

# **Jacksonville Humane Society, Inc.**

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## **Financial Statements**

**Years Ended December 31, 2017 and 2016**

## **Table of Contents**

<b>Independent Auditors' Report .....</b>	<b>1</b>
<b>Financial Statements:</b>	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Functional Expenses .....	4
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7

## **Independent Auditors' Report**

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

### ***Report on the Financial Statements***

We have audited the accompanying statements of financial position of Jacksonville Humane Society, Inc. (the "Organization"), a non-profit corporation, as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' 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 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, 2017 and 2016, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

**Jacksonville, Florida  
June 19, 2018**

**Jacksonville Humane Society, Inc.**  
**Statements of Financial Position**  
**December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,128,764	\$ 2,787,522
Investments at fair value	2,191,304	3,376,424
Accounts receivable	115,470	103,230
Unconditional promises to give, current	350,234	1,534,157
Prepaid expenses	39,769	72,684
Inventory	52,187	42,645
	<hr/>	<hr/>
Total current assets	4,877,728	7,916,662
Property and equipment, net	21,001,472	12,254,493
Other assets:		
Unconditional promises to give, net	1,394,878	958,804
Land held for resale	1,081,505	1,081,505
Other assets	-	91,527
	<hr/>	<hr/>
Total assets	<u>\$ 28,355,583</u>	<u>\$ 22,302,991</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 781,704	\$ 710,538
Deferred revenue	184,451	86,818
Note payable, current	136,899	-
Capital lease, current	10,765	-
	<hr/>	<hr/>
Total current liabilities	1,113,819	797,356
Long term liabilities:		
Note payable	2,953,381	-
Capital lease	46,619	-
	<hr/>	<hr/>
Total long term liabilities	3,000,000	-
Total liabilities	4,113,819	797,356
Net assets:		
Unrestricted	16,745,519	12,842,694
Temporarily restricted	2,796,245	3,962,941
Permanently restricted	4,700,000	4,700,000
	<hr/>	<hr/>
Total net assets	24,241,764	21,505,635
Total liabilities and net assets	<u>\$ 28,355,583</u>	<u>\$ 22,302,991</u>

See accompanying notes.

**Jacksonville Humane Society, Inc.**  
**Statements of Activities**  
**Years Ended December 31, 2017 and 2016**

	2017			2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues							
Program Revenues:							
Outreach	\$ 8,540	\$ -	\$ -	\$ 8,540	\$ 12,373	\$ -	\$ 12,373
Adoptions	214,564	-	-	214,564	230,314	-	230,314
Hospital services	1,119,794	-	-	1,119,794	1,575,122	-	1,575,122
Obedience classes	-	-	-	-	3,400	-	3,400
Cemetery plots and related fees	23,537	-	-	23,537	31,610	-	31,610
Contributions	1,522,757	2,225,276	-	3,748,033	1,454,063	712,923	2,166,986
In-kind contributions	149,663	-	-	149,663	122,963	-	122,963
Bequests	829,266	-	-	829,266	388,540	-	388,540
Grants	326,526	-	-	326,526	304,803	-	304,803
Special events (net of expenses of \$28,670 and \$44,525 in 2017 and 2016, respectively)	306,768	-	-	306,768	280,699	-	280,699
Merchandise	82,471	-	-	82,471	74,813	-	74,813
Investment income	291,497	-	-	291,497	118,867	-	118,867
Miscellaneous income	100,998	-	-	100,998	110,089	-	110,089
Total revenue	<u>4,976,381</u>	<u>2,225,276</u>	<u>-</u>	<u>7,201,657</u>	<u>4,707,656</u>	<u>712,923</u>	<u>5,420,579</u>
Net assets released from restrictions	<u>3,061,191</u>	<u>(3,061,191)</u>	<u>-</u>	<u>-</u>	<u>4,408,705</u>	<u>(4,408,705)</u>	<u>-</u>
Expenses:							
Program services	3,444,690	-	-	3,444,690	3,763,445	-	3,763,445
Management and general	154,574	330,781	-	485,355	152,813	-	152,813
Fundraising	535,483	-	-	535,483	465,057	-	465,057
Total expenses	<u>4,134,747</u>	<u>330,781</u>	<u>-</u>	<u>4,465,528</u>	<u>4,381,315</u>	<u>-</u>	<u>4,381,315</u>
Change in net assets	<u>3,902,825</u>	<u>(1,166,696)</u>	<u>-</u>	<u>2,736,129</u>	<u>4,735,046</u>	<u>(3,695,782)</u>	<u>1,039,264</u>
Net assets, beginning	<u>12,842,694</u>	<u>3,962,941</u>	<u>4,700,000</u>	<u>21,505,635</u>	<u>8,107,648</u>	<u>7,658,723</u>	<u>4,700,000</u>
Net assets, ending	<u>\$ 16,745,519</u>	<u>\$ 2,796,245</u>	<u>\$ 4,700,000</u>	<u>\$ 24,241,764</u>	<u>\$ 12,842,694</u>	<u>\$ 3,962,941</u>	<u>\$ 4,700,000</u>
							<u>\$ 21,505,635</u>

See accompanying notes.

**Jacksonville Humane Society, Inc.**  
**Statements of Functional Expenses**  
**Year Ended December 31, 2017**

	Program Expenses				Supporting Services		Total
	Shelter Services	Medical/Vet Services	Hospital Services	Total	Management and General	Fundraising	
Salaries	\$ 734,646	\$ 299,968	\$ 549,459	\$ 1,584,073	\$ 96,757	\$ 171,526	\$ 1,852,356
Payroll taxes	58,497	23,431	43,398	125,326	7,360	12,858	145,544
Employee benefits	106,441	32,171	55,876	194,488	10,083	12,743	217,314
Personnel costs	899,584	355,570	648,733	1,903,887	114,200	197,127	2,215,214
Professional fees	39,197	15,076	45,522	99,795	6,772	51,479	158,046
Repairs and maintenance	10,758	4,138	18,629	33,525	901	901	35,327
Telephone	7,612	2,928	7,612	18,152	750	750	19,652
Food, medicine and exam room	204,956	125,607	411,155	741,718	-	-	741,718
Insurance	26,117	10,045	26,117	62,279	5,527	2,347	70,153
Community education	8,905	857	3,169	12,931	200	711	13,842
Utilities	39,079	15,030	52,115	106,224	3,512	3,512	113,248
Vehicle expense	1,803	693	1,803	4,299	162	162	4,623
Taxes and licenses	26,080	116	1,042	27,238	447	27	27,712
Office expense	13,366	7,510	25,991	46,867	2,289	10,397	59,553
Postage	1,130	435	1,130	2,695	102	5,543	8,340
Printing	559	-	-	559	-	3,849	4,408
Direct mail	-	-	-	-	-	243,687	243,687
Miscellaneous	27,716	11,081	9,770	48,567	7,052	2,331	57,950
Total expenses before non-cash expenses	1,306,862	549,086	1,252,788	3,108,736	141,914	522,823	3,773,473
Depreciation	136,295	52,421	136,295	325,011	12,248	12,248	349,507
Loss on pledge receivable	-	-	-	-	330,781	-	330,781
Loss on the disposal of assets	4,589	1,765	4,589	10,943	412	412	11,767
Total expenses	\$ 1,447,746	\$ 603,272	\$ 1,393,672	\$ 3,444,690	\$ 485,355	\$ 535,483	\$ 4,465,528

See accompanying notes.

**Jacksonville Humane Society, Inc.**  
**Statements of Functional Expenses**  
**Year Ended December 31, 2016**

**(Continued)**

	Program Expenses				Supporting Services		
	Shelter Services	Medical/Vet Services	Hospital Services	Total	Management and General	Fundraising	Total
Salaries	\$ 746,247	\$ 288,140	\$ 738,690	\$ 1,773,077	\$ 103,374	\$ 167,183	\$ 2,043,634
Payroll taxes	57,084	22,153	52,575	131,812	7,481	12,596	151,889
Employee benefits	95,096	37,168	64,734	196,998	9,808	11,492	218,298
Personnel costs	898,427	347,461	855,999	2,101,887	120,663	191,271	2,413,821
Professional fees	41,750	16,128	56,516	114,394	3,775	7,026	125,195
Repairs and maintenance	12,900	4,983	23,635	41,518	1,166	1,166	43,850
Telephone	10,903	4,212	11,916	27,031	986	986	29,003
Food, medicine and exam room	170,856	133,615	586,900	891,371	-	-	891,371
Insurance	30,118	11,635	32,915	74,668	5,408	347	80,423
Community education	11,131	1,497	9,463	22,091	323	1,736	24,150
Utilities	22,146	8,555	44,525	75,226	2,002	2,002	79,230
Vehicle expense	940	363	1,027	2,330	85	85	2,500
Taxes and licenses	33,365	127	931	34,423	511	30	34,964
Office expense	17,422	7,654	20,371	45,447	1,223	9,945	56,615
Postage	1,277	493	1,396	3,166	115	7,380	10,661
Printing	1,051	-	-	1,051	-	3,423	4,474
Direct mail	-	-	-	-	-	226,872	226,872
Miscellaneous	27,390	4,218	10,900	42,508	7,043	3,275	52,826
Total expense before depreciation	1,279,676	540,941	1,656,494	3,477,111	143,300	455,544	4,075,955
Depreciation	105,225	40,649	114,996	260,870	9,513	9,513	279,896
Loss on the disposal of assets	10,271	3,968	11,225	25,464	-	-	25,464
Total expenses	\$ 1,395,172	\$ 585,558	\$ 1,782,715	\$ 3,763,445	\$ 152,813	\$ 465,057	\$ 4,381,315

See accompanying notes.

**Jacksonville Humane Society, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,736,129	\$ 1,039,264
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	349,507	279,896
Loss on disposal of property and equipment	11,767	25,464
Realized and unrealized gain on investments	(90,399)	(159,576)
Changes in operating assets and liabilities:		
Accounts receivable	(12,240)	(7,872)
Unconditional promises to give	747,849	740,380
Prepaid expenses	32,915	(593)
Inventory	(9,542)	(2,143)
Accounts payable and accrued expenses	71,166	453,264
Deferred revenue	97,633	(183,824)
Net cash provided by operating activities	<u>3,934,785</u>	<u>2,184,260</u>
Cash flows from investing activities:		
Sales of investments	3,258,648	2,485,917
Purchases of investments	(1,983,128)	(2,916,254)
Purchase of property and equipment	(9,050,870)	(4,264,675)
Prepaid closing costs	-	(91,527)
Net cash used by investing activities	<u>(7,775,350)</u>	<u>(4,786,539)</u>
Cash flows from financing activities:		
Net borrowings on line of credit	<u>3,181,807</u>	-
Net cash provided by financing activities	<u>3,181,807</u>	-
Net decrease in cash and cash equivalents	(658,758)	(2,602,279)
Cash and cash equivalents, beginning	<u>2,787,522</u>	<u>5,389,801</u>
Cash and cash equivalents, ending	<u>\$ 2,128,764</u>	<u>\$ 2,787,522</u>
Supplemental disclosure of noncash investing and financing activities:		
Equipment financed with capital lease obligations	<u>\$ 57,384</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 19,937</u>	<u>\$ -</u>

See accompanying notes.



## **Notes to Financial Statements**

### **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. For securities traded over-the-counter, the last bid price is used. Realized and unrealized gains or losses are determined by comparison of cost to either proceeds received from sales or market values.

Purchases and sales of securities are recorded on a trade-date basis. Investment income is recognized as revenue in the period it is earned. Dividends are recorded on the ex-dividend date.

**Jacksonville Humane Society, Inc.**  
**Notes to Financial Statements**

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***Fair value measurement***

Generally accepted accounting principles in the United States of America (GAAP) define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. See Note 3.

***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 (ranges from 2% to 3%). 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, 2017 and 2016, the Organization considered all remaining pledge receivables to be fully collectible.

***Inventory***

Inventories are stated at lower of cost or market determined by the first-in, first-out method.

***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 forty years.

***Donated use of land***

In 1934 the Organization received a donation of the use approximately 10 acres. 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. Accordingly, 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

**Jacksonville Humane Society, Inc.**  
**Notes to Financial Statements**

***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 19, 2018, the date of the financial statements were available for issue.

Subsequent to year end the Organization refinanced its construction loan. The new agreement matures in October 2023 and bears interest at the 30 day LIBOR rate plus 2.10%. The Organization re-classified as of December 31, 2017 the current and non-current portion of the obligation based on the terms of the term new note. See Note 6 for further information.

**2. Investments**

Investments at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stocks:				
Large cap	\$ 776,759	\$ 935,251	\$ 1,514,664	\$ 1,622,172
Mutual funds:				
Fixed income	297,276	296,872	528,973	518,578
Equities	129,292	145,768	192,227	186,377
Alternative investments	44,985	51,651	86,098	86,943
	471,553	494,291	807,298	791,898
Certificate of deposit	757,872	761,762	959,837	962,354
	<u>\$ 2,006,184</u>	<u>\$ 2,191,304</u>	<u>\$ 3,281,799</u>	<u>\$ 3,376,424</u>

Investment income for December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 62,720	\$ 68,861
Net realized and unrealized gains	<u>246,520</u>	<u>69,151</u>
	309,240	138,012
Less: investment fees	<u>17,743</u>	<u>19,145</u>
	<u>\$ 291,497</u>	<u>\$ 118,867</u>

### **3. Fair Value of Financial Assets**

The Organization follows accounting standards requiring 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 are described as follows:

- Level 1: Quoted prices are available in active markets for identical investments as of the reporting date.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management judgment and estimation. Such investment valuations are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Organization's investments are Level 1 assets. The following is a description of the valuation methodologies used for assets measured at fair value.

Level 1 Fair Value Measurements - The fair value of equities is based on the closing price reported on the active market on which the individual securities are traded. The fair value of mutual funds is based on quoted net asset values of the shares held by the Organization at year end. The fair value of money market funds and certificates of deposit are based on transacted values.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no changes during the year ended December 31, 2017 to the Organization's valuation techniques used to measure asset and liability fair values on a recurring basis.

**Jacksonville Humane Society, Inc.**  
**Notes to Financial Statements**

**4. Unconditional Promises to Give**

Unconditional promises to give at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Unconditional promises to give	<u>\$ 1,745,112</u>	<u>\$ 2,492,961</u>
Amounts due in:		
Less than one year	\$ 350,234	\$ 1,534,157
One to five years	1,125,347	1,055,492
More than five years	<u>697,000</u>	<u>-</u>
Total unconditional promises to give	<u>2,172,581</u>	<u>2,589,649</u>
Less: present value discounts and allowance	<u>(427,469)</u>	<u>(96,688)</u>
Unconditional promises to give, net	<u>\$ 1,745,112</u>	<u>\$ 2,492,961</u>

**5. Property and Equipment**

Property and equipment consists of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Adoption and Education Center	\$ 11,599,380	\$ -
Donated land	4,700,000	4,700,000
Community animal hospital	3,246,520	3,231,979
Land	273,054	273,054
Clinic – building and improvements	212,876	211,176
Clinic equipment	22,832	62,492
Shelter and improvements	1,739,474	1,739,474
Equipment	777,686	230,632
Vehicles	81,910	81,910
Construction in progress	<u>-</u>	<u>3,152,603</u>
	22,653,732	13,683,320
Less: accumulated depreciation	<u>(1,652,260)</u>	<u>(1,428,827)</u>
	<u>\$ 21,001,472</u>	<u>\$ 12,254,493</u>

In 2015, the Organization entered into an agreement with a construction contractor to build a new main Adoption and Education Center in the same location as the existing facility. The construction was completed in September 2017. The final payment to the contractor was made in January 2018 and is included in accounts payable and accrued expenses.

**Jacksonville Humane Society, Inc.**  
**Notes to Financial Statements**

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**6. Note Payable**

In connection with the Organization's capital campaign, and the temporarily restricted capital campaign amounts described in Note 8, the Organization in 2016 obtained bank financing for as part of the construction of the Organization's brand-new animal shelter.

Prior to February 1, 2018, the financing was structured as an open line of credit. Effective February 1, 2018, it was converted to a term note. The bank financing provides for construction related financing and is secured by the subject mortgaged real estate. The loan agreement matures in October 2023, bears interest at the 30 day LIBOR rate plus 2.10%. The loan is subject to certain non-financial covenants.

The Company adopted the provisions of Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which provides an alternative to presenting the debt issuance costs of obtaining financing or refinancing. This alternative allows an entity to present the debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset.

The future principle payments at December 31, 2017 are as follows:

2018	\$	136,899
2019		169,173
2020		174,898
2021		181,385
2022		187,823
Thereafter		2,331,629
Unamortized loan costs		<u>(91,527)</u>
Total future payments	\$	<u>3,090,280</u>

**7. Capital Lease**

The Organization entered into a lease contract in December 2017 for equipment. The asset and liability under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The net book value of the equipment is \$57,384 on December 31, 2017.

The future minimum lease payments under this capital lease at December 31, 2017 are as follows:

2018	\$	11,460
2019		11,460
2020		11,460
2021		11,460
2022		11,460
Thereafter		<u>2,865</u>
Total future minimum lease payments		60,165
Less: imputed interest		<u>(2,781)</u>
Present value of lease payments		57,384
Less: current portion of obligation		<u>(10,765)</u>
	\$	<u>46,619</u>

## 8. Temporarily Restricted and Permanently Restricted Assets

Temporarily restricted net assets consist of the following:

	<u>January 1, 2017</u>	<u>Increase / Contributions</u>	<u>Decreases / Uses</u>	<u>December 31, 2017</u>
Capital campaign	\$ 2,864,047	\$ 2,209,130	\$ (3,378,748)	\$ 1,694,429
Bo's Fund	4,457	13,549	(9,589)	8,417
Mend a Friend	-	2,472	-	2,472
Peaches	4,377	125	(3,635)	867
Emergency boarding	8,560	-	-	8,560
Donated land for resale	<u>1,081,500</u>	<u>-</u>	<u>-</u>	<u>1,081,500</u>
	<u>\$ 3,962,941</u>	<u>\$ 2,225,276</u>	<u>\$ (3,391,972)</u>	<u>\$ 2,796,245</u>
	<u>January 1, 2016</u>	<u>Increase / Contributions</u>	<u>Decreases / Uses</u>	<u>December 31, 2016</u>
Capital campaign	\$ 6,552,328	\$ 704,761	\$ (4,393,042)	\$ 2,864,047
Bo's Fund	7,296	5,527	(8,366)	4,457
Mend a Friend	-	1,210	(1,210)	-
Peaches	9,039	1,425	(6,087)	4,377
Emergency boarding	8,560	-	-	8,560
Donated land for resale	<u>1,081,500</u>	<u>-</u>	<u>-</u>	<u>1,081,500</u>
	<u>\$ 7,658,723</u>	<u>\$ 712,923</u>	<u>\$ (4,408,705)</u>	<u>\$ 3,962,941</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 the land cannot be sold within the ensuing three years for not less than \$3,500,000. 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 and there was an additional remediation payment of \$355,379 in 2015. The remaining restricted balance is for the land still owned by the Organization, and was reduced in 2012 to market value based on the consideration received for 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.

## 9. 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, 2017 and 2016 included donated food and medicine of approximately \$150,000 and \$123,000, respectively.

**Jacksonville Humane Society, Inc.**  
**Notes to Financial Statements**

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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 approximate volunteer hours of 23,579 in December 31, 2017 and 25,171 in 2016. No amounts have been reflected in the financial statements for donated volunteer hours.

**10. Defined Contribution Retirement Plan**

The Organization sponsors 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 years ending December 31, 2017 and 2016.