

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.  
Financial Statements Together with Independent Auditor's Report  
As of and For the Year Ended June 30, 2019



**C.E.A. SCHOLTES & ASSOCIATES**  
*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Humane Society of Baltimore County, Inc.

We have audited the accompanying financial statements of The Humane Society of Baltimore County, Inc. (the Society), a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 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 Baltimore County, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Effect of Adopting New Accounting Standard**

As discussed in Note 1, the Society adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to the matter.

C. E. A. Scholtes & Associates

Baltimore, Maryland  
December 13, 2019

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**As of June 30, 2019**

<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 350,735
Investments, at fair value	2,534,133
Bequests Receivable	315,000
Pledges Receivable	4,700
Accounts Receivable	8,431
Prepaid Expenses	16,227
Total Current Assets	<u>3,229,226</u>
Property and Equipment, net	<u>795,858</u>
Total Assets	<u><u>\$ 4,025,084</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 80,733
Deferred Revenue	10,940
Total Current Liabilities	<u>91,673</u>
Total Liabilities	91,673
Commitments (Note 11)	
Net Assets	
Without Donor Restrictions	
Operations	2,365,052
Investment in Property and Equipment	795,858
Total Net Assets Without Donor Restrictions	<u>3,160,910</u>
With Donor Restrictions	
Temporarily Restricted	461,431
Permanently Restricted	311,070
Total Net Assets With Donor Restrictions	<u>772,501</u>
Total Net Assets	<u>3,933,411</u>
Total Liabilities and Net Assets	<u><u>\$ 4,025,084</u></u>

See accompanying notes to this financial statement and independent auditor's report.

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions:			
Individuals, Corporations, Foundations	\$ 530,791	\$ 183,475	\$ 714,266
Bequests	781,869	15,000	796,869
Trust Income	180,727	-	180,727
In-Kind Donations	166,581	-	166,581
Earned Revenue:			
Spay-Neuter Center and Medical Services	218,258	-	218,258
Cemetery	89,766	-	89,766
Adoption Center	100,333	-	100,333
Special Events, net of \$24,407 of direct expenses	204,739	-	204,739
Investment Income, net	112,899	15,623	128,522
Gain on Sale of Asset	19,000	-	19,000
Interest Earned	1	-	1
	<u>2,404,964</u>	<u>214,098</u>	<u>2,619,062</u>
Satisfaction of Purpose and Time Restrictions	118,383	(118,383)	-
Total Revenues, Gains and Other Support	<u>2,523,347</u>	<u>95,715</u>	<u>2,619,062</u>
<b>EXPENSES</b>			
Program Services:			
Spay-Neuter Center and Medical Services	495,375	-	495,375
Cemetery	78,054	-	78,054
Adoption Center	809,791	-	809,791
Total Program Services	<u>1,383,220</u>	<u>-</u>	<u>1,383,220</u>
Supporting Services:			
Management and General	413,583	-	413,583
Fundraising	180,957	-	180,957
Total Supporting Services	<u>594,540</u>	<u>-</u>	<u>594,540</u>
Total Expenses	<u>1,977,760</u>	<u>-</u>	<u>1,977,760</u>
<b>CHANGE IN NET ASSETS</b>	545,587	95,715	641,302
Net Assets, Beginning of Year	<u>2,615,323</u>	<u>676,786</u>	<u>3,292,109</u>
Net Assets, End of Year	<u><u>\$ 3,160,910</u></u>	<u><u>\$ 772,501</u></u>	<u><u>\$ 3,933,411</u></u>

See accompanying notes to this financial statement and independent auditor's report.

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2019**

	Program Services				Supporting Services			
	Spay-Neuter Center and Medical Services	Cemetery	Adoption Center	Total	Management and General	Fundraising	Total	Total
Adoption Center Food and Supplies	\$ 6,882	\$ 1,354	\$ 92,668	\$ 100,904	\$ -	\$ 403	\$ 403	\$ 101,307
Advertising	-	-	-	-	-	1,599	1,599	1,599
Bad Debts Expense	-	-	-	-	21,622	-	21,622	21,622
Cemetery Supplies	-	21,524	-	21,524	-	-	-	21,524
Contract Labor	78,589	4,687	30,977	114,253	12,664	9,267	21,931	136,184
Copier and Equipment	106	-	3,627	3,733	6,442	871	7,313	11,046
Credit Card Processing Fees	14	5	1,860	1,879	11,739	20,274	32,013	33,892
Depreciation	9,189	-	45,511	54,700	12,902	3,291	16,193	70,893
Direct Mailing	-	-	-	-	-	13,171	13,171	13,171
Dues and Subscriptions	250	-	1,150	1,400	-	255	255	1,655
Employee Benefits	19,847	-	38,841	58,688	22,526	7,968	30,494	89,182
Equipment Rental and Maintenance	984	-	400	1,384	9,812	620	10,432	11,816
Insurance	10,197	1,490	8,369	20,056	5,217	5,362	10,579	30,635
Lab Fees	8,471	-	-	8,471	-	-	-	8,471
Licenses and Permits	150	-	42	192	22	300	322	514
Medical Supplies and Labor	109,946	-	-	109,946	-	-	-	109,946
Miscellaneous	36	19	200	255	532	7,963	8,495	8,750
Occupancy	10,470	-	51,855	62,325	14,700	3,750	18,450	80,775
Office Supplies	1,044	477	2,227	3,748	949	3,047	3,996	7,744
Outside Computer Services	-	-	-	-	14,328	-	14,328	14,328
Payroll Expenses	209,961	42,144	425,584	677,689	223,340	43,101	266,441	944,130
Payroll Taxes	16,547	3,323	33,591	53,461	17,107	3,297	20,404	73,865
Postage and Delivery	33	213	4,353	4,599	10	7,768	7,778	12,377
Professional Fees	1,612	1,144	-	2,756	26,097	80	26,177	28,933
Promotional Materials	-	-	6,643	6,643	-	2,831	2,831	9,474
Repairs and Maintenance	598	245	17,429	18,272	2,211	373	2,584	20,856
Special Events - Indirect	-	-	-	-	-	40,489	40,489	40,489
Telephone	2,956	432	2,426	5,814	1,513	1,555	3,068	8,882
Training and Development	-	551	1,729	2,280	960	-	960	3,240
Utilities	6,332	-	31,361	37,693	8,890	2,268	11,158	48,851
Vehicle	-	426	4,222	4,648	-	95	95	4,743
Volunteer and Foster	-	-	2,008	2,008	-	-	-	2,008
Website	1,161	20	2,718	3,899	-	959	959	4,858
	<u>\$ 495,375</u>	<u>\$ 78,054</u>	<u>\$ 809,791</u>	<u>\$ 1,383,220</u>	<u>\$ 413,583</u>	<u>\$ 180,957</u>	<u>\$ 594,540</u>	<u>\$ 1,977,760</u>

See accompanying notes to this financial statement and independent auditor's report.

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets	\$ 641,302
Adjustments to Reconcile Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:	
Depreciation	70,893
Realized Gains on Investments	(5,530)
Unrealized Gains on Investments	(70,740)
Reinvested Dividends and Interest, net of fees	(52,252)
Changes in Assets and Liabilities:	
Decrease in Bequests Receivable	15,000
Decrease in Pledges Receivable	1,135
Increase in Accounts Receivable	(8,431)
Increase in Prepaid Expenses	(8,944)
Increase in Accounts Payable and Accrued Expenses	8,520
Decrease in Deferred Revenue	(6,010)
Net Cash and Cash Equivalents Provided by Operating Activities	<u>584,943</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchases of Investments	(385,643)
Cash Proceeds from Sales of Investments	498
Cash Paid for Property and Equipment	(67,991)
Net Cash and Cash Equivalents Used in Investing Activities	<u>(453,136)</u>

Net Increase in Cash and Cash Equivalents	131,807
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Cash and Cash Equivalents, Beginning of Year	<u>218,928</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 350,735</u></u>
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See accompanying notes to this financial statement and independent auditor's report.

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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**1. Nature of Organization and Summary of Significant Accounting Policies**

This summary of significant accounting policies of The Humane Society of Baltimore County, Inc. (the Society) is presented to assist in the understanding of the Society's financial statements. The financial statements and notes are the representations of the Society's management, who are responsible for its integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been applied in the preparation of the financial statements.

**Nature of Organization**

The Society was founded in 1927 as a non-profit organization, which exists to provide a temporary home, safe refuge and care for unwanted and homeless animals. The Society works to place each animal in a loving, permanent home and strives to end euthanasia of healthy, adoptable animals. The Society works through public education to provide an effective means for the prevention of cruelty to animals throughout Baltimore County. The Society operates an animal shelter, a spay/neuter center, a pet cemetery, and a wildlife sanctuary. In addition to the earned income derived from those activities, the Society is dependent on donations from the Elsie Seeger Barton Trust Fund (see Note 6), individuals, corporations, and foundations, and income from fundraising events to support animal care operations.

**Basis of Accounting**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (US GAAP) on the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

**Basis of Presentation and Net Assets**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. Under ASC No. 958, the Society is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are the net assets that are not restricted by donor imposed stipulations.

Net assets with donor restrictions result from contributions whose use by the Society is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Society pursuant to those stipulations (temporary restrictions), or contributions whose use by the Society is limited by donor imposed stipulations, that neither expire by the passage of time nor can be fulfilled or otherwise



**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

**Basis of Presentation and Net Assets – (continued)**

be removed by actions of the Society (permanent restrictions). Net assets may be restricted for various purposes; such as use in future periods or use for specified purposes or restricted in perpetuity. The Society had net assets with donor restrictions totaling \$772,501 as of June 30, 2019.

**Donated Services**

The Society recognizes donated services that create or enhance nonfinancial 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.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Society considers all highly liquid debt instruments purchased with a maturity of three (3) months or less to be cash equivalents. Cash equivalents consisted of money market funds.

**Investments**

Investments are stated at fair market value.

**Pledges Receivable**

Pledges receivable was \$4,700 as of June 30, 2019 and consists primarily of amounts due within one year from donors. Management believes all pledges receivable are collectible, and, accordingly, no allowance for doubtful pledges has been provided.

**Accounts Receivable**

Accounts receivable was \$8,431 as of June 30, 2019 and consists primarily of amounts due for pet burial services. Management believes all accounts receivable are collectible, and, accordingly, no allowance for doubtful accounts has been provided.

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

**Liquidity**

The following reflects the Society's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor imposed restrictions within one year of the statement of financial position date.

Cash and Cash Equivalents	\$ 350,735
Investments, at fair value (Level 1 and Level 2)	2,523,829
Bequests Receivable	315,000
Pledges Receivable (Time Restriction Only)	4,700
Accounts Receivable	<u>8,431</u>
	3,202,695
Less Those Unavailable for General Expenditures Within One Year, Due To:	
Net Assets With Purpose Restrictions	<u>(767,801)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$2,434,894</u></u>

The Society has \$2,434,894 of financial assets available within one year of June 30, 2019. The Society has a goal to maintain financial assets on hand to meet six months of normal operating expenses, which is expected to approximate \$953,000. As a part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**Credit Concentrations**

Although the Society places its cash with only high-credit qualified financial institutions, it occasionally has on deposit amounts greater than the federally insured limit of \$250,000 per institution. Management considers this a reasonable business risk.

**Bequests Receivable and Revenue Recognition**

The Society regularly receives assets (financial and in-kind) from the estates of deceased individuals. Bequest receivables and revenues are recorded in the year the assets of the estate are available for distribution and amounts to be contributed to the Society are known and determinable and deemed unconditional. Otherwise, bequest revenue is recorded when received.

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

**Property and Equipment**

The Society capitalizes substantial expenditures of \$500 or more for property and equipment having a useful life of two or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the following useful lives:

	<u>Years</u>
Leasehold Improvements	30
Furniture and Equipment	10-20
Computer Equipment	5
Vehicle	5

Depreciation totaled \$70,893 for the year ended June 30, 2019.

**Valuation of Long-Lived Assets**

The Society accounts for the valuation of long-lived assets under FASB ASC No. 360, *Property, Plant and Equipment*. ASC No. 360 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. The Society's management believes that there are no impaired long-lived assets as of June 30, 2019 and, therefore, no impairment loss has been recorded during the year ended June 30, 2019.

**Advertising Costs**

The Society expenses advertising costs when incurred. Advertising costs for the year ended June 30, 2019 totaled \$1,599.

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

**Functional Allocation of Expenses**

Direct expenses are charged directly to program services, management and general and fundraising based on specific identification. Payroll and payroll related expenses are allocated according to specific job duties per employee/contractor. Indirect expenses are allocated based on the percentages of direct costs for each category of expense to total direct costs.

**Income Taxes**

The Society is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Society may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the positions. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2019.

**Use of Estimates in Financial Statements**

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.

**Adoption of New Accounting Pronouncement**

For the year ended June 30, 2019, the Society adopted FASB ASU No. 2016-14 – *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided by expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in the financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

**Adoption of New Accounting Pronouncement – (continued)**

temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**Accounting Pronouncements Pending**

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018. The Society would be subject to this pronouncement for the year ended June 30, 2020. Management does not anticipate a material impact of this standard on the Society's financial statements.

In February 2015, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. By definition, a short term lease is one in which: (a) the lease term is 12 months or less and (b) there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For short-term leases, lessees may elect an accounting policy by class of underlying asset under which right-of-use assets and lease liabilities are not recognized and lease payments are generally recognized as expense over the lease term on a straight-line basis. This change will result in lessees recognizing right-of-use assets and lease liabilities from most leases currently accounted for as operating leases under the existing lease accounting guidance. This ASU will be effective for fiscal years beginning after December 15, 2019. Management does not anticipate a material impact of this standard on the Society's financial statements.

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides guidance to determine whether a transaction should be accounted for as a contribution or an exchange transaction. This ASU is effective for fiscal years beginning after December 15, 2018, with an option for early adoption.

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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

**Subsequent Events**

The Society evaluated the accompanying financial statements for subsequent events and transactions through December 13, 2019, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

**2. Fair Value of Financial Instruments**

FASB ASC No. 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. The 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 under FASB ASC No. 820 are described below:

**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.

If the asset or liability has a specified (contractual) term, 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's 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

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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**2. Fair Value of Financial Instruments - (continued)**

techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation techniques used by the Society to measure fair value during the year ended June 30, 2019 maximized the use of observable inputs and minimized the use of unobservable inputs. There have been no changes in the methodologies used as of June 30, 2019.

When an active market for an identical asset is not available, alternative pricing sources and models utilizing market observable inputs are used. The Society determines whether the market for a financial instrument is active or inactive based on the security's daily volume and other market trading statistics. Inactivity of the market is evidenced by factors including decreased trade volumes, stale transaction prices and transaction prices that varied significantly either over time or among markets. Changes in fair value are recognized in the period in which the change occurs in the statement of activities.

The following is a description of the valuation methodologies used for assets measured at fair value as of June 30, 2019:

*Mutual Funds and Common Stock:* Valued at the closing price reported on the active market on which the fund or stock is traded.

*Baltimore Community Foundation (BCF) Fund:* Valued at the ending investment asset balance of all assets pooled together in the fund.

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.

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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**2. Fair Value of Financial Instruments - (continued)**

The following table presents the Society's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2019:

		Fair Value Measurement Using		
		Quoted Prices in Active Market For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	(Level 1)	(Level 2)	(Level 3)
Mutual Funds	\$2,484,063	\$2,484,063	\$ -	\$ -
Common Stock	39,766	39,766	-	-
BCF Fund	10,304	-	-	10,304
Total	\$2,534,133	\$2,523,829	\$ -	\$10,304

**3. Investments**

Investments are stated at fair market value. The market value of the Society's investments as of June 30, 2019 is as follows:

Mutual Funds	\$2,484,063
Common Stock	39,766
BCF Fund	10,304
Total	<u>\$2,534,133</u>

The investment income composition was as follows for the year ended June 30, 2019:

Endowment Investments	\$ 20,575
Non-Endowment Investments	107,947
Total Investment Income, net	<u>\$128,522</u>

ASC No. 958-205, *Non-for-Profit Entities: Presentation of Financial Statements*, established a framework of the net assets classification of donor-restricted endowment funds for any nonprofit organization that is subject to a state enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC No. 958-205, which is effective for fiscal years ending after December 15, 2008, also required expanded disclosures for all endowment funds.

In the event the Society receives donor-restricted endowment funds, determination of the net assets classification for the corpus and return on investments is based on the donor's



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**3. Investments – (continued)**

intentions. In the event the Society's Board determines certain non-donor funds as board-designated, those respective funds are classified as unrestricted and the return on those funds is used to support the general program expenses of the annual budget.

The Society's overall financial objectives of the endowment are: (1) to support the current and future operations of the Society and (2) to preserve the purchasing power of the endowment. The Society's spending and investing policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current investment objective is to attain an average annual total return of at least 6% over rolling five-year periods. Actual returns in any given year may vary from this objective.

Changes in endowment net assets are as follows for the year ended June 30, 2019:

	Without Donor <u>Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	Total
Endowed Net Assets, July 1, 2018	\$ 28,617	\$ 37,920	\$ 303,031	\$ 369,568
Interest and Dividends	2,593	-	6,331	8,924
Fees	-	-	(3,095)	(3,095)
Unrealized and Realized Gain, net	2,359	-	12,387	14,746
Current Period Income				
Available for Operations	4,952	-	15,623	20,575
Contributions	387	-	-	387
Annual Balance				
Available for Disbursement	-	7,584	(7,584)	-
Endowed Net Assets, June 30, 2019	<u>\$ 33,956</u>	<u>\$ 45,504</u>	<u>\$ 311,070</u>	<u>\$ 390,530</u>

The composition of net assets was as follows as of June 30, 2019:

	Without Donor <u>Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds	\$ 33,956	\$ 45,504	\$ 311,070	\$ 390,530
Non-Endowment Funds	3,126,954	415,927	-	3,542,881
Total Net Assets	<u>\$ 3,160,910</u>	<u>\$ 461,431</u>	<u>\$ 311,070</u>	<u>\$ 3,933,411</u>

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**4. Bequest Revenue and Receivable**

Bequest revenue for the fiscal year ended June 30, 2019 was \$796,869 and consisted of the following:

<u>Estate</u>	<u>Amount</u>
Heinz	\$433,153
May Li	200,331
Klemm	62,757
Abramson	25,000
Liberto	16,147
Staniford	15,091
Bealmear	10,000
Moritz	10,000
Terry	10,000
Hackman	6,698
Michael	5,000
Koenigsberg	2,500
Cullen	192
Total	<u><u>\$796,869</u></u>

Bequests receivable totaled \$315,000 as of June 30, 2019 and consisted of the following:

<u>Estate</u>	<u>Amount</u>
Cummins	\$ 300,000
Terry	10,000
Michael	5,000
Total	<u><u>\$ 315,000</u></u>

**5. Property and Equipment**

Property and equipment consisted of the following as of June 30, 2019:

Leasehold Improvements	\$1,422,890
Furniture and Equipment	296,560
Computer Equipment	27,984
Website	8,988
Vehicles	9,480
	<u>1,765,902</u>
less: accumulated depreciation	<u>(970,044)</u>
Property and Equipment, net	<u><u>\$ 795,858</u></u>

**THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.**  
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**6. Related Party Transactions**

**Elsie Seeger Barton Trust**

The Elsie Seeger Barton Trust (the Trust) was formed for the benefit of the Society. The facilities and grounds used by the Society, at no cost to the Society, are owned by the Trust. Effective January 1, 2006, the Trust was converted to a unitrust, whereby the Society receives contributions equal to 4% of the value of the liquid assets (exclusive of the value of land – see below) of the Trust. The Society received regular monthly contributions of \$15,061 totaling \$180,727 for the year ended June 30, 2019.

In addition, the Trust provides land and facilities for the Society including an office building, dog kennel and adoption center. Management has determined in-kind value for the land and facilities to be \$80,775 for the year ended June 30, 2019. In addition, the Trust is responsible for major improvements to the facilities and grounds.

**7. Satisfaction of Purpose and Time Restrictions**

Net assets released for purpose and time restrictions for the year ended June 30, 2019 were as follows:

**Temporarily Restricted Releases**

Purpose Restrictions:

Spay and Neuter and Medical	\$ 42,350
Adoption Center	11,240
Feral Cats	10,000
Sammy's Cat Necessities Fund	5,874
Marketing Campaign	5,000
Cemetery	500

Time Restrictions:

Bequests Receivable	30,000
Pledges Receivable	5,835
Total	<u>\$110,799</u>

**Permanently Restricted Releases**

Time Restrictions:

Annual Balance Available for Disbursement	7,584
Total Releases from Restriction	<u><u>\$118,383</u></u>

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**8. Net Assets With Donor Restrictions – Temporarily Restricted**

The Society had net assets with donor restrictions (temporarily restricted) of \$461,431 as of June 30, 2019 restricted as to time as follows:

Purpose Restrictions:

Adoption Center Renovation	\$ 38,760
Roof Repairs	36,627
Spay/Neuter and Medical	15,824
Sammy's Cat Necessities	5,016

Time Restrictions:

Bequests Receivable	315,000
Pledges Receivable, net	4,700
Endowment Earnings Available for Disbursement	45,504
Total Net Assets With Donor Restrictions – Temporarily Restricted	<u>\$461,431</u>

**9. Net Assets With Donor Restrictions – Permanently Restricted**

**Roy Sachs Animal Care Endowment Fund**

The Roy Sachs Animal Care Endowment Fund (Sachs Fund) was established for the benefit of the Society's operating mission. The Sachs Fund was established in May 2002 by a gift of \$12,395, the principal of which is restricted in perpetuity as an endowment by the donor. The Sachs Fund provides for income earned on the principal to be available to support the mission of the Society.

**Burl Endowment Fund**

In May 2014, an endowment fund was established as directed by the Burl estate in the amount of \$151,540. In fiscal years 2015, 2016 and 2018, a total of \$126,123 was deposited into the portfolio endowment. Under the direction of the decedent's estate, the Society can draw 5% of the accumulating investment return on the initial asset per year to be used in operations.

The Society had net assets with donor restrictions (permanently restricted) as of \$311,070 as of June 30, 2019. Specifically, the balance is comprised of the following:

Burl Endowment Fund	\$ 298,675
Roy Sachs Animal Care Endowment Fund	12,395
Total	<u>\$ 311,070</u>

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**10. Concentrations**

One donor accounted for 16% of total revenue, gains and other support for the year ended June 30, 2019.

**11. Commitments**

Copier Lease

Effective May 24, 2017, the Society leased a multifunctional printer/photocopier having a lease term of 60 months and a monthly payment of \$457. Total future minimum scheduled lease payments for the photocopier lease as of June 30, 2019 was as follows:

For the Year

<u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2020	\$ 5,484
2021	5,484
2022	5,027
Total	<u>\$15,995</u>

Postage Machine Lease

Effective June 19, 2018, the Society leased a postage machine having a lease term of 63 months and a monthly payment of \$63. Total future minimum scheduled lease payments for the postage machine lease as of June 30, 2019 was as follows:

For the Year

<u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2020	\$ 756
2021	756
2022	756
2023	756
2024	189
Total	<u>\$3,213</u>

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**12. Donated Items**

The Society receives donated items and services from various vendors in support of the Society's mission. Because the land is gifted in perpetuity the land could be treated as a permanently restricted gift. However, an appraisal of the land has not been performed and management is unable to value the land in order to be able to capitalize it. Therefore, management records the in-kind value of the land as a donation of \$80,775 and an offsetting rental expense for the year ended June 30, 2019 for its annual use of the land.

The Society received the following non-cash contributed services meeting the criteria for recognition during the year ended June 30, 2019:

<u>Purpose</u>	<u>Amount</u>
Land	80,775
Adoption Center	64,413
Event: Black Ties and Tails	18,857
Event: Dogfest	2,536
Total	<u><u>\$166,581</u></u>