



ASHEVILLE HUMANE SOCIETY, INC.

Asheville, North Carolina

Financial Statements

Year Ended June 30, 2018

ASHEVILLE HUMANE SOCIETY, INC.

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Theresa Landwirth
Ann Barron

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ASHEVILLE HUMANE SOCIETY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Asheville Humane Society, Inc.

We have audited the accompanying financial statements of Asheville Humane Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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.

Auditors' 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 auditors' 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.

To the Board of Directors
Asheville Humane Society, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asheville Humane Society, Inc. as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited Asheville Humane Society, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CARTER, P.C.

Asheville, North Carolina
November 26, 2018

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ASHEVILLE HUMANE SOCIETY, INC.

Statement of Financial Position
June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 691,342	\$ 864,546
Restricted	200,085	
Short-term investments	252,008	251,002
Accounts receivable	11,816	8,001
Promises to give, current portion	5,650	55,245
Grants receivable, current portion	40,000	
Prepaid expenses	39,672	20,534
Inventories	6,593	9,446
Total current assets	1,247,166	1,208,774
Promises to give, net of current portion	5,000	
Grants receivable, net of current portion	40,000	
Beneficial interest in funds held by a community foundation	45,917	43,276
Property and equipment, net	2,674,149	2,801,288
Total assets	\$ 4,012,232	\$ 4,053,338
 Liabilities and net assets		
Current liabilities:		
Current portion of obligation under capital lease	\$ 5,749	\$ 5,458
Accounts payable	32,392	37,209
Accrued liabilities	38,428	31,086
Accrued compensated absences	32,770	34,704
Total current liabilities	109,339	108,457
Obligation under capital lease, net of current portion	12,434	18,184
Total liabilities	121,773	126,641
 Net assets:		
Unrestricted:		
Undesignated	405,732	644,403
Board designated	200,085	
Investment in property and equipment	2,655,966	2,777,646
Total unrestricted	3,261,783	3,422,049
Temporarily restricted	593,676	469,648
Permanently restricted	35,000	35,000
Total net assets	3,890,459	3,926,697
Total liabilities and net assets	\$ 4,012,232	\$ 4,053,338

The accompanying notes are an integral part of the financial statements.

ASHEVILLE HUMANE SOCIETY, INC.

Statement of Activities
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Revenues and other support					
Contributions and grants	\$ 1,151,553	\$ 408,067	\$	\$ 1,559,620	\$ 1,438,451
Local government contract revenue	948,000			948,000	870,000
Special events	198,590			198,590	287,961
Program service revenue	205,606			205,606	164,983
In-kind contributions	293,192			293,192	355,028
Sales	40,749			40,749	36,814
Other income	361			361	2,092
Net assets released from restrictions	<u>286,681</u>	<u>(286,681)</u>			
Total revenues and other support	<u>3,124,732</u>	<u>121,386</u>		<u>3,246,118</u>	<u>3,155,329</u>
Expenses					
Program services	2,634,153			2,634,153	2,489,653
Management and general	92,629			92,629	120,844
Fundraising	<u>560,311</u>			<u>560,311</u>	<u>574,931</u>
Total expenses	<u>3,287,093</u>			<u>3,287,093</u>	<u>3,185,428</u>
Increase (decrease) in net assets before other gains	<u>(162,361)</u>	<u>121,386</u>		<u>(40,975)</u>	<u>(30,099)</u>
Other gains (losses)					
Investment income	2,137			2,137	2,103
Net realized and unrealized gains (losses) on beneficial interest in funds held by a community foundation	<u>(42)</u>	<u>2,642</u>		<u>2,600</u>	<u>4,301</u>
Total other gains	<u>2,095</u>	<u>2,642</u>		<u>4,737</u>	<u>6,404</u>
Increase (decrease) in net assets	(160,266)	124,028		(36,238)	(23,695)
Net assets at beginning of year	<u>3,422,049</u>	<u>469,648</u>	<u>35,000</u>	<u>3,926,697</u>	<u>3,950,392</u>
Net assets at end of year	<u>\$ 3,261,783</u>	<u>\$ 593,676</u>	<u>\$ 35,000</u>	<u>\$ 3,890,459</u>	<u>\$ 3,926,697</u>

The accompanying notes are an integral part of the financial statements.

ASHEVILLE HUMANE SOCIETY, INC.

Statement of Functional Expenses
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Supporting Services			Total Supporting Services	Total 2018	Total 2017
	Program Services	Management and General	Fundraising			
Salaries and wages	\$ 1,266,889	\$ 42,007	\$ 246,496	\$ 288,503	\$ 1,555,392	\$ 1,446,172
Payroll taxes	99,490	2,541	18,700	21,241	120,731	120,340
Other benefits	162,111	3,745	33,436	37,181	199,292	184,403
Total personnel costs	1,528,490	48,293	298,632	346,925	1,875,415	1,750,915
Program costs:						
Food for animals	93,902				93,902	73,433
Veterinary services	361,037				361,037	336,429
Medical/program supplies	244,972				244,972	206,052
Spay/neuter surgery	42,182				42,182	44,705
Other	4,214				4,214	2,823
Advertising	23,073	1,725	14,318	16,043	39,116	36,392
Bank/credit card charges	6,699	795	14,309	15,104	21,803	21,627
Computer/information services	21,140	1,293	37,244	38,537	59,677	61,886
Cost of sales	23,831				23,831	21,148
Depreciation	111,587	15,014	10,009	25,023	136,610	132,606
Dues/licenses/permits	745	1,026	315	1,341	2,086	1,611
Event expenses	2,583		58,646	58,646	61,229	164,114
Insurance	34,115	2,215	4,501	6,716	40,831	42,161
Meals and entertainment	3,218	148	28	176	3,394	3,773
Miscellaneous	5,620	392	1,705	2,097	7,717	10,061
Occupancy costs	61,860	762	954	1,716	63,576	54,818
Office supplies	4,221	2,989	1,502	4,491	8,712	8,305
Printing/production/postage	3,186	702	109,045	109,747	112,933	102,539
Professional services	18,985	15,491	1,788	17,279	36,264	49,554
Seminars and education	4,329	375	3,270	3,645	7,974	6,218
Staff/donor appreciation	1,508	1,019	72	1,091	2,599	10,074
Telephone/communications	13,967	215	3,930	4,145	18,112	19,934
Travel mileage	5,449	175	43	218	5,667	10,766
Vehicle expenses	13,240				13,240	13,484
Total expenses	<u>\$ 2,634,153</u>	<u>\$ 92,629</u>	<u>\$ 560,311</u>	<u>\$ 652,940</u>	<u>\$ 3,287,093</u>	<u>\$ 3,185,428</u>

The accompanying notes are an integral part of the financial statements.

ASHEVILLE HUMANE SOCIETY, INC.

Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Decrease in net assets	\$ (36,238)	\$ (23,695)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	136,610	132,606
Net realized and unrealized gains on beneficial interest in funds held by a community foundation	(2,600)	(4,301)
Receipt of donated stock	(7,439)	(205,463)
Gain on reduction of capital lease obligation	(4,933)	(4,759)
Loss on disposal of property and equipment		2,292
Changes in working capital - sources (uses)		
Accounts receivable	(3,815)	51,337
Promises to give	44,595	69,005
Grants receivable	(80,000)	
Prepaid expenses	(19,138)	(43)
Inventories	2,853	(1,285)
Accounts payable	(4,817)	4,912
Accrued liabilities	7,342	425
Accrued compensated absences	(1,934)	698
Net cash provided by operating activities	30,486	21,729
Cash flows from investing activities		
Proceeds from sale of investments	7,439	205,463
Change in beneficial interest in funds held by a community foundation	(41)	(69)
Purchase of property and equipment	(9,471)	(60,065)
Purchase of short-term investments	(1,006)	(1,002)
Net cash provided (used) by investing activities	(3,079)	144,327
Cash flows from financing activities		
Repayment of capital lease obligation	(526)	(423)
Increase in cash and equivalents	26,881	165,633
Cash and equivalents at beginning of year	864,546	698,913
Cash and cash equivalents at end of year	\$ 891,427	\$ 864,546

The accompanying notes are an integral part of the financial statements.

ASHEVILLE HUMANE SOCIETY, INC.

Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies

Organization

Asheville Humane Society, Inc. (the Organization) is a non-profit corporation organized under the laws of the State of North Carolina. The organization is dedicated to promoting compassionate treatment of animals in Buncombe County and the Asheville, North Carolina community through education, sheltering, and adoption. Formed in 1984 as Buncombe County Friends for Animals, the organization operated as the governing body for the County Pet Adoption Center and Animal Shelter, previously operated by the County. The Organization has operated the Shelter since 1990. In 2010, the Organization, in partnership with Buncombe County, opened the Animal Care Campus. The Campus comprises two facilities: Asheville Humane Society Adoption and Education Center and the Buncombe County Animal Shelter. The two facilities operate side by side in a public-private partnership working collaboratively to eradicate animal homelessness.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization has also been classified as a publicly-supported charitable organization and is exempt from state taxes under North Carolina General Statute 105-130.11(a).

Basis of Presentation

Net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets*: Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets*: Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

- *Permanently restricted net assets*: Net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Generally, the donors of these assets permit the Organization to use all or part of that income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed stipulations. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash consists of cash held for operating and capital reserves which is to be used as directed by the Board of Directors.

Short-term Investments

Short-term investments consist of certificates of deposit with initial maturities exceeding three months.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discount on those amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are received. As of June 30, 2018, no discount has been recorded, as the effect would be immaterial to the financial statements. Management has determined that these amounts are fully collectible; therefore, no allowance for uncollectible promises to give has been established.

Grants Receivable

Grants receivable consist of amounts awarded but not yet received as of year-end. An allowance for doubtful accounts has not been established as management believes all amounts are collectible.

Note 1 - Summary of Significant Accounting Policies (continued)

Inventories

Inventories consist of pet supplies sold in retail operations. These items are stated at cost, determined by the first-in, first-out method.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value. The Organization created the Asheville Humane Society Adoption Center Fund with the Community Foundation of Western North Carolina, Inc. (the Foundation) specifically for major expenses (over \$5,000) for the preservation and maintenance of the Adoption Center. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements and Disclosures

The Organization applies the U.S. GAAP authoritative guidance for *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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 market prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

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

Assets and liabilities within the hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Organization's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy.

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment with a cost of \$2,500 or more and that have an estimated useful life greater than one year, are capitalized at cost. Expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to thirty-nine years.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Goods and Services

Donated marketable securities are recorded as contributions at their estimated fair value at the date of donation.

Donated materials and supplies are reflected as in-kind contributions at their estimated fair value at the date of donation. For the years ended June 30, 2018 and 2017, the Organization received in-kind materials, supplies, and advertising in the amount of \$117,392 and \$190,168, respectively.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization received \$175,800 and \$164,860 in donated veterinary services during the years ended June 30, 2018 and 2017, respectively. Volunteers also provided a variety of tasks that assist the Organization with specific objectives throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. The Organization received approximately 75,520 and 75,118 volunteer hours during the years ended June 30, 2018 and 2017, respectively.

Note 1 - Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2018 and 2017, amounts charged to expense were \$39,116 and \$36,392, respectively.

Functional Allocation of Expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, all costs have been allocated among the program and supporting services benefitted.

Estimates

The preparation of financial statements in accordance 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 liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Organization regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Recently Issued Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The standard is effective for annual financial statements issued for years beginning after December 15, 2018. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

Note 1 - Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require a lessee to recognize a lease liability and a right-of-use asset for most leases, including operating leases. The standard will be effective for annual periods ending after December 15, 2019. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 is intended to improve not-for-profit (NFP) financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. The standard will change the way all NFPs classify net assets and prepare financial statements, and will result in significant changes to financial reporting and disclosures for NFPs. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

In November 2016, FASB issued Accounting Standards Update 2016-18, *Restricted Cash*, (ASU 2016-18). ASU 2016-18 is intended to clarify the classification and presentation of restricted cash and cash equivalents in the statement of cash flows. The ASU will require amounts generally described as restricted cash to be included with cash and equivalents on the statement of cash flows. The standard is effective for annual financial statements issued for years beginning after December 15, 2018. This guidance will not impact the presentation of the statement of cash flows.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Animal food	\$ 2,000	\$
ASPCA - other	2,816	4,075
Behavior program	500	
Board expenses	752	402
Building maintenance	177,695	177,695
Civicore project - database	2,750	9,250
Community pets	55,237	123,487
Community pets funding		14,814
Community pets - Petsmart	48,115	
Disaster relief	2,412	2,412
Endowment - AHS Adoption Center Fund	10,917	8,276
Foster program	5,000	
Grooming supplies and equipment	6,026	4,264
June B. Davis fund	8,333	16,667

Note 2 - Restrictions on Assets (continued)

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Life savings program	\$ 120,000	\$
Lilly Grace	19,795	1,084
Medical assistance vouchers	7,500	
Pet adoptions		5,000
Petco grant		5,780
Promises to give, net of current portion - time restricted	5,000	
Safety net - equipment and care items		2,500
Safety net	58,987	12,137
Spay/neuter	14,018	1,302
Spay/neuter - low cost	2,350	19,375
Temporary boarding & pet deposits	5,637	11,191
Transport	17,081	28,943
Wellness Clinic - Community solutions	<u>20,755</u>	<u>20,994</u>
<u>Temporarily restricted net assets</u>	<u>\$ 593,676</u>	<u>\$ 469,648</u>

Permanently restricted net assets at June 30, 2018, consist of a partially restricted beneficial interest in funds held by the community foundation established in 2011 in the amount of \$40,000, for the preservation and maintenance of the Adoption Center Building. Contributions to the fund are subject to donor restrictions that stipulate the income earnings from the fund may be used for major expenses greater than \$5,000, and the original principal of the gift is to be held and invested by the Organization. The donor provided that, in the event of "extreme crisis," \$5,000 of the principal, plus accrued income, could be withdrawn, not to exceed one time annually. Because of this stipulation, \$35,000 of the endowment is presented as permanently restricted and \$5,000 plus the net gain of \$5,917, is temporarily restricted.

Note 3 - Accounts Receivable

Accounts receivable are described as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Customer receivables	\$ 2,171	\$ 375
Employee advance	115	1,358
Sales tax receivable	<u>9,530</u>	<u>6,268</u>
<u>Accounts receivable</u>	<u>\$ 11,816</u>	<u>\$ 8,001</u>

Note 4 - Promises to Give

Promises to give represent pledges for the Thrive! Together Campaign. Unconditional promises to give consist of the following:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 5,650	\$ 55,245
One to five years	<u>5,000</u>	<u> </u>
<u>Promises to give</u>	<u>\$ 10,650</u>	<u>\$ 55,245</u>

Note 5 - Grants Receivable

Grants receivable are expected to be collected as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 40,000	\$
One to five years	<u>40,000</u>	<u> </u>
<u>Grants receivable</u>	<u>\$ 80,000</u>	<u>\$</u>

Note 6 - Beneficial Interest in Funds Held by a Community Foundation

The beneficial interest in funds held by a community foundation is managed by the Community Foundation of Western North Carolina (Foundation). The fund agreement grants variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify any condition or restriction on distributions of funds, if such conditions or restrictions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation. The Organization's beneficial interest in funds held by a community foundation is presented in the financial statements in the aggregate at fair value. These funds are invested in an allocated investment pool at the Foundation.

The cumulative unrealized gains on the beneficial interest in endowment funds are as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Fair market value	\$ 45,917	\$ 43,276
Cost	<u>40,000</u>	<u>40,000</u>
<u>Cumulative unrealized gains</u>	<u>\$ 5,917</u>	<u>\$ 3,276</u>

Note 7 - Fair Value Measurements

The fair value of each financial instrument described below was measured using the framework for measuring fair value described in Note 1.

Short-term investments are certificates for deposit that can be liquidated and used for operations. The assets are considered Level 1 inputs.

Due to the nature of beneficial interest in funds held by a community foundation, the assets are considered Level 3 inputs.

<u>Year Ended June 30</u>	<u>2018</u>	<u>2017</u>
Level 3 inputs, beginning of year	\$ 43,276	\$ 38,906
Investment income	451	449
Net appreciation	2,600	4,301
Fees	(410)	(380)
<u>Level 3 inputs, end of year</u>	<u>\$ 45,917</u>	<u>\$ 43,276</u>

Note 8 - Property and Equipment

Property and equipment consists of the following:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Buildings	\$ 2,935,471	\$ 2,935,471
Land	186,000	186,000
Furniture and fixtures	268,720	263,455
Vehicles	139,162	134,956
Computers and equipment	<u>77,234</u>	<u>79,684</u>
	3,606,587	3,599,566
Less, accumulated depreciation	<u>932,438</u>	<u>798,278</u>
<u>Property and equipment</u>	<u>\$ 2,674,149</u>	<u>\$ 2,801,288</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$136,610 and \$132,606, respectively.

Note 9 - Line of Credit

The organization maintains a \$100,000 unsecured line of credit with a local bank to be used for operational needs. The line renews annually in January and the interest rate is the local bank's prime rate plus 0.50%. The terms require monthly interest payments. As of June 30, 2018 and 2017, there was no balance owed on this line of credit.

Note 10 - Board Designated Net Assets

The Board of Directors has designated funds for the following purposes:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Operating reserves	\$ 150,085	\$
Capital reserves	<u>50,000</u>	<u> </u>
<u>Board designated net assets</u>	<u>\$ 200,085</u>	<u>\$</u>

Note 11 - In-kind Contributions

In-kind contributions are summarized as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Animal food and supplies	\$ 76,294	\$ 52,571
Veterinary services	175,800	164,860
General supplies	1,363	1,612
Advertising	11,316	4,140
Food	319	10,888
Fundraisers	<u>28,100</u>	<u>120,957</u>
<u>In-kind contributions</u>	<u>\$ 293,192</u>	<u>\$ 355,028</u>

Note 12 - Lease Commitments

The Organization leases office equipment under operating leases. The leases require various monthly payment amounts and expire through 2020. Rent expense for the years ended June 30, 2018 and 2017, was \$4,319 and \$4,600, respectively. Future minimum payments under all operating leases are as follows:

<u>Years Ending June 30</u>	
2019	\$ 791
2020	660
2021	
2022	
2023	<u> </u>
<u>Total minimum lease payments</u>	<u>\$ 1,451</u>

Note 13 - Obligation Under Capital Lease

A description of the capital lease is as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Capital lease obligation on leased equipment at 5.2% interest, with a cost of \$33,744, less accumulated depreciation of \$20,809	\$ 18,183	\$ 23,642
Less, current portion of capital lease obligation	<u>5,749</u>	<u>5,458</u>
<u>Obligation under capital lease, net of current portion</u>	<u>\$ 12,434</u>	<u>\$ 18,184</u>

Scheduled payments on capital lease obligation for the next five years are as follows:

<u>Years Ending June 30</u>	
2019	\$ 6,560
2020	6,560
2021	6,560
2022	
2023	<u>19,680</u>
Less, amounts representing interest	<u>(1,497)</u>
<u>Present value of minimum lease payments</u>	<u>\$ 18,183</u>

Note 14 - Retirement Plan

The Organization maintains a SIMPLE IRA plan for eligible employees. During the years ended June 30, 2018 and 2017, the Organization contributed \$22,720 and \$24,096, respectively, to the plan.

Note 15 - Uninsured Cash Balances

The Organization maintains its cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured cash balances at June 30, 2018 and 2017, were \$372,374 and \$434,773, respectively.

Note 16 - Summary Disclosure of Significant Contingencies

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any year since inception.

Note 16 - Summary Disclosure of Significant Contingencies (continued)

Major Revenues

The Organization maintains a contract with Buncombe County to provide shelter services. The Organization received approximately 29% and 28% of total revenues and other support from the contract for the years ended June 30, 2018 and 2017, respectively.

Note 17 - Related Party Transactions

During the years ended June 30, 2018 and 2017, the Organization has recorded contributions from members of the Board of Directors and employees totaling \$28,756 and \$34,814, respectively.

Note 18 - Income Taxes

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax provision taken and, as such, does not have any uncertain tax positions material to the financial statements.

Open Tax Years

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the tax years ended June 30, 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Note 19 - Subsequent Events

Management has evaluated subsequent events through November 26, 2018, the date on which the financial statements were available to be issued.