



ATLANTA, GEORGIA

**AUDITED
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017**

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.**
INDEX TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	
STATEMENTS OF FINANCIAL POSITION	1
STATEMENTS OF ACTIVITIES AND NET ASSETS	2-3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5-13



Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Atlanta Humane Society and Society for
Prevention of Cruelty to Animals, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Atlanta Humane Society and Society for Prevention of Cruelty to Animals, Inc. (the "Society"), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and net assets 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 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 Society'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 Society'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 Atlanta Humane Society and Society for Prevention of Cruelty to Animals, Inc. as of September 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.

Jones and Kolb

February 27, 2019

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.**
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 344,319	\$ 163,477
Marketable securities	21,063,072	21,937,718
Promises to give, net	157,224	101,463
Other current assets	336,290	367,097
	<u>21,900,905</u>	<u>22,569,755</u>
PROPERTY AND EQUIPMENT, NET	<u>11,916,100</u>	<u>12,245,539</u>
OTHER ASSETS		
Long-term promises to give, net	28,635	-
Beneficial interests in perpetual trusts	4,143,180	4,053,329
Marketable securities - permanently restricted	2,018,713	2,018,713
	<u>6,190,528</u>	<u>6,072,042</u>
Total assets	<u><u>\$ 40,007,533</u></u>	<u><u>\$ 40,887,336</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 832,014	\$ 511,458
Line of credit	4,414,952	4,654,952
	<u>5,246,966</u>	<u>5,166,410</u>
NET ASSETS		
Unrestricted	27,701,350	28,936,179
Temporarily restricted	897,324	712,705
Permanently restricted	6,161,893	6,072,042
	<u>34,760,567</u>	<u>35,720,926</u>
Total net assets	<u><u>\$ 40,007,533</u></u>	<u><u>\$ 40,887,336</u></u>

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

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING ACTIVITIES				
Support and revenues				
Program service revenues				
Shelter Services	\$ 2,077,796	\$ -	\$ -	\$ 2,077,796
Veterinary Center	631,083	-	-	631,083
Total program service revenues	2,708,879	-	-	2,708,879
Contributions	6,334,869	165,436	-	6,500,305
Special events	690,104	-	-	690,104
Investment spending allocation	1,340,000	-	-	1,340,000
Total support and revenues	11,073,852	165,436	-	11,239,288
Expenses				
Program service expenses				
Shelter Services	6,541,088	-	-	6,541,088
Veterinary Center	830,510	-	-	830,510
Community and Education Services	1,656,966	-	-	1,656,966
Total program service expenses	9,028,564	-	-	9,028,564
Administrative and general expenses	1,003,071	-	-	1,003,071
Fundraising expenses	2,163,384	-	-	2,163,384
Costs of direct benefits to donors	194,527	-	-	194,527
Total expenses	12,389,546	-	-	12,389,546
NET ASSETS RELEASED FROM RESTRICTIONS	150,000	(150,000)	-	-
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(1,165,694)	15,436	-	(1,150,258)
NON-OPERATING ACTIVITIES				
Net realized and unrealized gain on marketable securities and beneficial interests in perpetual trusts	857,885	101,480	89,851	1,049,216
Investment income, net	564,752	67,703	-	632,455
Loss on uncollectible pledge	(25,876)	-	-	(25,876)
Interest expense	(125,896)	-	-	(125,896)
Investment spending allocation	(1,340,000)	-	-	(1,340,000)
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	(69,135)	169,183	89,851	189,899
CHANGE IN NET ASSETS	(1,234,829)	184,619	89,851	(960,359)
NET ASSETS, Beginning of year	28,936,179	712,705	6,072,042	35,720,926
NET ASSETS, End of year	\$ 27,701,350	\$ 897,324	\$ 6,161,893	\$ 34,760,567

The accompanying notes to financial statements
are an integral part of this statement.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING ACTIVITIES				
Support and revenues				
Program service revenues				
Shelter Services	\$ 2,093,588	\$ -	\$ -	\$ 2,093,588
Veterinary Center	742,887	-	-	742,887
Total program service revenues	2,836,475	-	-	2,836,475
Contributions	5,392,088	194,116	1,500,000	7,086,204
Special events	703,233	-	-	703,233
Investment spending allocation	817,500	-	-	817,500
Total support and revenues	9,749,296	194,116	1,500,000	11,443,412
Expenses				
Program service expenses				
Shelter Services	6,223,725	-	-	6,223,725
Veterinary Center	1,047,009	-	-	1,047,009
Community and Education Services	1,400,859	-	-	1,400,859
Total program service expenses	8,671,593	-	-	8,671,593
Administrative and general expenses	976,194	-	-	976,194
Fundraising expenses	1,554,537	-	-	1,554,537
Costs of direct benefits to donors	189,404	-	-	189,404
Total expenses	11,391,728	-	-	11,391,728
NET ASSETS RELEASED FROM RESTRICTIONS	12,622	(12,622)	-	-
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(1,629,810)	181,494	1,500,000	51,684
NON-OPERATING ACTIVITIES				
Net realized and unrealized gain on marketable securities and beneficial interests in perpetual trusts	2,122,013	98,446	264,459	2,484,918
Investment income, net	557,383	27,740	-	585,123
Other income	71,400	-	-	71,400
Loss on uncollectible pledge	(749,691)	-	-	(749,691)
Interest expense	(88,637)	-	-	(88,637)
Investment spending allocation	(817,500)	-	-	(817,500)
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	1,094,968	126,186	264,459	1,485,613
CHANGE IN NET ASSETS	(534,842)	307,680	1,764,459	1,537,297
NET ASSETS, Beginning of year	29,471,021	405,025	4,307,583	34,183,629
NET ASSETS, End of year	<u>\$ 28,936,179</u>	<u>\$ 712,705</u>	<u>\$ 6,072,042</u>	<u>\$ 35,720,926</u>

The accompanying notes to financial statements
are an integral part of this statement.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.**
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (960,359)	\$ 1,537,297
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation	668,589	701,833
Contribution for perpetual endowment	-	(1,500,000)
In-kind contributions of investments	(120,554)	(59,487)
Loss on uncollectible pledges	25,876	749,691
Net realized and unrealized gains on marketable securities	(947,113)	(2,219,350)
Change in fair value of beneficial interests in perpetual trusts	(89,851)	(264,459)
Loss on disposal of equipment	4,163	20,127
(Increase) decrease in promises to give, net	(145,622)	-
(Increase) decrease in other current assets	30,807	4,337
Increase (decrease) in accounts payable and accrued expenses	320,556	(348,425)
Total adjustments	<u>(253,149)</u>	<u>(2,915,733)</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>(1,213,508)</u>	<u>(1,378,436)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the purchase of property and equipment	(351,813)	(243,700)
Proceeds from disposals of property and equipment	8,500	5,342
Purchases of marketable securities	(715,720)	(3,676,046)
Proceeds from sales of marketable securities	2,658,033	3,163,643
Net cash and cash equivalents provided by (used in) investing activities	<u>1,599,000</u>	<u>(750,761)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution for perpetual endowment	-	1,500,000
Capital campaign contributions	35,350	45,087
Payments on line of credit	(240,000)	-
Net cash and cash equivalents provided by (used in) financing activities	<u>(204,650)</u>	<u>1,545,087</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	180,842	(584,110)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>163,477</u>	<u>747,587</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 344,319</u>	<u>\$ 163,477</u>

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

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Atlanta Humane Society and Society for Prevention of Cruelty to Animals, Inc. (the "Society"), is a not-for-profit organization that promotes the humane treatment of animals. The principal services performed by the Society are housing, alteration and adoption of homeless animals, public veterinary services including high volume spay and neuter surgeries and humane education programs. Services are funded through gifts and bequests, contributions, fundraising and fee for service revenue. The Society is exempt from income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986.

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

C. The Society classifies net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions using three classifications: unrestricted, temporarily restricted and permanently restricted. These three classifications are defined as follows:

Unrestricted net assets are those net assets not restricted by donors or the donor-imposed restrictions have expired.

Temporarily restricted net assets are those net assets subject to donor-imposed restrictions that permit the Society to use or expend the donated assets as specified and are satisfied either by the passage of time and/or by actions of the Society.

Permanently restricted net assets are those net assets subject to donor-imposed restrictions that stipulate resources be maintained permanently, but permit the Society to use or expend part or all of the income derived from the donated assets for specified or unspecified purposes.

The Society records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Net Assets as net assets released from restrictions. The Society's policy is to record temporarily restricted contributions received and expended in the same period as unrestricted contributions.

Contributions that the donor requires to be used to acquire long-lived assets are reported as temporarily restricted contributions. Once the asset has been placed in service, the Society reflects the expiration of the donor-imposed restriction as net assets released from restrictions.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.**
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

D. Unpaid volunteers have made significant contributions of time to the Society. The value of this contributed time is not reflected in the accompanying statements since it does not create or enhance non-financial assets or require specialized skills.

E. The Society considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. At times, the Society's cash balances are in excess of the Federally insured limit. However, given the strength of the financial institutions where the deposits are held, management believes such excess deposits do not create any significant loss exposure. Management periodically reviews the financial viability of the financial institutions and does not anticipate nonperformance.

G. Marketable securities and beneficial interests in perpetual trusts are recorded at fair value net of all fees, paid or accrued. Marketable securities include investments in equity and fixed income funds. Realized and unrealized gains and losses on marketable securities are computed using the specific identification method. Beneficial interests in perpetual trusts include only the Society's proportional share of the perpetual trusts.

H. Trade accounts receivable, which are included in other current assets in the accompanying Statements of Financial Position, are recorded at the amounts of cash estimated as realizable. The Society provides reserves for uncollectible accounts when specific accounts are deemed uncollectible. Trade accounts receivable balances are considered delinquent based upon how recently payments have been received. At September 30, 2018 and 2017, the Society considered all trade accounts receivable collectible.

I. Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are initially recorded at fair value, estimated by discounting them to their present value of estimated future cash flows at a risk-adjusted rate. Due to the nature of these promises to give, previous experience and analysis of specific promises to give, the Society has reserved a balance of \$8,399 and \$17,023 at September 30, 2018 and 2017, respectively.

J. The Society capitalizes property and equipment over \$1,000 with expected useful lives greater than one year. Purchased property and equipment are capitalized at cost and depreciated over the estimated useful lives of the assets, ranging from three to forty years. Donated assets are capitalized at the fair market value of the asset on the date of contribution. Additions and replacements are charged to property accounts, while repairs and maintenance are charged to expense as incurred. Depreciation is recorded on the straight-line method for financial reporting purposes.

K. Certain 2017 amounts have been reclassified to conform with the 2018 financial statement presentation.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.**
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

L. Subsequent events have been evaluated by management through February 27, 2019, the date these financial statements were available to be issued.

2. PROMISES TO GIVE

Promises to give at September 30, 2018 and 2017 are due as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 165,623	\$ 118,486
Receivable in one to five years	<u>28,635</u>	<u>-</u>
Gross promises to give	194,258	118,486
Reserve for uncollectible accounts	<u>(8,399)</u>	<u>(17,023)</u>
Promises to give, net	<u>\$ 185,859</u>	<u>\$ 101,463</u>

3. FAIR VALUE MEASUREMENTS

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 within the hierarchy states that valuations are based on observable inputs other than Level 1 prices, such as quoted market prices for similar assets, quoted market prices in inactive markets and other inputs that may be corroborated by observable market data. Level 3 within the hierarchy states that valuations are based upon unobservable inputs. At September 30, 2018 and 2017, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are marketable securities and beneficial interests in perpetual trusts.

Equity and fixed income funds are valued at the closing price reported on the active market on which the individual securities are traded. Beneficial interests in perpetual trusts are valued utilizing net asset valuation of the underlying funds, which value securities and other financial instruments on a mark-to-market basis of accounting.

The preceding methods described 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.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

The following table presents by level, within the fair value hierarchy, the Society's marketable securities and beneficial interests in perpetual trusts at fair value at September 30, 2018:

Description	Level 1	Level 3	Total
Marketable securities			
Equity funds	\$ 15,450,816	\$ -	\$ 15,450,816
Fixed income funds	7,629,954	-	7,629,954
Money market funds	1,015	-	1,015
 Total marketable securities	 23,081,785	 -	 23,081,785
Beneficial interests in perpetual trusts	-	4,143,180	4,143,180
 Total	 <u>\$ 23,081,785</u>	 <u>\$ 4,143,180</u>	 <u>\$ 27,224,965</u>

The following table presents by level, within the fair value hierarchy, the Society's marketable securities and beneficial interests in perpetual trusts at fair value at September 30, 2017:

Description	Level 1	Level 3	Total
Marketable securities			
Equity funds	\$ 15,741,236	\$ -	\$ 15,741,236
Fixed income funds	8,210,599	-	8,210,599
Money market funds	4,596	-	4,596
 Total marketable securities	 23,956,431	 -	 23,956,431
Beneficial interests in perpetual trusts	-	4,053,329	4,053,329
 Total	 <u>\$ 23,956,431</u>	 <u>\$ 4,053,329</u>	 <u>\$ 28,009,760</u>

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.**
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

The table below sets forth a summary of changes in the fair value of the Society's Level 3 assets, which consist of beneficial interests in perpetual trusts, for the years ended September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 4,053,329	\$ 3,788,870
Net realized and unrealized gain	89,851	264,459
	<u>\$ 4,143,180</u>	<u>\$ 4,053,329</u>

4. PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Buildings	\$ 15,132,613	\$ 15,118,821
Land	2,074,979	2,074,979
Furniture and equipment	1,737,137	1,694,377
Automotive equipment	687,359	545,719
Land improvements	293,408	293,409
Information technology	436,657	363,917
	<u>20,362,153</u>	<u>20,091,222</u>
Less accumulated depreciation	<u>(8,446,053)</u>	<u>(7,845,683)</u>
Property and equipment, net	<u>\$ 11,916,100</u>	<u>\$ 12,245,539</u>

5. LINE OF CREDIT

In February 2016, the Society entered into a \$5,000,000 line of credit with a bank, which accrues interest at LIBOR plus 1% per annum. The maturity date of this agreement, which is collateralized by a portion of the Society's marketable securities, was extended from March 30, 2018 until March 22, 2019. The interest rate was 3.11% and 2.24% at September 30, 2018 and 2017, respectively. At September 30, 2018 and 2017, the Society had outstanding borrowings of \$4,414,952 and \$4,654,952, respectively. Total interest expense for the years ended September 30, 2018 and 2017 was \$125,896 and \$88,637, respectively.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

6. NET ASSET CLASSIFICATIONS

At September 30, 2018 and 2017, temporarily restricted net assets consisted of the following:

	<u>2018</u>	<u>2017</u>
Endowment funds with unrestricted income	\$ 303,605	\$ 269,580
Cruelty investigation	181,069	15,633
Endowment funds for veterinary care for unowned animals	123,405	99,842
Endowment funds for Mansell campus	116,040	10,889
Dog fighting prevention	72,043	72,043
Endowment funds for veterinarian extern	50,504	44,060
Cat housing	44,116	44,116
Other	6,542	6,542
Transportation grant	-	150,000
	<u>897,324</u>	<u>712,705</u>
Total	<u>\$ 897,324</u>	<u>\$ 712,705</u>

At September 30, 2018 and 2017, permanently restricted net assets consisted of the following:

	<u>2018</u>	<u>2017</u>
Beneficial interests in perpetual trusts with unrestricted income	\$ 4,143,180	\$ 4,053,329
Endowment fund for Mansell Adoption Center	1,500,000	1,500,000
Endowment funds for veterinary care for unowned animals	242,498	242,498
Endowment funds with unrestricted income	224,859	224,859
Endowment funds for veterinarian extern	51,356	51,356
	<u>6,161,893</u>	<u>6,072,042</u>
Total	<u>\$ 6,161,893</u>	<u>\$ 6,072,042</u>

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.**
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

During the years ended September 30, 2018 and 2017, net assets were released from temporary restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donor as follows:

	2018	2017
Transport grant	\$ 150,000	\$ -
Companion Pets for Vets	-	10,431
Critical Care	-	2,191
	\$ 150,000	\$ 12,622
Total		

7. EMPLOYEE BENEFIT PLANS

The Society sponsors a 401(k) plan for the benefit of its employees. The Society matches 100% of employee contributions up to six percent of the employee's salary. Employer contributions to the plan totaled \$91,904 and \$103,395 for the years ended September 30, 2018 and 2017, respectively.

Effective January 1, 2018, the Society sponsors a deferred compensation plan under Section 457(b) of the Internal Revenue Code ("IRC") to provide certain key employees with supplemental retirement benefits. Under the plan, key employees may elect to defer a portion of their compensation not to exceed the amount allowed by the IRC. The deferred contributions are deposited into an account that is owned by the Society until the assets are distributed to the employee in accordance with the plan document. The Society formerly sponsored a deferred compensation plan under IRC Section 457(f) that was frozen effective December 31, 2017. The assets of the 457(f) plan were transferred into the 457(b) plan during the year ended September 30, 2018.

At September 30, 2018 and 2017, the Society's liability under the 457(b) and 457(f) plans totaled \$109,273 and \$77,614, respectively. The amounts are included in other current assets and accounts payable and accrued expenses in the accompanying Statements of Financial Position.

8. ENDOWMENT

At September 30, 2018 and 2017, the Society's endowment consisted of four donor-restricted funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

The Board of Directors of the Society has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") 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 the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and 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 as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Directors will appropriate funds from the endowment funds based on specific needs and budgeting requirements from year to year. UPMIFA does not apply to beneficial interests in perpetual trusts.

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

- (1) The duration and preservation of the fund;
- (2) The purposes of the Society and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Society; and,
- (7) The investment policies of the Society.

The composition of and changes in endowment net assets for the year ended September 30, 2018 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 424,370	\$ 2,018,713	\$ 2,443,083
Investment return:			
Investment income, net	67,703	-	67,703
Net realized and unrealized gain	<u>101,480</u>	<u>-</u>	<u>101,480</u>
Endowment net assets, end of year	<u>\$ 593,553</u>	<u>\$ 2,018,713</u>	<u>\$ 2,612,266</u>

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR
PREVENTION OF CRUELTY TO ANIMALS, INC.**
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

The composition of and changes in endowment net assets for the year ended September 30, 2017 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 298,184	\$ 518,713	\$ 816,897
Contribution		1,500,000	1,500,000
Investment return:			
Investment income, net	27,740	-	27,740
Net realized and unrealized gain	<u>98,446</u>	<u>-</u>	<u>98,446</u>
Endowment net assets, end of year	<u>\$ 424,370</u>	<u>\$ 2,018,713</u>	<u>\$ 2,443,083</u>

The Society has adopted investment and spending policies that provide support to operating and capital funding while not eroding the value of endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed common benchmarks for a balanced portfolio, while assuming a moderate level of risk.

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 Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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 UPMIFA requires the Society to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported as reductions in unrestricted net assets. At September 30, 2018 and 2017, no such deficiencies existed.

9. CONCENTRATIONS

Approximately 16% of total support and revenue for the year ended September 30, 2017 was received from one donor.

10. SUPPLEMENTAL CASH FLOW DISCLOSURE

Interest of \$125,896 and \$88,637 was paid during the years ended September 30, 2018 and 2017, respectively.