

Humane Society of the Treasure Coast, Inc.

FINANCIAL STATEMENTS

September 30, 2022

Humane Society of the Treasure Coast, Inc.

FINANCIAL STATEMENTS

September 30, 2022

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Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

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Report of Independent Auditors

To the Board of Directors
Humane Society of the Treasure Coast, Inc.
Palm City, Florida

Opinion

We have audited the accompanying financial statements of the Humane Society of the Treasure Coast, Inc. (the "Society"), a non-profit organization, which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Humane Society of the Treasure Coast, Inc. as of September 30, 2022, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Humane Society of the Treasure Coast, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Humane Society of the Treasure Coast, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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Berger, Toombs, Elam,
Gaines & Frank
Certified Public Accountants PL

To the Board of Directors
Humane Society of the Treasure Coast, Inc

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Stuart, Florida

June 20, 2023

Humane Society of the Treasure Coast, Inc.
STATEMENT OF FINANCIAL POSITION
September 30, 2022

	2022
Assets	
Current assets	
Cash and cash equivalents	\$ 3,732,210
Contract support receivable	77,105
Bequest receivable, net of present value discount of \$14,237	20,165
Prepaid expenses	58,344
Total current assets	3,887,824
Property and equipment	
Property and equipment at cost, net of accumulated depreciation of \$3,269,217	3,609,017
Other assets	
Investments	1,320,629
Bequest receivable, net of present value discount of \$270,501	383,142
Land held for investment	189,720
Deposits	7,504
Total assets	\$ 9,397,836
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 56,880
Deferred revenues	26,915
Accrued expenses	15,209
Total current liabilities	99,004
Long term liabilities	
Accrued compensated absences	27,576
Total liabilities	126,580
Net Assets	
With donor restrictions	1,229,964
Without donor restrictions	8,041,292
Total net assets	9,271,256
Total liabilities and net assets	\$ 9,397,836

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

Humane Society of the Treasure Coast, Inc.
STATEMENT OF ACTIVITIES
For the year ended September 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>
Support and Revenues			
Contributions	\$ 3,393,245	\$ 182,191	\$ 3,575,436
Contracts	745,393	75,835	821,228
Program fees	529,089	-	529,089
Thrift Shop sales	1,131,642	-	1,131,642
Less direct costs	(687,878)	-	(687,878)
Special Events income	242,801	102,062	344,863
Less direct costs	(99,927)	-	(99,927)
Pet boutique	3,754	-	3,754
Investment Income	7,472	19,410	26,882
Rental income	19,368	-	19,368
Total net support and revenues	<u>5,284,959</u>	<u>379,498</u>	<u>5,664,457</u>
Net Assets Released From Restrictions			
Satisfaction of program restrictions	<u>424,856</u>	<u>(424,856)</u>	<u>-</u>
Total support and revenues	<u>5,709,815</u>	<u>(45,358)</u>	<u>5,664,457</u>
Expenses			
Program Services	2,677,435	-	2,677,435
Support services:			
General and administrative expenses	203,640	-	203,640
Fundraising	383,936	-	383,936
Total support services	<u>587,576</u>	<u>-</u>	<u>587,576</u>
Total expenses	<u>3,265,011</u>	<u>-</u>	<u>3,265,011</u>
Unrealized losses on investments, net	255,495	-	255,495
Unrealized loss in value of trust	<u>-</u>	<u>169,516</u>	<u>169,516</u>
Total expenses and losses	3,520,506	169,516	3,690,022
Change in net assets	<u>2,189,309</u>	<u>(214,874)</u>	<u>1,974,435</u>
Net assets at beginning of year	<u>5,851,983</u>	<u>1,444,838</u>	<u>7,296,821</u>
Net assets at end of year	<u>\$ 8,041,292</u>	<u>\$ 1,229,964</u>	<u>\$ 9,271,256</u>

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

Humane Society of the Treasure Coast, Inc.
STATEMENT OF CASH FLOWS
For the year ended September 30, 2022

	2022
Cash Flows From Operating Activities	
Change in net assets	\$ 1,974,435
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	197,996
Unrealized/realized loss on investments	268,225
Unrealized loss on bequest trust	169,516
(Increase) decrease in assets:	
Accounts receivable	61,309
Prepaid expenses	(49,117)
Deposits	6,305
Increase (decrease) in liabilities:	
Deferred revenues	309
Accounts payable and accrued expenses	(8,109)
Net cash provided by operating activities	2,620,869
Cash Flows From Investing Activities	
Purchases of investments	(625,148)
Proceeds from sales of Investments	691,618
Building and equipment purchases	(121,049)
Net cash used in investing activities	(54,579)
Net increase in Cash and Cash Equivalents	2,566,290
Cash at beginning of year	1,165,920
Cash at end of year	\$ 3,732,210

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

Humane Society of the Treasure Coast, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2022

	SUPPORT SERVICES				2022
	Program Services	General and Administrative	Fundraising & Development	Total Support Services	
Salaries	\$ 1,365,215	\$ 104,471	\$ 169,942	\$ 274,413	\$ 1,639,627
Payroll taxes	134,327	10,304	16,039	26,343	160,670
Employee benefits	160,305	12,351	22,917	35,268	195,573
Total salaries and related expenses	1,659,847	127,124	208,899	336,023	1,995,870
Depreciation	155,309	19,800	19,800	39,600	194,909
Medical and surgical supplies	194,838	-	-	-	194,838
Non-medical pet supplies	52,151	-	-	-	52,151
Occupancy	155,653	18,597	11,488	30,085	185,738
Flea & Heartworm	38,022	-	-	-	38,022
Mail campaigns	-	-	100,463	100,463	100,463
Software and equipment	22,928	4,352	1,734	6,086	29,014
Network and website	25,496	4,855	2,017	6,872	32,368
Insurance	61,714	12,070	6,685	18,755	80,469
Animal feed	27,019	-	-	-	27,019
Repairs and maintenance	35,811	6,420	569	6,989	42,800
Fundraising Events - General	-	-	5,581	5,581	5,581
Public Relations	24,857	-	1,785	1,785	26,642
Travel	4,311	-	-	-	4,311
Merchant and bank fees	30,008	-	4,747	4,747	34,755
Cremations and burials	15,273	-	-	-	15,273
Publication - Wagging Tales	4,238	-	9,888	9,888	14,126
Program expense	27,705	-	29	29	27,734
Professional fees	65,468	-	2,976	2,976	68,444
Staff expenses	28,766	6,684	3,391	10,074	38,840
Humane education and memorial garden	2,566	-	-	-	2,566
Office supplies, postage, copying, printing	13,911	1,694	1,309	3,003	16,914
Advertising and marketing	15,452	-	2,111	2,111	17,563
Training and meetings	6,568	842	298	1,140	7,708
Shelter supplies	2,687	-	-	-	2,687
Licenses, subscriptions & dues	6,639	1,201	166	1,367	8,006
Misc Expenses	200	-	-	-	200
Total expenses	<u>\$ 2,677,435</u>	<u>\$ 203,640</u>	<u>\$ 383,936</u>	<u>\$ 587,576</u>	<u>\$ 3,265,011</u>

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE A – DESCRIPTION OF ORGANIZATION

Humane Society of the Treasure Coast, Inc. (the “Society”) is a Florida nonprofit corporation located in Palm City, Florida, founded in 1955. It operates as the only open access, no kill animal welfare organization operating in Martin County. Humane Society of the Treasure Coast accepts all animals regardless of health, age, temperament, or breed. Over the years more than 350,000 animals have received care through its programs and services. The Society is funded primarily through program service fees, public support, and a contract with Martin County. The Society also operates two thrift stores in Stuart, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Financial Statements

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. Assets and related revenues are recorded when earned, and liabilities and related expenses are recognized as incurred. In applying generally accepted accounting principles to program service revenue, the legal and contractual requirements of the individual programs are used as guidance. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. In accordance with generally accepted accounting principles as they relate to non-profit organizations, account balances and transactions of the organization have been classified into two classes of net assets – net assets without donor restrictions and net assets with donor restrictions as follows:

- a. Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in corporate documents and the application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others entered into in the course of its operations.
- b. Net Assets With Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Financial Statements (continued)

- b. Net Assets With Donor Restrictions (continued) – The organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions are reported as net assets with donor restrictions if a donor imposes a restriction that may be satisfied by the passage of time or the actions of the organization. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. Net assets with donor restrictions also include contributions that include stipulations by the donor that the contribution be maintained perpetually but may allow the organization to use all or part of the income derived from the underlying asset for unrestricted purposes.

2. Income Taxes

The Society is exempt from federal and state income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. In accordance with the Internal Revenue Code, Humane Society of the Treasure Coast, Inc. is not considered a private foundation.

3. Donated Services

While the Society receives donated services throughout the year that enhance the effectiveness of the programs, these services do not create or enhance non-financial assets nor do they require specialized skills that if not provided by a volunteer would be purchased. Accordingly, while these services contribute to the success of the programs, they have not been reflected in the accompanying financial statements.

4. Receivables

Accounts receivable due from contracts, grantors and donors are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest.

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Bequests Receivable

The Society recognizes bequests receivable at their estimated fair values when the donor makes a promise to give that is, in substance, unconditional.

Unconditional promises and bequests to give cash over a period of time exceeding one year are recorded at their present value of estimated future cash flows using a discount rate appropriate for the level of risk involved, if significant to the financial statements. Any related interest income is recorded as contribution revenue over the duration of the pledge.

The Society is named the beneficiary in a Trust held by a third party. This Trust is initially recorded at fair value, based on the Society's interest in the fair value of the underlying assets at the time of the gift discounted by the net present value of future cash flows to be received. Subsequent changes to the Trust's fair value are reported as net unrealized gains or losses related to net assets with donor restrictions and are included in the Statement of Activities. Future distributions from the Trust are recorded at the net present value of the future cash flow, adjusted by the annual change in the Trust's fair value calculated by the Trust's third party. Under the terms of the Trust, the Society has an irrevocable right to receive the annual distributions of the Trust's assets. Distributions from the Trust are based on the terms of the underlying Trust agreement and generally require a minimum distribution of 5% of the Trust's assets to be distributed on an annual basis. The Trust is invested in cash equivalents, municipal bonds, preferred securities, common stocks, and mutual funds. The Trust assets are not insured by the FDIC and are subject to investment risks, including the possible loss of the principal invested.

Unconditional promises to give and bequests receivable that are due in future periods and are not restricted by the donor generally increase net assets with donor restrictions unless the donor explicitly stipulates that the promise or bequest is to support current period activities. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

6. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded at cost.

The Society has elected to capitalize those assets costing or having a fair market value at time of donation of \$500 or more and a useful life greater than one year. Depreciation is provided for all classes of property, plant, and equipment using straight-line methods over estimated useful lives ranging from 5 to 39 years. Contributed property and equipment is recorded at fair value at the date of donation if material to the financial statements.

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on units of service.

9. Cash Flows

The Society presents its cash flows using the indirect method. Cash and cash equivalents may consist of cash on hand, time deposits, and all highly liquid debt instruments with original maturities of three months or less.

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and short-term money market funds. These financial instruments are potentially subject to concentrations of credit risk as follows. Cash balances are maintained at financial institutions located in Martin County, Florida. Cash accounts at each of these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Society has deposits in these financial institutions totaling \$3,772,987 at September 30, 2022 of which \$2,776,977 is uninsured by the FDIC.

NOTE D – INVESTMENTS

Securities held by brokerage institutions are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 which includes a \$250,000 limit for cash equivalents. The asset protection provided by SIPC is not against losses from fluctuations in the value of the securities, but rather only if the brokerage firm ceases doing business.

Investments and money market funds subject to market risk of fluctuations in value at September 30, 2022 are as follows:

Money market funds awaiting investment	\$ 1,080,408
Mutual funds	501,048
Equities	817,523
Corporate bonds	2,058
	<u>\$ 2,401,037</u>

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE D – INVESTMENTS (CONTINUED)

Investments as of September 30, 2022 consisted of the following:

	Market Value	Cost
Corporate bonds	\$ 2,058	\$ 2,686
Mutual funds	501,048	555,718
Equities	817,523	787,492
	\$ 1,320,629	\$ 1,345,896

Investments consist primarily of securities traded on national exchanges, corporate bonds, and mutual funds and are stated at fair value. Investment income for the year ended September 30, 2022 consisted of interest and dividend income of \$39,612; realized losses on investment sales of \$12,730; and unrealized losses of \$255,495 for a total loss of \$228,613.

NOTE E – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2022 are:

Financial Assets	
Cash	\$ 3,732,210
Investments	1,320,629
Accounts receivable	97,270
Less financial assets held to meet donor imposed restrictions	(1,229,964)
Amount available for general expenditures within one year	\$ 3,920,145

NOTE F – BEQUEST RECEIVABLE

The bequest receivable is stated at the net present value of future payments. The balance as of June 30, 2022 is as follows:

Bequests receivable	\$ 688,045
Less discount on future cash flows	(284,738)
Total	\$ 403,307

Details of the bequest receivable at June 30, 2022 are as follows:

Due within one year	\$ 34,402
Due within two to five years	121,247
Thereafter	532,396
Less discount on future cash flows	(284,738)
Total	\$ 403,307

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE G – PROPERTY AND EQUIPMENT

At September 30, 2022 property and equipment consists of the following:

	2022
Land	\$ 167,989
Land Improvements	369,676
Building	5,204,732
Building Improvements	409,674
Furniture & Fixtures	23,747
Equipment	383,300
Software	52,599
Surgery Clinic	147,547
Thrift Store - Stuart	14,057
Thrift Store - Jensen	57,972
Vehicles	46,941
	\$ 6,878,234
Less - accumulated depreciation	(3,269,217)
 Total	 \$ 3,609,017

Depreciation expense was \$197,996 for the year ended September 30, 2022

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of September 30, 2022:

	2022
Dog adoption/Lobby renovation	\$ 548,618
Time restriction – bequest	403,307
Dog adoption and care	170,591
Martin County Contract	75,835
Dolly's Dream	15,126
Disaster relief	8,382
Special projects – Vehicles	8,005
Special projects – Other	100
Totals	\$ 1,229,964

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 – FAIR VALUE MEASUREMENTS

FASB ASC 820-10, Fair Value Measurements and Disclosures, established a framework for measuring fair value. That 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

- | | |
|----------------|--|
| <u>Level 1</u> | 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 |
| <u>Level 2</u> | 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 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 |
| <u>Level 3</u> | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset 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 inputs and minimize the unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value:

Level 1 Fair Value Measurements – Equity Securities, Mutual Funds, Corporate Bonds

The fair values of investments are based on quoted prices.

Level 2 Fair Value Measurements

The Society had no investments considered Level 2 at September 30, 2022.

Level 3 Fair Value Measurements – Bequest Receivable

Valued at the pledge amount discounted to the present value of the future cash flows to be received at September 30, 2022.

The preceding methods described may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. Furthermore, although the Society 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

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE I – FAIR VALUE MEASUREMENTS (CONTINUED)

date. The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of September 30, 2022.

Description	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Equity Securities	\$ 817,523	\$ -	\$ -	\$ 817,523
Mutual Funds	501,048	-	-	501,048
Corporate Bonds	2,058	-	-	2,058
Bequest Receivable	-	-	403,307	403,307
Total Assets at Fair Value	\$ 1,320,629	\$ -	\$ 403,307	\$ 1,723,936

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the entity's Level 3 assets for the fiscal year ended September 30, 2022.

Level 3 Assets Year Ended September 30, 2022

Description	Beginning Balance	Unrealized Gains/Loss	Purchases, Issuances, Settlements	Ending Balance
Bequest Receivable	618,847	(169,516)	(46,024)	403,307

NOTE J – COMPENSATED ABSENCES

Employees of the Society are entitled to paid leave. Full-time employees are entitled to 10 days for first year hires, and it increases based off years of service with employees having over 15 years receiving 29 days. Part-time employees are eligible for 50% of the time accrued.

An employee can carry over a maximum of 56 hours of unpaid leave from year to year based off their hire anniversary date. PTO can be paid out at resignation or retirement at a percentage of the employee's accrual based off years of service. Employees with 15 years or more will receive 69% of their accrual. At September 30, 2022 \$27,576 was accrued for paid leave.

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE K – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released during the year ended September 30, 2022 by incurring expenses which satisfied the restrictions or by the occurrence of other events, including the passage of time

	<u>2022</u>
Martin County contract	\$ 134,831
Time Restriction – Bequest	46,024
Dolly's Dream	2,553
Adoptions	31,869
Investment fees	1,664
Medical emergencies	29,681
Medical care	319
Medical expenses	102,062
Spay & neuter	2,004
Humane education	12,330
Medical supplies	4,106
Trap, Neuter, Vaccinate, Return	2,995
Paws to Read	3,886
Investment income	<u>50,532</u>
Total	<u>\$ 424,856</u>

NOTE L – LEASE COMMITMENTS

The Society has committed to various retail space leases, both expiring in the summer of 2024. The leases have monthly payments ranging from \$7,655 to \$10,855 through August 2024. Rent expense for the year ended September 30, 2022 was \$204,068. Future minimum payments for the leases are as follows:

Year ending September 30,	
2023	250,658
2024	203,284
2025	-
2026	-
2027 & After	-
Total minimum future rentals	<u>\$ 453,942</u>

The Society has a twenty five percent ownership in a land lease in Miami, Florida providing rental income. Income provided by this lease for the year ended September 30, 2022 was \$14,332.

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE M – SPECIAL EVENTS

The respective proceeds and direct costs from special events held during the year ended September 30, 2022 were as follows:

	<u>Gross Proceeds</u>	<u>Direct Costs</u>	<u>Net Proceeds</u>
Paws & Claws	\$ 166,665	\$ 70,684	\$ 95,981
Mutt March	19,472	12,798	6,674
Pooch Plunge	7,444	4,542	2,902
Pup Crawl	3,475	873	2,602
Bunfest	14,088	3,964	10,124
Kitty Catalina	3,737	1,526	2,211
Other events	<u>27,920</u>	<u>5,540</u>	<u>22,380</u>
	242,801	99,927	142,874
Restricted Paws & Claws	<u>102,062</u>	<u>-</u>	<u>102,062</u>
Totals	<u>\$ 344,863</u>	<u>\$ 99,927</u>	<u>\$ 244,936</u>

Some of the costs related to the special events above did not result in a direct benefit to the participants and are classified as functional expenses and included in the Statement of Functional Expenses instead of the direct costs listed above.

Revenues and expenses for the following events include the value of noncash donations as of September 30, 2022:

Paws & Claws	\$ 81,045
Bunfest	395
Mutt March	80,655
Pooch Plunge	166
Pup Crawl	105
Kitty Catalina	<u>399</u>
	<u>\$ 162,765</u>

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
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NOTE N – THRIFT STORES

The Society operated two thrift stores off-premises in leased commercial storefronts in Stuart, Florida (“Central”) and (“North”). The thrift stores receive donations of new and used clothing and other property, which they resell to customers. Operations for the year ended September 30, 2022 were as follows:

	<u>Central</u>	<u>North</u>	<u>Total</u>
<u>2022</u>			
Gross Sales	\$ 673,958	\$ 457,684	\$ 1,131,642
Operating Costs:			
Personnel	274,489	81,536	356,025
Occupancy and operations	142,118	133,848	275,966
Administrative	19,171	13,137	32,308
General operating	9,468	5,267	14,735
Public relations	3,279	2,478	5,757
	<u>448,525</u>	<u>236,266</u>	<u>684,791</u>
Depreciation	759	2,328	3,087
	<u>449,284</u>	<u>238,594</u>	<u>687,878</u>
Net revenue	<u>\$ 224,674</u>	<u>\$ 219,090</u>	<u>\$ 443,764</u>

NOTE O – RETIREMENT PLAN

The Society sponsors a defined contribution retirement plan which qualifies under the provisions of Section 403(b) of the Internal Revenue Code for Section 501(c)(3) not-for-profit organizations. The plan allows for an employer match of 4% of compensation, with no limits on the match up to the contribution limitation allowed by the Internal Revenue Code for each participant per year. All full-time employees are eligible for the voluntary salary reduction plan. For the years ended September 30, 2022 and 2021, the employer contribution to the plan was \$35,544 and \$30,223, respectively.

NOTE P – BOARD DESIGNATED NET ASSETS

The Board has designated a portion of unrestricted net assets to be held for future projects, programs, capital or other expenditures to be determined by the Board of Directors. The Board designated amount at September 30, 2022 was \$914,972.

Humane Society of the Treasure Coast, Inc.
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NOTE Q – GOVERNMENTAL CONTRACT

The Society contracts with Martin County, Florida to fulfill certain public health responsibilities regarding the impoundment of stray animals (the “Contract” or “Contracts”).

Under terms of the Contract for the year ended September 30, 2022, Martin County provides financial support to the Society. The total amount provided by Martin County toward the animal shelter’s operating expenses for the year ended September 30, 2022 was \$804,427.

Impoundment and license fees, which are established by Martin County, are collected at the animal shelter and are remitted to Martin County; these fees are not recorded as revenue by the Society.

The following table shows selected expenses (pertinent to the Contracts) from animal sheltering operations; program expenses related to adoption and humane education are not included in the table. Terms of the Contracts call for payment based on fixed annual amounts rather than on percentages of costs or on units of service provided. The columns labeled “County Contract Allocation” represents the application, for illustrative purposes only, of the funds provided by Martin County for the year ended September 30, 2022.

	2022	
	Animal Shelter Operations	County Contract Allocation
Salaries and Wages	\$1,016,238	\$ 405,935
Payroll costs	138,478	44,305
Health & workers' compensation insurance, other benefits	186,769	83,402
Total payroll and related expenses	\$1,341,485	\$ 533,642
Occupancy	223,274	88,818
Medical supplies	246,435	98,031
Veterinary fees	78,707	31,310
Feed and shelter supplies	38,566	15,342
Cremation and burial fees	3,785	1,505
Equipment and computer costs	45,131	17,953
Other animal shelter expenses	32,563	12,954
Office supplies	3,576	1,423
Advertising	8,669	3,449
Totals	\$2,022,191	\$ 804,427
Percentage of costs covered		40%

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE R – INCOME TAXES

The Society has adopted accounting guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Society's tax filings are subject to audit by various taxing authorities. The Society's income tax returns for the years ended September 30, 2021, 2020, and 2019 remain open to examination by the Internal Revenue Service.

NOTE S – PRIOR PERIOD ADJUSTMENT

Net assets with donor restrictions at the beginning of the year ended September 30, 2022 have been restated to correct an error in recording the value of a bequest to the Society in a year prior to the year ended September 30, 2021. The Society is the beneficiary in a trust held by a third party and has an irrevocable right to receive annual distributions of 5% of the trust's assets based on a market valuation every December 31. Instead of initially recording the value of the interest in the trust and the changes in value based on the present value discount of current and future cash distributions, the Society recorded the distributions as revenue each year. To correct the error beginning net assets with donor restrictions were increased by \$618,847 to record the value of the interest in the trust at October 1, 2021. Beginning net assets with donor restrictions were increased from \$825,992 to \$1,444,838 and total net assets were increased from \$6,677,975 to \$7,296,821. If the error was not corrected the change in net assets for the year ended September 30, 2022 would have been overstated by \$169,516 and total net assets would have been understated by \$403,407.

NOTE T – SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2022, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is June 20, 2023, which is the date on which the financial statements were available to be issued.

NOTE U – COVID-19

In January 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and in March 2020, declared it to be a pandemic. Actions taken to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it are expected to continue and may have an economic impact on the Society. It is unknown how long these conditions will last and what, if any, the financial effect will be.