

**HALIFAX HUMANE SOCIETY, INC.**

**Financial Statements And  
Independent Auditors' Reports  
December 31, 2015 And 2014**

**Halifax Humane Society, Inc.**  
**December 31, 2015 And 2014**

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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, 2015 and 2014, 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, 2015 and 2014, 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*

Olivari & Associates  
Certified Public Accountants and Consultants  
Ormond Beach, Florida  
July 20, 2016

**Halifax Humane Society, Inc.**  
**Statements Of Financial Position**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	\$ 98,513	\$ 183,321
Investments	4,060,077	3,297,977
Accounts receivable	74,128	83,466
Contribution and bequests receivables	114,309	60,204
Pledges receivable, net	242,479	464,324
Inventories	93,328	59,141
Prepaid expenses and other assets	29,618	18,090
Total Current Assets	<u>4,712,452</u>	<u>4,166,523</u>
Noncurrent Assets		
Charitable remainder trusts, net	14,857	65,198
Perpetual trust held by third party	684,683	733,240
Pledges receivable, net	64,213	160,579
Investments	663,693	663,693
Land, buildings and equipment, net	1,811,833	1,728,506
Refundable deposits	2,000	2,901
Total Noncurrent Assets	<u>3,241,279</u>	<u>3,354,117</u>
Total Assets	<u><u>\$ 7,953,731</u></u>	<u><u>\$ 7,520,640</u></u>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 81,928	\$ 67,976
Deferred Revenue	157,687	116,114
Annuity payable	13,190	13,190
Total Current Liabilities	<u>252,805</u>	<u>197,280</u>
Noncurrent Liabilities		
Annuity payable	3,155	16,346
Total Noncurrent Liabilities	<u>3,155</u>	<u>16,346</u>
Total Liabilities	255,960	213,626
Net Assets		
Unrestricted	5,181,644	4,929,115
Temporarily restricted	1,167,752	980,967
Permanently restricted	1,348,375	1,396,932
Total Net Assets	<u>7,697,771</u>	<u>7,307,014</u>
Total Liabilities and Net Assets	<u><u>\$ 7,953,731</u></u>	<u><u>\$ 7,520,640</u></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, 2015 and 2014**

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>								
Program service fees	\$ 1,139,999	\$ -	\$ -	\$ 1,139,999	\$ 1,259,519	\$ -	\$ -	\$ 1,259,519
Legacies and bequests	754,965	63,312	-	818,277	1,015,466	101,984	-	1,117,450
Contributions	271,177	-	-	271,177	246,002	-	-	246,002
Grants	115,521	-	-	115,521	96,318	-	-	96,318
Thrift shop	278,770	-	-	278,770	209,200	-	-	209,200
Special events	344,164	-	-	344,164	287,133	-	-	287,133
Sale of supplies	34,060	-	-	34,060	25,530	-	-	25,530
Newsletter and advertising	30,326	-	-	30,326	31,793	-	-	31,793
Investment income	(6,846)	12,101	-	5,255	114,249	17,409	-	131,658
Income from split interest agreements	31,128	-	-	31,128	34,591	-	-	34,591
Gains/(losses) in perpetual trusts	-	-	(48,557)	(48,557)	-	-	5,244	5,244
Other income	46,406	-	-	46,406	30,156	-	-	30,156
Gains/(losses) in charitable remainder trusts	-	(565)	-	(565)	-	(440)	-	(440)
Total revenue	3,039,670	74,848	(48,557)	3,065,961	3,349,957	118,953	5,244	3,474,154
Net assets released from restrictions	72,585	(72,585)	-	-	322,800	(322,800)	-	-
Total Support, Revenue and Net Assets Released From Restrictions	3,112,255	2,263	(48,557)	3,065,961	3,672,757	(203,847)	5,244	3,474,154
<b>Operating Expenses</b>								
Program services:								
Animal care	2,182,993	-	-	2,182,993	2,093,492	-	-	2,093,492
Supporting services:								
Management and general	255,578	-	-	255,578	215,878	-	-	215,878
Thrift shop	190,973	-	-	190,973	137,372	-	-	137,372
Fundraising	230,182	-	-	230,182	158,676	-	-	158,676
Total Expenses	2,859,726	-	-	2,859,726	2,605,418	-	-	2,605,418
Change in net assets from operations	252,529	2,263	(48,557)	206,235	1,067,339	(203,847)	5,244	868,736
Capital campaign revenues	-	202,309	-	202,309	-	1,000,385	-	1,000,385
Capital campaign expenses	-	(17,787)	-	(17,787)	-	(147,159)	-	(147,159)
Change in net assets	252,529	186,785	(48,557)	390,757	1,067,339	649,379	5,244	1,721,962
Net Assets, Beginning Of Year	4,929,115	980,967	1,396,932	7,307,014	3,861,776	331,588	1,391,688	5,585,052
Net Assets, End Of Year	\$ 5,181,644	\$ 1,167,752	\$ 1,348,375	\$ 7,697,771	\$ 4,929,115	\$ 980,967	\$ 1,396,932	\$ 7,307,014

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

Halifax Humane Society, Inc.  
Statements Of Functional Expenses

	2015				2014					
	Animal Care	Management and General	Thrift Shop	Fundraising	Total Expenses	Animal Care	Management and General	Thrift Shop	Fundraising	Total Expenses
Compensation and benefits										
Compensation	\$1,080,981	\$ 191,253	\$ 119,498	\$ 81,965	\$ 1,473,697	\$ 979,376	\$ 157,822	\$ 70,356	\$ 53,400	\$ 1,260,954
Employee benefits	189,267	24,045	6,345	9,816	229,473	186,739	17,365	9,486	9,475	223,065
Payroll taxes	77,014	11,630	7,267	4,984	100,895	72,888	11,701	5,600	3,975	94,164
	<u>1,347,262</u>	<u>226,928</u>	<u>133,110</u>	<u>96,765</u>	<u>1,804,065</u>	<u>1,239,003</u>	<u>186,888</u>	<u>85,442</u>	<u>66,850</u>	<u>1,578,183</u>
Other operating expenses										
Advertising	5,134	-	5,416	-	10,550	377	-	3,324	-	3,701
Animal supplies/services	341,857	-	-	-	341,857	432,044	-	-	-	432,044
Depreciation and amortization	81,360	5,306	1,769	-	88,435	81,561	5,319	1,773	-	88,653
Education and development	4,289	-	-	6,921	11,210	3,286	-	-	6,318	9,604
Grant/Fundraising expenses	7,520	-	-	126,496	134,016	19,930	-	-	85,508	105,438
Insurance	46,326	2,335	900	-	49,561	44,577	2,753	654	-	47,984
Licenses and permits	1	-	-	-	1	2,127	-	-	-	2,127
Miscellaneous	1,444	4,875	-	-	6,319	951	2,250	-	-	3,201
Occupancy	128,939	4,371	28,803	-	162,113	113,173	4,534	29,093	-	146,800
Office expenses	44,435	7,312	-	-	51,747	43,467	7,159	-	-	50,626
Postage	7,388	388	-	-	7,776	7,284	383	-	-	7,667
Printing and publications	13,706	-	-	-	13,706	30,147	-	-	-	30,147
Professional fees	23,827	2,361	-	-	26,188	13,507	5,088	-	-	18,595
Repairs and maintenance	-	-	638	-	638	-	-	1,196	-	1,196
Shipping	-	-	3,768	-	3,768	-	-	1,376	-	1,376
Supplies - resale	109,884	-	13,237	-	123,121	46,060	-	10,875	-	56,935
Telephone	7,213	1,273	1,473	-	9,959	9,210	1,096	1,481	-	8,787
Vehicle expenses	12,408	429	1,859	-	14,696	9,788	408	2,158	-	12,354
	<u>835,731</u>	<u>28,650</u>	<u>57,863</u>	<u>133,417</u>	<u>1,055,661</u>	<u>854,489</u>	<u>28,990</u>	<u>51,930</u>	<u>91,826</u>	<u>1,027,235</u>
Total Expenses	\$2,182,993	\$ 255,578	\$ 190,973	\$ 230,182	\$ 2,859,726	\$2,093,492	\$ 215,878	\$ 137,372	\$ 158,676	\$ 2,605,418

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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 390,757	\$ 1,721,962
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation & amortization	88,435	88,653
Donated assets	(197,727)	(235,147)
Net unrealized and realized loss (gains) on investments	75,086	(55,421)
Loss in charitable remainder trusts	565	440
Loss (gains) in perpetual trusts	48,557	(5,244)
Charitable remainder trust distribution	49,776	29,544
Gain on disposal of equipment	(3,190)	-
<i>Decreases (increases) in certain assets:</i>		
Accounts receivable	9,338	11,285
Contributions and bequests receivable	(54,105)	150,479
Pledges receivable	318,211	(624,903)
Inventory	(34,187)	4,655
Prepaid expenses	(11,528)	(259)
Refundable deposits	901	-
<i>Increases (decreases) in certain liabilities:</i>		
Accounts payable and accrued liabilities	13,952	(68,571)
Deferred revenue	41,573	(15,040)
Annuity payable	(13,191)	(13,190)
Total Adjustments	332,466	(732,719)
Net Cash Provided by Operating Activities	723,223	989,243
Cash Flows From Investing Activities		
Purchase of land, buildings and equipment	(173,572)	(395,377)
Sale of property	5,000	-
Sale of investments	777,142	599,191
Purchase of investments	(1,416,601)	(1,321,945)
Net Cash Used In Investing Activities	(808,031)	(1,118,131)
Net increase (decrease) in cash and cash equivalents	(84,808)	(128,888)
Cash And Cash Equivalents, Beginning Of Year	183,321	312,209
Cash And Cash Equivalents, End Of Year	<u>\$ 98,513</u>	<u>\$ 183,321</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, 2015 And 2014**

**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.

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.

*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.



**Halifax Humane Society, Inc.**  
**Notes To Financial Statements (continued)**  
**December 31, 2015 And 2014**

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

**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, 2015 And 2014**

**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, 2012.

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, 2015 And 2014**

**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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 114,309	\$ 60,204

**NOTE 3 – Pledge Contributions Receivable**

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

	<u>2015</u>	<u>2014</u>
Pledge contributions receivable	\$ 334,778	\$ 670,648
Less estimated discount due over four years	( 28,086 )	( 45,745 )
Pledge receivable, net	306,692	624,903
Less current portion	<u>242,479</u>	<u>464,324</u>
Pledge receivable, net, non-current	<u>\$ 64,213</u>	<u>\$ 160,579</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, 2015 And 2014**

**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, 2015:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 98,513	\$ 98,513	\$ -
Investments:			
Bonds	1,815,035	1,815,035	-
Equities	628,336	628,336	-
Money Market Funds	771,260	771,260	-
Mutual Funds	1,328,091	1,328,091	-
Preferreds	<u>181,048</u>	<u>181,048</u>	<u>-</u>
	4,723,770	4,723,770	-
Charitable remainder trusts, net	14,857	-	14,857
Perpetual trust held by third party	<u>684,683</u>	<u>-</u>	<u>684,683</u>
	<u>\$ 5,521,823</u>	<u>\$ 4,822,283</u>	<u>\$ 699,540</u>

The following represents assets measured at fair value on a recurring basis at December 31, 2014:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 183,321	\$ 183,321	\$ -
Investments:			
Bonds	606,084	606,084	-
Equities	628,206	628,206	-
Money Market Funds	1,196,785	1,196,785	-
Mutual Funds	1,407,858	1,407,858	-
Preferreds	<u>122,736</u>	<u>122,736</u>	<u>-</u>
	3,961,669	3,961,669	-
Charitable remainder trusts, net	65,198	-	65,198
Perpetual trust held by third party	<u>733,240</u>	<u>-</u>	<u>733,240</u>
	<u>\$ 4,943,428</u>	<u>\$ 4,144,990</u>	<u>\$ 798,438</u>

**Halifax Humane Society, Inc.**  
**Notes To Financial Statements (continued)**  
**December 31, 2015 And 2014**

**NOTE 5 – Investments**

Investments consist of the following at December 31, 2015:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Bonds	\$ 1,810,819	\$ 1,815,035	\$ 4,216
Equities	404,522	628,336	223,814
Money Market Funds	771,260	771,260	-
Mutual Funds	1,330,052	1,328,091	( 1,961)
Preferreds	169,447	181,048	11,601
Total Investments	<u>\$ 4,486,100</u>	<u>\$ 4,723,770</u>	<u>\$ 237,670</u>

Investments consist of the following at December 31, 2014:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Bonds	\$ 597,322	\$ 606,084	\$ 8,762
Equities	386,523	628,206	241,683
Money Market Funds	1,196,785	1,196,785	-
Mutual Funds	1,332,210	1,407,858	75,648
Preferreds	119,447	122,736	3,289
Total Investments	<u>\$ 3,632,287</u>	<u>\$ 3,961,669</u>	<u>\$ 329,382</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, 2015. However, the Organization has adopted policies to mitigate the risk through diversification of invested assets.

Investment return for the years ended December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Realized and unrealized gains / (losses) - net	\$( 75,086)	\$ 55,421
Interest and dividends	85,833	81,658
Investment fees	( 5,492)	( 5,421)
	5,255	131,658
Operating interest	-	-
Investment income	<u>\$ 5,255</u>	<u>\$ 131,658</u>

**Halifax Humane Society, Inc.**  
**Notes To Financial Statements (continued)**  
**December 31, 2015 And 2014**

**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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Charitable remainder trusts	\$ 80,551	\$ 161,444
Discount	( 65,694)	( 96,246)
Charitable remainder trusts, net	<u>\$ 14,857</u>	<u>\$ 65,198</u>

During the years ended December 31, 2015 and 2014, the Society recognized unrealized loss of \$(565) and \$(440), 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, 2015 and 2014 the Society's beneficial interest in the perpetual trust's asset is as follows:

	<u>2015</u>	<u>2014</u>
Perpetual trust held by third party	<u>\$ 684,683</u>	<u>\$ 733,240</u>

During the years ended December 31, 2015 and 2014, the Society recognized unrealized (loss)/gains of \$(48,557) and \$5,244 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, 2015 And 2014**

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

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

	<u>2015</u>	<u>2014</u>
Investments	\$ <u>147,105</u>	\$ <u>162,912</u>

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

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

	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 510,755	\$ 398,977
Building and improvements	2,181,134	2,145,517
Equipment and vehicles	<u>400,880</u>	<u>384,586</u>
	3,092,769	2,929,080
Less: Accumulated depreciation	<u>( 1,280,936)</u>	<u>( 1,200,574)</u>
Land, buildings, and equipment, net	<u>\$ 1,811,833</u>	<u>\$ 1,728,506</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$88,435 and \$88,653, respectively.

**NOTE 8 – Restriction Of Net Assets**

**Temporarily Restricted Assets**

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

	<u>2015</u>	<u>2014</u>
Grant & Donor temporarily restricted contributions – cash	\$ 2,059	\$ 3,451
Bequest receivable	113,089	59,093
Pledges receivable and brokerage	1,037,748	853,225
Charitable remainder trusts, net	<u>14,856</u>	<u>65,198</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,167,752</u>	<u>\$ 980,967</u>

**Halifax Humane Society, Inc.**  
**Notes To Financial Statements (continued)**  
**December 31, 2015 And 2014**

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

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

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 980,967	\$ 331,588
Contributions, legacies and bequests	66,397	109,733
Capital Campaign	202,309	1,000,385
Investment income	9,016	9,660
Actuarial gains / (losses)	( 565)	( 440)
Release for incurred expenses and time restriction	( 90,372)	( 469,959)
Ending balance	<u>\$ 1,167,752</u>	<u>\$ 980,967</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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Tignor Perpetual Trust	\$ 240,156	\$ 240,156
Ciri Perpetual Trust	423,537	423,537
Rogers Perpetual Trust	684,672	733,239
	<u>\$ 1,348,375</u>	<u>\$ 1,396,932</u>

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

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 1,396,932	\$ 1,391,688
Gain/(loss) in perpetual trust	( 48,557)	5,244
Ending balance	<u>\$ 1,348,375</u>	<u>\$ 1,396,932</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 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, 2015 And 2014**

**NOTE 9 – Commitments (continued)**

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

Rent expense for the years ended December 31, 2015 and 2014 was \$24,720 and \$24,360, respectively.

The following is a schedule of future minimum rental payments required under the above operating leases as of December 31, 2015:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 29,843
2017	26,490
2018	<u>14,856</u>
	<u>\$ 71,189</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, 2015 and 2014 was \$13,482 and \$13,583, respectively.

**NOTE 11 – Concentration Of Credit Risk**

Cash deposits in banks are covered by the FDIC up to \$250,000. For the year ended December 31, 2015, the Organization's cash and cash equivalents did not exceed federally insured limits.

**NOTE 12 – Supplemental Cash Flow Information**

For the years ended December 31, 2015 and 2014, there were no interest or income taxes paid.

**NOTE 13 – Subsequent Events**

Subsequent Events were evaluated as of June 20, 2016 which is prior to the financial statement availability date of June 22, 2016.