

**HALIFAX HUMANE SOCIETY, INC.**

**Financial Statements And  
Independent Auditors' Report**

**December 31, 2017 And 2016**



**OLIVARI & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Halifax Humane Society, Inc.  
December 31, 2017 And 2016**

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## 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, 2017 and 2016, 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, 2017 and 2016, 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 9, 2018

**Halifax Humane Society, Inc.**  
**Statements Of Financial Position**  
**December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	\$ 210,617	\$ 190,072
Investments	5,300,430	4,878,683
Accounts receivable	105,296	229,718
Contribution and bequests receivables	160,269	513,110
Pledges receivable, net	78,341	246,283
Inventories	125,276	110,026
Prepaid expenses and other assets	44,199	28,762
Total Current Assets	<u>6,024,428</u>	<u>6,196,654</u>
Noncurrent Assets		
Charitable remainder trusts, net	20,767	14,875
Perpetual trust held by third party	791,578	708,127
Pledges receivable, net	31,601	40,545
Investments	669,693	663,693
Land, buildings and equipment, net	3,145,731	2,432,501
Refundable deposits	7,261	2,911
Total Noncurrent Assets	<u>4,666,631</u>	<u>3,862,652</u>
Total Assets	<u>\$ 10,691,059</u>	<u>\$ 10,059,306</u>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 228,281	\$ 101,708
Deferred Revenue	98,734	37,760
Annuity payable	13,190	13,190
Total Current Liabilities	<u>340,205</u>	<u>152,658</u>
Total Liabilities	340,205	152,658
Net Assets		
Unrestricted	6,661,053	5,670,415
Temporarily restricted	2,234,530	2,864,413
Permanently restricted	1,455,271	1,371,820
Total Net Assets	<u>10,350,854</u>	<u>9,906,648</u>
Total Liabilities and Net Assets	<u>\$ 10,691,059</u>	<u>\$ 10,059,306</u>

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, 2017 and 2016**

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>								
Program service fees	\$ 1,234,041	\$ -	\$ -	\$ 1,234,041	\$ 978,725	\$ -	\$ -	\$ 978,725
Board and grooming	16,716	-	-	16,716	-	-	-	-
Legacies and bequests	138,731	27,000	-	165,731	101,916	512,967	-	614,883
Contributions	297,774	-	-	297,774	245,957	-	-	245,957
Grants	69,161	-	-	69,161	820,086	-	-	820,086
Thrift shop	326,737	-	-	326,737	292,668	-	-	292,668
Special events	444,777	-	-	444,777	370,792	-	-	370,792
Sale of supplies	40,254	-	-	40,254	34,854	-	-	34,854
Newsletter and advertising	31,627	-	-	31,627	39,278	-	-	39,278
Investment income	298,669	14,122	-	312,791	175,879	14,544	-	190,423
Income from split interest agreements	29,975	-	-	29,975	30,141	-	-	30,141
Gains/(losses) in perpetual trusts	-	-	83,451	83,451	-	-	23,445	23,445
Other income	45,612	-	-	45,612	39,308	-	-	39,308
Gains/(losses) in charitable remainder trusts	-	5,892	-	5,892	-	18	-	18
Total revenue	2,974,074	47,014	83,451	3,104,539	3,129,604	527,529	23,445	3,680,578
Net assets released from restrictions	1,115,594	(1,115,594)	-	-	126,013	(126,013)	-	-
Total Support, Revenue and Net Assets Released From Restrictions	4,089,668	(1,068,580)	83,451	3,104,539	3,255,617	401,516	23,445	3,680,578
<b>Operating Expenses</b>								
Program services:								
Animal care	2,254,583	-	-	2,254,583	2,082,234	-	-	2,082,234
Board and grooming	59,700	-	-	59,700	-	-	-	-
Supporting services:								
Management and general	275,497	-	-	275,497	274,161	-	-	274,161
Thrift shop	235,215	-	-	235,215	189,218	-	-	189,218
Fundraising	274,035	-	-	274,035	221,233	-	-	221,233
Total Expenses	3,099,030	-	-	3,099,030	2,766,846	-	-	2,766,846
Change in net assets from operations	990,638	(1,068,580)	83,451	5,509	488,771	401,516	23,445	913,732
Capital campaign revenues	-	484,428	-	484,428	-	1,441,515	-	1,441,515
Capital campaign expenses	-	(45,731)	-	(45,731)	-	(146,370)	-	(146,370)
Change in net assets	990,638	(629,883)	83,451	444,206	488,771	1,696,661	23,445	2,208,877
Net Assets, Beginning Of Year	5,670,415	2,864,413	1,371,820	9,906,648	5,181,644	1,167,752	1,348,375	7,697,771
Net Assets, End Of Year	\$ 6,661,053	\$ 2,234,530	\$ 1,455,271	\$ 10,350,854	\$ 5,670,415	\$ 2,864,413	\$ 1,371,820	\$ 9,906,648

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, 2017 and 2016**

	2017					2016						
	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	\$1,132,185	\$ 21,108	\$ 199,046	\$ 156,523	\$ 89,097	\$ 1,597,959	\$1,082,270	\$ -	\$ 202,678	\$ 122,975	\$ 87,543	\$ 1,495,466
Employee benefits	177,083	501	30,223	7,423	10,345	225,575	165,435	-	28,401	7,516	14,671	216,023
Payroll taxes	73,713	1,269	11,962	9,407	5,354	101,705	66,957	-	12,212	7,410	5,275	91,854
	<u>1,382,981</u>	<u>22,878</u>	<u>241,231</u>	<u>173,353</u>	<u>104,796</u>	<u>1,925,239</u>	<u>1,314,662</u>	<u>-</u>	<u>243,291</u>	<u>137,901</u>	<u>107,489</u>	<u>1,803,343</u>
Other operating expenses												
Advertising	4,985	4,630	-	3,799	-	13,414	7,170	-	-	2,269	-	9,439
Animal supplies/services	329,392	-	-	-	-	329,392	305,071	-	-	-	-	305,071
Bad debt	-	-	-	-	17,414	17,414	-	-	-	-	-	-
Depreciation and amortization	108,531	5,578	7,078	2,360	-	123,547	92,112	-	6,007	2,002	-	100,121
Education and development	2,368	-	-	-	7,927	10,295	2,522	-	-	-	8,844	11,366
Grant/Fundraising expenses	4,106	-	-	-	143,898	148,004	7,167	-	-	-	104,900	112,067
Insurance	43,801	907	2,191	1,743	-	48,642	45,277	-	2,284	1,402	-	48,963
Licenses and permits	1,674	-	-	-	-	1,674	3,765	-	-	-	-	3,765
Miscellaneous	3,892	-	6,322	-	-	10,214	946	-	6,201	-	-	7,147
Occupancy	147,338	9,420	5,299	30,929	-	192,986	126,634	-	4,433	26,575	-	157,642
Office expenses	49,404	12,071	8,133	-	-	69,608	40,963	-	6,824	-	-	47,787
Postage	6,400	-	337	-	-	6,737	7,670	-	404	-	-	8,074
Printing and publications	12,883	-	-	-	-	12,883	20,415	-	-	-	-	20,415
Professional fees	27,703	3,268	3,058	-	-	34,029	18,775	-	3,154	-	-	21,929
Repairs and maintenance	-	948	-	1,407	-	2,355	-	-	-	1,360	-	1,360
Shipping	-	-	-	641	-	641	-	-	-	2,624	-	2,624
Supplies - resale	109,768	-	-	17,875	-	127,643	72,153	-	-	12,401	-	84,554
Telephone	7,875	-	1,390	1,598	-	10,863	6,957	-	1,227	1,599	-	9,783
Vehicle expenses	11,482	-	458	1,510	-	13,450	9,975	-	336	1,085	-	11,396
	<u>871,602</u>	<u>36,822</u>	<u>34,266</u>	<u>61,862</u>	<u>169,239</u>	<u>1,173,791</u>	<u>767,572</u>	<u>-</u>	<u>30,870</u>	<u>51,317</u>	<u>113,744</u>	<u>963,503</u>
Total Expenses	<u>\$2,254,583</u>	<u>\$ 59,700</u>	<u>\$ 275,497</u>	<u>\$ 235,215</u>	<u>\$ 274,035</u>	<u>\$ 3,099,030</u>	<u>\$2,082,234</u>	<u>\$ -</u>	<u>\$ 274,161</u>	<u>\$ 189,218</u>	<u>\$ 221,233</u>	<u>\$ 2,766,846</u>

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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 444,206	\$ 2,208,877
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation & amortization	123,547	100,121
Net unrealized and realized (gains) loss on investments	(209,233)	(101,383)
(Gain) loss in charitable remainder trusts	(5,892)	(18)
(Gain) loss in perpetual trusts	(83,451)	(23,445)
<i>Decreases (increases) in certain assets:</i>		
Accounts receivable	124,422	(155,590)
Contributions and bequests receivable	352,841	(398,801)
Pledges receivable	176,886	19,864
Inventory	(15,249)	(16,697)
Prepaid expenses	(15,437)	856
Refundable deposits	(4,350)	(911)
<i>Increases (decreases) in certain liabilities:</i>		
Accounts payable and accrued liabilities	126,573	19,780
Deferred revenue	60,974	(119,927)
Annuity payable	-	(3,155)
Total Adjustments	<u>631,631</u>	<u>(679,306)</u>
Net Cash Provided by Operating Activities	<u>1,075,837</u>	<u>1,529,571</u>
Cash Flows From Investing Activities		
Purchase of land, buildings and equipment	(836,776)	(720,788)
Sale of investments	796,337	1,127,191
Purchase of investments	(1,014,853)	(1,844,415)
Net Cash Used In Investing Activities	<u>(1,055,292)</u>	<u>(1,438,012)</u>
Net increase in cash and cash equivalents	<u>20,545</u>	<u>91,559</u>
Cash And Cash Equivalents, Beginning Of Year	<u>190,072</u>	<u>98,513</u>
Cash And Cash Equivalents, End Of Year	<u><u>\$ 210,617</u></u>	<u><u>\$ 190,072</u></u>

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



**Halifax Humane Society, Inc.**  
**Notes To Financial Statements**  
**December 31, 2017 And 2016**

**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. Financial Statements

The financial statements presentation follows the recommendations of the Financial Accounting Standards Board in ASC 958, Not-for-Profit Entities Presentation of Financial Statements using the accrual basis of accounting.

These financial statements present unrestricted, temporarily restricted and permanently restricted net assets to reflect the donor imposed limitations and restrictions placed on the resources available to the Society as follows:

E. Net Assets

*Unrestricted Net Assets* – The unrestricted net asset class includes the general and board designated assets and liabilities of the Society. Revenue and support received by the Society without explicit donor restrictions that specify how the donated asset must be used or maintained are reported as unrestricted to the Society. In general, the unrestricted net assets 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.

*Temporarily Restricted Net Assets* – The temporarily restricted net asset class includes expendable assets and related liabilities of the Society. These assets relate to gifts with explicit time or purpose restrictions that have not yet been met. When the time or purpose restriction is met these assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.



**Halifax Humane Society, Inc.**  
**Notes To Financial Statements (continued)**  
**December 31, 2017 And 2016**

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

*Permanently Restricted Net Assets* – The permanently restricted net asset class includes assets and related liabilities of the Society related to contributions for which the donor has restricted 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 permanently restricted net assets, if not specifically restricted otherwise, follows the donor's income restriction and is included in the appropriate unrestricted or temporarily restricted net asset class.

F. Contributions

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.

G. 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.

H. 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.

I. 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.

J. 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.

K. 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.

**Halifax Humane Society, Inc.**  
**Notes To Financial Statements (continued)**  
**December 31, 2017 And 2016**

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

L. 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, 2014.

M. 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.

N. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the services benefited.

O. 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, 2017 And 2016**

**NOTE 2 – Contribution And Bequests Receivables**

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 160,269	\$ 513,110

**NOTE 3 – Pledge Contributions Receivable**

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

	<u>2017</u>	<u>2016</u>
Pledge contributions receivable	\$ 110,864	\$ 291,014
Less estimated discount due over four years	( 922)	( 4,186)
Pledge receivable, net	109,942	286,828
Less current portion	<u>78,341</u>	<u>246,283</u>
Pledge receivable, net, non-current	<u>\$ 31,601</u>	<u>\$ 40,545</u>

**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, 2017 And 2016**

**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, 2017:

	<u><b>Fair Value</b></u>	<u><b>Level 1</b></u>	<u><b>Level 2</b></u>
Cash and cash equivalents	\$ 210,617	\$ 210,617	\$ -
Investments:			
Bonds	3,139,946	3,139,946	-
Equities	732,910	732,910	-
Money Market Funds	425,214	425,214	-
Mutual Funds	1,542,429	1,542,429	-
Preferreds	<u>129,624</u>	<u>129,624</u>	<u>-</u>
	5,970,123	5,970,123	-
Charitable remainder trusts, net	20,767	-	20,767
Perpetual trust held by third party	<u>791,578</u>	<u>-</u>	<u>791,578</u>
	<u><b>\$ 6,993,085</b></u>	<u><b>\$ 6,180,740</b></u>	<u><b>\$ 812,345</b></u>

The following represents assets measured at fair value on a recurring basis at December 31, 2016:

	<u><b>Fair Value</b></u>	<u><b>Level 1</b></u>	<u><b>Level 2</b></u>
Cash and cash equivalents	\$ 190,072	\$ 190,072	\$ -
Investments:			
Bonds	2,288,521	2,288,521	-
Equities	651,475	651,475	-
Money Market Funds	1,051,981	1,051,981	-
Mutual Funds	1,401,923	1,401,923	-
Preferreds	<u>148,476</u>	<u>148,476</u>	<u>-</u>
	5,542,376	5,542,376	-
Charitable remainder trusts, net	14,875	-	14,875
Perpetual trust held by third party	<u>708,127</u>	<u>-</u>	<u>708,127</u>
	<u><b>\$ 6,455,450</b></u>	<u><b>\$ 5,732,448</b></u>	<u><b>\$ 723,002</b></u>

**Halifax Humane Society, Inc.**  
**Notes To Financial Statements (continued)**  
**December 31, 2017 And 2016**

**NOTE 5 – Investments**

Investments consist of the following at December 31, 2017:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Bonds	\$ 3,129,856	\$ 3,139,946	\$ 10,090
Equities	412,813	732,910	320,097
Money Market Funds	425,214	425,214	-
Mutual Funds	1,363,047	1,542,429	179,382
Preferreds	<u>122,809</u>	<u>129,624</u>	<u>6,815</u>
Total Investments	<u>\$ 5,453,739</u>	<u>\$ 5,970,123</u>	<u>\$ 516,384</u>

Investments consist of the following at December 31, 2016:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Bonds	\$ 2,285,290	\$ 2,288,521	\$ 3,231
Equities	407,689	651,475	243,786
Money Market Funds	1,051,981	1,051,981	-
Mutual Funds	1,327,105	1,401,923	74,818
Preferreds	<u>144,734</u>	<u>148,476</u>	<u>3,742</u>
Total Investments	<u>\$ 5,216,799</u>	<u>\$ 5,542,376</u>	<u>\$ 325,577</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, 2017. However, the Organization has adopted policies to mitigate the risk through diversification of invested assets.

Investment return for the years ended December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Realized and unrealized gains / (losses) - net	\$ 209,233	\$ 101,383
Interest and dividends	112,793	97,687
Investment fees	<u>( 9,235 )</u>	<u>( 8,647 )</u>
	312,791	190,423
Operating interest	<u>-</u>	<u>-</u>
Investment income	<u>\$ 312,791</u>	<u>\$ 190,423</u>

**Halifax Humane Society, Inc.**  
**Notes To Financial Statements (continued)**  
**December 31, 2017 And 2016**

**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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Charitable remainder trusts	\$ 78,332	\$ 77,340
Discount	( 57,565)	( 62,465)
Charitable remainder trusts, net	<u>\$ 20,767</u>	<u>\$ 14,875</u>

During the years ended December 31, 2017 and 2016, the Society recognized unrealized gain/(loss) of \$5,892 and \$18, 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, 2017 and 2016 the Society's beneficial interest in the perpetual trust's asset is as follows:

	<u>2017</u>	<u>2016</u>
Perpetual trust held by third party	<u>\$ 791,578</u>	<u>\$ 708,127</u>

During the years ended December 31, 2017 and 2016, the Society recognized unrealized gain/(loss) of \$83,451 and \$23,445 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, 2017 And 2016**

**NOTE 6 – Split-Interest Agreements (continued)**

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

	<u>2017</u>	<u>2016</u>
Investments	\$ 153,310	\$ 149,202

**NOTE 7 – Land, Buildings And Equipment**

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

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 846,565	\$ 846,565
Building and improvements	3,313,323	2,564,624
Equipment and vehicles	<u>487,268</u>	<u>402,368</u>
	4,647,156	3,813,557
Less: Accumulated depreciation	<u>( 1,501,425)</u>	<u>( 1,381,056)</u>
Land, buildings, and equipment, net	<u>\$ 3,145,731</u>	<u>\$ 2,432,501</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$123,547 and \$100,121, respectively.

**NOTE 8 – Restriction Of Net Assets**

**Temporarily Restricted Assets**

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2017</u>	<u>2016</u>
Grant & Donor temporarily restricted contributions – cash	\$ 7,535	\$ 3,679
Bequest receivable	158,324	512,967
Pledges receivable and brokerage	2,047,904	2,332,893
Charitable remainder trusts, net	<u>20,767</u>	<u>14,874</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,234,530</u>	<u>\$ 2,864,413</u>

**Halifax Humane Society, Inc.**  
**Notes To Financial Statements (continued)**  
**December 31, 2017 And 2016**

**NOTE 8 – Restriction Of Net Assets (continued)**

The change in temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 2,864,413	\$ 1,167,752
Contributions, legacies and bequests	31,588	517,472
Capital Campaign	484,428	1,441,515
Investment income	9,534	10,039
Actuarial gains / (losses)	5,892	18
Release for incurred expenses and time restriction	<u>( 1,161,325)</u>	<u>( 272,383)</u>
Ending balance	<u>\$ 2,234,530</u>	<u>\$ 2,864,413</u>

**Permanently Restricted Assets**

Permanently restricted net assets 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.

The Society's permanently restricted net assets for years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Tignor Perpetual Trust	\$ 240,156	\$ 240,156
Ciri Perpetual Trust	423,537	423,537
Rogers Perpetual Trust	<u>791,578</u>	<u>708,127</u>
	<u>\$ 1,455,271</u>	<u>\$ 1,371,820</u>

The change in permanently restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 1,371,820	\$ 1,348,375
Gain/(loss) in perpetual trust	<u>83,451</u>	<u>23,445</u>
Ending balance	<u>\$ 1,455,271</u>	<u>\$ 1,371,820</u>

**NOTE 9 – Commitments**

The Society leases storefront space for the thrift shop in Ormond Beach. The lease is 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.

**Halifax Humane Society, Inc.**  
**Notes To Financial Statements (continued)**  
**December 31, 2017 And 2016**

**NOTE 9 – Commitments (continued)**

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

In addition, the Organization leases office equipment under a non-cancellable operating lease expiring through 2017.

Rent expense for the years ended December 31, 2017 and 2016 was \$56,012 and \$54,986, respectively.

The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2017:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 34,697
2019	20,639
2020	<u>15,944</u>
	<u>\$ 71,280</u>

**NOTE 10 – 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, 2017 and 2016 was \$24,535 and \$14,194, respectively.

**NOTE 11 – 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.
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.



**Halifax Humane Society, Inc.**  
**Notes To Financial Statements (continued)**  
**December 31, 2017 And 2016**

**NOTE 12 – Concentration Of Credit Risk**

Cash deposits in banks are covered by the FDIC up to \$250,000. For the year ended December 31, 2017, the Organization's cash and cash equivalents did not exceed federally insured limits.

**NOTE 13 – Supplemental Cash Flow Information**

For the years ended December 31, 2017 and 2016, there were no interest or income taxes paid.

**NOTE 14 – Subsequent Events**

Subsequent Events were evaluated as of July 9, 2018 which is prior to the financial statement availability date of July 11, 2018.

