



**ATLANTA, GEORGIA**

**AUDITED  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2019 AND 2018**

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**INDEX TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

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**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, 2019 and 2018, and the related statements of activities and net assets, 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 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, 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.

*Jones and Kolb*

February 26, 2020

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2019 AND 2018**

	<b><u>ASSETS</u></b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 419,136	\$ 344,319
Marketable securities	13,340,589	21,063,072
Promises to give, net	175,962	157,224
Other current assets	362,010	336,290
	<u>14,297,697</u>	<u>21,900,905</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>15,407,434</u>	<u>11,916,100</u>
<b>OTHER ASSETS</b>		
Long-term promises to give, net	23,635	28,635
Beneficial interests in perpetual trusts	3,989,713	4,143,180
Marketable securities - permanently restricted	2,018,713	2,018,713
	<u>6,032,061</u>	<u>6,190,528</u>
<b>Total assets</b>	<u><u>\$ 35,737,192</u></u>	<u><u>\$ 40,007,533</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>  		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 859,154	\$ 832,014
Line of credit	1,934,952	4,414,952
	<u>2,794,106</u>	<u>5,246,966</u>
<b>NET ASSETS</b>		
Without donor restrictions	25,976,890	27,701,350
With donor restrictions	6,966,196	7,059,217
	<u>32,943,086</u>	<u>34,760,567</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 35,737,192</u></u>	<u><u>\$ 40,007,533</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, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>			
Support and revenues			
Program service revenues			
Shelter Services	\$ 2,342,669	\$ -	\$ 2,342,669
Veterinary Center	681,204	-	681,204
Total program service revenues	3,023,873	-	3,023,873
Contributions	6,794,561	254,564	7,049,125
Special events (net of direct expenses of \$178,907)	463,018	-	463,018
Investment spending allocation	1,150,000	-	1,150,000
Net assets released from restrictions	267,218	(267,218)	-
Total support and revenues	11,698,670	(12,654)	11,686,016
Expenses			
Program service expenses			
Shelter Services	7,011,421	-	7,011,421
Community and Education Services	1,605,533	-	1,605,533
Veterinary Center	862,627	-	862,627
Total program service expenses	9,479,581	-	9,479,581
Administrative and general expenses	1,033,199	-	1,033,199
Fundraising expenses	1,955,265	-	1,955,265
Total functional expenses	12,468,045	-	12,468,045
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<u>(769,375)</u>	<u>(12,654)</u>	<u>(782,029)</u>
<b>NON-OPERATING ACTIVITIES</b>			
Net realized and unrealized loss on marketable securities and beneficial interests in perpetual trusts	(335,076)	(183,463)	(518,539)
Investment income, net	705,141	103,096	808,237
Loss on disposal of fixed assets	(81,470)	-	(81,470)
Interest expense	(93,680)	-	(93,680)
Investment spending allocation	(1,150,000)	-	(1,150,000)
<b>CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>	<u>(955,085)</u>	<u>(80,367)</u>	<u>(1,035,452)</u>
<b>CHANGE IN NET ASSETS</b>	(1,724,460)	(93,021)	(1,817,481)
<b>NET ASSETS, Beginning of year</b>	<u>27,701,350</u>	<u>7,059,217</u>	<u>34,760,567</u>
<b>NET ASSETS, End of year</b>	<u>\$ 25,976,890</u>	<u>\$ 6,966,196</u>	<u>\$ 32,943,086</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.  
STATEMENT OF ACTIVITIES AND NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>			
Support and revenues			
Program service revenues			
Shelter Services	\$ 2,077,796	\$ -	\$ 2,077,796
Veterinary Center	631,083	-	631,083
	<hr/>	<hr/>	<hr/>
Total program service revenues	2,708,879	-	2,708,879
Contributions	6,334,869	165,436	6,500,305
Special events (net of direct expenses of \$194,527)	495,577	-	495,577
Investment spending allocation	1,340,000	-	1,340,000
Net assets released from restrictions	150,000	(150,000)	-
	<hr/>	<hr/>	<hr/>
Total support and revenues	11,029,325	15,436	11,044,761
	<hr/>	<hr/>	<hr/>
Expenses			
Program service expenses			
Shelter Services	6,541,088	-	6,541,088
Community and Education Services	1,656,966	-	1,656,966
Veterinary Center	830,510	-	830,510
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
Total functional expenses	12,195,019	-	12,195,019
	<hr/>	<hr/>	<hr/>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<hr/> <b>(1,165,694)</b>	<hr/> <b>15,436</b>	<hr/> <b>(1,150,258)</b>
<b>NON-OPERATING ACTIVITIES</b>			
Net realized and unrealized gain on marketable securities and beneficial interests in perpetual trusts	857,885	191,331	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)
	<hr/>	<hr/>	<hr/>
<b>CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>	<hr/> <b>(69,135)</b>	<hr/> <b>259,034</b>	<hr/> <b>189,899</b>
<b>CHANGE IN NET ASSETS</b>	<hr/> <b>(1,234,829)</b>	<hr/> <b>274,470</b>	<hr/> <b>(960,359)</b>
<b>NET ASSETS, Beginning of year</b>	<hr/> <b>28,936,179</b>	<hr/> <b>6,784,747</b>	<hr/> <b>35,720,926</b>
<b>NET ASSETS, End of year</b>	<hr/> <b>\$ 27,701,350</b>	<hr/> <b>\$ 7,059,217</b>	<hr/> <b>\$ 34,760,567</b>

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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Shelter Services</b>	<b>Community and Education Services</b>	<b>Veterinary Center</b>	<b>Total Program Services</b>	<b>Administrative and General Expenses</b>	<b>Fundraising Expenses</b>	<b>Total Expenses</b>
Salaries and related benefits	\$ 3,440,809	\$ 1,041,830	\$ 470,028	\$ 4,952,667	\$ 805,819	\$ 794,644	\$ 6,553,130
Media and public awareness	133,445	453,382	-	586,827	7,228	883,857	1,477,912
Animal medical supplies and services	878,273	-	204,122	1,082,395	750	-	1,083,145
Occupancy	875,979	4,419	35,730	916,128	12,803	6,896	935,827
Animal care supplies	598,073	394	969	599,436	101	85	599,622
Information technology	135,632	13,842	17,341	166,815	46,737	77,286	290,838
Bank and merchant service fees	39,258	-	17,867	57,125	37,146	76,625	170,896
Professional services	39,315	43,795	7,299	90,409	43,886	10,472	144,767
Cost of goods sold	126,434	-	-	126,434	-	-	126,434
Employee professional development	50,581	9,464	5,458	65,503	23,736	10,888	100,127
Insurance	78,117	3,153	3,575	84,845	3,565	1,929	90,339
Office supplies	24,653	2,620	3,318	30,591	7,377	44,291	82,259
Travel	41,848	27,048	-	68,896	6,717	4,608	80,221
Miscellaneous expenses	14,515	2,529	1,189	18,233	9,524	22,891	50,648
Repairs and maintenance	27,208	63	1,424	28,695	1,240	-	29,935
<b>Total expenses before depreciation</b>	<b>6,504,140</b>	<b>1,602,539</b>	<b>768,320</b>	<b>8,874,999</b>	<b>1,006,629</b>	<b>1,934,472</b>	<b>11,816,100</b>
Depreciation	507,281	2,994	94,307	604,582	26,570	20,793	651,945
<b>Total expenses</b>	<b>\$ 7,011,421</b>	<b>\$ 1,605,533</b>	<b>\$ 862,627</b>	<b>\$ 9,479,581</b>	<b>\$ 1,033,199</b>	<b>\$ 1,955,265</b>	<b>\$ 12,468,045</b>

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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>Shelter Services</b>	<b>Community and Education Services</b>	<b>Veterinary Center</b>	<b>Total Program Services</b>	<b>Administrative and General Expenses</b>	<b>Fundraising Expenses</b>	<b>Total Expenses</b>
Salaries and related benefits	\$ 3,486,442	\$ 974,876	\$ 375,675	\$ 4,836,993	\$ 731,018	\$ 644,730	\$ 6,212,741
Media and public awareness	84,824	316,176	-	401,000	12,560	1,164,072	1,577,632
Animal medical supplies and services	712,946	-	185,331	898,277	-	-	898,277
Occupancy	872,836	4,007	30,880	907,723	16,074	10,301	934,098
Animal care supplies	350,357	-	706	351,063	-	-	351,063
Information technology	126,177	22,596	17,601	166,374	50,555	55,358	272,287
Bank and merchant service fees	32,813	340	12,348	45,501	33,501	92,897	171,899
Professional services	42,245	301,186	18,648	362,079	65,469	95,865	523,413
Cost of goods sold	144,686	-	-	144,686	-	-	144,686
Employee professional development	42,536	9,640	2,789	54,965	46,252	5,547	106,764
Insurance	67,717	1,771	3,602	73,090	3,138	2,081	78,309
Office supplies	31,031	1,317	2,242	34,590	4,932	35,825	75,347
Travel	66,326	19,607	9	85,942	6,173	1,364	93,479
Miscellaneous expenses	15,985	3,292	1,445	20,722	12,155	25,868	58,745
Repairs and maintenance	26,123	240	75	26,438	1,252	-	27,690
<b>Total expenses before depreciation</b>	<b>6,103,044</b>	<b>1,655,048</b>	<b>651,351</b>	<b>8,409,443</b>	<b>983,079</b>	<b>2,133,908</b>	<b>11,526,430</b>
Depreciation	438,044	1,918	179,159	619,121	19,992	29,476	668,589
<b>Total expenses</b>	<b>\$ 6,541,088</b>	<b>\$ 1,656,966</b>	<b>\$ 830,510</b>	<b>\$ 9,028,564</b>	<b>\$ 1,003,071</b>	<b>\$ 2,163,384</b>	<b>\$ 12,195,019</b>

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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,817,481)	\$ (960,359)
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Depreciation	651,945	668,589
In-kind contributions of investments	(46,003)	(120,554)
Loss on uncollectible pledges	-	25,876
Realized and unrealized (gains) losses on marketable securities	365,072	(947,113)
Change in fair value of beneficial interests in perpetual trusts	153,467	(89,851)
Loss on disposal of equipment	81,470	4,163
(Increase) decrease in promises to give, net	(18,738)	(145,622)
(Increase) decrease in other current assets	(25,720)	30,807
Increase (decrease) in accounts payable and accrued expenses	27,140	320,556
Total adjustments	<u>1,188,633</u>	<u>(253,149)</u>
Net cash and cash equivalents used in operating activities	<u>(628,848)</u>	<u>(1,213,508)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the purchase of property and equipment	(4,300,277)	(351,813)
Proceeds from disposals of property and equipment	75,528	8,500
Purchases of marketable securities	(829,425)	(715,720)
Proceeds from sales of marketable securities	8,232,839	2,658,033
Net cash and cash equivalents provided by investing activities	<u>3,178,665</u>	<u>1,599,000</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital campaign contributions	5,000	35,350
Net payments on line of credit	(2,480,000)	(240,000)
Net cash and cash equivalents used in financing activities	<u>(2,475,000)</u>	<u>(204,650)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	74,817	180,842
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>344,319</u>	<u>163,477</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 419,136</u>	<u>\$ 344,319</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, 2019 AND 2018**

**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 community outreach programs. Services are funded through contributions, special events 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, gains and losses 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 with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature; for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature; for example, stipulating that resources be maintained in perpetuity. The donors of these assets permit the Society to use all of the income earned on related investments for general or specific purposes. More specifically, items included in net assets with donor restrictions are gifts for which restrictions have not been met.

When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Net Assets as "net assets released from restrictions." The Society's policy is to record contributions received with restrictions and expended in the same period as contributions without donor restrictions.

Contributions that the donor requires to be used to acquire long-lived assets are reported as contributions with restrictions. 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, 2019 AND 2018**

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

E. 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.

F. 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.

G. 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.

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, 2019 and 2018, the Society considered all trade accounts receivable collectible.

I. 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.

J. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and general office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimated time and effort.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

K. Donated materials and services are reflected as contributions in the accompanying statements at their estimated value at date of receipt. During the years ended September 30, 2019 and 2018, the Society recorded donated materials and services totaling \$705,856 and \$354,995, respectively. 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.

L. In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958). This ASU improves the prior net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017. The Society has adopted this standard for the year ended September 30, 2019 and retroactively applied this standard to the year ended September 30, 2018.

M. Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

N. Subsequent events have been evaluated by management through February 26, 2020, the date these financial statements were available to be issued.

**2. LIQUIDITY**

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, comprise the following as of September 30, 2019:

Cash and cash equivalents	\$	419,136
Pledges and other receivables, net		92,672
Investment securities		<u>12,326,777</u>
 Total	 \$	 <u><u>12,838,585</u></u>

The Society has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Society has a \$5,000,000 line of credit that can be drawn upon if needed (see Note 6).

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

**3. PROMISES TO GIVE**

Promises to give at September 30, 2019 and 2018 are due as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 175,962	\$ 165,623
Receivable in one to five years	<u>23,635</u>	<u>28,635</u>
Total promises to give	199,597	194,258
Reserve for uncollectible accounts	<u>-</u>	<u>(8,399)</u>
Promises to give, net	<u>\$ 199,597</u>	<u>\$ 185,859</u>

**4. 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, 2019 and 2018, 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.

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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, 2019:

<b>Description</b>	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
Marketable securities			
Equity funds	\$ 9,891,175	\$ -	\$ 9,891,175
Fixed income funds	5,467,091	-	5,467,091
Money market funds	1,036	-	1,036
Total marketable securities	<u>15,359,302</u>	<u>-</u>	<u>15,359,302</u>
Beneficial interests in perpetual trusts	<u>-</u>	<u>3,989,713</u>	<u>3,989,713</u>
Total	<u>\$ 15,359,302</u>	<u>\$ 3,989,713</u>	<u>\$ 19,349,015</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, 2018:

<b>Description</b>	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
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	<u>23,081,785</u>	<u>-</u>	<u>23,081,785</u>
Beneficial interests in perpetual trusts	<u>-</u>	<u>4,143,180</u>	<u>4,143,180</u>
Total	<u>\$ 23,081,785</u>	<u>\$ 4,143,180</u>	<u>\$ 27,224,965</u>

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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:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 4,143,180	\$ 4,053,329
Net realized and unrealized (loss) gain	<u>(153,467)</u>	<u>89,851</u>
Balance, end of year	<u>\$ 3,989,713</u>	<u>\$ 4,143,180</u>

**5. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30:

	<u>2019</u>	<u>2018</u>
Buildings	\$ 15,330,926	\$ 15,132,613
Land	5,956,772	2,074,979
Furniture and equipment	1,168,561	1,737,137
Information technology	645,172	436,657
Automotive equipment	560,055	687,359
Land improvements	293,408	293,408
Leasehold improvements	<u>105,092</u>	<u>-</u>
Total	24,059,986	20,362,153
Less accumulated depreciation	<u>(8,652,552)</u>	<u>(8,446,053)</u>
Property and equipment, net	<u>\$ 15,407,434</u>	<u>\$ 11,916,100</u>

**6. LINE OF CREDIT**

The Society has a \$5,000,000 line of credit with a bank. The line of credit, which is collateralized by a portion of the Society's marketable securities, matures on March 29, 2020. Interest accrues on the outstanding balance at the one-month LIBOR plus 0.85% per annum, which was 2.94% and 3.11% at September 30, 2019 and 2018, respectively. The outstanding balance was \$1,934,952 and \$4,414,952 at September 30, 2019 and 2018, respectively.

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**7. NET ASSETS**

Net assets with donor restrictions are restricted for the following purposes or periods as follows at September 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Cruelty investigation	\$ 115,632	\$ 181,069
Dog fighting prevention	72,043	72,043
Cat housing	33,777	50,658
Veterinarian outreach	220,000	-
	<u>441,452</u>	<u>303,770</u>
Undistributed endowment earnings, subject to appropriation:		
For use without restriction	318,931	303,605
Veterinary care for unowned animals	133,726	123,405
Mansell Adoption Center	11,771	116,040
Veterinarian extern	51,890	50,504
	<u>516,318</u>	<u>593,554</u>
Subject to endowment spending policy and appropriation:		
Beneficial interests in perpetual trusts	3,989,713	4,143,180
Endowment for Mansell Adoption Center	1,500,000	1,500,000
Endowment for veterinary care for unowned animals	242,498	242,498
Endowment without restrictions on income	224,859	224,859
Endowment for veterinarian extern	51,356	51,356
	<u>6,008,426</u>	<u>6,161,893</u>
	<u>\$ 6,966,196</u>	<u>\$ 7,059,217</u>

Net assets were released from restrictions for the years ended September 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Cruelty investigation	\$ 100,000	\$ -
Mansell Adoption Center	150,337	-
Cat housing	16,881	-
Transportation grant	-	150,000
	<u>\$ 267,218</u>	<u>\$ 150,000</u>



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**8. 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 \$153,677 and \$91,904 for the years ended September 30, 2019 and 2018, 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.

At September 30, 2019 and 2018, the Society's liability under the 457(b) and 457(f) plans totaled \$132,555 and \$109,273, respectively. The amounts are included in other current assets and accounts payable and accrued expenses in the accompanying Statements of Financial Position.

**9. ENDOWMENT**

At September 30, 2019 and 2018, 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. 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 permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is restricted 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.

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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, 2019 are as follows:

	<b><u>Available for Expenditure</u></b>	<b><u>Perpetual in Nature</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	\$ 593,554	\$ 2,018,713	\$ 2,612,267
Investment return:			
Investment income, net	103,096	-	103,096
Net realized and unrealized loss	(29,995)	-	(29,995)
Appropriated for expenditure	<u>(150,337)</u>	<u>-</u>	<u>(150,337)</u>
Endowment net assets, end of year	<u>\$ 516,318</u>	<u>\$ 2,018,713</u>	<u>\$ 2,535,031</u>

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

	<b><u>Available for Expenditure</u></b>	<b><u>Perpetual in Nature</u></b>	<b><u>Total</u></b>
Endowment net assets, beginning of year	\$ 424,371	\$ 2,018,713	\$ 2,443,084
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>\$ 593,554</u>	<u>\$ 2,018,713</u>	<u>\$ 2,612,267</u>

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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 net assets without donor restrictions. At September 30, 2019 and 2018, no such deficiencies existed.

**10. COMMITMENTS AND SUBSEQUENT EVENT**

On July 25, 2019, the Society entered into an agreement for the sale of the land and building on Howell Mill Road. The sale is expected to close in March 2020. Under the agreement, the purchaser has agreed to lease the property to the Society rent free for three years while its new campus is under construction. The Society will be responsible for property taxes, utilities and other occupancy related costs.

On November 15, 2019, the Society entered into an agreement for the sale of land adjacent to the building on Howell Mill Road. The sale is expected to close in March 2020.

**11. SUPPLEMENTAL CASH FLOW DISCLOSURE**

Interest of \$93,680 and \$125,896 was paid during the years ended September 30, 2019 and 2018, respectively.