



REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS

SAN DIEGO HUMANE SOCIETY AND SPCA

June 30, 2018 and 2017

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Report of Independent Auditors

Board of Trustees
San Diego Humane Society and SPCA

Report on Financial Statements

We have audited the accompanying financial statements of San Diego Humane Society and SPCA, which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

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 from 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 San Diego Humane Society and SPCA as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Diego, California
November 13, 2018

San Diego Humane Society and SPCA
Statements of Financial Position

ASSETS

	June 30,	
	2018	2017
Cash and cash equivalents	\$ 1,383,802	\$ 3,797,548
Investments	38,680,764	33,277,765
Receivables, net	12,528,771	8,841,601
Prepaid expenses and other assets	711,306	372,754
Property and equipment, net	15,779,016	14,118,908
Beneficial interest in trust	1,018,291	962,853
	<u>\$ 70,101,950</u>	<u>\$ 61,371,429</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 3,960,560	\$ 2,508,292
Deferred gain on the sale of property	6,250,283	-
Deferred revenue	624,017	801,960
Total liabilities	<u>10,834,860</u>	<u>3,310,252</u>
Commitments and contingencies (Note 8)		
Net Assets		
Unrestricted	46,058,725	46,204,223
Temporarily restricted	9,166,017	7,870,044
Permanently restricted	4,042,348	3,986,910
Total net assets	<u>59,267,090</u>	<u>58,061,177</u>
Total liabilities and net assets	<u>\$ 70,101,950</u>	<u>\$ 61,371,429</u>

San Diego Humane Society and SPCA

Statement of Activities

	Year Ended June 30, 2018			Total
	Unrestricted	Temporarily	Permanently	
		Restricted	Restricted	
SUPPORT AND REVENUE				
Support				
Contributions	\$ 9,454,349	\$ 1,225,359	\$ -	\$ 10,679,708
Bequests	5,243,432	-	-	5,243,432
Special events	2,005,337	-	-	2,005,337
Special events expense	(508,351)	-	-	(508,351)
Change in value of split-interest agreements	-	305,703	-	305,703
Net assets released from restrictions	1,246,097	(1,246,097)	-	-
Net support	<u>17,440,864</u>	<u>284,965</u>	<u>-</u>	<u>17,725,829</u>
Revenue				
Field services and licensing	6,610,955	-	-	6,610,955
Investment income	2,294,887	104,019	55,438	2,454,344
Adoptions and animal care	787,589	-	-	787,589
Veterinary health services	732,498	-	-	732,498
Educational program fees	324,373	-	-	324,373
Retail sales	182,689	-	-	182,689
Retail sales expense	(90,000)	-	-	(90,000)
Other	154,814	-	-	154,814
Net revenue	<u>10,997,805</u>	<u>104,019</u>	<u>55,438</u>	<u>11,157,262</u>
Total support and revenue	<u>28,438,669</u>	<u>388,984</u>	<u>55,438</u>	<u>28,883,091</u>
EXPENSES				
Program Services				
Adoptions and animal care	16,632,475	-	-	16,632,475
Investigations and field services	4,889,193	-	-	4,889,193
Community outreach	2,028,715	-	-	2,028,715
	<u>23,550,383</u>	<u>-</u>	<u>-</u>	<u>23,550,383</u>
Supporting Services				
Management and general	2,069,261	-	-	2,069,261
Donor development and fundraising	3,041,319	-	-	3,041,319
Marketing and public relations	767,220	-	-	767,220
	<u>5,877,800</u>	<u>-</u>	<u>-</u>	<u>5,877,800</u>
Total expenses	<u>29,428,183</u>	<u>-</u>	<u>-</u>	<u>29,428,183</u>
CHANGE IN NET ASSETS BEFORE				
OTHER REVENUE/GAINS	(989,514)	388,984	55,438	(545,092)
Gain on the sale of property	844,016	-	-	844,016
Contributions - capital projects	-	906,989	-	906,989
	<u>(145,498)</u>	<u>1,295,973</u>	<u>55,438</u>	<u>1,205,913</u>
CHANGE IN NET ASSETS				
NET ASSETS				
Beginning of year	<u>46,204,223</u>	<u>7,870,044</u>	<u>3,986,910</u>	<u>58,061,177</u>
End of year	<u>\$ 46,058,725</u>	<u>\$ 9,166,017</u>	<u>\$ 4,042,348</u>	<u>\$ 59,267,090</u>

San Diego Humane Society and SPCA Statement of Activities

	Year Ended June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Support				
Contributions	\$ 7,695,981	\$ 574,784	\$ 2,000,000	\$ 10,270,765
Bequests	3,944,849	-	-	3,944,849
Special events	1,615,143	-	-	1,615,143
Change in value of split-interest agreements	-	(263,859)	-	(263,859)
Special events expense	(475,584)	-	-	(475,584)
Net assets released from restrictions	972,286	(972,286)	-	-
Net support	13,752,675	(661,361)	2,000,000	15,091,314
Revenue				
Investment income	2,949,158	110,155	87,278	3,146,591
Field services and licensing	3,626,126	-	-	3,626,126
Adoptions and animal care	705,143	-	-	705,143
Veterinary health services	757,548	-	-	757,548
Educational program fees	292,643	-	-	292,643
Retail sales	318,292	-	-	318,292
Retail sales expense	(177,882)	-	-	(177,882)
Other	138,908	-	-	138,908
Net revenue	8,609,936	110,155	87,278	8,807,369
Total support and revenue	22,362,611	(551,206)	2,087,278	23,898,683
EXPENSES				
Program Services				
Adoptions and animal care	15,368,090	-	-	15,368,090
Investigations and field services	2,058,281	-	-	2,058,281
Community outreach	2,571,926	-	-	2,571,926
Total Program Services	19,998,297	-	-	19,998,297
Supporting Services				
Management and general	1,708,133	-	-	1,708,133
Donor development and fundraising	2,818,606	-	-	2,818,606
Marketing and public relations	851,415	-	-	851,415
Total Supporting Services	5,378,154	-	-	5,378,154
Total expenses	25,376,451	-	-	25,376,451
CHANGE IN NET ASSETS BEFORE				
OTHER REVENUE/GAINS	(3,013,840)	(551,206)	2,087,278	(1,477,768)
Contributions - capital projects	-	1,005,976	-	1,005,976
CHANGE IN NET ASSETS	(3,013,840)	454,770	2,087,278	(471,792)
NET ASSETS				
Beginning of year	49,218,063	7,415,274	1,899,632	58,532,969
End of year	\$ 46,204,223	\$ 7,870,044	\$ 3,986,910	\$ 58,061,177

See accompanying notes.

San Diego Humane Society and SPCA
Statement of Functional Expenses
Year Ended June 30, 2018 (With Comparative Information for Year Ended June 30, 2017)

	Program Services				Supporting Services				2018 Total Expenses	2017 Total Expenses
	Adoptions and Animal Care	Investigations and Field Services	Community Outreach	Total	Management and General	Donor Development and Fundraising	Marketing and Public Relations	Total		
Salaries	\$ 8,830,029	\$ 2,404,533	\$ 1,027,357	\$ 12,261,919	\$ 1,148,045	\$ 1,207,568	\$ 437,452	\$ 2,793,065	\$ 15,054,984	\$ 13,381,048
Payroll taxes	749,474	201,787	81,398	1,032,659	83,005	92,437	33,691	209,133	1,241,792	1,113,409
Employee health and benefits	789,090	128,955	88,498	1,006,543	61,921	64,907	21,977	148,805	1,155,348	1,104,986
Retirement	171,899	26,781	35,058	233,738	32,065	39,421	16,351	87,837	321,575	325,483
Total salaries and related expenses	10,540,492	2,762,056	1,232,311	14,534,859	1,325,036	1,404,333	509,471	3,238,840	17,773,699	15,924,926
Animal feed, supplies, equipment, and habitat	1,036,255	32,822	281,413	1,350,490	-	-	-	-	1,350,490	1,322,139
Occupancy, utilities, and security	1,692,075	201,840	125,661	2,019,576	114,603	68,773	19,088	202,464	2,222,040	1,855,709
Veterinary medicine and care	971,531	22,373	-	993,904	-	-	-	-	993,904	991,955
Insurance	679,266	109,540	49,675	838,481	64,751	19,949	5,920	90,620	929,101	897,652
Direct mailing	-	-	-	-	-	522,310	-	522,310	522,310	545,219
Advertising	6,603	3,254	700	10,557	493	205,655	79,459	285,607	296,164	412,309
Printing and publications	140,013	16,779	24,468	181,260	7,614	78,358	61,688	147,660	328,920	370,859
Legal and other professional fees	92,996	193,370	35,624	321,990	301,793	97,516	12,221	411,530	733,520	655,986
Information technology	430,127	339,776	62,177	832,080	116,387	127,146	42,411	285,944	1,118,024	335,138
Program supplies and uniforms	37,235	642,217	90,349	769,801	394	235	5,372	6,001	775,802	287,297
Professional development/travel	52,296	64,400	4,997	121,693	40,837	25,307	19,304	85,448	207,141	189,262
Miscellaneous	83,940	10,284	4,444	98,668	16,684	174,820	1,060	192,564	291,232	261,757
Employee/volunteer/donor relations	49,318	34,678	28,257	112,253	4,747	249,940	1,262	255,949	368,202	150,129
Automotive	46,103	388,950	52,310	487,363	1,352	1,071	331	2,754	490,117	158,078
Office supplies and postage	68,339	8,954	5,087	82,380	16,513	37,690	2,274	56,477	138,857	114,615
Total expenses before depreciation	15,926,589	4,831,293	1,997,473	22,755,355	2,011,204	3,013,103	759,861	5,784,168	28,539,523	24,473,030
Depreciation	705,886	57,900	31,242	795,028	58,057	28,216	7,359	93,632	888,660	903,421
Total expenses	\$ 16,632,475	\$ 4,889,193	\$ 2,028,715	\$ 23,550,383	\$ 2,069,261	\$ 3,041,319	\$ 767,220	\$ 5,877,800	\$ 29,428,183	\$ 25,376,451

San Diego Humane Society and SPCA
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services				Supporting Services				2017 Total Expenses
	Adoptions and Animal Care	Investigations and Field Services	Community Outreach	Total	Management and General	Donor Development and Fundraising	Marketing and Public Relations	Total	
Salaries	\$ 8,200,451	\$ 1,230,571	\$ 1,291,936	\$ 10,722,958	\$ 1,050,427	\$ 1,167,509	\$ 440,154	\$ 2,658,090	\$ 13,381,048
Payroll taxes	703,626	99,351	105,659	908,636	80,348	89,966	34,459	204,773	1,113,409
Employee health and benefits	744,973	102,474	102,398	949,845	64,310	62,623	28,208	155,141	1,104,986
Retirement	179,081	26,139	38,220	243,440	32,130	34,479	15,434	82,043	325,483
Total salaries and related expenses	9,828,131	1,458,535	1,538,213	12,824,879	1,227,215	1,354,577	518,255	3,100,047	15,924,926
Occupancy, utilities, and security	1,455,342	82,827	172,159	1,710,328	61,966	58,706	24,709	145,381	1,855,709
Animal feed, supplies, equipment, and habitat	864,461	-	457,678	1,322,139	-	-	-	-	1,322,139
Veterinary medicine and care	991,201	754	-	991,955	-	-	-	-	991,955
Insurance	667,395	80,562	56,215	804,172	64,678	20,171	8,631	93,480	897,652
Legal and other professional fees	229,175	59,574	35,173	323,922	224,664	85,350	22,050	332,064	655,986
Direct mailing	-	-	-	-	-	545,219	-	545,219	545,219
Advertising	6,682	790	1,724	9,196	380	254,061	148,672	403,113	412,309
Printing and publications	133,156	8,631	31,109	172,896	5,412	122,423	70,128	197,963	370,859
Information technology	138,666	14,607	33,640	186,913	44,193	83,279	20,753	148,225	335,138
Program supplies and uniforms	36,362	157,174	93,056	286,592	348	302	55	705	287,297
Miscellaneous	61,435	8,718	50,604	120,757	4,953	135,647	400	141,000	261,757
Professional development/travel	63,417	24,433	21,402	109,252	28,923	25,944	25,143	80,010	189,262
Automotive	43,677	86,307	26,073	156,057	1,420	601	-	2,021	158,078
Employee/volunteer/donor relations	41,841	4,620	16,283	62,744	3,300	82,765	1,320	87,385	150,129
Office supplies and postage	55,190	7,488	7,398	70,076	18,920	22,207	3,412	44,539	114,615
Total expenses before depreciation	14,616,131	1,995,020	2,540,727	19,151,878	1,686,372	2,791,252	843,528	5,321,152	24,473,030
Depreciation	751,959	63,261	31,199	846,419	21,761	27,354	7,887	57,002	903,421
Total expenses	<u>\$ 15,368,090</u>	<u>\$ 2,058,281</u>	<u>\$ 2,571,926</u>	<u>\$ 19,998,297</u>	<u>\$ 1,708,133</u>	<u>\$ 2,818,606</u>	<u>\$ 851,415</u>	<u>\$ 5,378,154</u>	<u>\$ 25,376,451</u>

See accompanying notes.

San Diego Humane Society and SPCA

Statements of Cash Flows

	Years Ended June 30,	
	2018	2017
OPERATING ACTIVITIES		
Change in net assets	\$ 1,205,913	\$ (471,792)
Reconciliation to net cash provided by operating activities:		
Permanently restricted contribution	-	(2,000,000)
Depreciation	888,660	903,421
Net realized and unrealized (gain) on investments	(1,793,916)	(2,340,946)
(Gain) on sale of property and equipment	(844,016)	-
Change in value of split-interest gifts	(305,703)	263,859
(Increase) decrease in operating assets:		
Receivables	(2,182,786)	(172,895)
Pledges	282,358	1,523,912
Bequests	(1,481,039)	2,585,249
Prepaid expenses and other assets	(338,552)	126,508
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,452,268	478,206
Deferred revenue	(177,943)	140,677
Net cash (used in) provided by operating activities	<u>(3,294,756)</u>	<u>1,036,199</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments	2,011,822	34,350,240
Purchases of investments	(5,676,343)	(31,912,898)
Proceeds from sale of property and equipment	7,822,246	-
Purchases of property and equipment	(3,276,715)	(1,079,828)
Net cash provided by investing activities	<u>881,010</u>	<u>1,357,514</u>
FINANCING ACTIVITIES		
Permanently restricted contribution	-	500,000
Net cash provided by financing activities	<u>-</u>	<u>500,000</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,413,746)	2,893,713
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>3,797,548</u>	<u>903,835</u>
End of year	<u>\$ 1,383,802</u>	<u>\$ 3,797,548</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes paid, net of refunds	<u>\$ -</u>	<u>\$ 267</u>
Interest paid	<u>\$ 23,269</u>	<u>\$ 4,215</u>

San Diego Humane Society and SPCA

Notes to Financial Statements

Note 1 – Nature of Organization and Summary of Significant Accounting Policies

Organization and Activities

The San Diego Humane Society and SPCA (the “Society”), founded in 1880, is a private, nonprofit corporation that is not affiliated with any other humane society or SPCA. The Society’s mission is to promote the humane treatment of animals, prevent cruelty to animals, and provide education to enhance the human-animal bond.

The Society’s programs and services include:

- Sheltering and adopting of companion animals at campuses in San Diego, Escondido, and Oceanside, California;
- Investigating animal cruelty and neglect;
- Supplying pet food, supplies and veterinary service vouchers to low-income elderly, chronically ill, and disabled individuals for the care of their companion animals;
- Rescuing, caring for, and rehabilitating local wildlife;
- Providing positive reinforcement behavior modification training for shelter animals and the public;
- Teaching adult and youth education programs;
- Providing municipal field service, sheltering, and stray pet services to the residents of Oceanside, Escondido, San Marcos, Poway, Imperial Beach and Vista, California. Beginning July 1, 2018, the Society began providing these services to the residents of Carlsbad, Del Mar, Encinitas, San Diego, Santee and Solana Beach, California;
- Rescuing animals in emergency and hoarding situations;
- Sharing animals through pet-assisted therapy;
- Administering need-based spay/neuter services for the public;
- Partnering with rescue groups and other shelters to ensure every healthy and treatable animal in San Diego County receives the care it needs.

Significant Accounting Policies

Income taxes – The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701d of the California Revenue and Taxation Code, except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. The Society does not have any uncertain income tax positions. The Society files an exempt organization return in the United States federal jurisdiction and with the Franchise Tax Board in the State of California.

Method of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting.

San Diego Humane Society and SPCA

Notes to Financial Statements

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Financial statement presentation – The Society follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*, for the presentation of its financial statements, which requires that net assets and revenue, gains, expenses, and losses be classified as unrestricted, temporarily restricted, and permanently restricted as follows:

- Unrestricted net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions which are contingent upon specific performance of a future event or a specific passage of time before the Society may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations.

Cash equivalents – The Society considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. The carrying amount approximates the fair value due to the short maturity.

Investments – Investments are stated at fair value. The fair values of all debt and equity securities and mutual funds with a readily determinable fair value are based on quotations obtained from national securities exchanges. The fair value of the certificates of deposit is determined by discounting the related cash flows based on the current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. Net realized and unrealized gains and losses are reflected as increases or decreases in unrestricted net assets, unless their use is restricted by the donor.

Pooled income funds – Included in investments are two pooled income funds which are held and managed by the Society. During the life of the donors, income from the pooled funds is distributed to the donors based on the number of units each holds. Upon each donor's death, the principal is to be distributed to the Society. A discount to net present value is recorded as deferred revenue, and the net amount is included in temporarily restricted net assets. At June 30, 2018 and 2017, the discount was approximately \$53,000 and \$69,000, respectively.

Receivables – Receivables consist of unconditional promises to give, contract receivables and other miscellaneous receivables. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value based on a discounted cash flow model. In future years, the discounts to present value are computed using discount rates established in the years in which the promise was received. Amortization of the discount is included in contributions. Other receivables represent amounts due to the Society for services rendered prior to June 30 (Note 5). The Society does not obtain collateral. An allowance for uncollectible amounts totaled \$1,500,000 at June 30, 2017. The allowance related to one bequest whose collectability was uncertain. The allowance was 100% of the accrued amount of this bequest. This bequest was confirmed to be uncollectible during the year ended June 30, 2018 and the receivable and related allowance were written off. There were no receivables considered uncollectible as of June 30, 2018.

San Diego Humane Society and SPCA Notes to Financial Statements

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Charitable remainder trusts – The Society is the beneficiary of a number of charitable remainder trusts which generally provide for the payment of distributions to designated beneficiaries over the term of the trusts (usually the designated beneficiary's lifetime). At the end of the trusts' terms, all or a portion of the remaining assets are to be distributed to the Society. The assets held in the trusts are managed by donor-designated trustees and are not accessible to the Society until the end of the trusts' terms. The contributions, which are recorded at their fair values, are calculated using discount rates, and applicable mortality tables, are included in temporarily restricted net assets. The beneficial interests in charitable remainder trusts are included in receivables (unconditional promises to give).

Property and equipment – Property and equipment are stated at cost. Donated assets are recorded at fair value at the time of the donation as determined by management or independent appraisal. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings, and leasehold improvements	7 to 39 years
Furniture and equipment	5 to 10 years
Computer hardware	5 to 7 years
Trucks and automobiles	3 to 5 years
Computer software	3 years

The Society capitalizes property and equipment with costs of \$5,000 or greater.

Impairment of long-lived assets – The Society evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

Beneficial interest in trust – The Society is the beneficiary of investments held in an irrevocable trust. The principal and all earnings held in trust are to be paid to the Society at a later date.

Revenue recognition – Revenue from adoptions and animal care, veterinary health services, educational program fees, needs-based spay/neuter services, and retail sales are recognized when services are rendered or when items are sold. Rental income is recognized on a straight-line basis over the lease period. Revenue from shelter operations, field services, and licensing are recognized when services are rendered. The Society has contracts with the cities of Oceanside, Vista, Escondido, San Marcos, Imperial Beach and Poway to provide animal services to those communities. All contracts have been extended until June 30, 2019. Revenue is recognized ratably over the term of the contracts. Revenue from the contracts is presented as field services revenue in the statements of activities. The Society also issues dog licenses on behalf of the cities of Oceanside, Vista, Escondido, San Marcos, Imperial Beach and Poway. Licensing revenue is recognized at the time the license is issued.

San Diego Humane Society and SPCA

Notes to Financial Statements

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Contributions and bequests – Contributions are recognized as support when received or unconditionally pledged. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as either temporarily or permanently restricted, depending on the nature of the donor's restriction. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions. Bequests are recorded as contributions when the Society is informed of unconditional rights to the proceeds of the bequest.

Restrictions on gifts of property and equipment or contributions restricted for the purchase of property and equipment expire when the asset is placed in service.

Special events – The Society holds fundraising events throughout the year. Income from sponsorships, the sale of event tickets and contributions received at the events are primarily recognized when the event occurs.

Donated services and goods – The Society receives donated services from a variety of unpaid volunteers. The volunteers perform a variety of tasks that assist the Society in the areas of animal care, animal rescue, behavior training, community programs, mobile adoptions, pet-assisted therapy, and events. Volunteers provided approximately 417,000 and 453,000 hours of service to the Society during the years ended June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, management estimates the value of these services to approximate \$12,132,000 and \$12,882,000, respectively. The value of volunteer time is based on the estimated hourly value of volunteer time in California as determined by Independent Sector (independentsector.org). Independent Sector estimates this hourly average based on average annual wages of non-management, non-agricultural workers, as provided by the Bureau of Labor Statistics, increased by 12 percent for estimated fringe benefits. No amounts have been recognized in the accompanying statements of activities in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*.

The Society records the fair value of donated supplies, assets, and other goods when those gifts are received under contributions on the statement of activities. During the years ended June 30, 2018 and 2017, respectively, donors contributed approximately \$911,000 and \$884,000 in supplies, assets, and other goods.

Advertising costs – Advertising costs are expensed as incurred.

Functional allocation of expenses – Costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of estimates – The preparation of financial statements in conformity with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

San Diego Humane Society and SPCA Notes to Financial Statements

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Recently issued accounting standard – In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. This guidance revises the not-for-profit reporting model and requires expenses to be disclosed by both functional and natural classification, reduces the net asset classifications to two (with and without donor restrictions), and requires new disclosures on liquidity. The guidance is effective for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact this will have on the Society's future financial statements.

Note 2 – Concentration of Risk

Financial instruments which potentially subject the Society to risk consist primarily of cash and cash equivalents, investments, and receivables, including charitable remainder trusts.

Cash and cash equivalents – The Society maintains its cash in bank deposit accounts. Amounts placed with Federal Deposit Insurance Corporation-insured institutions are federally insured up to: (a) \$250,000 for interest-bearing accounts; and (b) unlimited for non-interest-bearing accounts (subject to certain restrictions). The Society has cash and cash equivalents accounts which, at times, exceed the insured amounts. The Society has not experienced any losses in such accounts.

Investments – Investments are exposed to various risks such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investments, that changes in the near-term could materially affect the amounts reported in the financial statements. The Society maintains a diversified portfolio to manage risk.

Receivables – Receivables include charitable remainder trusts which are exposed to various risks such as interest rate risks and donor life expectancies. Changes in the near-term are not expected to materially affect the amounts reported in the financial statements.

Note 3 – Investments

Investments consist of the following at June 30, 2018 and 2017:

	2018	2017
Cash and cash equivalents	\$ 1,198,463	\$ 182,292
Certificate(s) of deposit	702,689	250,000
Common stock	50,905	-
Pooled income funds	225,131	264,040
Mutual funds	35,960,946	32,287,400
Fixed income securities	542,630	294,033
Total investments	\$ 38,680,764	\$ 33,277,765

San Diego Humane Society and SPCA

Notes to Financial Statements

Note 3 – Investments (continued)

Investment income consists of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and dividends	\$ 755,735	\$ 920,442
Investment expenses	(15)	(114,797)
Interest and dividends, net of expenses	<u>755,720</u>	<u>805,645</u>
Net realized and unrealized gains (losses)	<u>1,698,624</u>	<u>2,340,946</u>
Investment income	<u>\$ 2,454,344</u>	<u>\$ 3,146,591</u>

Investing decisions are subject to the guidelines set forth in the Society's Investment Policy Statement which is approved by the Society's Board of Trustees (the "Board"). The Finance Committee of the Board approve the selection of investment advisors and/or investments, investment allocations, and monitors overall portfolio composition to ensure conformity with the Investment Policy Statement.

Note 4 – Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In Note 1, and below, the valuation methodologies used for financial assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position are described.

When an investment is transferred between levels, the transfer is recognized at the end of the reporting period. During the years ended June 30, 2018 and 2017, there were no transfers between levels.

San Diego Humane Society and SPCA Notes to Financial Statements

Note 4 – Fair Value Measurements (continued)

The Chief Financial Officer (CFO) and Controller, under the supervision of the Society's Finance Committee of the Board, determine the fair value measurement policies and procedures. These policies and procedures are reassessed at least annually, or as new assets are acquired or pledged, to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

In determining the reasonableness of the methodology, the CFO, in consultation with the Society's Finance Committee, evaluates a variety of factors including a review of existing agreements, economic conditions, and industry and market developments. Certain unobservable inputs are assessed through review of contract terms (for example: duration or payout data), while others are substantiated utilizing available market data (discount rates and mortality tables).

The following fair value hierarchy table presents information about the Society's financial assets measured at fair value on a recurring basis as of June 30, 2018:

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance as of June 30, 2018
Cash and cash equivalents	\$ 1,198,463	\$ -	\$ -	\$ 1,198,463
U.S. government bonds	542,630	-	-	542,630
Common stock	50,905	-	-	50,905
Mutual funds:				
Bond funds	14,889,867	-	-	14,889,867
International funds	3,254,033	-	-	3,254,033
Extended market funds	3,330,351	-	-	3,330,351
Total stock funds	14,486,695	-	-	14,486,695
Total mutual funds	35,960,946	-	-	35,960,946
Pooled income funds	-	225,131	-	225,131
Certificates of deposit	-	702,689	-	702,689
Charitable remainder trusts	-	-	3,288,323	3,288,323
Beneficial interest in trust	-	1,018,291	-	1,018,291
Total	<u>\$ 37,752,944</u>	<u>\$ 1,946,111</u>	<u>\$ 3,288,323</u>	<u>\$ 42,987,378</u>

San Diego Humane Society and SPCA

Notes to Financial Statements

Note 4 – Fair Value Measurements (continued)

The following fair value hierarchy table presents information about the Society's financial assets measured at fair value on a recurring basis as of June 30, 2017:

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance as of June 30, 2017
Cash and cash equivalents	\$ 182,292	\$ -	\$ -	\$ 182,292
U.S. government bonds	294,033	-	-	294,033
Mutual funds:				
Bond funds	12,936,042	-	-	12,936,042
International funds	3,213,383	-	-	3,213,383
Extended market funds	3,242,595	-	-	3,242,595
Total stock funds	12,895,380	-	-	12,895,380
Total mutual funds	32,287,400	-	-	32,287,400
Pooled income funds	-	264,040	-	264,040
Certificate of deposit	-	250,000	-	250,000
Charitable remainder trusts	-	-	2,982,620	2,982,620
Beneficial interest in trust	-	962,853	-	962,853
Total	\$ 32,763,725	\$ 1,476,893	\$ 2,982,620	\$ 37,223,238

The pooled income funds are reported at fair value based on net asset value estimates provided by the custodian.

The beneficial interest in trust is reported at fair value based on the value of the underlying assets (marketable securities), which approximates the future anticipated cash flow.

The charitable remainder trusts classified as Level 3 financial instruments are irrevocable charitable remainder trusts, of which the Society is a beneficiary. The trusts hold assets, including marketable investments and real estate. The fair value of the trusts, and therefore the Society's interest in the trusts, is estimated annually using actuarial tables, discount rates, and the fair value of the underlying assets. Changes in the fair value of the beneficial interest in charitable remainder trusts for the years ended June 30, 2018 and 2017, as shown in the following table, are the results of changes in these measurement factors.

San Diego Humane Society and SPCA Notes to Financial Statements

Note 4 – Fair Value Measurements (continued)

The table below includes a rollforward of the charitable remainder trusts for the years ended June 30, 2018 and 2017:

Balance, July 1, 2016	\$ 3,225,366
Unrealized loss	<u>(242,746)</u>
Balance, June 30, 2017	2,982,620
Unrealized gain	<u>305,703</u>
Balance, June 30, 2018	<u><u>\$ 3,288,323</u></u>

The unrealized gain (loss) is reflected in the statements of activities as change in value of split-interest agreements.

The table below includes quantitative inputs for charitable remainder trusts as of the year ended June 30, 2018:

Asset Description	Fair Value	Valuation Technique	Unobservable Inputs	Range
Charitable remainder trusts	<u><u>\$ 3,288,323</u></u>	Discounted cash flow	Discount Rates Life Expectancy	2.85% to 2.98% 14.8 to 26.7 years

San Diego Humane Society and SPCA

Notes to Financial Statements

Note 5 – Receivables

Receivables are due as follows as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Less than one year:		
Pledges and bequests	\$ 4,656,447	\$ 2,761,396
In-kind lease receivable	30,000	30,000
Other	2,823,653	640,866
One to five years:		
Pledges and bequests	1,463,523	3,514,095
In-kind lease receivable	120,000	120,000
More than five years:		
Pledges and bequests	275,094	324,162
Charitable remainder trusts	5,606,237	5,095,355
In-kind lease receivable	330,000	360,000
	<u>15,304,954</u>	<u>12,845,874</u>
Less provision for uncollectible accounts:		
Pledges and bequests	-	(1,500,000)
Less discount to net present value:		
From 1.24 to 2.84 percent	<u>(2,776,183)</u>	<u>(2,504,273)</u>
Total	<u>\$ 12,528,771</u>	<u>\$ 8,841,601</u>

Note 6 – Charitable Gift Annuity

The Society has entered into nineteen charitable gift annuity agreements whereby the donor contributes assets in exchange for the Society's promise to pay a fixed amount to the donor for the life of the donor. Assets received from donors to establish gift annuities are managed in a pooled account and accounted for individually. The excess of the value of the gift annuity related assets over gift annuity obligations (net assets) is temporarily restricted. Gift annuity obligations, recorded as deferred revenue on the statements of financial position, are actuarially determined and represents the present value of future payments to beneficiaries. Gift annuities are managed in compliance with applicable state statutes. The state of California required Reserve Fund was approximately \$427,000 and \$222,000 at June 30, 2018 and 2017, respectively. No payments were made during the years ending June 30, 2018 and 2017. The recorded values at June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Asset value - cash and fixed income securities	\$ 764,138	\$ 435,649
Annuity payment liability	453,300	222,167

San Diego Humane Society and SPCA Notes to Financial Statements

Note 7 – Property and Equipment

Property and equipment consists of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 3,425,439	\$ 4,042,217
Buildings and improvements	14,121,462	14,290,483
Leasehold improvements	968,842	854,510
Furniture and fixtures	3,179,465	3,005,261
Trucks and automobiles	1,531,107	1,509,415
Computer hardware and software	683,372	496,108
Machinery and equipment	376,215	376,215
Construction in progress	<u>2,851,254</u>	<u>678,022</u>
	27,137,156	25,252,231
Less: accumulated depreciation	<u>(11,358,140)</u>	<u>(11,133,323)</u>
Total	<u>\$ 15,779,016</u>	<u>\$ 14,118,908</u>

The Society sold land, buildings and improvements located on Sherman Street in San Diego, California on May 24, 2018 for a total purchase price of approximately \$7,800,000 in cash to a third party. The agreement included a separate leaseback agreement with the third party in order to allow the Society to fully occupy the property until March 31, 2019. The property was sold at a gain of approximately \$7,094,000, with approximately \$6,250,000 deferred and expected to be recognized during the year ending June 30, 2019.

Note 8 – Commitments and Contingencies

Leases – The Society leases office equipment and certain space with lease terms that expire through December 2027. The Society leased a six thousand square foot building which will become its Facilities and Purchasing center. The lease term is from May 4, 2018 through March 31, 2027 with an option to extend for an additional five years. The Society leased a six thousand square foot building which will become additional animal housing. The lease term is from June 16, 2018 through March 31, 2027 with an option to extend for an additional five years.

San Diego Humane Society and SPCA

Notes to Financial Statements

Note 8 – Commitments and Contingencies (continued)

Lease payments for the years ended June 30, 2018 and 2017 were approximately \$555,000 and \$465,000, respectively. The following is a summary of future minimum rental payments for operating leases as of June 30, 2018:

<u>Years Ending June 30,</u>	
2019	\$ 674,625
2020	748,923
2021	740,748
2022	624,438
2023	600,102
Thereafter	<u>1,959,675</u>
Total	<u>\$ 5,348,511</u>

Escondido land lease – The Society leases certain public property located in Escondido from the City of Escondido. The lease term is 20 years commencing July 7, 2014, with an option to renew for an additional five years and a second option to extend another additional five years. Consideration for the lease is \$1 per year until the second option to extend at which time the annual rent payable during the extension term shall be the market rate. The value of the annual rent payments totaling \$330,000 was recorded as a gift in kind in the 2015 financial statements. The remaining value of the future payments has been included in receivables, net of a present value discount (Note 5). Gift in kind income of approximately \$14,000 was recorded against the present value discount for the years ended June 30, 2018 and 2017.

The Society has entered into an option agreement with the City of Escondido which grants the Society the right and option to purchase the property. The term of the option commences July 7, 2014 and remains in effect for as long as the lease remains in effect, including any renewal term and any extension term. The purchase price shall be the fair value of the property on the date the option is exercised.

Capital commitment – The Society has entered into construction contracts of approximately \$2.4 million to build Phase 1 and 2 of The Pilar and Chuck Bahde Wildlife Rehabilitation Center for Project Wildlife. As of June 30, 2018, \$760,000 of such contract had not yet been incurred.

The Society has entered into construction contracts of approximately \$1.3 million to expand and remodel the hospital at the Gaines Street facility. As of June 30, 2018, \$850,000 of such contract had not yet been incurred.

Benefit plan – The Society has a 403(b) tax-deferred annuity plan (the “Plan”) which covers its employees. The Society matches up to 5 percent of qualified employees’ salaries to the Plan. Employees may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. Total expenses for the years ended June 30, 2018 and 2017 were approximately \$322,000 and \$326,000, respectively.

San Diego Humane Society and SPCA

Notes to Financial Statements

Note 8 – Commitments and Contingencies (continued)

Line of credit – The Society had a line of credit agreement with First Republic Bank that expired June 22, 2018. The terms of the line of credit included a maximum borrowing limit of \$2,500,000, with a variable interest rate of the prime rate, subject to a minimum interest rate of 3.50 percent. The prime interest rate was 4.25 percent as of June 30, 2018. No amounts are due at June 30, 2018 or 2017.

Litigation – The Society may be involved in legal matters that arise from time to time in the ordinary course of business. Management and legal counsel do not believe that the resolution of any of these matters would have a material impact on the Society’s financial position or change in net assets.

Note 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows at June 30, 2018 and 2017:

	2018	2017
Time restrictions:		
Charitable remainder trusts	\$ 3,288,323	\$ 2,982,620
Bequest	393,333	427,723
Pooled income funds	172,024	194,827
Future operations	112,670	112,670
Total	3,966,350	3,717,840
Restricted purpose or program:		
Project Wildlife relocation & expansion	1,678,416	935,856
Veterinary hospital renovation	1,292,731	1,292,690
Project Wildlife staffing	584,802	-
Project Wildlife	396,586	251,718
Animal Adventure Camp (unappropriated earnings)	278,130	229,494
In-kind Escondido lease	264,000	280,500
Veterinary interns	200,000	300,000
Animal care - cats	200,000	-
Behavior Center construction	164,389	-
Veterinary medicine – surgical tables/medical equipment	54,546	21,343
PAWS staffing	35,000	70,000
Emergency/disaster relief	20,050	-
Other purposes (under \$20,000 each)	16,017	31,740
Spay/neuter program	15,000	30,000
Volunteer program	-	400,000
Veterinarian compensation	-	250,000
Outside veterinary medicine	-	38,863
Veterinary medicine – CARE program	-	20,000
Total	5,199,667	4,152,204
Total temporarily restricted net assets	\$ 9,166,017	\$ 7,870,044

San Diego Humane Society and SPCA

Notes to Financial Statements

Note 10 – Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenditures that satisfied the following restricted purposes during the years ended June 30, 2018 and 2017:

	2018	2017
Volunteer program	\$ 400,000	\$ 400,000
Project Wildlife	251,718	-
Veterinarian and hospital manager	250,000	250,000
Veterinary interns	150,000	-
Animal Adventure Camp	55,383	65,972
Other purposes (under \$20,000 each)	45,133	48,285
Outside veterinary medicine	38,863	-
PAWS staffing	35,000	-
Veterinary medicine – CARE program	20,000	-
Project Wildlife staffing	-	150,000
Escondido building & construction	-	34,079
Escondido campus safety lighting	-	23,950
	<hr/>	<hr/>
Total net assets released from restriction	<u>\$ 1,246,097</u>	<u>\$ 972,286</u>

Note 11 – Endowment Funds

ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*, requires organizations holding donor-restricted endowments to implement policies and procedures to uphold a standard of prudence relative to accounting practices, investment management, and spending policies.

The Society implemented a policy requiring the preservation of the fair value of the original gift or corpus as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Society classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence.

San Diego Humane Society and SPCA Notes to Financial Statements

Note 11 – Endowment Funds (continued)

The Endowment Policy specifies that the Society's Investment Management Policy with respect to such endowments seeks an appropriate balance among three goals:

- To provide current programs with a predictable and stable stream of income;
- To ensure that the real value (defined as purchasing power) of revenue streams does not decline over the long term;
- To ensure that the real value of the endowment assets does not decline over the long term.

Distributions seek a proper balance between present and future needs of the Society. The spending rate is determined as follows:

- Five percent of the total market value of the assets as determined by the average total market value on the last business day of each of the eight immediately preceding calendar quarters ("Payout"). The Society shall expend no more than the Payout each year. If less than the Payout is expended in any one year, the Society may expend more than the approved Payout in a subsequent year, as long as the expenditures do not exceed the approved spending rate on a cumulative basis.
- Income in excess of the spending rate will be reinvested, thereby increasing the Principal.
- Excess Payout may be added back to the Endowment's principal if the actual expenditures in any given year are below the approved spending rate.
- Payout may be temporarily reduced or halted on Funds that are more than five percent underwater at the end of the Society's fiscal year. Underwater is defined as occurring when the market value is less than the Principal.

Endowment net assets consist of the following at June 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ 2,919,811	\$ 185,311	\$ 1,000,000	\$ 4,105,122
Investment return, net of expenses	259,035	110,155	-	369,190
Contributions	-	-	2,000,000	2,000,000
Expenditures	(27,846)	(65,972)	-	(93,818)
Change in endowment assets	231,189	44,183	2,000,000	2,275,372
Endowment net assets, June 30, 2017	3,151,000	229,494	3,000,000	6,380,494
Investment return, net of expenses	160,912	104,019	-	264,931
Contributions	-	-	-	-
Expenditures	(606,064)	(55,383)	-	(661,447)
Change in endowment assets	(445,152)	48,636	-	(396,516)
Endowment net assets, June 30, 2018	\$ 2,705,848	\$ 278,130	\$ 3,000,000	\$ 5,983,978

San Diego Humane Society and SPCA

Notes to Financial Statements

Note 11 – Endowment Funds (continued)

In September 2006, the Board voted to designate approximately \$1,929,000 in unrestricted investments to fund the capital maintenance of the Gaines Street facility for a period of 20 years. This amount is included in the unrestricted endowment assets above.

The Society has one term endowment ending in 2021 of approximately \$113,000 at June 30, 2018 and 2017. The term endowment is managed in accordance with the donor's instructions with regard to management of the investments. There were no contributions or restriction releases during the years ended June 30, 2018 and 2017.

Note 12 – Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment funds, which are investment assets held by a trustee for the benefit of the Society (Note 11). In addition to the endowment assets, permanently restricted net assets included amounts for a beneficial interest in a trust and land held in perpetuity.

At June 30, 2018 and 2017, the trust held investment assets valued at approximately \$1,018,000 and \$963,000, respectively. The change in value during the years ended June 30, 2018 and 2017 is reported as permanently restricted investment income or loss. The trustee distributed \$21,000 to the Society in each of the years ended June 30, 2018 and 2017. The trustee has no variance power. The Society does not consider the trust to be an endowment subject to ASC 958-205, as there is an absence of intention to preserve the corpus.

The North Campus on San Luis Rey Road and Jones Road in Oceanside is located on two parcels of land donated in the late 1950s. The land was recorded at a fair value of approximately \$24,000 at the time of the contribution. A condition of the gift includes that the land conveyed shall be used solely for the site of an animal shelter and that the Society shall forever use the land and the premises solely for the purpose of maintaining an animal shelter. In the event the property is not used solely and perpetually for animal shelter purposes, the land and premises shall revert to the grantor and its heirs, successors, or assigns; while the grantee, its heirs, successors, or assigns shall forfeit all rights thereto.

In 2005, the donor approved the parcel on Jones Road to be developed into a dog park. In addition, the donor and the Society signed a Memorandum of Understanding on June 1, 2005 for the joint development of the dog park site. Donations related to this development were capitalized as land improvements. As of June 30, 2018, this parcel is no longer available to the public as a dog park but is used exclusively by the Society as part of the animal sheltering services provided on that site.

San Diego Humane Society and SPCA Notes to Financial Statements

Note 13 – Joint Costs

The Society achieves some of its programmatic and fundraising activities in magazine mailings which include requests for contributions. The costs of conducting the mailings included approximately \$184,000 and \$240,000, respectively, for the years ended June 30, 2018 and 2017, of joint costs that are not directly attributable to either the program or management and general components, or the fundraising components of the activities. Those joint costs were allocated as follows for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Marketing and public relations	\$ 55,218	\$ 60,006
Adoptions and animal care	64,422	72,007
Community outreach	9,203	12,001
Fundraising	<u>55,219</u>	<u>96,010</u>
Total	<u>\$ 184,062</u>	<u>\$ 240,024</u>

Note 14 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Society recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Society's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before the financial statements are available to be issued.

The Society has evaluated subsequent events through November 13, 2018, which is the date the financial statements were available to be issued.