

JACKSONVILLE HUMANE SOCIETY, INC.
(A Non-Profit Corporation)

Financial Statements
And Supplementary Information
December 31, 2012

(with Independent Auditors' Report thereon)

JACKSONVILLE HUMANE SOCIETY, INC.

TABLE OF CONTENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7
SUPPLEMENTARY INFORMATION	
Schedule of the Source and Expenditure of City Grant Funds	12



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

-INDEPENDENT AUDITORS' REPORT-

To the Board of Directors
Jacksonville Humane Society, Inc.
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying statement of financial position of Jacksonville Humane Society, Inc. (the "Organization"), a non-profit corporation, as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' judgment, including the assessment of 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 Organization'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 Organization as of December 31, 2012, the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 8 to the financial statements, the Organization has restated net assets as of January 1, 2012 to appropriately record the value of its land held for resale at the lower of cost or fair value.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of the Source and Expenditure of City Grant Funds on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dixon Hughes Goodman LLP

Jacksonville, Florida
June 20, 2013

JACKSONVILLE HUMANE SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

CURRENT ASSETS:	
Cash	\$ 2,330,182
Investments	18,708
Accounts receivable	12,927
Unconditional promises to give	3,034
Prepaid expenses	22,265
Thrift store inventory	35,941
Other inventory	11,190
Total Current Assets	<u>2,434,247</u>
PROPERTY AND EQUIPMENT, NET	9,000,412
OTHER ASSETS:	
Unconditional promises to give, net of \$2,170 discount	14,804
Land held for resale	<u>1,081,505</u>
TOTAL ASSETS	<u><u>\$ 12,530,968</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 293,927
Deferred revenue	80,935
Total current liabilities	<u>374,862</u>
NET ASSETS:	
Unrestricted	6,138,939
Temporarily restricted	1,317,167
Permanently restricted	4,700,000
Total net assets	<u>12,156,106</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,530,968</u></u>

The notes to financial statements are an integral part of these statements.

JACKSONVILLE HUMANE SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES:				
Program Revenues:				
Memberships	\$ 9,705	\$ -	\$ -	\$ 9,705
Adoptions	267,492	-	-	267,492
Hospital services	983,794	-	-	983,794
Obedience classes and summer camp	7,398	-	-	7,398
Cemetery plots and related fees	13,022	-	-	13,022
Contributions	968,117	294,036	-	1,262,153
In-kind contributions	139,007	-	-	139,007
Bequests	680,627	-	-	680,627
Grants	82,600	-	-	82,600
City of Jacksonville grants	99,284	-	-	99,284
Special events (net of expenses of \$26,667)	174,101	-	-	174,101
Thrift shop (net of expenses of \$395,035)	89,278	-	-	89,278
Merchandise	76,850	-	-	76,850
Rental income	28,277	-	-	28,277
Investment income	3,558	-	-	3,558
Miscellaneous income	7,511	-	-	7,511
	<u>3,630,621</u>	<u>294,036</u>	<u>-</u>	<u>3,924,657</u>
Net assets released from restrictions	<u>490,969</u>	<u>(490,969)</u>	<u>-</u>	<u>-</u>
EXPENSES:				
Program services	2,808,979	-	-	2,808,979
Management and general	127,812	-	-	127,812
Fundraising	434,764	-	-	434,764
	<u>3,371,555</u>	<u>-</u>	<u>-</u>	<u>3,371,555</u>
CHANGE IN NET ASSETS	750,035	(196,933)	-	553,102
NET ASSETS, JANUARY 1, 2012 (Restated)	<u>5,388,904</u>	<u>1,514,100</u>	<u>4,700,000</u>	<u>11,603,004</u>
NET ASSETS, DECEMBER 31, 2012	<u>\$ 6,138,939</u>	<u>\$ 1,317,167</u>	<u>\$ 4,700,000</u>	<u>\$ 12,156,106</u>

The notes to financial statements are an integral part of these statements.

JACKSONVILLE HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	Program Expenses				Supporting Services		
	Shelter Services	Medical/Vet Services	Hospital Services	Total Program	Management and General	Fundraising	Total
Salaries	\$ 454,014	\$ 333,539	\$ 493,374	\$ 1,280,927	\$ 93,518	\$ 140,855	\$ 1,515,300
Payroll taxes	41,918	28,536	44,679	115,133	7,414	12,410	134,957
Employee benefits	50,939	31,879	34,329	117,147	5,114	8,901	131,162
Personnel costs	546,871	393,954	572,382	1,513,207	106,046	162,166	1,781,419
Professional fees	33,457	2,751	11,146	47,354	886	31,493	79,732
Repairs and maintenance	12,573	4,944	18,280	35,797	1,236	1,236	38,269
Telephone	7,162	2,865	10,027	20,053	716	716	21,486
Food, medicine and exam room	189,856	136,116	372,133	698,105	-	-	698,105
Insurance	20,569	8,228	28,797	57,593	3,177	2,057	62,827
Community education	9,740	721	933	11,394	587	73	12,054
Utilities	25,547	10,219	35,766	71,533	2,555	2,555	76,642
Vehicle expense	2,741	1,097	3,838	7,676	274	274	8,224
Taxes and licenses	5,099	427	666	6,192	618	3	6,813
Office expense	9,751	6,318	17,237	33,307	2,237	9,549	45,092
Postage	681	365	1,302	2,349	94	648	3,091
Printing	205	-	-	205	-	2,099	2,304
Direct mail	-	-	-	-	-	212,044	212,044
Miscellaneous	11,956	4,735	17,036	33,727	1,780	2,245	37,752
Total expense before depreciation	876,208	572,740	1,089,543	2,538,491	120,206	427,158	3,085,855
Depreciation	76,056	30,422	164,010	270,488	7,606	7,606	285,700
Total expenses	<u>\$ 952,264</u>	<u>\$ 603,162</u>	<u>\$ 1,253,553</u>	<u>\$ 2,808,979</u>	<u>\$ 127,812</u>	<u>\$ 434,764</u>	<u>\$ 3,371,555</u>

The notes to financial statements are an integral part of these statements

JACKSONVILLE HUMANE SOCIETY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 553,102
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	285,011
Loss on disposal of equipment	19,211
Changes in operating assets and liabilities:	
Accounts receivable	12,137
Unconditional promises to give	5,493
Prepaid expenses	(894)
Inventory	3,776
Accounts payable and accrued expenses	(156,879)
Deferred revenue	80,935
	<hr/>
Net Cash Provided by Operating Activities	801,892
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from disposal of land held for resale	432,600
Purchase of equipment	(29,784)
	<hr/>
Net Cash Provided by Investing Activities	402,816
	<hr/>
NET INCREASE IN CASH	1,204,708
CASH, JANUARY 1, 2012	1,125,474
	<hr/>
CASH, DECEMBER 31, 2012	<u>\$ 2,330,182</u>

The notes to financial statements are an integral part of these statements.

JACKSONVILLE HUMANE SOCIETY, INC.

Notes to Financial Statements

December 31, 2012

1. Nature of Organization and Summary of Significant Account Policies

Jacksonville Humane Society, Inc. (“the Organization”) is a non-profit organization dedicated to the welfare of animals. Its primary purposes are the prevention of cruelty to animals, the relief of suffering animals, and presenting of humane education. The major sources of income are derived from public contributions and service revenue.

The financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into three classes of net assets – unrestricted, temporarily restricted, or permanently restricted as follows:

Unrestricted – Net assets representing resources generated from operations that are not subject to donor-imposed stipulations.

Temporarily Restricted – Net assets that are subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

Permanently Restricted – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization.

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service.

The Organization recognizes revenue for certain donated services and other in-kind contributions received at fair value as of the date of the gift.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments – Investments are recorded at fair value. The fair value of investments is based on the last sales price on the valuation date for those securities traded on national securities exchanges. Investment income is recognized as revenue in the period it is earned. At December 31, 2012, investments consisted of common stocks which were liquidated in 2013.

Pledges Receivable - Unconditional promises to give are recorded as receivables and contribution revenue when the promises are received. Contributions to be received after one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. The carrying amount of pledges receivable is reduced by a valuation allowance. The valuation allowance is adjusted at year end to reflect the percentage of pledges considered uncollectible by management based on historical collection experience and review of pledges receivable.

An allowance for uncollectible pledge receivables is estimated and based on management's judgment of the collectability of these receivables. At December 31, 2012, the Organization considered all remaining pledge receivables to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Inventory – Inventories other than thrift store are stated at lower of cost or market determined by the first-in, first-out method. Thrift store inventories are estimated based on an average of subsequent months' sales.

Property and Equipment – Property and equipment are recorded at cost or if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives. The useful lives used for depreciation range from three years to ten years.

Donated Use of Land – The Organization, in 1934 was donated the use of approximately 10 acres currently assessed in excess of \$1.5 million. The Organization may continue to use this land at no charge for as long as it remains in operation on the site. No amounts have been reflected in the financial statements for donated use of land as no objective basis is available to measure the value of such use.

Expense Allocation - The costs of providing program and management and fund raising activities have been summarized on a functional basis in the Schedules of Functional Expenses. According, certain costs have been allocated among the programs and supporting services benefited.

Concentrations of Credit Risk - Cash and cash equivalents consist of cash on deposit in banks and cash invested in liquid asset trust funds with initial maturities of three months or less. The Organization periodically maintains bank deposits in excess of the Federal Deposit Insurance Corporation limit.

Income Taxes – The Organization is recognized by the Internal Revenue Service as a nonprofit under Section 501(c)(3) of the Internal Revenue Code; accordingly the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2012. Years ending on or after December 31, 2009 remain subject to examination by Federal and state tax authorities.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the financial statements; and, (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - In preparing these financial statements, the Organization evaluated events and transactions for potential recognition or disclosure through June 20, 2013, the date of the financial statements were available for issue.

2. **Unconditional Promises to Give**

The Organization has an interest in an estate receivable. This estate provides for future cash flows at an annual rate of \$3,034. The Organization recorded the contribution as earned in the year of notification of the amount of bequest.

Unconditional promises to give at December 31, 2012 are as follows:

Estates receivable	<u>\$ 17,838</u>
Amounts due in:	
Less than one year	\$ 3,034
One to five years	15,170
More than five years	<u>1,804</u>
Total unconditional promises to give	<u>20,008</u>
Less: Discounts to net present value	<u>(2,170)</u>
Net unconditional promises to give	<u>\$ 17,838</u>

3. **Property and Equipment**

Property and equipment consists of the following at December 31, 2012:

Donated land	\$ 4,700,000
Community animal hospital	3,225,979
Land - clinic and thrift store	273,054
Clinic - building and improvements	211,176
Clinic equipment	55,465
Thrift store - building and improvements	563,074
Shelter and improvements	874,117
Equipment	191,300
Vehicles	81,910
Subtotal	<u>10,176,075</u>
Less: Accumulated depreciation	(1,175,663)
Total	<u><u>\$ 9,000,412</u></u>

4. **Temporarily Restricted and Permanently Restricted Assets**

Temporarily restricted net assets consist of the following:

	January 1, 2012 (Restated)	Increases/ Contributions	Decreases/ Uses	December 31, 2012
Bo's Fund	\$ -	\$ 30,453	\$ (14,590)	\$ 15,863
Mend a Friend	-	18,775	(18,775)	-
Capital Campaign	-	244,808	(25,004)	219,804
Donated Land for Resale	1,514,100	-	(432,600)	1,081,500
Total	<u>\$ 1,514,100</u>	<u>\$ 294,036</u>	<u>\$ (490,969)</u>	<u>\$ 1,317,167</u>

In 2007 the Organization received two adjoining parcels of land in Duval County, Florida with a fair market value of \$3,500,000 as part of a capital campaign. This property was donated with the stipulation that should the land be sold within the ensuing three years it be sold for not less than \$3,500,000. As part of the gift, there are naming rights in favor of the grantor whenever the new facility is built. In 2011, the State of Florida Department of Transportation ("FDOT") initiated eminent domain proceedings on one of the parcels. This parcel was transferred to the FDOT in 2012 for \$432,600. The remaining restricted balance is for the land still owned by the Organization, and is valued considering the fair value of the adjacent property transferred to the FDOT.

Permanently restricted net assets consist of approximately 16 acres of land adjacent to the Organization's current site donated to Organization for use in future operations and expansion.

5. Donated Materials and Services

Donated materials are recorded as contributions at estimated fair values at the date of donation. Donated services are recognized as contributions in accordance with FASB ASC 958-10 *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The value of donated services which meet the criteria for recognition under FASB ASC 958-10 included in the financial statements and the corresponding shelter expenses for the year ended December 31, 2012 included donated food and medicine of \$134,936 and professional services of \$4,071.

Numerous volunteers have donated their time and have performed a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization received volunteer hours of 22,908 in 2012. No amounts have been reflected in the financial statements for donated volunteer hours.

6. Defined Contribution Retirement Plan

The Organization maintains a defined contribution retirement plan covering substantially all full-time permanent employees. Employer contributions are determined at the Board of Directors' discretion. The plan may be terminated at any time without further obligation to the Organization. There was no employer contribution to the plan for the year ending December 31, 2012.

7. Operating Lease – Lessor

The Organization rents a portion of its thrift store property under a month to month lease. It earned \$28,277 in rental income in 2012.

8. Prior Years Restatement

Effective January 1, 2012 the Organization corrected the value of its land held for resale to the lower of cost or estimated fair value. The cumulative effect of this change resulted in a decrease in net assets and other assets of \$1,985,900 at January 1, 2012. The change would have also reduced the change in net assets by \$1,985,900 for the year ended December 31, 2011. The restatement did not have any impact on previously reported net cash flows or compliance with any loan covenants.

JACKSONVILLE HUMANE SOCIETY, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SOURCE AND EXPENDITURE OF CITY GRANT FUNDS
YEAR ENDED DECEMBER 31, 2012

City of Jacksonville
Public Service Grant
Contract Number: 7512-21
Contract Period: 10/1/11 - 9/30/12
Award Amount: \$89,775

	<u>Budgeted</u>	<u>Actual 10/1/2011 - 12/31/2011</u>	<u>Actual 1/1/2012 - 9/30/2012</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries	\$ 89,775	\$ 22,444	\$ 67,331	\$ 89,775	\$ -
Total	<u>\$ 89,775</u>	<u>\$ 22,444</u>	<u>\$ 67,331</u>	<u>\$ 89,775</u>	<u>\$ -</u>

City of Jacksonville
Public Service Grant
Contract Number: 7512-22
Contract Period: 10/1/12 - 9/30/13
Award Amount: \$89,775

	<u>Budgeted</u>	<u>Actual 10/1/2012 - 12/31/2012</u>	<u>Actual 1/1/2013 - 9/30/2013</u>	<u>Total Actual</u>	<u>Remaining Balance</u>
Salaries	\$ 89,775	\$ 22,444	\$ -	\$ 22,444	\$ 67,331
Total	<u>\$ 89,775</u>	<u>\$ 22,444</u>	<u>\$ -</u>	<u>\$ 22,444</u>	<u>\$ 67,331</u>

See Independent Auditors' Report on Supplementary Information