There was no impact on previously reported financial statement balances or the beginning new assets related to the adoption of the pronouncement.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made: Topic 958*. This ASU provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and are reflected in the presentation of these financial statements.

P. Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02 *Leases: Topic 842*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The amendments in this ASU are effective for fiscal years beginning after December 15, 2021. The Organization has not yet implemented this ASU and is in the process of assessing the effect on the Organization's financial statements.

Q. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2020 And 2019

NOTE 2 – Contributions And Bequests Receivable

Contributions and bequests receivable consist of amounts donated under trust agreements due within the next fiscal year are reflected at present value of estimated future cash flows using a discount rate of 5.0%. Differences between the amounts allocated and collected have historically been insignificant. Accordingly, no provision is made for uncollectible amounts.

The Society anticipates collection of outstanding receivables as follows at December 31, 2020 and 2019:

	2020	2019
Receivable in less than one year	\$ 459,480	\$ 541,301

NOTE 3 – Pledge Contributions Receivable

The pledge contributions receivable balance consists of the following at December 31:

	2020	2019
Pledge contributions receivable	\$ 2,000	\$ 3,000
Less estimated discount	(-)	(-)
Pledge receivable, net	2,000	3,000
Less current portion	2,000	3,000
Pledge receivable, net, non-current	\$ -	\$ -

NOTE 4 – Fair Value Measurements

Fair values for short-term investments and perpetual trusts are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the charitable remainder trusts are estimated as the present value of expected future cash inflows.

The fair value measurements and levels within the fair value hierarchy of those investments are carried at market value and consist of the following:

- Level 1 inputs are quoted prices for identical investments in active markets.
- Level 2 inputs are quoted prices for similar instruments in active markets; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 inputs are model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2020 And 2019

NOTE 4 – Fair Value Measurements (continued)

In determining the fair value, the Organization utilizes valuation techniques that minimize the use of unobservable inputs and maximize the use of observable inputs. Inputs used to measure the fair value of an asset or liability may result in the asset or liability falling into more than one level of the hierarchy. In this case, the classification is based on the least determinate input that is significant to the fair value measurement.

The following represents assets measured at fair value on a recurring basis at December 31, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 439,075	\$ 439,075	\$ -
Investments:			
Equities	1,463,946	1,463,946	-
Fixed Income - Other	1,469,591	1,469,591	-
Money Market Funds	311,652	311,652	-
Mutual Funds	<u>2,638,708</u>	<u>2,638,708</u>	-
	5,883,897	5,883,897	-
Charitable remainder trusts, net	18,174	-	18,174
Perpetual trust held by third party	<u>919,767</u>	<u>-</u>	<u>919,767</u>
	<u>\$ 7,260,913</u>	<u>\$ 6,322,972</u>	<u>\$ 937,941</u>

The following represents assets measured at fair value on a recurring basis at December 31, 2019:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 216,152	\$ 216,152	\$ -
Investments:			
Equities	886,748	886,748	-
Fixed Income -Other	887,774	887,774	-
Money Market Funds	52,765	52,765	-
Mutual Funds	3,078,379	3,078,379	-
Preferreds	<u>72,924</u>	<u>72,924</u>	-
	4,978,590	4,978,590	-
Charitable remainder trusts, net	19,157	-	19,157
Perpetual trust held by third party	<u>821,503</u>	<u>-</u>	<u>821,503</u>
	<u>\$ 6,035,402</u>	<u>\$ 5,194,742</u>	<u>\$ 840,660</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2020 And 2019

NOTE 5 – Investments

Investments consist of the following at December 31, 2020:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Equities	\$ 943,766	\$ 1,463,946	\$ 520,180
Fixed Income - Other	1,405,870	1,469,591	63,721
Money Market Funds	311,652	311,652	-
Mutual Funds	<u>2,536,421</u>	<u>2,638,708</u>	<u>102,287</u>
Total Investments	<u>\$ 5,197,709</u>	<u>\$ 5,883,897</u>	<u>\$ 686,188</u>

Investments consist of the following at December 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Equities	\$ 512,766	\$ 886,748	\$ 373,982
Fixed Income - Other	853,850	887,774	33,924
Money Market Funds	52,765	52,765	-
Mutual Funds	3,050,858	3,078,379	27,521
Preferreds	<u>69,731</u>	<u>72,924</u>	<u>3,193</u>
Total Investments	<u>\$ 4,539,970</u>	<u>\$ 4,978,590</u>	<u>\$ 438,620</u>

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risk, it is at least reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position as of December 31, 2020. However, the Organization has adopted policies to mitigate the risk through diversification of invested assets.

Investment return for the years ended December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Realized and unrealized gains / (losses) - net	\$ 249,950	\$ 400,637
Interest and dividends	100,982	155,133
Other income	(11)	-
Investment fees	<u>(9,839)</u>	<u>(8,000)</u>
Investment income	<u>\$ 341,082</u>	<u>\$ 547,770</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2020 And 2019

NOTE 6 – Split-Interest Agreements

Charitable Remainder Trusts – The Society is the beneficiary of a charitable remainder unitrust, held and administered by a local financial institution. Under the terms of the trust, the primary beneficiaries received quarterly distributions from the trust and income earned on the trust’s assets must remain in the trust until the death of the primary beneficiaries. At that time, the remaining assets of the trust are to be distributed to the Society. The asset, long-term contributions receivable, represents the recognition of an amount receivable for the present value of the estimated future benefits to be received when the assets are distributed. The contributions receivable are reported at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received (currently 5.0%).

The Society’s charitable remainder trusts for years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Charitable remainder trusts	\$ 69,636	\$ 72,673
Discount	(51,462)	(53,516)
Charitable remainder trusts, net	\$ 18,174	\$ 19,157

During the years ended December 31, 2020 and 2019, the Society recognized unrealized gain/(loss) of \$(984) and \$1,137, respectively.

Perpetual Trust Held by Third Party – The Society is a 17% beneficiary of the Rogers Perpetual Trust held by a local financial institution. Under the terms of the trust, the Society has the irrevocable right to receive their share of the income earned on the trust assets in perpetuity, but never receives the assets held in trust. Income from the trust is unrestricted and expendable to support general operations. The Society’s beneficial interest in perpetual trust assets is recognized at the fair value of the trust assets.

At December 31, 2020 and 2019 the Society’s beneficial interest in the perpetual trust’s asset is as follows:

	2020	2019
Perpetual trust held by third party	\$ 919,767	\$ 821,503

During the years ended December 31, 2020 and 2019, the Society recognized unrealized gain/(loss) of \$98,264 and \$135,996 respectively.

Charitable Gift Annuities – The Society has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the Society is obligated to provide an annuity to the donor for the remainder of their lives.

A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value for the agreement where the Society is the trustee. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2020 And 2019

NOTE 6 – Split-Interest Agreements (continued)

Assets of the Society that are derived from the charitable gift annuities are as follows:

	2020	2019
Investments	\$ 143,785	\$ 142,665

NOTE 7 – Land, Buildings And Equipment

Land, buildings and equipment for the Society consists of the following:

	2020	2019
Land and improvements	\$ 850,815	\$ 849,066
Building and improvements	5,797,328	5,632,878
Equipment and vehicles	735,087	630,497
	7,383,230	7,112,441
Less: Accumulated depreciation	(2,015,528)	(1,806,247)
Land, buildings, and equipment, net	\$ 5,367,702	\$ 5,306,194

Depreciation expense for the years ended December 31, 2020 and 2019 was \$225,310 and \$178,291, respectively.

NOTE 8 – Notes Payable

On April 22, 2020, the Society was granted a loan (the “Loan”) from CenterState Bank in the amount of \$357,500, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

A summary of note payable consist of the following as of December 31, 2020:

	2020
PPP Loan – CenterState Bank	\$ 357,500
Less current portion	(-)
Note Payables, noncurrent	\$ 357,500

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2020 And 2019

NOTE 8 – Notes Payable (continued)

The Loan bears an interest rate of 1.00% per annum, principal and interest are payable monthly. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, rent, utilities, and interest on debt obligations incurred before February 15, 2020. The Society intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

NOTE 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Restricted for specified purposes:		
Program		
Grant & contributions – cash	\$ 7,637	\$ 12,669
Bequest receivable	459,268	540,674
Charitable remainder trusts, net	<u>18,174</u>	<u>19,157</u>
	485,079	572,500
Capital expenditure		
Capital campaign	49,071	158,930
Restricted in perpetuity:		
Tignor Perpetual Trust	240,156	240,156
Ciri Perpetual Trust	423,537	423,537
Rodgers Perpetual Trust	<u>919,757</u>	<u>821,505</u>
	<u>1,583,450</u>	<u>1,485,198</u>
Total net assets with donor restrictions	<u>\$ 2,117,600</u>	<u>\$ 2,216,628</u>

Net assets with donor restrictions that are perpetual in nature consist of the Society's interest in perpetual trust assets, which are to be held indefinitely, the income from which is expendable to support general operations.

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Programs		
Bequest receivable	\$ 540,674	\$ 240,714
Emergency medical funds	10,527	8,895
Investment income	<u>5,625</u>	<u>10,904</u>
	556,826	260,513
Expenditures for capital projects	<u>109,859</u>	<u>1,415,457</u>
Total donor restricted net assets released from restrictions	<u>\$ 666,685</u>	<u>\$ 1,675,970</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2020 And 2019

NOTE 10 – Commitments

The Society leases storefront space for the thrift shop in Ormond Beach. The lease was for a period of three years commencing on August 1, 2015. The initial rent is \$2,060 per month which includes taxes, insurance, common area maintenance, and sales tax and increases 1.5% annually. The lease was amended on August 6, 2018 to extend the term an additional three years commencing on August 1, 2018 with rent per month of \$2,513.20 and increasing 2.3% annually.

The Society leases storefront space for the clinic in Daytona Beach. The lease is for a period of three years commencing on October 15, 2017. The initial rent is \$1,637 per month which includes taxes, insurance, common area maintenance, and sales tax and increases 5% annually. The lease was renewed for three additional years commencing October 15, 2020 at a rate of \$1,702 per month.

Rent expense for the years ended December 31, 2020 and 2019 was \$52,699 and \$51,364, respectively.

The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2020:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 38,859
2022	20,432
2023	<u>15,324</u>
	<u>\$ 74,615</u>

NOTE 11 – Retirement Plan

The Society maintains a SIMPLE retirement plan for the benefit of its full-time employees. The plan covers all full-time employees after 90 days of employment, subject to the eligibility requirements in the SIMPLE Plan Adoption Agreement. For employee contributions up to 3% of their eligible pay, the Society is obligated to make a matching contribution. Employer contributions to this plan for the years ended December 31, 2020 and 2019 was \$25,300 and \$26,021, respectively.

NOTE 12 – Contingency

Restrictive Covenants

The Society was granted the ECHO Grant in May 2014 in the amount of \$400,000. As grantee, the Society is obligated to maintain the facility in a clean working order and maintain and/or replace equipment, furnishings, and items described in the grant and/or purchased as part of the grant project. The project shall remain open and in operation for a period of 40 years.

If the restrictions are violated within the 40-year period, the County of Volusia shall be entitled to liquidated damages pursuant to the following schedule:

1. If the violation occurs within the first half of the effective time of these covenants, the County shall be entitled to return of the entire grant amount.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2020 And 2019

NOTE 12 – Contingency (continued)

2. If the violation occurs after the first half of the effective time period, the County shall be entitled to return of the entire grant amount, less the quotient of 2 divided by the number of years in the time period times each year past the mid period of the effective time period times the grant amount.

NOTE 13 – Concentration Of Credit Risk

Cash deposits in banks are covered by the FDIC up to \$250,000. For the year ended December 31, 2020, the Organization's cash and cash equivalents exceeded federally insured limits by \$149,609.

NOTE 14 – Liquidity and Availability of Resources

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>
Cash and cash equivalents	\$ 439,075
Investments	5,173,133
Accounts receivable	51,570
Pledges receivable, net	<u>2,000</u>
	<u>\$ 5,665,778</u>

NOTE 15 – Supplemental Cash Flow Information

For the years ended December 31, 2020 and 2019, there were no interest or income taxes paid.

NOTE 16 – Subsequent Events

Subsequent Events were evaluated as of July 15, 2021 which is prior to the financial statement availability date of July 16, 2021.

On February 2, 2021 the Paycheck Protection Program loan from CenterState Bank in the amount of \$357,500 was completely forgiven by the SBA.