



HUMANE SOCIETY OF TAMPA BAY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

HUMANE SOCIETY OF TAMPA BAY, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To The Board of Directors
Humane Society of Tampa Bay, Inc.
Tampa, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Humane Society of Tampa Bay, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 the Humane Society of Tampa Bay, Inc. as of December 31, 2018 and 2017, 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.

Reeder & Associates, PA

Certified Public Accountants
March 11, 2019

HUMANE SOCIETY OF TAMPA BAY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents		
General use	\$ 821,449	\$ 923,696
Restricted for expansion	<u>176,438</u>	<u>188,107</u>
	997,887	1,111,803
Short-term investments		
General use	1,611,982	1,715,999
Restricted for expansion	<u>4,914,701</u>	<u>991,935</u>
	6,526,683	2,707,934
Receivables:		
Bequests	179,538	127,139
Pledges, net of allowance	2,642,582	20,914
Accounts, net of allowance	68,037	100,506
Inventory	213,108	213,965
Prepaid expenses	73,779	63,148
Property and equipment, net	3,848,737	3,177,623
Beneficial interest in Community Foundation	123,414	388,855
Donated equipment held for sale	70,284	-
Investment in commercial property	42,500	42,500
Deposits	<u>11,932</u>	<u>13,305</u>
Total Assets	<u><u>\$ 14,798,481</u></u>	<u><u>\$ 7,967,692</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 417,969	\$ 531,343
Accrued expenses	325,534	273,284
Deferred revenue	<u>152,501</u>	<u>216,559</u>
Total Liabilities	<u>896,004</u>	<u>1,021,186</u>
Net assets:		
Without donor restrictions:		
Undesignated	2,072,729	2,254,743
Invested in property and equipment	3,848,737	3,177,623
Board designated for new shelter	<u>2,365,602</u>	<u>222,182</u>
Total Net Assets Without Donor Restrictions	<u>8,287,068</u>	<u>5,654,548</u>
With donor restrictions:		
Purpose restrictions	<u>5,615,409</u>	<u>1,291,958</u>
Total Net Assets With Donor Restrictions	<u>5,615,409</u>	<u>1,291,958</u>
Total Net Assets	<u>13,902,477</u>	<u>6,946,506</u>
Total Liabilities and Net Assets	<u><u>\$ 14,798,481</u></u>	<u><u>\$ 7,967,692</u></u>

Read Report of Independent Certified Public Accountants.
The accompanying notes are an integral part
of these financial statements.

HUMANE SOCIETY OF TAMPA BAY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<i>Changes in Net Assets Without Donor Restrictions</i>		
REVENUES		
Contributions	\$ 4,615,722	\$ 2,227,619
Program services, net of discounts of \$292,459 and \$228,529 at December 31, 2018 and 2017	4,184,141	3,900,637
Grants	185,554	244,294
In-kind contributions	699,218	369,026
Investment return	(85,840)	313,601
Other income	13,440	13,440
Gain (loss) on disposal of property and equipment	2,000	(27,658)
	<u>9,614,235</u>	<u>7,040,959</u>
Product sales	1,921,535	1,992,306
Less cost of goods sold	<u>(1,127,096)</u>	<u>(1,134,499)</u>
	<u>794,439</u>	<u>857,807</u>
Special events, net of direct costs of \$369,589 and \$296,432 at December 31, 2018 and 2017	<u>948,042</u>	<u>827,873</u>
Net assets released from restrictions	<u>343,453</u>	<u>292,272</u>
Total Revenues Without Donor Restrictions	<u>11,700,169</u>	<u>9,018,911</u>
EXPENSES		
<i>Program Services:</i>		
Shelter/ Adoption Center	3,065,196	3,007,123
Community Outreach	392,531	366,298
Animal Health Center	4,373,634	4,091,544
<i>Total Program Services</i>	<u>7,831,361</u>	<u>7,464,965</u>
<i>Support Services:</i>		
Management and general	463,558	415,743
Fundraising and development	772,730	874,566
<i>Total Support Services</i>	<u>1,236,288</u>	<u>1,290,309</u>
Total Expenses	<u>9,067,649</u>	<u>8,755,274</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>2,632,520</u>	<u>263,637</u>
<i>Changes in Net Assets With Donor Restrictions</i>		
Contributions	4,631,148	1,028,582
Investment return	35,756	19,343
Net assets released from restrictions	<u>(343,453)</u>	<u>(292,272)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>4,323,451</u>	<u>755,653</u>
CHANGE IN NET ASSETS	6,955,971	1,019,290
NET ASSETS, beginning of year	<u>6,946,506</u>	<u>5,927,216</u>
NET ASSETS, end of year	<u><u>\$ 13,902,477</u></u>	<u><u>\$ 6,946,506</u></u>

Read Report of Independent Certified Public Accountants.
The accompanying notes are an integral part
of these financial statements.

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			Total Program Services	Support Services		Total Support Services	Total Expenses
	Shelter/ Adoption Center	Community Outreach	Animal Health Center		Management and General	Fundraising/ Development		
Salaries	\$ 1,407,671	\$ 111,949	\$ 2,203,420	\$3,723,040	\$ 343,943	\$ 201,163	\$ 545,106	\$ 4,268,146
Payroll taxes	102,368	8,262	161,335	271,965	25,760	15,112	40,872	312,837
Employee benefits	214,334	15,341	294,015	523,690	32,145	20,987	53,132	576,822
Total salaries and related expenses	1,724,373	135,552	2,658,770	4,518,695	401,848	237,262	639,110	5,157,805
Professional fees	63,014	17,707	454,645	535,366	6,134	11,632	17,766	553,132
Contract program service	93,258	5,048	37,955	136,261	199	7,251	7,450	143,711
Printing and publications	38,579	29,379	38,476	106,434	9,054	36,305	45,359	151,793
Advertising	1,659	1,259	9,908	12,826	-	3,178	3,178	16,004
Mailings	8,227	17,423	6,058	31,708	-	211,624	211,624	243,332
Occupancy	75,868	15,502	83,947	175,317	7,357	5,658	13,015	188,332
Repairs and maintenance	57,965	15,598	60,733	134,296	5,930	1,870	7,800	142,096
Program supplies	619,219	65,934	582,808	1,267,961	-	-	-	1,267,961
In-kind goods and services	95,640	66,245	-	161,885	-	102,714	102,714	264,599
Office expense	103,850	8,679	122,899	235,428	11,672	37,859	49,531	284,959
Travel	23,097	1,100	6,485	30,682	123	32	155	30,837
Meetings, conferences and training	7,988	579	10,046	18,613	7,078	7,529	14,607	33,220
Recognition	24,148	4,851	14,472	43,471	3,762	2,338	6,100	49,571
Insurance	32,396	2,655	23,023	58,074	2,222	6,800	9,022	67,096
Bank service charges	14,469	3,820	77,892	96,181	3,713	36,097	39,810	135,991
New shelter project	-	-	-	-	-	62,414	62,414	62,414
Bad debt	-	-	10,770	10,770	-	-	-	10,770
Total expenses before depreciation	2,983,750	391,331	4,198,887	7,573,968	459,092	770,563	1,229,655	8,803,623
Depreciation	81,446	1,200	174,747	257,393	4,466	2,167	6,633	264,026
Total expenses	\$ 3,065,196	\$ 392,531	\$ 4,373,634	\$7,831,361	\$ 463,558	\$ 772,730	\$ 1,236,288	\$ 9,067,649

Read Report of Independent Certified Public Accountants.
The accompanying notes are an integral part
of these financial statements.

**HUMANE SOCIETY OF TAMPA BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services			Total	Support Services		Total	Total
	Shelter/ Adoption Center	Community Outreach	Animal Health Center	Program Services	Management and General	Fundraising/ Development	Support Services	Expenses
Salaries	\$ 1,361,622	\$ 95,657	\$ 1,925,751	\$3,383,030	\$ 269,802	\$ 199,169	\$ 468,971	\$ 3,852,001
Payroll taxes	98,837	7,157	143,269	249,263	19,879	15,006	34,885	284,148
Employee benefits	192,676	14,548	257,298	464,522	28,041	19,328	47,369	511,891
Total salaries and related expenses	1,653,135	117,362	2,326,318	4,096,815	317,722	233,503	551,225	4,648,040
Professional fees	51,210	22,081	405,831	479,122	4,345	48,298	52,643	531,765
Contract program service	78,374	1,901	31,137	111,412	4,026	1,835	5,861	117,273
Printing and publications	42,882	31,925	36,583	111,390	10,516	46,454	56,970	168,360
Advertising	32,120	2,859	38,162	73,141	-	37,327	37,327	110,468
Mailings	8,948	18,210	5,518	32,676	-	191,404	191,404	224,080
Occupancy	72,548	13,976	78,629	165,153	6,283	5,440	11,723	176,876
Repairs and maintenance	86,893	12,607	58,579	158,079	8,526	7,201	15,727	173,806
Program supplies	479,190	73,252	613,545	1,165,987	-	141	141	1,166,128
In-kind goods and services	152,990	52,915	251	206,156	-	121,044	121,044	327,200
Office expense	106,891	8,011	114,013	228,915	16,195	45,787	61,982	290,897
Travel	17,955	17	6,249	24,221	322	80	402	24,623
Meetings, conferences and training	4,091	260	10,437	14,788	4,715	7,394	12,109	26,897
Recognition	14,985	4,006	9,319	28,310	3,559	2,909	6,468	34,778
Insurance	27,198	2,404	22,144	51,746	3,377	6,686	10,063	61,809
Investment fees	-	-	-	-	-	20,404	20,404	20,404
Bank service charges	10,692	2,920	71,675	85,287	5,848	34,230	40,078	125,365
New shelter project	89,876	-	-	89,876	26,471	62,542	89,013	178,889
Bad debt	207	-	45,945	46,152	-	-	-	46,152
Total expenses before depreciation	2,930,185	364,706	3,874,335	7,169,226	411,905	872,679	1,284,584	8,453,810
Depreciation	76,938	1,592	217,209	295,739	3,838	1,887	5,725	301,464
Total expenses	\$ 3,007,123	\$ 366,298	\$ 4,091,544	\$7,464,965	\$ 415,743	\$ 874,566	\$ 1,290,309	\$ 8,755,274

Read Report of Independent Certified Public Accountants.
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HUMANE SOCIETY OF TAMPA BAY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 6,955,971	\$ 1,019,290
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operational activities:</i>		
Depreciation	264,026	301,464
Bad debt expense	10,770	46,152
(Gain) loss on disposal of property and equipment	(2,000)	27,658
Unrealized (gain) loss on investments	203,815	(206,980)
Unrealized (gain) loss on beneficial interest in Community Foundation	12,607	(39,791)
Donated investments	-	(1,016,332)
Donated property and equipment	(267,300)	(26,850)
Donated property held for sale	(70,284)	-
Disposition of construction in progress	-	105,920
(Increase) decrease in bequests receivable	(52,399)	-
(Increase) decrease in pledges receivable	(2,621,668)	18,077
(Increase) decrease in accounts receivable	21,699	(45,541)
(Increase) decrease in prepaid expenses	(10,631)	6,528
(Increase) decrease in inventory	857	(73,429)
Increase (decrease) in deposits	1,373	(2,500)
Increase (decrease) in accounts payable	(113,374)	226,151
Increase (decrease) in other accrued expenses	52,250	11,704
Increase (decrease) in deferred revenue	(64,058)	182,846
Total adjustments	(2,634,317)	(484,923)
Net cash provided (used) by operating activities	4,321,654	534,367
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash payments for the purchase of property and equipment	(667,841)	(213,828)
Proceeds from sale of property and equipment	2,000	-
Purchases of investments	(4,698,777)	(260,017)
Proceeds from sale of investments	676,213	11,258
Proceeds from sale of donated property	-	78,200
Purchases of beneficial interest in Community Foundation	(2,599)	(2,385)
Sales of beneficial interest in Community Foundation	255,433	5,378
Net cash provided (used) by investing activities	(4,435,571)	(381,394)
Net increase (decrease) in cash and cash equivalents	(113,917)	152,973
CASH AND CASH EQUIVALENTS, beginning of year	1,111,803	958,830
CASH AND CASH EQUIVALENTS, end of year	\$ 997,887	\$ 1,111,803
Disclosure of non-cash investing activities:		
Donated investments	\$ -	\$ 1,016,332
Donated property and equipment	\$ 267,300	\$ 26,850
Disposition of construction in progress	\$ -	\$ (105,920)
Retirement of fully depreciated equipment	\$ (110,086)	\$ (79,224)

Read Report of Independent Certified Public Accountants.
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of these financial statements.

HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE A - DESCRIPTION OF ORGANIZATION

The Humane Society of Tampa Bay, Inc. (the Organization) is a not-for-profit corporation organized in 1912, dedicated to ending animal homelessness and providing care and comfort for companion animals in need. In that regard, the Organization operates a Shelter/Adoption Center, an Animal Health Center and various outreach and assistance programs in Tampa, Florida that are funded primarily by contributions from the public.

Shelter/Adoption Center services include preventive medical care, treatment of illness and injury, pet microchipping, and spaying / neutering of all animals prior to adoption by pet owners in the community.

Community Outreach programs include:

Food assistance program provides free pet food to any pet owner in need so they can keep their pets rather than turn them in to a shelter.

Animeals program provides pet food delivered monthly to elderly and homebound pet owners.

Shot Clinics provide free immunization shots to help people keep their pets healthy and in their homes.

Paws for Literacy teams up children ages 5-12 with a homeless animal to practice reading out loud to a safe audience of furry friends certain to be receptive to the attention.

Trap, neuter and return program provides a humane method to trap, sterilize and return feral cats to their colonies which reduces euthanasia in our community.

Animal Health Center services include a spay/neuter clinic and veterinary clinic for pets. The Spay/Neuter Clinic provides sterilization and basic vaccines for dogs and cats to all pet owners at reduced costs. The Veterinary Clinic offers affordable veterinary care to the public and provides the proper preventive treatment so pets can be protected from deadly diseases.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Recent Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14 (the ASU), *Not-for-Profit Entities (Topic 958)*, to make improvements to a not-for-profit entity's (NFPs) current financial reporting on net assets, expenses, liquidity, financial performance and cash flows. These improvements are intended to provide more useful information to donors, grantors, creditors and other users of a NFPs financial statements. The ASU is effective for fiscal years beginning after December 15, 2017 and the Organization has adopted the ASU for the year ended December 31, 2018.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations, including restricted contributions whose restrictions are met in the same reporting period.

Read Report of Independent Certified Public Accountants.

HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation and Recent Accounting Pronouncement (continued)

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations:

- may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.
- be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Estimates

The preparation of financial statements in conformity with US generally accepted accounting principles 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. Estimates also affect the reported amounts of increases or decreases in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers currency on hand, demand deposits and money market funds as cash for purposes of the Statement of Cash Flows. Money market funds managed as part of investment accounts, are not included.

Short-term investments

Short-term investments include marketable securities with maturity dates less than one year, as well as all investments other than marketable securities intended to be liquidated within a year.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position.

Investments in certificates of deposit are recorded at cost and are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Donated Materials, Goods and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of goods and property are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property or inventory.

A substantial number of unpaid volunteers have made significant contributions of their time to develop and maintain the Organization's programs. No amounts have been reported in the financial statements for voluntary donation of services because no objective basis is available to measure the value of such donations.

Contributions received in the form of marketable securities are recorded at the fair value of the security at the date of contribution.

Read Report of Independent Certified Public Accountants.

HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Revenue from grants are recorded based upon the terms of the grantor allotment which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred. For the years ended December 31, 2018 and 2017, deferred grant revenue in the amount of \$104,786 and \$175,439, respectively, are reflected in the statement of financial position for amounts received but not earned. For the years ended December 31, 2018 and 2017 deferred revenue also includes \$47,715 and \$41,120, respectively, related to special events yet to be held.

Accounts Receivable

The Organization uses the allowance method to account for uncollectible accounts. The Organization has provided an allowance for uncollectible accounts of \$54,411 and \$57,890 for the years ended December 31, 2018 and 2017, respectively, based on existing economic conditions and the financial stability of its customers.

Inventory

Inventory, valued at cost (first-in, first-out) is comprised of microchips used for identification through implantation, resale medicines, and pet supplies.

Property and Equipment

Property and equipment are stated at historical cost and depreciated using the straight line method over the estimated useful lives of each asset – building and building improvements, 35-39 years, land improvements, 7 years and, furniture and equipment, 5-10 years. Acquisitions of property and equipment in excess of \$1,000 are capitalized.

Fair Value of Financial Instruments

Professional standards require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and cash equivalents, bequests receivable, accounts and pledge receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value due to the short term nature of these instruments.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of cash and cash equivalents. The Organization maintains its deposits at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amounts in excess of the FDIC limit totaled \$679,819 and \$655,538 at December 31, 2018 and 2017, respectively. The Organization has not experienced any losses on its deposits.

Investments that potentially subject the Organization to concentrations of credit risk consist principally of investments in money funds, common stocks and preferred stocks. Quarterly portfolio reviews are performed to assist in the detection of any concentrations of risk. Management does not believe that any concentrations in investments exist.

HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

Expenses are shown by natural expense classification and function in the accompanying consolidated statement of functional expenses. Expenses that are attributable to more than one program or supporting function are allocated on a reasonable basis that is consistently applied. Allocations are based on direct usage or management's estimate of the benefit derived by each activity. Management's estimates may be based on factors such as time and effort, square footage, clients served, or any other reasonable basis. The expenses that are allocated on the basis of estimates of time and effort are salaries, employee benefits and payroll taxes. Facilities, maintenance, insurance, utilities and depreciation are allocated on a square footage basis.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Management is not aware of any activities that would jeopardize the Organization's tax-exempt status.

The Organization accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Organization recognizes tax positions only to the extent that Management believes it is "more likely than not" that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements for the years ended December 31, 2018 and 2017.

The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, change in net assets or cash flows. Accordingly, the Organization has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2018 and 2017.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for fiscal years ending prior to December 31, 2015.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date. These financial assets are required to be reduced by those not available for general use within one year of the statement of financial position date.

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash and cash equivalents	\$ 821,449	\$ 923,696
Cash restricted for expansion	176,438	188,107
Short term investments	1,611,982	1,715,999
Short term investments restricted for expansion	4,914,701	991,935
Bequests receivable	179,538	127,139
Pledges receivable	2,642,582	20,914
Accounts receivable	68,037	100,506
Beneficial interest in Community Foundation	123,414	388,855
	<u>10,538,141</u>	<u>4,457,151</u>
Less those unavailable for general expenditure within one year due to:		
Restricted by donors with purpose restrictions	(5,485,883)	(1,141,770)
Board designated for new shelter expansion	(2,365,602)	(222,182)
Time imposed restriction of receivable	(6,112)	(10,642)
Beneficial interest in Community Foundation	(123,414)	(139,546)
	<u>(7,981,011)</u>	<u>(1,514,140)</u>
Total amounts unavailable to management for general expenditures within one year	<u>(7,981,011)</u>	<u>(1,514,140)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,557,130</u>	<u>\$ 2,943,011</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due and strives to operate within a prudent range of financial soundness and stability, maintain adequate liquid assets to fund near-term operating needs, and maintain sufficient reserves to provide reasonable assurance that any long-term obligations will be discharged. Financial assets in excess of daily cash requirements may be invested in certificates of deposit, money market funds or other short-term investments.

NOTE D – BEQUESTS RECEIVABLE

Bequests receivable consist of various wills and trusts for which the Organization is the beneficiary. Under these arrangements, either the Organization receives bequests in connection with the settlement of an estate or trusts may be established, controlled by an independent trustee, where the Organization receives income from the trust but has no right to or control of the principal. With regards to trust arrangements, the Organization records revenue as earned. Bequests are recognized as revenue at the time the Organization is notified of the bequest and receives legal documentation from the executor to reasonably estimate the amount.

The amounts reported as bequests receivable at December 31, 2018 and 2017 total \$179,538 and \$127,138, respectively, and are included net assets without donor restrictions.

HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE E – PLEDGES RECEIVABLE, NET

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor-imposed restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions.

Expected pledge receivable collections are as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 1,275,489	\$ 10,272
Receivable in one to five years	<u>1,438,543</u>	<u>10,642</u>
	2,714,032	20,914
Less allowance for doubtful accounts	<u>(71,450)</u>	<u>-</u>
Pledges receivable, net	<u>\$ 2,642,582</u>	<u>\$ 20,914</u>

The Organization's management reviews amounts related to pledges outstanding on an annual basis and determines amounts that should be written off. The Organization provided an allowance for doubtful accounts of \$71,450 for the year ended December 31, 2018 (no allowance at December 31, 2017).

Discounts to present value of amounts collectible in two to five years are deemed immaterial.

NOTE F- SHORT-TERM INVESTMENTS

Investments consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Investments, at fair value		
Equities	\$ 573,048	\$ 1,096,073
Mutual funds	1,030,613	1,597,860
Money market funds	<u>423,022</u>	<u>14,001</u>
	2,026,683	2,707,934
Investments, at cost		
Certificates of deposit	<u>4,500,000</u>	<u>-</u>
Total short-term investments	<u>\$ 6,526,683</u>	<u>\$ 2,707,934</u>

HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE F- SHORT-TERM INVESTMENTS (continued)

Net investment return consists of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 100,887	\$ 85,421
Realized and unrealized gains (losses)	(133,454)	267,927
Less: investment expenses	<u>(17,517)</u>	<u>(20,404)</u>
Total investment return	<u>\$ (50,084)</u>	<u>\$ 332,944</u>
Investment return without restriction	\$(85,840)	\$ 313,601
Investment return with restriction	<u>35,756</u>	<u>19,343</u>
	<u>\$ (50,084)</u>	<u>\$ 332,944</u>

NOTE G – BENEFICIAL INTEREST IN COMMUNITY FOUNDATION

The Community Foundation of Tampa Bay, Inc. (Community Foundation) holds funds for which the earnings have been restricted for the benefit of the Organization. Assets contributed to the Community Foundation for the benefit of the Organization are recorded as assets of the Organization in accordance with professional standards. These “agency restricted funds” are pooled with the other assets of the Community Foundation for investing purposes.

“Agency restricted funds” which were established for the Organization within the Community Foundation had fair values of approximately \$123,414 at December 31, 2018, (\$139,546 at December 31, 2017) and are recorded as donor restricted net assets.

During the year ended December 31, 2018, the Organization transferred unrestricted funds from Community Foundation accounts in the amounts of \$219,920 and \$27,529 for the new shelter expansion.

NOTE H – BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Community Foundation of Tampa Bay, Inc. (Community Foundation) held a trust with an approximate balance of \$1,101,734 at December 31, 2018 (\$1,236,769 at December 31, 2017) for which the earnings have been restricted for the benefit of the Organization. This trust is to be held as an endowment, the income of which is to be paid to the Organization for the specific purpose of providing direct care for dogs and cats. Earnings distributed from the trust for the years ended December 31, 2018 and 2017 totaled \$45,686 and \$44,994, respectively. The Organization’s interest in this perpetual trust is not considered to be an asset as the donor specifically granted variance power to the Community Foundation and provides the Community Foundation the unilateral power to redirect the use of the funds to other beneficiaries.

HUMANE SOCIETY OF TAMPA BAY, INC.
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NOTE I- FAIR VALUE MEASUREMENTS

In accordance with Professional Standards, *Fair Value Measurements* establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under Professional Standards are described on next page:

Level 1

- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

- Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable input and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for the assets measured at fair value:

Investments in fixed income, equities, mutual funds, real estate investments and money market funds are valued at the closing price on the active market which the individual securities are traded.

The beneficiary interest in funds held in trust by others are held at the Community Foundation of Tampa Bay and are valued at the fair value of the investments of the related trust.

HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIALS STATEMENTS
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NOTE I- FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at December 31, 2018:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
Equities	\$ 573,048	\$ 573,048	\$ -	\$ -
Mutual funds	1,030,613	1,030,613	-	-
Money market funds	423,022	423,022	-	-
	2,026,683	2,026,683	-	-
Beneficial interest in Community Foundation	123,414	-	-	123,414
	<u>\$ 2,150,097</u>	<u>\$ 2,026,683</u>	<u>\$ -</u>	<u>\$ 123,414</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at December 31, 2017:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
Equities	\$ 1,096,073	\$ 1,096,073	\$ -	\$ -
Mutual funds	1,597,860	1,597,860	-	-
Money market funds	14,001	14,001	-	-
	2,707,934	2,707,934	-	-
Beneficial interest in Community Foundation	388,855	-	-	388,855
	<u>\$ 3,096,789</u>	<u>\$ 2,707,934</u>	<u>\$ -</u>	<u>\$ 388,855</u>

Fair Value Measurements Using Significant Unobservable Inputs (Level) 3:

	Beneficial interest in Community Foundation
January 1, 2017	<u>\$ 352,057</u>
Interest and dividends less fees	2,385
Contributions and settlements	-
Gains and losses	39,791
Distributions	(5,378)
Transfers in and/or out of Level 3	-
December 31, 2017	<u>\$ 388,855</u>
Interest and dividends less fees	3,538
Contributions and settlements	-
Gains and losses	(7,180)
Distributions	(261,799)
Transfers in and/or out of Level 3	-
December 31, 2018	<u>\$ 123,414</u>

HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIALS STATEMENTS
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NOTE J – PROPERTY AND EQUIPMENT

	2018	2017
Land and land improvements	\$ 823,827	\$ 829,519
Buildings and improvements	3,765,105	3,759,418
Furniture and equipment	999,473	860,181
Construction in progress	<u>881,038</u>	<u>195,271</u>
Total property and equipment	6,469,443	5,644,389
Less accumulated depreciation	<u>(2,620,706)</u>	<u>(2,466,766)</u>
	<u>\$ 3,848,737</u>	<u>\$ 3,177,623</u>

NOTE K –DONATED MATERIALS, GOODS AND SERVICES

The Organization's contributed materials, goods and services during the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Services	\$ 351,354	\$ 163,250
Materials and goods	<u>347,354</u>	<u>205,776</u>
	<u>\$ 699,218</u>	<u>\$ 369,026</u>

In-kind contributions are included in the following areas of the Organization:

Shelter/ Adoption Center	\$ 200,424	\$ 152,990
Community Outreach	66,245	52,915
Animal Health Center	80,685	251
Fundraising	102,714	121,044
New Shelter Construction	<u>249,150</u>	<u>41,826</u>
	<u>\$ 699,218</u>	<u>\$ 369,026</u>

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of the Organization are comprised of cash, short-term investments and receivables at December 31, 2018 and 2017 and are available for the following purposes:

	2018	2017
Capital campaign – expansion purposes/new shelter	\$ 5,356,963	\$1,118,042
The Community Foundation of Tampa Bay – investment purpose	123,414	139,546
Donor contributions – time restrictions	6,112	10,642
Donor contributions restricted for programs	<u>128,920</u>	<u>23,728</u>
	<u>\$ 5,615,409</u>	<u>\$1,291,958</u>

HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIALS STATEMENTS
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NOTE L – NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of passage of time or other events specified by donors. The net assets released from restrictions at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Capital campaign – expansion purposes/new shelter	\$ 323,729	\$ 111,325
Donor contributions – time restrictions passed	4,256	13,367
Donor contributions restricted for programs	<u>15,468</u>	<u>167,580</u>
	<u>\$ 343,453</u>	<u>\$ 292,272</u>

NOTE M – EMPLOYEE BENEFIT PLAN

All employees are eligible to participate in the Organization's Section 401(k) defined contribution pension plan. The Organization contributed a 10% match option of employee's contribution for up to 10% of an employee's wages for the years ended December 31, 2018 and 2017. The Organization's contribution for the years ended December 31, 2018 and 2017 was \$13,539 and \$12,555, respectively.

NOTE N – ALLOCATION OF JOINT COSTS

During the years ended December 31, 2018 and 2017, the Organization incurred joint costs of \$243,332 and \$224,080, respectively, for informational material and activities that included a fundraising appeal. These costs were allocated among the various programs as follows:

	<u>2018</u>	<u>2017</u>
Shelter/Adoption Center	\$ 8,227	\$ 8,948
Community Outreach	17,423	18,210
Animal Health Center	6,058	5,518
Fundraising and Administration	<u>211,624</u>	<u>191,404</u>
	<u>\$ 243,332</u>	<u>\$ 224,080</u>

NOTE O – LEASES

The Organization leases certain facilities and equipment for the operation of its programs under long-term operating leases. The following is a schedule by year of future minimum lease payments required under such operating leases which have initial or remaining non-cancelable lease terms as of December 31, 2018:

<u>Year ended December 31,</u>	<u>Amount</u>
2019	\$ 60,000
2020	60,000
2021	60,000
2022	60,000
2023	55,000

Lease expense incurred for facilities and equipment totaled \$57,531 and \$62,088 for the years ended December 31, 2018 and 2017, respectively.

Read Report of Independent Certified Public Accountants.

HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIALS STATEMENTS
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NOTE P – COMMITMENTS AND CONTINGENCIES

Agreement Between Organization and Developer

The Organization entered into a contract with a design and development company dated May 12, 2017 for services relating to the new shelter project. The Organization is obligated for direct costs only, not to exceed \$200,000. During the years ended December 31, 2018 and 2017 the Organization paid \$71,994 and \$90,530, respectively on this contract.

Agreement Between Organization and Builder

The Organization entered into a contract with a company dated December 20, 2018 for construction services of a parking lot to include grading, storm drainage, and paving at a project cost of \$93,840. No amounts have been paid as of the year ended December 31, 2018.

Laboratory Diagnostic Agreement

The Organization entered into a long term agreement for the period September 1, 2018 to August 31, 2024 with a vendor for diagnostic supplies and lab services. The Organization is required to make annual minimum purchases of \$315,844 with the vendor. For the years ended December 31, 2018 and 2017 the Organization expended \$377,026 and \$341,804, respectively, for such services.

Consulting Services

The Organization entered into an agreement for consulting services for the capital campaign for a new shelter. The agreement was to run from March 2017 through August 2018 at a total fee of \$50,000. This agreement has been extended until February 2020 with additional fees of \$50,000. Either party may cancel with a 90 day notice. For the years ended December 31, 2018 and 2017 the Organization expended \$31,399 and \$30,000 under the contract.

NOTE Q –SUBSEQUENT EVENTS

The Organization entered into a contract dated March 1, 2019 with a contractor to provide pre-construction management services plus phase one site work totaling \$1,263,631.

Management has evaluated subsequent events through March 11, 2019, the date the financial statements were available to be issued.