

HUMANE SOCIETY OF SOUTHERN ARIZONA

Audited Financial Statements

For the years ended June 30, 2019 and 2018

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# HUMANE SOCIETY OF SOUTHERN ARIZONA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Humane Society of Southern Arizona

We have audited the accompanying financial statements of the Humane Society of Southern Arizona (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Humane Society of Southern Arizona as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*LUDWIG KLEWER & RUDNER PLLC*

October 24, 2019



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HUMANE SOCIETY OF SOUTHERN ARIZONA

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	\$ 2,708,208	\$ 2,179,275
Accounts and other receivables	89,395	35,030
Investments - other	2,205,779	-
Unconditional promises to give, capital campaign, current portion	125,225	168,740
Bequests and memorials receivable, net	670,942	1,442,825
Inventory	150,415	149,305
Prepaid expenses and other assets	105,511	81,444
Total current assets	6,055,475	4,056,619
Unconditional promises to give, capital campaign, non-current portion, net	33,895	116,305
Investments	3,106,698	4,030,583
Beneficial interest in perpetual trusts	3,360,829	3,350,799
Beneficial interest in charitable remainder trust	424,871	428,206
Property held for sale	-	296,493
Property and equipment, net	10,496,627	10,547,748
Total assets	<u>\$ 23,478,395</u>	<u>\$ 22,826,753</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 150,351	\$ 279,419
Accrued payroll and taxes	285,349	266,264
Other accrued expenses	126,181	60,253
Capital lease payable, current portion	10,894	13,541
Note payable, current portion	-	96,125
Beneficiary annuity obligations, current portion	7,509	7,075
Total current liabilities	580,284	722,677
Capital lease payable, non-current portion	14,058	27,282
Note payable, non-current portion	-	896,063
Beneficiary annuity obligations, non-current portion	20,157	27,696
Total liabilities	614,499	1,673,718
Net assets:		
Without donor restrictions:		
Expended for property and equipment	10,471,675	9,514,737
Board-designated endowment	-	250,000
Board-designated operating reserve	3,206,885	-
Available for operations	4,846,542	7,103,693
Total net assets without donor restrictions	18,525,102	16,868,430
With donor restrictions:		
Purpose restrictions	460,291	411,685
Time-restricted for future periods	424,871	428,206
Subject to appropriation and expenditure	705	1,817
Perpetual in nature	3,452,927	3,442,897
Total net assets without donor restrictions	4,338,794	4,284,605
Total net assets	22,863,896	21,153,035
Total liabilities and net assets	<u>\$ 23,478,395</u>	<u>\$ 22,826,753</u>

See independent auditor's report  
and notes to financial statements.

HUMANE SOCIETY OF SOUTHERN ARIZONA

STATEMENT OF ACTIVITIES  
For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Support:			
Trusts and bequests	\$ 3,683,114	\$ -	\$ 3,683,114
Contributions	1,377,656	578,645	1,956,301
Special events	412,567	-	412,567
Donated supplies and services	282,070	-	282,070
Grants	89,789	60,000	149,789
Merchandise sales, net	122,380	-	122,380
Gain on sale of property and equipment	86,248	-	86,248
Thrift store, net	35,093	-	35,093
Total support	6,088,917	638,645	6,727,562
Revenue and other income:			
Animal services	791,111	-	791,111
Investment income, net	372,489	4,159	376,648
Gain on beneficial interest in perpetual trusts	-	10,030	10,030
Loss on beneficial interest in charitable remainder trust	-	(3,335)	(3,335)
Other income	62,906	-	62,906
Total revenue and other income	1,226,506	10,854	1,237,360
Net assets released from restrictions:			
Satisfaction of donor restrictions	595,310	(595,310)	-
Total revenue and support	7,910,733	54,189	7,964,922
Expenses:			
Program services	5,165,655	-	5,165,655
Administrative	195,726	-	195,726
Fund-raising	805,127	-	805,127
Special events - costs of direct donor benefits	87,553	-	87,553
Total expenses	6,254,061	-	6,254,061
Change in net assets	1,656,672	54,189	1,710,861
Net assets, beginning of year	16,868,430	4,284,605	21,153,035
Net assets, end of year	\$ 18,525,102	\$ 4,338,794	\$ 22,863,896

See independent auditor's report  
and notes to financial statements.

HUMANE SOCIETY OF SOUTHERN ARIZONA

STATEMENT OF ACTIVITIES  
For the year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Support:			
Trusts and bequests	\$ 3,251,529	\$ -	\$ 3,251,529
Contributions	987,337	1,128,058	2,115,395
Grants	92,933	452,427	545,360
Special events	349,752	-	349,752
Donated supplies and services	216,988	-	216,988
Merchandise sales, net	124,076	-	124,076
Thrift store, net	2,419	-	2,419
Loss on sale of property and equipment	(8,097)	-	(8,097)
Total support	5,016,937	1,580,485	6,597,422
Revenue and other income:			
Animal services	800,703	-	800,703
Investment income, net	261,293	11,311	272,604
Gain on beneficial interest in perpetual trusts	-	20,592	20,592
Gain on beneficial interest in charitable remainder trust	-	6,566	6,566
Other income	49,382	-	49,382
Total revenue and other income	1,111,378	38,469	1,149,847
Net assets released from restrictions:			
Satisfaction of donor restrictions	3,291,751	(3,291,751)	-
Total revenue and support	9,420,066	(1,672,797)	7,747,269
Expenses:			
Program services	4,656,055	-	4,656,055
Administrative	182,802	-	182,802
Fund-raising	790,125	-	790,125
Special events - costs of direct donor benefits	78,727	-	78,727
Total expenses	5,707,709	-	5,707,709
Change in net assets	3,712,357	(1,672,797)	2,039,560
Net assets, beginning of year	13,156,073	5,957,402	19,113,475
Net assets, end of year	\$ 16,868,430	\$ 4,284,605	\$ 21,153,035

See independent auditor's report  
and notes to financial statements.

HUMANE SOCIETY OF SOUTHERN ARIZONA  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2019

	Program Services							
	Animal Shelter	Offsite	Spay and Neuter Clinic	Humane Education and Cruelty Prevention	Total Program Services	Administrative	Fund-raising	Total
Personnel:								
Salaries and wages	\$ 1,305,663	\$ 254,674	\$ 743,077	\$ 216,078	\$ 2,519,492	\$ 39,021	\$ 348,999	\$ 2,907,512
Employee benefits	148,273	18,083	48,187	23,973	238,516	8,576	28,184	275,276
Payroll taxes	126,194	20,731	61,649	16,911	225,485	8,080	30,776	264,341
Total personnel	1,580,130	293,488	852,913	256,962	2,983,493	55,677	407,959	3,447,129
Other operating expenses	388,880	18,412	68,292	44,367	519,951	53,235	111,141	684,327
Veterinary services and supplies	368,370	-	244,161	11,832	624,363	-	-	624,363
Office expenses	86,886	25,294	56,173	18,066	186,419	4,531	173,476	364,426
Advertising and promotion	104,396	43,180	80,714	24,451	252,741	5,978	90,319	349,038
Depreciation	192,549	1,865	61,470	15,881	271,765	29,733	14,308	315,806
Occupancy	108,303	61,434	40,942	11,767	222,446	14,502	403	237,351
Professional services	37,030	18,052	13,797	928	69,807	31,091	4,557	105,455
Auto and travel	19,417	5,498	2,635	7,120	34,670	979	2,964	38,613
Total functional expenses	<u>\$ 2,885,961</u>	<u>\$ 467,223</u>	<u>\$ 1,421,097</u>	<u>\$ 391,374</u>	<u>\$ 5,165,655</u>	<u>\$ 195,726</u>	<u>\$ 805,127</u>	<u>\$ 6,166,508</u>

See independent auditor's report  
and notes to financial statements.

HUMANE SOCIETY OF SOUTHERN ARIZONA  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2018

	Program Services							
	Animal Shelter	Offsite	Spay and Neuter Clinic	Humane Education and Cruelty Prevention	Total Program Services	Administrative	Fund-raising	Total
Personnel:								
Salaries and wages	\$ 1,138,048	\$ 241,504	\$ 734,727	\$ 198,430	\$ 2,312,709	\$ 47,934	\$ 291,026	\$ 2,651,669
Employee benefits	136,679	22,205	57,322	11,590	227,796	6,544	23,682	258,022
Payroll taxes	106,981	22,132	66,260	15,658	211,031	7,866	22,492	241,389
Total personnel	1,381,708	285,841	858,309	225,678	2,751,536	62,344	337,200	3,151,080
Other operating expenses	376,064	31,314	107,805	51,908	567,091	50,645	90,038	707,774
Veterinary services and supplies	261,810	-	262,119	861	524,790	-	-	524,790
Advertising and promotion	77,184	31,978	59,692	18,102	186,956	57	150,244	337,257
Occupancy	156,945	67,915	49,638	10,461	284,959	15,986	2,926	303,871
Office expenses	36,745	7,879	28,550	6,777	79,951	10,311	160,369	250,631
Depreciation	91,544	10,984	42,356	6,503	151,387	9,885	2,311	163,583
Professional services	42,115	7,469	25,076	1,267	75,927	33,094	44,605	153,626
Auto and travel	15,366	8,659	2,936	6,497	33,458	480	2,432	36,370
Total functional expenses	<u>\$ 2,439,481</u>	<u>\$ 452,039</u>	<u>\$ 1,436,481</u>	<u>\$ 328,054</u>	<u>\$ 4,656,055</u>	<u>\$ 182,802</u>	<u>\$ 790,125</u>	<u>\$ 5,628,982</u>

See independent auditor's report  
and notes to financial statements.



HUMANE SOCIETY OF SOUTHERN ARIZONA

STATEMENTS OF CASH FLOWS  
For the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,710,861	\$ 2,039,560
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	317,458	164,639
Donated property and equipment	(22,378)	(74,350)
Donated fees related to sale of property	(24,000)	(16,900)
(Gain) loss on sale of property and equipment and property held for sale	(86,248)	8,097
Reinvested dividends	-	(1,640)
Realized and unrealized gain on investments	(119,917)	(27,854)
Gain on beneficial interest in perpetual trusts	(10,030)	(20,592)
Loss (gain) on beneficial interest in charitable remainder trust	3,335	(6,566)
Change in the allowance for uncollectible bequests and memorials receivable	-	(25,000)
Change in the allowance for net present value, uncollectible promises to give	(4,621)	(5,756)
Change in the provision for uncollectible promises to give	(11,759)	(1,555)
Contributions restricted for capital purposes	-	(1,124,704)
Changes in operating assets and liabilities:		
Accounts and other receivables	(54,365)	5,829
Bequests and memorials receivable	771,883	(597,339)
Inventory	(1,110)	20,982
Prepaid expenses and other assets	(24,067)	50,572
Accounts payable	(129,068)	(540,046)
Accrued payroll and taxes	19,085	(8,100)
Other accrued expenses	65,928	(20,604)
Total adjustments	690,126	(2,220,887)
Net cash provided by (used in) operating activities	2,400,987	(181,327)
Cash flows from investing activities:		
Purchases of marketable securities	(4,342,583)	(1,808,741)
Purchases of investments - other	(2,204,000)	-
Proceeds from sales of marketable securities	5,384,606	5,480,306
Purchases related to property held for sale	(9,339)	(3,730)
Purchases of property and equipment	(262,062)	(6,491,534)
Proceeds from sale of property and equipment and property held for sale	434,183	571,452
Net cash used in investing activities	(999,195)	(2,252,247)
Cash flows from financing activities:		
Collection on contributions restricted for capital purposes	142,305	1,323,325
Borrowings under note payable	-	997,900
Repayments on note payable	(992,188)	(7,887)
Payments on capital lease payable	(15,871)	(3,437)
Payments on gift annuity obligations	(7,105)	(7,747)
Net cash (used in) provided by financing activities	(872,859)	2,302,154
Change in cash and cash equivalents	528,933	(131,420)
Cash and cash equivalents, beginning of year	2,179,275	2,310,695
Cash and cash equivalents, end of year	\$ 2,708,208	\$ 2,179,275

See independent auditor's report  
and notes to financial statements.

## HUMANE SOCIETY OF SOUTHERN ARIZONA

### NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

#### 1. Organization

Humane Society of Southern Arizona (Society) was organized in March 1944 to promote the prevention of cruelty to animals, to promote the welfare of animals through legislation, to maintain a shelter for animals and to promote the reduction of animal over-population through spaying and neutering. The Society provides these services throughout Pima County and all of Southern Arizona. Its main campus is located in central Tucson, Arizona. The Society also offers an additional adoption site and operates a thrift store to help fund animal services. Funding for the Society comes primarily from contributions, bequests and trusts, and animal services.

#### 2. Summary of Significant Accounting Policies

##### Financial Statement Presentation and Contributions

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – net assets available for use in general operations and not subject to donor (or grantor) restrictions. Net assets without donor restrictions at June 30, 2019 and 2018 include \$-0- and \$250,000, respectively, designated by the Board of Directors as an endowment. During July 2019, the Board of Directors established a policy that provides for an operating reserve equal to 50% of the operating budget for the current year. Net assets without donor restrictions at June 30, 2019 includes \$3,206,885 for this operating reserve.
- Net assets with donor restrictions – net assets subject to donor (or grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Society reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

##### Cash and Cash Equivalents

The Society considers cash and highly liquid investments with a maturity of three months or less to be cash equivalents. The Society maintains its cash in brokerage accounts and in bank deposit accounts which may exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to \$250,000 per institution. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time. At June 30, 2019 and 2018, the Society had \$433,408 and \$1,207,871, respectively, on deposit in excess of FDIC limitations.

See independent auditor's report.

HUMANE SOCIETY OF SOUTHERN ARIZONA

NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies, Continued

Investments - Other

Investments - other consists of certificates of deposits held for investment that are not debt securities. Certificates of deposit with original maturities greater than one year with remaining maturities less than one year are classified as current. Certificates of deposit with remaining maturities greater than one year are classified as non-current. All of the certificates of deposit are current as of June 30, 2019.

Income Tax Status

The Society is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and from Arizona income tax under Arizona Revised Statute section 43-1201(4). Therefore, no provision has been made for income taxes in the accompanying financial statements. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). There were no taxes paid by the Society during the years ended June 30, 2019 and 2018.

The Society's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of June 30, 2019, there were no uncertain tax positions that are potentially material.

Reclassifications

Certain items in the 2018 financial statements have been reclassified to conform to the presentation in the 2019 financial statements.

Bequests Receivable

Bequests are recognized as contribution revenue when the Society has an irrevocable right to the gift as determined by applicable court declarations, and the amount can be reasonably estimated. The revenue and related receivable are recorded at the present value of the amount which management estimates it will collect. Bequests receivable that are expected to be collected within one year are recorded at their net realizable value and classified as current. Bequests receivable that are expected to be collected in future years are recorded at the estimated net realizable value and classified as non-current.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. For the years ended June 30, 2019 and 2018, the discounts on these amounts are computed using a risk-free interest rate of 3.75%. Amortization of the discount is included in contribution revenue. Management uses the allowance method to account for uncollectible unconditional promises to give. The allowance for uncollectible promises to give is \$42,135 and \$53,894 at June 30, 2019 and 2018, respectively.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

See independent auditor's report.

## HUMANE SOCIETY OF SOUTHERN ARIZONA

### NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

#### 2. Summary of Significant Accounting Policies, Continued

##### Investments, continued

The Securities Investor Protection Corporation (SIPC) protects investments up to \$500,000 per institution. However, SIPC does not protect against losses in market value. At June 30, 2019 and 2018, the Society had \$6,845,464 and \$3,570,101, respectively, on deposit in excess of SIPC limitations. It is the opinion of management that the solvency of the referenced brokerage institutions is not of concern at this time.

##### Inventory

Inventories consist primarily of medical supplies and retail pet items (sold at offsite adoption centers and shelter) and are stated at the lower of cost or market determined by the average cost method. Inventory for the thrift store is valued using a rolling three month average of sales.

##### Property and Equipment

Expenditures in excess of \$2,500, for major improvements or items that benefit future periods, are capitalized at cost if purchased or at fair market value at the date of gift if donated. Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows:

Buildings and improvements	10 - 50 years
Vehicles	5 years
Equipment	3 - 10 years

##### Donated Services and Materials

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Although the Society utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

##### Advertising

Advertising costs are expensed as incurred. The Society does not participate in direct-response advertising which requires the capitalization and amortization of related costs. Advertising expense for the years ended June 30, 2019 and 2018 was \$349,038 and \$337,257, respectively, and includes in-kind expenses of \$89,989 and \$-0-, respectively.

##### Functional Expenses

The Society reports its expenses on a functional basis by program and support service. Expenses that can be identified with a specific program or support service are charged directly according to their natural classification. This includes the majority of operating expenses such as all types of payroll related costs and direct operating supplies. These expenses also include specific fundraising or administrative costs. All such costs are coded by department and include account descriptions reflecting their natural classification. Expenses not identified to a specific program or support service are allocated among the services benefited. Most of these costs are initially allocated based on occupied square footage. These allocated expenses include depreciation, professional fees, repairs and maintenance, utilities, insurance and other expenses. Certain other costs such as marketing costs, joint costs or pooled administrative costs are allocated to program services and support services based on the underlying purpose of the expenditures or estimates of time, effort or use.

See independent auditor's report.

# HUMANE SOCIETY OF SOUTHERN ARIZONA

## NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

### 3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of:

	2019	2018
Cash and cash equivalents	\$ 2,708,208	\$ 2,179,275
Accounts and other receivables	89,395	35,030
Unconditional promises to give, current portion	125,225	168,740
Bequests and memorials receivable, net	670,942	1,442,825
Inventory held for sale	112,957	110,128
Total financial assets available within one year	3,706,727	3,935,998
Less:		
Amounts unavailable for general expenditures within one year due to:		
Purpose restrictions	460,291	411,685
Subject to appropriation and expenditure	705	1,817
Total amounts unavailable for general expenditures within one year	460,996	413,502
Amounts unavailable to management without Board approval:		
Designated by the Board for endowment	-	250,000
Cash portion of Board-designated operating reserve	695,307	-
Cash held in investment accounts	1,320,948	35,539
Total financial assets available to management for general expenditure within one year	\$ 1,229,476	\$ 3,236,957

The Society maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due and to generate conservative investment returns on funds not needed by current operations. The Society attempts to maintain \$300,000 to \$700,000 in working capital available to management for operations. Cash in excess of daily requirements are invested in immediately available money market funds. Procedures are established for management to access Board-designated operating reserve funds of up to \$3,206,885 should current operations not provide sufficient funds.

### 4. Unconditional Promises to Give

During the year ended June 30, 2011, a capital campaign was launched to raise money for the Society's new facility. The balances due related to this campaign are scheduled to be repaid in future years as follows:

	2019	2018
2019	\$ -	\$ 168,740
2020	125,225	94,790
2021	28,344	31,344
2022	10,000	11,000
2023	10,000	50,000
2024 and beyond	40,000	-
Total unconditional promises to give	213,569	355,874
Less discount to present value at 3.75%	(12,314)	(16,935)
Less allowance for uncollectible promises	(42,135)	(53,894)
Unconditional promises to give, net	159,120	285,045
Less current portion	(125,225)	(168,740)
Non-current portion	\$ 33,895	\$ 116,305

See independent auditor's report.

HUMANE SOCIETY OF SOUTHERN ARIZONA

NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2019 and 2018

5. Investments

Investments, stated at fair value, consist of the following at June 30,:

	2019	2018
Mutual funds	\$ 1,602,427	\$ 661,248
Equities	831,380	705,887
Fixed income	672,891	2,620,573
Other marketable investments	-	42,875
Total investments	3,106,698	4,030,583
Less permanently restricted endowments	(92,098)	(92,098)
Less board-designated endowments	-	(250,000)
	<u>\$ 3,014,600</u>	<u>\$ 3,688,485</u>

Investment income is comprised of the following for the years ended June 30,:

	2019	2018
Interest and dividends	\$ 116,732	\$ 126,016
Realized and unrealized gain, net	119,917	27,854
Trust income	165,852	165,285
Investment management fees	(25,853)	(46,551)
Investment income, net	<u>\$ 376,648</u>	<u>\$ 272,604</u>

6. Fair Value Measurements

The Financial Accounting Standards Board has 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 the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

See independent auditor's report.

# HUMANE SOCIETY OF SOUTHERN ARIZONA

## NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

### 6. Fair Value Measurements, Continued

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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 use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

- *Common stock, fixed income, other marketable assets:* Valued at fair value based on national trade listing.
- *Mutual and exchange funds:* Valued at the net asset value ("NAV") of shares held by the Society at year end.
- *Beneficial interest in trusts held by third parties:* Valued at the fair value of the underlying investments as reported by the third parties.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the 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 date.

Fair values of assets measured on a recurring basis are:

	Investments at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual and exchange funds	\$ 1,602,427	\$ -	\$ -	\$ 1,602,427
Common stocks	831,380	-	-	831,380
Corporate and government bonds	672,891	-	-	672,891
Total investments	<u>\$ 3,106,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,106,698</u>
Beneficial interest in perpetual trusts	<u>\$ -</u>	<u>\$ 3,360,829</u>	<u>\$ -</u>	<u>\$ 3,360,829</u>
Beneficial interest in charitable remainder trusts	<u>\$ -</u>	<u>\$ 424,871</u>	<u>\$ -</u>	<u>\$ 424,871</u>

See independent auditor's report.

HUMANE SOCIETY OF SOUTHERN ARIZONA

NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2019 and 2018

6. Fair Value Measurements, Continued

Investments at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	Total
Corporate and government bonds	\$ 2,620,573	\$ -	\$ -	\$ 2,620,573
Common stocks	705,887	-	-	705,887
Mutual and exchange funds	661,248	-	-	661,248
Other assets	42,875	-	-	42,875
Total investments	<u>\$ 4,030,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,030,583</u>
Beneficial interest in perpetual trusts	<u>\$ -</u>	<u>\$ 3,350,799</u>	<u>\$ -</u>	<u>\$ 3,350,799</u>
Beneficial interest in charitable remainder trusts	<u>\$ -</u>	<u>\$ 428,206</u>	<u>\$ -</u>	<u>\$ 428,206</u>

7. Trusts, Bequests and Memorials

The Society is a remainder beneficiary in certain trusts. Upon the death of the income beneficiaries, the assets of the trusts will be distributed, and the Society's share of the assets will be recognized as revenue. Because the Society is a remainder beneficiary, and the remainder amounts cannot be estimated, the assets of the trusts are not reflected in the accompanying financial statements.

The Society is also the beneficiary of estates which can be reasonably estimated. The net balance of these bequests and memorials receivable is \$670,942 and \$1,442,825 at June 30, 2019 and 2018, respectively. Management uses the allowance method to account for uncollectible bequests and memorials receivable. For the years ended June 30, 2019 and 2018, the allowance for uncollectible bequests and memorials receivable were \$18,184.

The Society is the sole income beneficiary of one perpetual charitable trust and a 1.5% income beneficiary of another perpetual trust. Both of the trusts are held by third parties. The Society recognizes permanently restricted contribution revenue equal to its proportionate share of the fair value of the trust assets upon notification and determination that its right to receive benefits is unconditional and irrevocable. Changes in the fair value of the Society's interest in the trust assets are reflected as gains or losses in the statement of activities in the period they occur. Distributions received from these trusts are recorded as unrestricted investment income. The value of the Society's beneficial interest in these trust assets is \$3,360,829 and \$3,350,799 at June 30, 2019 and 2018, respectively.

The Society is a beneficiary of three charitable remainder trusts held by third parties with beneficial interests of 50%, 25% and 9%. The 9% beneficial interest, in the amount of \$91,580, was contributed to the Society during the year ended June 30, 2017. The Society recognizes temporarily restricted contribution revenue equal to its proportionate share of the fair value of the trust assets upon notification and determination that its right to receive benefits is unconditional and irrevocable. Changes in the fair value of the Society's interests in the trust assets are reflected as gains or losses in the statement of activities in the period they occur. Distributions received from the trusts are recorded as a reduction of the beneficial interest in the trust assets. The value of the Society's beneficial interests in the trust assets is \$424,871 and \$428,206 at June 30, 2019 and 2018, respectively.

See independent auditor's report.



# HUMANE SOCIETY OF SOUTHERN ARIZONA

## NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

### 7. Trusts, Bequests and Memorials, Continued

During the year ended June 30, 2004, the Society received a charitable gift annuity agreement of \$50,000, discounted at 6%. The beneficiary obligation liability under this agreement at June 30, 2019 and 2018 was \$4,914 and \$7,521, respectively. During the year ended June 30, 2010, the Society received another charitable gift annuity agreement from the same donor in the amount of \$50,000, discounted at 6%. The beneficiary obligation liability under this agreement at June 30, 2019 and 2018 was \$10,966 and \$13,223, respectively. During the year ended June 30, 2011, the Society received a third charitable gift annuity agreement from the same donor in the amount of \$50,000, discounted at 6%. The beneficiary obligation liability under this agreement at June 30, 2019 and 2018 was \$11,785 and \$14,027, respectively.

### 8. Property and Equipment

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

	2019	2018
Construction in progress	\$ 10,606	\$ -
Buildings and improvements	8,796,743	8,859,610
Land	1,015,457	1,015,457
Furniture, fixtures and equipment	1,423,702	1,175,909
Vehicles	273,087	243,837
Total property and equipment	11,519,595	11,294,813
Less accumulated depreciation	(1,022,968)	(747,065)
Property and equipment, net	\$ 10,496,627	\$ 10,547,748

### 9. Capital Lease Payable

During the year ended June 30, 2018, the Society entered into a capital lease for computer equipment. The total cost of the equipment under this lease was \$41,930 and accumulated depreciation was \$8,386 at June 30, 2019. The capital lease payable consists of the following at June 30,:

	2019	2018
Cisco Capital, \$1,229 per month including interest through March 2021; collateralized by computer equipment.	\$ 24,952	\$ 40,823
Less current portion	(10,894)	(13,541)
Non-current portion	\$ 14,058	\$ 27,282

The future maximum lease payments due under the capital lease at June 30, 2019 are:

Year ending	
June 30,	
2020	\$ 14,753
2021	11,065
Total lease payments	25,818
Less imputed interest	(866)
Net minimum lease payments	\$ 24,952

See independent auditor's report.

# HUMANE SOCIETY OF SOUTHERN ARIZONA

## NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

### 10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30,:

	2019	2018
Subject to expenditure for specified purpose:		
YODI	\$ 100,888	\$ -
Pet visitation program	62,878	82,185
New beginnings	53,084	33,433
Special needs (2nd Chance)	50,735	69,782
Other	50,665	50,790
Wellness program	50,116	50,000
Spay and neuter fund	43,194	71,492
Rescue fund	19,262	19,990
Capital improvement fund	15,819	11,588
Sponsored adoptions	7,000	-
Education fund	6,650	248
Shelter food fund	-	14,498
Supported (Indigent) Care	-	7,679
	<u>460,291</u>	<u>411,685</u>
Subject to the passage of time:		
Beneficial interest in charitable remainder trusts	424,871	428,206
Endowments:		
Subject to appropriation and expenditure:		
Accumulated earnings on original endowment gifts	705	1,817
Not subject to spending policy or appropriation:		
Original endowment gifts	92,098	92,098
Perpetual trusts held by third-party	<u>3,360,829</u>	<u>3,350,799</u>
Net assets with donor restrictions	<u>\$ 4,338,794</u>	<u>\$ 4,284,605</u>

See independent auditor's report.

# HUMANE SOCIETY OF SOUTHERN ARIZONA

## NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

### 10. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended June 30, 2019:

	Contributions	Investment Income (loss)	Change in Beneficial Interest in Funds Held by Others	Transfers	Releases
Subject to expenditure for specified purpose:					
YODI	\$ 100,010	\$ -	\$ -	\$ 4,074	\$ (3,196)
Pet visitation program	32,410	-	-	-	(51,718)
New beginnings	209,445	-	-	-	(189,794)
Special needs (2nd Chance)	127,083	-	-	14,857	(160,987)
Other	56,300	-	-	(4,074)	(52,265)
Wellness program	2,500	-	-	-	(2,384)
Spay and neuter fund	36,070	-	-	7,679	(72,048)
Rescue fund	10,095	-	-	-	(10,823)
Capital improvement fund	48,857	-	-	-	(44,626)
Sponsored adoptions	7,000	-	-	-	-
Education fund	8,600	-	-	-	(2,198)
Shelter food fund	275	-	-	(14,857)	-
Supported (Indigent) Care	-	-	-	(7,679)	-
	<u>638,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(590,039)</u>
Subject to the passage of time:					
Beneficial interest in charitable remainder trusts	-	-	(3,335)	-	-
Endowments:					
Subject to appropriation and expenditure:					
Accumulated earnings on original endowment gifts	-	4,159	-	-	(5,271)
Not subject to spending policy or appropriation:					
Original endowment gifts	-	-	-	-	-
Perpetual trusts held by third-party	-	-	10,030	-	-
Net assets with donor restrictions	<u>\$ 638,645</u>	<u>\$ 4,159</u>	<u>\$ 6,695</u>	<u>\$ -</u>	<u>\$ (595,310)</u>

See independent auditor's report.

# HUMANE SOCIETY OF SOUTHERN ARIZONA

## NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

### 10. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended June 30, 2018:

	Contributions	Investment Income (loss)	Change in Beneficial Interest in Funds Held by Others	Transfers	Releases
Subject to expenditure for specified purpose:					
YODI	\$ -	\$ -	\$ -	\$ -	\$ -
Pet visitation program	49,104	-	-	-	(39,524)
New beginnings	50,553	-	-	-	(17,120)
Special needs (2nd Chance)	119,908	-	-	-	(70,722)
Other	74,806	-	-	-	(56,419)
Wellness program	50,000	-	-	-	-
Spay and neuter fund	82,428	-	-	-	(72,635)
Rescue fund	26,015	-	-	-	(32,975)
Capital improvement fund	1,124,706	3,899	-	-	(3,001,672)
Education fund	-	-	-	-	(178)
Shelter food fund	-	-	-	-	(246)
Supported (Indigent) Care	2,965	-	-	-	(260)
	<u>1,580,485</u>	<u>3,899</u>	<u>-</u>	<u>-</u>	<u>(3,291,751)</u>
Subject to the passage of time:					
Beneficial interest in charitable remainder trusts	-	-	6,566	-	-
Endowments:					
Subject to appropriation and expenditure:					
Accumulated earnings on original endowment gifts	-	7,412	-	-	-
Not subject to spending policy or appropriation:					
Original endowment gifts	-	-	-	-	-
Perpetual trusts held by third-party	-	-	20,592	-	-
Net assets with donor restrictions	<u>\$ 1,580,485</u>	<u>\$ 11,311</u>	<u>\$ 27,158</u>	<u>\$ -</u>	<u>\$ (3,291,751)</u>

### 11. Endowment Funds

#### Endowments

At June 30, 2019 and 2018, the Society's endowment funds consist of two individual funds established by donors. At June 30, 2018, the endowment funds also included a board-designated endowment fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds (including funds designated by the Board of Directors to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions. The Society is the beneficiary of two perpetual trusts as discussed in Note 7. The perpetual trusts are administered by a third party, and the assets are not accessible by the Society at any time. They do not meet the definition of an endowment and are classified as net assets with restrictions in accordance with accounting principles generally accepted in the United States of America.

See independent auditor's report.

## HUMANE SOCIETY OF SOUTHERN ARIZONA

### NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

#### 11. Endowment Funds, Continued

##### Endowments, continued

The State of Arizona adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (the Act). The Board of Directors of the Society has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets with donor restrictions, not subject to spending policy or appropriation (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations 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, if any, of the donor-restricted endowment fund that is not classified net assets with donor restrictions, not subject to spending policy or appropriation, is classified as net assets with donor restrictions, subject to appropriation and expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with the Act, the Society considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization.

##### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Society to retain as a fund of perpetual duration. There were no deficiencies of this nature to be reported as of June 30, 2019 or 2018.

##### Return Objectives and Parameters

The Society has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) and board-designated endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are to be invested in a combination of fixed income, equities, commodities, hedge fund contracts and cash equivalents, and the maximum allocation by investment type shall be 100%, 49%, 9%, 16% and 25%, respectively, of the total investment portfolio. Actual returns in any given year may vary.

##### Investment Strategies

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The primary purpose of the Society's endowment funds is to provide additional funding for programs and operations while increasing the investment base.

See independent auditor's report.

# HUMANE SOCIETY OF SOUTHERN ARIZONA

## NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

### 11. Endowment Funds, Continued

#### Spending Policy

The Society's policy allows the Board of Directors to appropriate for expenditure four percent of an endowment fund's average fair market value over the prior year. Accumulated earnings on endowment funds that are not otherwise restricted by a donor will be released from net assets with donor restrictions if appropriated by the Board of Directors.

The Society had the following endowment-related activities during the years ended June 30, 2019 and 2018:

	Without donor restrictions	With donor restrictions	Total
Balance, June 30, 2017	\$ 250,000	\$ 86,503	\$ 336,503
Contributions	-	-	-
Earnings	-	7,412	7,412
Balance, June 30, 2018	250,000	93,915	343,915
Contributions	-	-	-
Earnings	-	4,159	4,159
Appropriations and releases	(250,000)	(5,271)	(255,271)
Balance, June 30, 2019	\$ -	\$ 92,803	\$ 92,803

### 12. Special Events

The Society's special events during the year ended June 30, 2019 consists of:

	Revenue	Expenses	Net
Puttin' on the Dog (includes in-kind contributions in the amount of \$72,080)	\$ 230,557	\$ 83,066	\$ 147,491
Sweat For Pets	48,988	7,377	41,611
Other events	133,022	54,181	78,841
Total special events	\$ 412,567	\$ 144,624	\$ 267,943

Special event expenses for the year ended June 30, 2019 include \$87,553 of direct donor benefit costs as reported on the statement of activities, and the remaining \$57,071 of other special event expenses are allocated on the statement of functional expenses as fundraising.

The Society's special events during the year ended June 30, 2018 consists of:

	Revenue	Expenses	Net
Puttin' on the Dog (includes in-kind contributions in the amount of \$74,913)	\$ 185,161	\$ 79,417	\$ 105,744
Sweat For Pets	49,180	7,037	42,143
Telethon	15,469	16,054	(585)
Other events	99,942	21,428	78,514
Total special events	\$ 349,752	\$ 123,936	\$ 225,816

See independent auditor's report.

# HUMANE SOCIETY OF SOUTHERN ARIZONA

## NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

### 12. Special Events, Continued

Special event expenses for the year ended June 30, 2018 include \$78,727 of direct donor benefit costs as reported on the statement of activities, and the remaining \$45,209 of other special event expenses are allocated on the statement of functional expenses as fundraising.

### 13. Donated Supplies and Services

Donated supplies and services consist of the following for the years ended June 30,:

	2019	2018
Property and equipment	\$ 22,378	\$ 108,371
Rent	28,176	31,541
Food	11,549	20,243
Professional services	134,486	33,750
Shelter and clinic	67,552	11,410
Operating supplies and materials	17,929	11,673
Total donated supplies and services	<u>\$ 282,070</u>	<u>\$ 216,988</u>

### 14. Thrift Store and Merchandise Sales

Thrift store and merchandise sales activity for the year ended June 30, 2019 consists of:

	Thrift Store	Merchandise Sales
Revenue	\$ 357,785	\$ 244,019
Expenses, including depreciation of \$1,652	(322,692)	(121,639)
Net revenue	<u>\$ 35,093</u>	<u>\$ 122,380</u>

Thrift store and merchandise sales activity for the year ended June 30, 2018 consists of:

	Thrift Store	Merchandise Sales
Revenue	\$ 369,766	\$ 243,387
Expenses, including depreciation of \$1,056	(367,347)	(119,311)
Net revenue	<u>\$ 2,419</u>	<u>\$ 124,076</u>

### 15. Retirement Plan

The Society sponsors a 401(k) retirement plan for the benefit of its employees. Employees 21 years of age or older can participate in the plan after completing one year of service. The Society contributes an amount up to three percent of the respective participating employee's salary. For the years ended June 30, 2019 and 2018, pension expense totaled \$45,655 and \$38,302, respectively.

### 16. Commitments

The Society is self-insured for state unemployment purposes. Total expense for unemployment for the years ended June 30, 2019 and 2018 was \$19,943 and \$2,214, respectively.

See independent auditor's report.

# HUMANE SOCIETY OF SOUTHERN ARIZONA

## NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

### 17. Line of Credit

During the year ended June 30, 2018, the Society established a construction loan with Wells Fargo Bank for an amount not to exceed the principal sum of \$4,000,000. The initial funding was through a revolving line of credit upon which advances were made solely for the construction costs related to construction of the Society's new animal welfare center. The advances were available until the conversion date, which was during May 2018. During the year ended June 30, 2018, the animal welfare center was completed, and the line of credit was converted to a term loan in the initial amount of \$1,000,000. The term loan was paid in-full during April 2019.

### 18. Operating Leases

The Society has several non-cancelable operating leases for equipment and facilities that expire at various dates ranging between December 2018 and December 2021. Rental expense related to these leases for the years ended June 30, 2019 and 2018, including in-kind rent expense, was \$134,621 and \$154,824, respectively. Future minimum lease payments under these agreements are:

<u>Year ending June 30,</u>	
2020	\$ 77,144
2021	32,083
2022	14,466
Total future minimum lease payments	<u>\$ 123,693</u>

### 19. Joint Cost Allocations

The Society sends out newsletters that include requests for contributions, information about fundraising events and advertising, as well as program components. During the year ended June 30, 2019, the Society incurred joint costs of \$44,775 which are not specifically attributable to particular components of the publications. The Society allocated \$33,850 to program services not including public education and \$10,925 to fund-raising.

During the year ended June 30, 2018, the Society incurred joint costs of \$30,429 which are not specifically attributable to particular components of the publications. The Society allocated \$22,857 to program services not including public education and \$7,572 to fund-raising.

### 20. Related Party Transactions

Members of the board of directors make contributions and volunteer their time to support the Society. Members of the board of directors contributed \$31,150 and \$38,702 for the years ended June 30, 2019 and 2018, respectively.

Unconditional promises to give at June 30, 2019 includes \$2,500 due from a Society board member and \$1,329 from various employees. Unconditional promises to give at June 30, 2018 includes \$10,878 due from seventeen of the Society's board members and \$5,790 from various employees.

During March 2016, the Society entered into a contract with Diversified Design and Construction, Inc. (DDC) for the construction of the Society's new animal welfare center. The president of DDC is a member of the Society's board of directors. The construction contract's maximum value is \$7,402,844. During the years ended June 30, 2019 and 2018, total payments made to DDC were \$142,282 and \$5,881,227 respectively, and amounts due, including a 10% retainage, were \$0- and \$92,067, at June 30, 2019 and 2018, respectively.

See independent auditor's report.



# HUMANE SOCIETY OF SOUTHERN ARIZONA

## NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2019 and 2018

### 20. Related Party Transactions, Continued

During December 2016, the Society entered into real estate property listing agreements with Venture West Real Estate Services, LLC (Venture West) for brokerage services for the sale of the Society's properties located at 3450 N. Kelvin Blvd and 3465 E. Kleindale Road in Tucson, Arizona (the Properties). The vice-president and partner of Venture West is a member of the Society's board of directors. In connection with the sale of the Properties during the years ended June 30, 2019 and 2018, \$24,000 and \$17,400 in commissions were earned, respectively, by Venture West. Of the total, \$24,000 and \$16,900 was donated to the Society and is included with donated professional services for the years ended June 30, 2019 and 2018, respectively.

### 21. Supplemental Cash Flow Disclosures

	2019	2018
Supplemental disclosure of cash flow information:		
Donated property and equipment	\$ 22,378	\$ 74,350
Reinvested dividends	\$ -	\$ 1,640
Construction line of credit converted to permanent loan	\$ -	\$ 2,175
Purchase of computer equipment with capital lease	\$ -	\$ 44,260
Property and equipment converted to held for sale	\$ -	\$ 275,863
Cash paid for interest	\$ 23,221	\$ 3,955
Donated fees related to sale of property	\$ 24,000	\$ 16,900

### 22. Subsequent Events

The Society was unaware of any subsequent events as of October 24, 2019, the date the financial statements were available to be issued.

See independent auditor's report.