



HUMANE SOCIETY OF TAMPA BAY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

HUMANE SOCIETY OF TAMPA BAY, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2019 and 2018, 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, 2019 and 2018, 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.

Becker + Associates, PA

Certified Public Accountants

March 6, 2020

HUMANE SOCIETY OF TAMPA BAY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	\$ 738,657	\$ 821,449
Cash and cash equivalents held for new shelter	512,944	176,438
Investments	2,016,223	1,611,982
Investments held for new shelter	6,178,195	4,914,701
Bequests receivable	1,300,138	179,538
Pledges receivable, net of allowance	1,438,181	2,642,582
Accounts receivable, net of allowance of \$6,779 in 2019 and \$54,411 in 2018	55,395	68,037
Inventory	233,882	213,108
Prepaid expenses	77,044	73,779
Total Current Assets	12,550,659	10,701,614
Beneficial interest in Community Foundation	138,640	123,414
Investment in commercial property	42,500	42,500
Property and equipment, net	2,737,682	2,967,699
Construction in progress	4,792,922	881,038
Donated equipment held for sale	-	70,284
Deposits	11,807	11,932
Total Noncurrent Assets	7,723,551	4,096,867
Total Assets	\$ 20,274,210	\$ 14,798,481
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,851,938	\$ 743,503
Deferred revenue	192,556	152,501
Total Liabilities	2,044,494	896,004
Net assets:		
Without donor restrictions:		
Undesignated	2,948,576	2,072,729
Invested in property and equipment	7,530,604	3,848,737
Board designated for new shelter	3,443,602	2,365,602
Total Net Assets Without Donor Restrictions	13,922,782	8,287,068
With donor restrictions:		
Purpose restrictions	4,306,934	5,615,409
Total Net Assets With Donor Restrictions	4,306,934	5,615,409
Total Net Assets	18,229,716	13,902,477
Total Liabilities and Net Assets	\$ 20,274,210	\$ 14,798,481

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, 2019 AND 2018

	2019	2018
<i>Changes in Net Assets Without Donor Restrictions</i>		
REVENUES AND SUPPORT		
Contributions	\$ 4,330,039	\$ 4,615,722
Grants	243,800	185,554
In-kind contributions	215,129	699,218
Program services fees, net of discounts	4,367,904	4,184,141
Investment return	413,452	(85,840)
Other income	15,360	13,440
Gain (loss) on disposal of property and equipment	8,716	2,000
	<u>9,594,400</u>	<u>9,614,235</u>
Product sales	2,026,846	1,921,535
Less cost of goods sold	(1,205,084)	(1,127,096)
	<u>821,762</u>	<u>794,439</u>
Special events	1,160,586	1,317,631
Less direct costs of special events	(389,754)	(369,589)
	<u>770,832</u>	<u>948,042</u>
Net assets released from restrictions	4,110,498	343,453
Total Revenues Without Donor Restrictions	<u>15,297,492</u>	<u>11,700,169</u>
EXPENSES		
<i>Program Services:</i>		
Shelter/ Adoption Center	3,341,473	3,065,196
Community Outreach	384,223	392,531
Animal Health Center	4,554,597	4,373,634
	<u>8,280,293</u>	<u>7,831,361</u>
<i>Support Services:</i>		
Management and general	467,711	463,558
Fundraising and development	913,774	772,730
	<u>1,381,485</u>	<u>1,236,288</u>
Total Expenses	<u>9,661,778</u>	<u>9,067,649</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>5,635,714</u>	<u>2,632,520</u>
<i>Changes in Net Assets With Donor Restrictions</i>		
Contributions	2,664,025	4,631,148
Investment return	137,998	35,756
Net assets released from restrictions	(4,110,498)	(343,453)
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(1,308,475)</u>	<u>4,323,451</u>
CHANGE IN NET ASSETS	4,327,239	6,955,971
NET ASSETS, beginning of year	<u>13,902,477</u>	<u>6,946,506</u>
NET ASSETS, end of year	<u>\$ 18,229,716</u>	<u>\$ 13,902,477</u>

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of these financial statements.

HUMANE SOCIETY OF TAMPA BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>			<u>Total</u>	<u>Support Services</u>		<u>Total Support</u>	<u>Total</u>
	<u>Shelter/ Adoption Center</u>	<u>Community Outreach</u>	<u>Animal Health Center</u>		<u>Program Services</u>	<u>Management and General</u>		
Salaries	\$ 1,388,490	\$ 113,324	\$ 2,135,166	\$ 3,636,980	\$ 338,974	\$ 230,718	\$ 569,692	\$ 4,206,672
Payroll taxes	103,242	8,471	154,765	266,478	25,189	20,512	45,701	312,179
Employee benefits	191,864	15,591	288,507	495,962	33,483	21,137	54,620	550,582
Total salaries and related expenses	1,683,596	137,386	2,578,438	4,399,420	397,646	272,367	670,013	5,069,433
Professional fees	301,013	19,231	637,352	957,596	9,118	40,171	49,289	1,006,885
Contract services	95,741	12,630	48,735	157,106	2,293	3,703	5,996	163,102
Printing and publications	54,434	25,720	39,655	119,809	8,253	37,939	46,192	166,001
Advertising	896	-	1,789	2,685	-	2,789	2,789	5,474
Direct Mail	7,852	16,493	5,791	30,136	-	242,366	242,366	272,502
Occupancy	90,336	5,554	81,257	177,147	8,938	60,142	69,080	246,227
Repairs and maintenance	137,221	8,121	64,900	210,242	857	1,253	2,110	212,352
Program supplies	566,257	80,493	639,804	1,286,554	-	52	52	1,286,606
In-kind goods and services	57,450	57,576	-	115,026	-	91,303	91,303	206,329
Office expense	128,714	10,711	139,420	278,845	12,549	62,481	75,030	353,875
Travel, training and meetings	26,013	2,132	15,169	43,314	7,307	8,765	16,072	59,386
Recognition	13,411	5,028	14,576	33,015	3,484	4,010	7,494	40,509
Insurance	69,692	2,595	22,766	95,053	2,190	6,572	8,762	103,815
Miscellaneous fundraising costs	1,929	51	2,558	4,538	-	12,868	12,868	17,406
Bank service charges	21,601	2	78,734	100,337	4,457	66,451	70,908	171,245
Bad Debt	-	-	5,695	5,695	-	-	-	5,695
Total expenses before depreciation	3,256,156	383,723	4,376,639	8,016,518	457,092	913,232	1,370,324	9,386,842
Depreciation	85,317	500	177,958	263,775	10,619	542	11,161	274,936
Total expenses	\$ 3,341,473	\$ 384,223	\$ 4,554,597	\$ 8,280,293	\$ 467,711	\$ 913,774	\$ 1,381,485	\$ 9,661,778

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, 2018**

	<u>Program Services</u>			<u>Total</u>	<u>Support Services</u>		<u>Total Support</u>	<u>Total</u>
	<u>Shelter/ Adoption Center</u>	<u>Community Outreach</u>	<u>Animal Health Center</u>		<u>Program Services</u>	<u>Management and General</u>		
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 services	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
Direct Mail	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, training and meetings	31,085	1,679	16,531	49,295	7,201	7,561	14,762	64,057
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 fundraising costs	-	-	-	-	-	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.
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 4,327,239	\$ 6,955,971
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operational activities:</i>		
Depreciation	274,936	264,026
Bad debt expense	5,695	10,770
(Gain) loss on disposal of property and equipment	(8,716)	(2,000)
Unrealized (gain) loss on investments	(298,718)	203,815
Unrealized (gain) loss on beneficial interest in Community Foundation	(19,662)	12,608
Donated property and equipment	(8,800)	(267,300)
Donated property held for sale	-	(70,284)
(Increase) decrease in bequests receivable	(1,120,600)	(52,399)
(Increase) decrease in pledges receivable	1,204,401	(2,621,668)
(Increase) decrease in accounts receivable	6,947	21,699
(Increase) decrease in prepaid expenses	(3,265)	(10,631)
(Increase) decrease in inventory	(20,774)	857
Increase (decrease) in deposits	125	1,373
Increase (decrease) in accounts payable and accrued expenses	1,108,435	(61,124)
Increase (decrease) in deferred revenue	40,055	(64,058)
Total adjustments	1,160,059	(2,634,316)
Net cash provided (used) by operating activities	5,487,298	4,321,655
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash payments for the purchase of property and equipment	(36,119)	(231,223)
Cash payments for the purchase of construction in progress	(3,911,884)	(436,618)
Proceeds from sale of property and equipment	-	2,000
Purchases of investments	(3,073,696)	(4,698,777)
Proceeds from sale of investments	1,704,679	676,213
Proceeds from sale of donated property	79,000	-
Purchases of beneficial interest in Community Foundation	(1,166)	(2,599)
Sales of beneficial interest in Community Foundation	5,602	255,433
Net cash provided (used) by investing activities	(5,233,584)	(4,435,571)
Net increase (decrease) in cash and cash equivalents	253,714	(113,916)
CASH AND CASH EQUIVALENTS, beginning of year	997,887	1,111,803
CASH AND CASH EQUIVALENTS, end of year	\$ 1,251,601	\$ 997,887
Disclosure of non-cash investing activities:		
Donated property and equipment	\$ -	\$ 267,300
Retirement of fully depreciated equipment	\$ (39,665)	\$ (110,086)

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, 2019 AND 2018**

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 pet owners 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 owned 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

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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:

Read Report of Independent Certified Public Accountants.

**HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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.

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.
- are 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 the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are defined as cash on hand and amounts in depository and money market accounts at the bank. Money market funds managed as part of investment accounts, are not included.

Pledges and Accounts Receivable

The Organization uses the allowance method to account for uncollectible accounts. The Organization provides an allowance for uncollectible accounts based on collection history, 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, short term investments, bequests receivable, accounts and pledges 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.

Read Report of Independent Certified Public Accountants.

HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, deferred grant revenue in the amount of \$78,478 and \$104,786, respectively, are reflected in the statement of financial position for amounts received but not earned. For the years ended December 31, 2019 and 2018 deferred revenue also includes \$114,078 \$47,715, respectively, related to special events yet to be held.

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.

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 \$1,382,747 and \$679,819 at December 31, 2019 and 2018, 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.

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.

Read Report of Independent Certified Public Accountants.

**HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and similar state provisions. The Organization is treated as a public supported organization, and not as a private foundation. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. The Organization accounts for uncertain tax positions, if any, in accordance with ASC Section 740.

Management is not aware of any activities that would jeopardize the organization's tax-exempt status. The Organization is not aware of any tax positions that it has taken that are subject to a significant degree of uncertainty. The Organization believes it is no longer subject to income tax examinations for fiscal years ending prior to December 31, 2016.

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>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 738,657	\$ 821,449
Cash restricted for expansion	512,944	176,438
Short term investments	2,016,223	1,611,982
Short term investments restricted for expansion	6,178,195	4,914,701
Bequests receivable	1,300,138	179,538
Pledges receivable	1,438,181	2,642,582
Accounts receivable	55,395	68,037
Beneficial interest in Community Foundation	138,640	123,414
	<u>12,378,373</u>	<u>10,538,141</u>
Less those unavailable for general expenditure within one year due to:		
Restricted by donors with purpose restrictions	(4,168,294)	(5,491,995)
Board designated for new shelter expansion	(3,443,602)	(2,365,602)
Beneficial interest in Community Foundation	(138,640)	(123,414)
	<u>(7,750,536)</u>	<u>(7,981,011)</u>
Total amounts unavailable to management for general expenditures within one year	<u>(7,750,536)</u>	<u>(7,981,011)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,627,837</u>	<u>\$ 2,557,130</u>

Read Report of Independent Certified Public Accountants.

**HUMANE SOCIETY OF TAMPA BAY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS, (continued)

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, 2019 and 2018 total \$1,300,138 and \$179,538, respectively, and are included in net assets without donor restrictions.

NOTE E – PLEDGES RECEIVABLE

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>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 1,295,304	\$ 1,275,489
Receivable in one to five years	<u>208,482</u>	<u>1,438,543</u>
	1,503,786	2,714,032
Less allowance for doubtful accounts	<u>(65,605)</u>	<u>(71,450)</u>
Pledges receivable, net	<u>\$ 1,438,181</u>	<u>\$ 2,642,582</u>

The Organization's management reviews amounts related to pledges outstanding on an annual basis and determines amounts that should be written off. No pledges were written off in 2019 and 2018.

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

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NOTE F- 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.

Beneficial interest in Community Foundation represents funds held in a trust and are valued at the fair value of the investments of the related trust.

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NOTE F- 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, 2019:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
Equities	\$ 674,035	\$ 674,035	\$ -	\$ -
Fixed income funds	5,455,804	5,455,804		
Mutual funds	1,332,059	1,332,059	-	-
Money market funds	732,520	732,520	-	-
Beneficial interest in Community Foundation	138,640	-	-	138,640
	<u>\$ 8,333,058</u>	<u>\$ 8,194,418</u>	<u>\$ -</u>	<u>\$ 138,640</u>

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	\$ -	\$ -
Fixed income funds	4,500,000	4,500,000		
Mutual funds	1,030,613	1,030,613	-	-
Money market funds	423,022	423,022	-	-
Beneficial interest in Community Foundation	123,414	-	-	123,414
	<u>\$ 6,650,097</u>	<u>\$ 6,526,683</u>	<u>\$ -</u>	<u>\$ 123,414</u>

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

	Beneficial interest in Community Foundation
January 1, 2018	\$ 388,855
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	\$ 123,414
Interest and dividends, less fees	1,167
Contributions and settlements	-
Gains and losses	19,662
Distributions	(5,603)
Transfers in and/or out of Level 3	-
December 31, 2019	<u>\$ 138,640</u>

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NOTE G – PROPERTY AND EQUIPMENT

	2019	2018
Land and land improvements	\$ 818,803	\$ 823,827
Buildings and improvements	3,752,354	3,765,105
Furniture and equipment	1,022,502	999,473
 Total property and equipment	 5,593,659	 5,588,405
 Less accumulated depreciation	 (2,855,977)	 (2,620,706)
	 \$ 2,737,682	 \$ 2,967,699

NOTE H – 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 \$138,640 at December 31, 2019, (\$123,414 at December 31, 2018) and are recorded as donor restricted net assets.

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

NOTE I – BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Community Foundation of Tampa Bay, Inc. (Community Foundation) held a trust with an approximate balance of \$1,241,636 at December 31, 2019 (\$1,101,734 at December 31, 2018) 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, 2019 and 2018 totaled \$46,298 and \$45,686, 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.

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NOTE J –DONATED MATERIALS, GOODS AND SERVICES

The Organization’s contributed materials, goods and services during the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Services	\$ 92,346	\$ 351,354
Materials and goods	122,783	347,354
	<u>\$ 215,129</u>	<u>\$ 699,218</u>

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

Shelter/ Adoption Center	\$ 66,250	\$ 200,424
Community Outreach	57,576	66,245
Animal Health Center	-	80,685
Fundraising	91,303	102,714
New Shelter Construction	-	249,150
	<u>\$ 215,129</u>	<u>\$ 699,218</u>

NOTE K – 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, 2019 and 2018 and are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Capital campaign – expansion purposes/new shelter	\$ 4,045,280	\$5,356,963
The Community Foundation of Tampa Bay – investment purpose	138,640	123,414
Donor contributions restricted for programs	123,014	135,032
	<u>\$ 4,306,934</u>	<u>\$5,615,409</u>

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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Capital campaign – expansion purposes/new shelter	\$ 3,947,816	\$ 323,729
Donor contributions restricted for programs	162,682	19,724
	<u>\$ 4,110,498</u>	<u>\$ 343,453</u>

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**HUMANE SOCIETY OF TAMPA BAY, INC.
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NOTE L – 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, 2019 and 2018. The Organization’s contribution for the years ended December 31, 2019 and 2018 was \$14,771 and \$13,539, respectively.

NOTE M – ALLOCATION OF JOINT COSTS

During the years ended December 31, 2019 and 2018, the Organization incurred joint costs of \$272,502 and \$243,332, respectively, for informational material and activities that included a fundraising appeal. These costs were allocated among the various programs as follows:

	<u>2019</u>	<u>2018</u>
Shelter/Adoption Center	\$ 7,852	\$ 8,227
Community Outreach	16,493	17,423
Animal Health Center	5,791	6,058
Fundraising and Administration	<u>242,366</u>	<u>211,624</u>
	<u>\$ 272,502</u>	<u>\$ 243,332</u>

NOTE N – 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, 2019:

<u>Year ended December 31,</u>	<u>Amount</u>
2020	\$ 65,354
2021	65,940
2022	65,940
2023	65,940
2024	10,990

Lease expense incurred for facilities and equipment totaled \$65,404 and \$56,517 for the years ended December 31, 2019 and 2018, respectively.

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**HUMANE SOCIETY OF TAMPA BAY, INC.
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NOTE O – COMMITMENTS AND CONTINGENCIES

The Organization is in the process of building a new animal shelter. The total cost of the new shelter is approximately, \$17,180,000 which includes construction, parking lot, cages, kennels and furniture. Commitments as of December 31, 2019 for the new shelter include:

	Contract Commitment	Amounts Paid and accrued through December 31, 2019	Remaining Commitment at December 31, 2019
Pre-construction	\$ 667,432	\$ 499,003	\$ 168,429
Construction	12,187,484	1,423,354	10,764,130
Total	<u>\$ 12,854,916</u>	<u>\$ 1,922,357</u>	<u>\$10,932,559</u>

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, 2019 and 2018 the Organization expended \$394,428 and \$377,026, respectively, for such services.

NOTE P – AVAILABLE LINES OF CREDIT

The Organization has a \$1,000,000 bank line of credit available for its periodic borrowing needs. The line of credit expires March 29, 2020. Any borrowings under the line of credit are due on demand and bear interest at Daily LIBOR Rate plus 2.25% (1.76% at December 31, 2019). There were no outstanding borrowings on the line of credit at December 31, 2019.

The Organization has a \$2,500,000 bank line of credit available for construction of the new shelter. The loan is a 36 month non-revolving interest only loan. Draw-downs are available for a period of 24 months after the closing date of March 29, 2019. The line of credit converts to a mortgage note payable on March 29, 2021. Accrued interest is due monthly and bears interest at Daily LIBOR Rate plus 2.25% (1.76% at December 31, 2019). Outstanding principal and any accrued interest not paid is due on the expiration date of March 29, 2022. There were no outstanding borrowings on the line of credit at December 31, 2019.

NOTE Q –SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 6, 2020, the date the financial statements were available to be issued.

Read Report of Independent Certified Public Accountants.