

Humane Society Silicon Valley

Financial Statements

June 30, 2018
(With Comparative Totals for 2017)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Humane Society Silicon Valley
Milpitas, California

We have audited the accompanying financial statements of Humane Society Silicon Valley (a California nonprofit corporation) (the "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.

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 Humane Society Silicon Valley 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 Humane Society Silicon Valley's 2017 financial statements, and our report dated November 28, 2017 expressed an unmodified opinion on those audited financial statements. 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.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Jose, California

December 19, 2018

Humane Society Silicon Valley
Statement of Financial Position
June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,359,663	\$ 5,082,474
Accounts receivable	67,381	86,731
Unconditional promises to give, current portion	1,023,171	1,390,190
Inventory	77,925	77,347
Prepaid expenses	167,836	159,284
Short term investments - other	500,000	500,000
Total current assets	8,195,976	7,296,026
Property and equipment, net	19,641,260	20,194,154
Other assets		
Investments	10,981,785	11,844,956
Long-term investments - other	5,553,231	4,537,520
Unconditional promises to give, net of current portion	1,013,294	1,382,126
Cash and cash equivalents held for endowment purposes	378,759	184,189
Investments held for endowment purposes	3,080,305	3,232,717
Total other assets	21,007,374	21,181,508
Total assets	\$ 48,844,610	\$ 48,671,688
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 331,308	\$ 277,153
Bonds payable, current portion	450,000	450,000
Accrued payroll and related benefits	246,501	252,387
Accrued vacation	315,662	280,533
Deferred fees	45,923	33,485
Total current liabilities	1,389,394	1,293,558
Bonds payable, net of current portion	10,451,499	10,887,466
Total liabilities	11,840,893	12,181,024
Net assets		
Unrestricted		
Undesignated	2,045,684	2,527,523
Board-designated for building and equipment repairs	1,805,366	1,817,151
Board-designated for operating reserves	5,915,898	5,635,187
Board-designated for program development	2,000,000	-
Property and equipment	19,641,260	20,194,154
Total unrestricted	31,408,208	30,174,015
Temporarily restricted	2,614,364	3,335,504
Permanently restricted	2,981,145	2,981,145
Total net assets	37,003,717	36,490,664
Total liabilities and net assets	\$ 48,844,610	\$ 48,671,688

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

Humane Society Silicon Valley
Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Support and revenue					
Program services					
Program fees and charges	\$ 1,807,407	\$ -	\$ -	\$ 1,807,407	\$ 1,757,831
Contracts with governmental agencies	378,799	-	-	378,799	411,099
Pet store and clinic sales, net	<u>181,684</u>	<u>-</u>	<u>-</u>	<u>181,684</u>	<u>184,907</u>
Total program services	<u>2,367,890</u>	<u>-</u>	<u>-</u>	<u>2,367,890</u>	<u>2,353,837</u>
Fundraising					
Contributions and grants	5,293,032	1,558,653	-	6,851,685	7,831,140
Trust, bequest, and endowments	2,260,140	10,999	-	2,271,139	1,814,115
In-kind contributions	178,000	-	-	178,000	196,680
Special events, net of \$718,159 expenses	<u>681,360</u>	<u>18,443</u>	<u>-</u>	<u>699,803</u>	<u>165,824</u>
Total fundraising	<u>8,412,532</u>	<u>1,588,095</u>	<u>-</u>	<u>10,000,627</u>	<u>10,007,759</u>
Other income					
Investment income, net	400,007	268,641	-	668,648	1,713,268
Other income	<u>67,080</u>	<u>-</u>	<u>-</u>	<u>67,080</u>	<u>44,410</u>
Total other income	<u>467,087</u>	<u>268,641</u>	<u>-</u>	<u>735,728</u>	<u>1,757,678</u>
Net assets released from restriction	<u>2,577,876</u>	<u>(2,577,876)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>13,825,385</u>	<u>(721,140)</u>	<u>-</u>	<u>13,104,245</u>	<u>14,119,274</u>
Functional expenses					
Program services					
Program to Save Lives	8,650,068	-	-	8,650,068	8,199,843
Community Programs for People and Pets	<u>1,218,750</u>	<u>-</u>	<u>-</u>	<u>1,218,750</u>	<u>1,214,111</u>
Total program services	<u>9,868,818</u>	<u>-</u>	<u>-</u>	<u>9,868,818</u>	<u>9,413,954</u>
Support services					
Management and general	1,170,435	-	-	1,170,435	1,139,294
Fundraising	972,425	-	-	972,425	905,379
Comprehensive campaign	<u>579,514</u>	<u>-</u>	<u>-</u>	<u>579,514</u>	<u>588,993</u>
Total support services	<u>2,722,374</u>	<u>-</u>	<u>-</u>	<u>2,722,374</u>	<u>2,633,666</u>
Total functional expenses	<u>12,591,192</u>	<u>-</u>	<u>-</u>	<u>12,591,192</u>	<u>12,047,620</u>
Change in net assets	1,234,193	(721,140)	-	513,053	2,071,654
Net assets, beginning of year	<u>30,174,015</u>	<u>3,335,504</u>	<u>2,981,145</u>	<u>36,490,664</u>	<u>34,419,010</u>
Net assets, end of year	<u>\$ 31,408,208</u>	<u>\$ 2,614,364</u>	<u>\$ 2,981,145</u>	<u>\$ 37,003,717</u>	<u>\$ 36,490,664</u>

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

Humane Society Silicon Valley
Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Program Services	Support Services			Total Support Services	2018 Total	2017 Total
		Management and General	Fundraising	Comprehensive Campaign			
Expenses							
Salaries and benefits	\$ 6,274,798	\$ 838,204	\$ 597,303	\$ 332,297	\$ 1,767,804	\$ 8,042,602	\$ 7,554,332
Professional fees and contract services	867,562	207,398	55,184	70,042	332,624	1,200,186	1,127,658
Operating supplies and services	790,652	301	192	14	507	791,159	818,731
Direct mail, advertising and newsletter expenses	310,320	11,041	113,836	160,957	285,834	596,154	721,280
Depreciation	532,996	29,013	19,222	164	48,399	581,395	580,567
Occupancy expenses	396,616	20,893	13,843	114	34,850	431,466	391,187
Interest, fees and amortization on bonds	244,145	13,290	8,805	74	22,169	266,314	228,338
Other expenses	151,708	12,782	81,430	2,234	96,446	248,154	250,144
Management information systems	159,893	21,515	41,654	8,630	71,799	231,692	213,996
Office supplies and services	76,526	11,894	36,457	3,741	52,092	128,618	118,456
Automobile, travel and meetings	<u>63,602</u>	<u>4,104</u>	<u>4,499</u>	<u>1,247</u>	<u>9,850</u>	<u>73,452</u>	<u>42,931</u>
	<u>\$ 9,868,818</u>	<u>\$ 1,170,435</u>	<u>\$ 972,425</u>	<u>\$ 579,514</u>	<u>\$ 2,722,374</u>	<u>\$ 12,591,192</u>	<u>\$ 12,047,620</u>
Percentage of total	<u>78.4 %</u>	<u>9.3 %</u>	<u>7.7 %</u>	<u>4.6 %</u>	<u>21.6 %</u>	<u>100.0 %</u>	

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

Humane Society Silicon Valley
Statement of Functional Expenses - Program Services
For the Year Ended June 30, 2018

	<u>Programs to Save Lives</u>			<u>Total Programs to Save Lives</u>	<u>Community Programs for People and Pets</u>	<u>Total Program Services</u>
	<u>Adoptions and Animal Care</u>	<u>Medical Services</u>	<u>Mutual Rescue</u>			
Expenses						
Salaries and benefits	\$ 3,343,758	\$ 1,938,158	\$ 204,974	\$ 5,486,890	\$ 787,908	\$ 6,274,798
Professional fees and contract services	181,800	267,542	298,529	747,871	119,691	867,562
Operating supplies and services	253,975	516,037	382	770,394	20,258	790,652
Direct mail, advertising and newsletter expenses	224,854	78,395	1,463	304,712	5,608	310,320
Depreciation	354,564	82,707	13	437,284	95,712	532,996
Occupancy expenses	255,335	72,346	9	327,690	68,926	396,616
Interest, fees and amortization on bonds	162,412	37,885	6	200,303	43,842	244,145
Other expenses	75,597	41,827	8	117,432	34,276	151,708
Management information systems	86,669	40,261	4,960	131,890	28,003	159,893
Office supplies and services	42,788	20,913	1,566	65,267	11,259	76,526
Automobile, travel and meetings	42,332	15,839	2,164	60,335	3,267	63,602
	<u>\$ 5,024,084</u>	<u>\$ 3,111,910</u>	<u>\$ 514,074</u>	<u>\$ 8,650,068</u>	<u>\$ 1,218,750</u>	<u>\$ 9,868,818</u>

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

Humane Society Silicon Valley
Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 513,053	\$ 2,071,654
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	581,395	580,567
Amortization of bond origination costs	14,033	14,033
Donated securities	(719,767)	(217,376)
Proceeds from sale of donated investments	719,767	217,376
Net realized and unrealized gains on investments	(102,558)	(1,233,016)
Changes in operating assets and liabilities		
Accounts receivable	19,350	(22,225)
Unconditional promises to give	735,851	409,685
Inventory	(578)	8,696
Prepaid expenses	(8,552)	27,499
Accounts payable and accrued expenses	54,155	58,719
Accrued payroll and related benefits	(5,886)	70,104
Accrued vacation	35,129	34,716
Deferred fees	12,438	8,751
Net cash provided by operating activities	<u>1,847,830</u>	<u>2,029,183</u>
Cash flows from investing activities		
Purchase of property and equipment	(28,501)	(13,179)
Proceeds from sale of investments	5,808,586	7,767,211
Purchase of investments	(5,706,156)	(7,836,416)
Net cash provided by (used in) investing activities	<u>73,929</u>	<u>(82,384)</u>
Cash flows from financing activities		
Payments on bonds	(450,000)	(450,000)
Net cash used in financing activities	<u>(450,000)</u>	<u>(450,000)</u>
Net increase in cash, cash equivalents and restricted cash	1,471,759	1,496,799
Cash, cash equivalents and restricted cash, beginning of year	<u>5,266,663</u>	<u>3,769,864</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 6,738,422</u>	<u>\$ 5,266,663</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 6,359,663	\$ 5,082,474
Cash and cash equivalents held for endowment purposes	<u>378,759</u>	<u>184,189</u>
	<u>\$ 6,738,422</u>	<u>\$ 5,266,663</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 132,713	\$ 86,814
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The accompanying notes are an integral part of these financial statements.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2018
(With Comparative Totals for 2017)

1. ORGANIZATION

Humane Society Silicon Valley (the "Organization") is a California nonprofit public benefit corporation that has operated continuously since 1929. The focus of the Organization is companion animal rescue and homelessness prevention. The Organization serves as a safety net for companion animals in Silicon Valley, sets a national example for innovation and seeks to transform human lives through deeper connections to animals. The impact achieved reflects the quality of the Organization and its people.

Impact

The Organization is driving significant, positive change for both companion animals and the people who care for and about them. The solutions are achieving groundbreaking results.

Specifically, the Organization:

- Saves 100% of all healthy animals in the Organization's care and has done so since 2006. In the year ended June 30, 2018, the Organization saved 95% of *all* animals that came through its doors, including many needing rehabilitation or extended treatment. This compares to the national average of 77% (for 2012, as reported on <https://www.aspc.org/animal-homelessness/shelter-intake-and-surrender/pet-statistics>). Even more importantly, these results are being achieved while the overall community save rate continues to improve.
- Provides rehabilitation and medical or behavioral treatment for nearly 4,100 (in fiscal year 2018) animals each year. These animals are just like pets many people already have in their homes today but they don't yet have the loving guardians they need to overcome common challenges. Given time, space, and tailored medical and behavioral attention, these animals can lead high-quality lives for years to come and provide profound enrichment to their future two-legged families. Currently, approximately 69% of the animals saved require this kind of care and treatment.
- Finds and helps keep loving homes for nearly 6,850 animals each year. This includes providing counseling and no cost pet food to keep over 160 pet animals in their homes (excluding managed colony cats), returning nearly 185 lost animals to their homes, transferring 863 animals, including wild life, to rescue groups and managed cat colonies, and facilitating adoptions for 5,638 animals. Currently, 61% of these adopted animals will receive foster care or kitten nursery care prior to being matched with their new families.
- The Organization also provides "showcase" foster days for an animal rescue partner. By providing the use of the Organization's facilities to the same rescue group at the same time each week, this group is able to maintain a presence where potential adopters can routinely find them. This enables more animals to ultimately find homes each year.
- Performs and influences over 8,900 spay/neuter surgeries each year.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2018
(With Comparative Totals for 2017)

1. ORGANIZATION (continued)

Over 2,000 of these annual surgeries are a result of the Organization's efforts to secure funds for the broader community. Private funders and grant awards have allowed Humane Society Silicon Valley to deploy and administer a program to address large numbers of homeless animals coming from five specific zip codes in Santa Clara County. These funds enable the Organization to work in partnership with a local municipal shelter to offer free spay/neuter surgeries, microchips, and vaccines to all cats, dogs, and rabbits in the targeted zip codes.

- Provides education for over 7,900 children, from pre-kindergarten through 12th grade. These education programs enable social and emotional learning through interactions with animals. This includes economically disadvantaged children and at-risk youth—many with little prior exposure to animals. The Organization also works with local schools to provide carefully designed programs tailored to their students' unique needs, especially those who need support in building empathy, responsible decision-making and relationship skills.

These outcomes demonstrate that Humane Society Silicon Valley is delivering on and advancing its mission to groundbreaking levels.

Innovation

Humane Society Silicon Valley is setting a national example for leadership and innovation at the local level. The Organization has shattered the notion of what is possible for the guardianship of homeless animals and has established new standards for what can be accomplished. Specifically, the Organization:

- Became the first model shelter in the world to complete the Association of Shelter Veterinarians Guidelines for Standards of Care. Confirmed by the Koret Shelter Medicine Program of the University of California at Davis, the Organization achieved model shelter status by demonstrating and documenting that it meets all 543 "must, should and ideal" standards set forth by the Association of Shelter Veterinarians (ASV). The first shelter ever to earn this distinction, Humane Society Silicon Valley is leading the charge for humane treatment of animals. The Organization has championed the adoption of shelter medicine standards by other organizations by spreading best practices through knowledge-sharing and research.
- Created and leads an inter-agency coalition to save the lives of companion animals in Silicon Valley. The Organization founded this coalition to provide a platform for public animal-care agencies to work together as a community to save lives. Visionary leadership is igniting these organizations to collaborate in achieving goals previously thought unattainable. In 2004, the community wide save rate was 30%; in the calendar year 2017 it was approximately 93%.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2018
(With Comparative Totals for 2017)

1. ORGANIZATION (continued)

- Developed, in conjunction with PETCO® and PetSmart®, a new operating model that demonstrates the power of nonprofit/for-profit partnership. Humane Society Silicon Valley is the only organization in the nation with multiple adoption centers that are permanently co-located inside PETCO® and PetSmart® stores. Humane Society Silicon Valley provides consistent, ongoing staffing and comfortable living environments while animals await adoption. PETCO® and PetSmart® provide use of their retail space and supply the food and supplies necessary to care for these animals. These centers make adoptions more accessible because the Organization becomes part of local neighborhoods and maintains hours convenient for potential adopters. Just over 1,720 of the Organization's adoptions happen through these PETCO® and PetSmart® neighborhood adoption centers. In addition, these PETCO® and PetSmart® stores no longer sell rabbits to their customers. They are able to rely on the Organization to provide rescue rabbits that they would otherwise purchase through pet wholesalers and breeding mills. The Organization previously had a neighborhood adoption center co-located in a PetSmart® store. Due to restrictions on space and visibility to drive adoption volume the Organization decided to close the PetSmart® adoption center as of April 9, 2018.
- Crafted and spearheaded a first-of-its kind free spay/neuter program, operating across multiple local agencies, that geographically targeted reversing the runaway trend of Chihuahua overpopulation. This program reduced the number of incoming Chihuahuas in the county, and has since been expanded to include all cats, dogs, and rabbits coming from the same region. It has also inspired another community outside the Bay Area to begin efforts to launch a similar version of this program.
- Designed its regional rescue program in the spirit of community and collaboration. The Organization serves as a safety net for animals that most need help in the community and saves animals that would otherwise not have rescue options. The Organization also rescues animals that have been made available for adoption at their partnering agencies but are not thriving or are being overlooked by potential adopters. In addition, the Organization collaborates with local rescue organizations to save lives when they become overburdened from situations such as hoarding cases or taking in large numbers of animals from research facilities.
- Created Maddie's® Kitten Lifesaving Apprenticeship to host 12 people a year to learn about setting up and managing several vital programs to manage kittens including:
 - Kitten nursery, used to house under socialized kittens as well as nursing mothers with their litters;
 - Feline foster program, which fosters over 2,100 kittens and cats annually;
 - Ringworm and Upper respiratory infection (URI) treatment rooms, used to quarantine and treat kittens with URI and other treatable but contagious diseases.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2018
(With Comparative Totals for 2017)

1. ORGANIZATION (continued)

- The Organization brought in almost 3,800 kittens in fiscal year ended June 30, 2018 thanks to these strategies and it is a great opportunity for other shelters to learn how Humane Society Silicon Valley executes this on a day-to-day basis. The efforts around setting up and maintaining these programs require thoughtful cooperation among behavior, animal care staff, foster coordinators, and kitten volunteers. 80 nursery volunteers are trained to work with the Organization's staff to actively socialize and interact with kittens, improving their confidence faster and allowing them to become adoptable in a shorter period of time. Volunteers are trained to assist in caring for the animals in Humane Society Silicon Valley's quarantine rooms, providing vaccinations to kittens on-site and in foster care, and conducting behavior assessments. 30 volunteers run the Organization's kitten vaccination station clinic during “kitten season,” to streamline booster vaccines for the Organization's healthy foster kitten population. Over 600 volunteers participate in the foster program annually. This is a wonderful opportunity for apprentices to learn how Humane Society Silicon Valley is able to best prioritize care for kittens utilizing thoughtful space and volunteer power to improve internal operations when intake levels are high.
- Built the state-of-the-art, environmentally friendly Animal Community Center, which is one of the first gold LEED certified animal facilities in the country. This facility sets new standards for the care of homeless animals and the way that people learn about, engage with, and celebrate animals. This facility brings together and leverages the power of individuals and groups to make a difference in the lives of both companion animals and people.
- Committed to focusing on combining compassion and commitment to Humane Society Silicon Valley's mission (heart) with professionalism and competence (head). The Organization seeks to attract and retain subject matter experts in animal care and experienced leaders from the for-profit and nonprofit worlds who are drawn to the Organization's approach and philosophy.
- Implemented transparency and accountability in operations and financials. The Organization's audit report, 990 and annual report are all posted on the Organization's website.
- The Organization's leadership and expertise are revolutionizing companion animal care in Silicon Valley and setting an example for what is possible across the nation. Humane Society Silicon Valley is demonstrating on a local level that inspiration and determination can drive community collaboration that saves and enhances lives.

Strategic Direction

Humane Society Silicon Valley is saving homeless pets and transforming human lives at the local, regional and national levels. Key parts of this strategic focus for the Organization are:

Humane Society Silicon Valley
Notes to Financial Statements
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(With Comparative Totals for 2017)

1. ORGANIZATION (continued)

- Commitment to maintaining a robust life-saving eco-system in Silicon Valley. Achieve a community-wide save rate of 95% or greater. This includes continuing to save 100% of all healthy animals and moving towards the goal of saving 100% of animals in the County that can be healed through rehabilitation and medical or behavioral treatment.
 - Expanding collaborative partnerships throughout California to broaden mission impact.
 - Delivering mission impact through accountability, engagement, innovation, and transparency.
 - Leading the practice of shelter medicine to ensure quality of care for shelter animals across the sector.
 - Exploring and piloting integrated services that impact both animal and human lives to provide value to the community well into the future.

2. PROGRAM SERVICES

The Organization's programs are as follows:

Programs to Save Lives - Adoption and Animal Care

- Adoption - facilitates adoptions by matching prospective pet owners with the right pet for their family, supplies information on pet care to ensure a safe and successful adoption placement, and provides follow up support to adopters for the life of their pet. Several years ago, the Organization opened a neighborhood adoption center at a PETCO® store in the Paseo de Saratoga Shopping Center and during the year ended June 30, 2011, the Organization opened a second neighborhood adoption center in a PETCO® store in a Sunnyvale shopping center, to adopt out more cats, dogs, and rabbits. In September, 2014 a third neighborhood adoption center was opened at PetSmart® in Mountain View. The neighborhood locations help the Organization maintain a vital presence with the residents of west San Jose, Saratoga, Campbell, Los Gatos, Sunnyvale, and Mountain View. Approximately 5,640 animals were placed through adoptions at the shelter or at the neighborhood PETCO® and PetSmart® adoption centers during the year ended June 30, 2018. Due to restrictions on space and visibility to drive adoption volume the Organization decided to close the PetSmart® adoption center as of April 9, 2018.
- Seniors for Seniors Program - offers discounted adoption fees to adopters who are age 60 and older, and adopt a senior pet.
- Adoption Scholarship Program - waives the adoption fee for certain animals that have been at the shelter for a longer length of stay to encourage adoptions of these animals.
- Military Program - offers adoption fees discounted at 50% for military veterans.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2018
(With Comparative Totals for 2017)

2. PROGRAM SERVICES (continued)

- Rescue and Foster Care - works to reduce euthanasia by identifying animals at the shelter and within our community that need more assistance than their current environment can provide. The goal is to match each animal with the organization where he or she will be the most comfortable and have the greatest chance of adoption. The Rescue and Foster Care Department does this by running four programs: 1) The Foster Care Program is designed to assist animals that are underage or in need of minor behavior modification, socialization, or medical care. 2) The Kitten Nursery provides onsite care and socialization to underage kittens. During the off season it is also used to house cats that need extra socialization and small animals that need a quiet refuge. 3) The Rescue Partnership Program consists of a screened network of animal rescue organizations, veterinarians, and private shelters that are utilized to find alternative placements for animals that need further assistance or expertise. 4) The Regional Rescue Program is designed to transfer animals from the overcrowded shelters in our community to Humane Society Silicon Valley. In the year ended June 30, 2018, nearly 3,460 animals were placed into foster care and/or the kitten nursery, nearly 865 animals were placed through the Organization's rescue partners and cat colony volunteers, and over 2,840 animals were brought into Humane Society Silicon Valley from its Regional Rescue Program. Working together, the Organization hopes to secure appropriate homes for all adoptable animals in Silicon Valley regardless of species, breed, age, or condition.

- Behavior - performs behavior assessments on all shelter guests to assist with matching individual animals (their needs and behaviors) with new human families. Behavior assessments are also used to determine when behavior modification programs are required so individuals will thrive in the Organization's care and improve their manners in preparation for adoption.

The Organization's Behavior Department also trains and supports all of its dog, cat and rabbit volunteer socializers. Training includes offering several classes for volunteers to learn how to work with and train the Organization's shelter guests. Humane Society Silicon Valley's Behavior Department supports its Customer Care team by counseling potential adopters when an animal displays more challenging behaviors; it also offers post-adoption and pre-surrender behavioral counseling through its "Ask the Behavior and Training Team" service. The Organization's Behavior Department participates in behavioral screenings for its Members Only Dog Park.

- Animal care - furnishes food, exercise, training, care and support for animals awaiting adoption.
- Shelter Services - provides an open door shelter for incoming animals 24 hours per day, 365 days per year including stray animals brought in under contract with the City of Sunnyvale. Offers pet surrender services to the public by appointment as well as pet retention and re-homing counseling.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2018
(With Comparative Totals for 2017)

2. PROGRAM SERVICES (continued)

- Wildlife - accommodated injured wildlife brought into the shelter before they were transferred to the Wildlife Center of Silicon Valley for rehabilitation and eventual release. As of October 8, 2018, the Organization no longer accepts wildlife.
- End-of-life-Services - provides end of life and care of body services for pets owned by members of the public.

Programs to Save Lives - Medical Services

- Hospital and Triage - performs an initial health exam, vaccinations, microchipping, and if needed, long term medical care for all incoming adoptable shelter animals. Approximately 43,280 vaccination, deworming and parasite treatments and tests were given to shelter animals by the hospital and triage staff in the year ended June 30, 2018.
- Medical Center Clinic - provides affordable medical services to the public, which include: spay and neuter surgeries, vaccinations, disease testing, heartworm medication, deworming, microchipping and other medical procedures. Over 6,980 pet owners were served in the public Medical Center Clinic during the year ended June 30, 2018. Approximately 7,820 dogs, cats and rabbits were spayed or neutered on site or in the mobile clinic, including feral cats, and shelter animals.

Approximately 2,775 microchips were administered to adopted public client animals, and over 18,800 vaccinations and tests were administered to public client animals, including homeless cats. The Medical Center Clinic participates in the County and donor funded TNR (Trap-Neuter-Return) program, which offers free surgeries, microchips, and vaccines for homeless cats, and offers free or minimal cost pitbull spay and neuter surgeries for County residents. The Medical Center Clinic also participates in a targeted spay/neuter project, which offers free surgeries and rabies vaccines to residents in certain zip codes. (See Free Spay and Neuter Surgeries below).

- Homeless Cats - provides community awareness about the plight of 125,000 homeless cats in Santa Clara County. The Organization partnered with community volunteer groups and other shelters to address this issue. The Organization provides low cost trap neuter and release (TNR) services for Santa Clara County residents through the Medical Center Clinic. This program is funded by donor grants, the County of Santa Clara and the City of Sunnyvale. Nearly 1,240 homeless cats were spayed or neutered as part of this program during the year ended June 30, 2018. The feral cats were also given free microchips, parasite treatments and vaccines. The Organization has produced a DVD called "Cats Without a Home" which has aired numerous times on local television to raise awareness of the homeless cat issue in the community. The Organization also holds training classes to educate community members on how to participate in the TNR program to help homeless cats.

Humane Society Silicon Valley
Notes to Financial Statements
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2. PROGRAM SERVICES (continued)

- Free Spay and Neuter Surgeries - In an effort to decrease the numbers of unwanted animals in the Organization's shelters, members of the public that live in five targeted zip codes in Santa Clara County can receive free spay and neuter surgeries, free vaccines, and free microchips. These services are subsidized by private funders. This program is fulfilled, at Humane Society Silicon Valley's Lyn Lasar Medical Center, San Jose Animal Care and Services, and through mobile clinics.
- Prevent Unwanted Pregnancies "PUP" - In an effort to decrease the numbers of unwanted dogs and cats in our community, members of the public can surrender healthy litters of puppies and kittens up to four months of age with no surrender fee. The Organization will spay or neuter the mother and father at no charge for the owners. All of the surrendered puppies and kittens receive needed veterinary care and are spayed or neutered prior to adoption. Additionally, if the surrendering owner states that they have already found homes for some of the litter, Humane Society Silicon Valley will spay or neuter those individuals at no charge as well, prior to them going into their new homes. As part of this program, the Organization spayed or neutered approximately 70 dogs, cats, puppies and kittens during the year ended June 30, 2018.

Community Programs for People and Pets

- Animal Behavior Counseling - counsels post-adoption and pre-surrender customers experiencing behavioral challenges with their companions. Support is provided via email, telephone, and occasionally in person. The Organization's team educates customers on normal and abnormal behaviors, as well as behavior management and training options. During the year ended June 30, 2018, the Organization's Behavior and Training Team responded to 96 inquiries via this service. On average, nearly 15 minutes of individualized counseling is provided by the Organization's Ask the Behavior and Training Team service. The Organization is now also starting to track pre-adoption support (i.e. support that the Organization is giving to the foster homes). The Behavior Team is doing more, to try and provide pre-adoption support while the animal is in-care. They have been working more with foster families and even providing training (both one on one, and in group classes) while the dog is in foster.
- Pet Pantry - offers dog and cat food and other supplies at no charge to community members who cannot afford to feed their pets or homeless cat colonies. Frequently, these animals are given up simply because the guardian has lost his/her job and can no longer provide the food that the animal needs. The Organization is committed to keeping animals in their homes. Through this program, the Organization has distributed approximately 6,700 pounds of dry dog or cat food and 10,200 cans of wet dog or cat food to a total of 67 households, 25 homeless cat colonies, and 2 rescue groups during the year ended June 30, 2018.

Humane Society Silicon Valley
Notes to Financial Statements
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(With Comparative Totals for 2017)

2. PROGRAM SERVICES (continued)

- Lost and Found - furnishes proactive services for people who have either lost a beloved pet or found an animal including maintaining a lost/found database, lost pet recovery counseling and a "car tagging" service for owners to help increase visibility of their lost pet.
- Volunteer Programs - engages community members in a partnership to save and enhance the lives of animals in our area. This partnership is achieved by including volunteers in every aspect of the Organization through a variety of volunteer positions, including but not limited to: animal socializers; adoption hosts and counselors; customer service assistants; medical center assistants; shelter hospital assistants; pet store clerks; foster parents; special events coordinators; development office assistants; volunteer department assistants; animal transporters; community event volunteers; and education ambassadors. In addition, Humane Society Silicon Valley's Corporate Volunteer Program provides Silicon Valley employees with a team-building experience that makes a difference in the lives of homeless animals.
- Education - offers a variety of programs for children and teens including Kind Kids Field Trips for elementary school students in Title I schools; a Compassion In Action and Animal Starz Volunteering program for pre-teens and teens; Animal Care Workshops, an interactive workshop for grades 1-10 emphasizing community activism; Shelter Tours, for children and families; Summer Camp classes for campers grades 3-8; Girl Scouts Bronze Award and Silver Award workshops; and Birthday Parties, a fun, educational experience anyone aged 7 and up. For the year ended June 30, 2018, over 7,900 pre-k through high school students attended these educational programs, with an average of 29 programs scheduled per month.
- Pet Store - offers products and services designed to support the human animal bond. This includes offering products and educating pet guardians in nutrition, basic behavior and training tools, developmental toys, grooming, supplements and other products that reinforce a holistic approach to health care. The Pet Store also offers high quality snacks and bottled beverages, as a convenience to Animal Community Center visitors.
- Members Only Dog Park - provides a fun and healthy off-leash play environment for dogs and their people. Screening for friendly, social behavior toward people and other dogs occurs. Medical records are reviewed for current vaccinations and other preventative health measures. At June 30, 2018 the Organization's membership included approximately 220 doggie members.

Humane Society Silicon Valley
Notes to Financial Statements
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2. PROGRAM SERVICES (continued)

- Dog Training - provides obedience training that focuses on developing the human-canine bond with special attention on new adopters. Promotes a positive, force-free philosophy to dog training and guardianship. Through classes, seminars and workshops Humane Society Silicon Valley educates the public on animal behavior, how animals learn, and ways to manage normal but undesirable behaviors. The classes, seminars and workshops are offered onsite at the Animal Community Center. During the year ended June 30, 2018, the Organization's Training Programs educated 1,810 canines and their people, including 15 shelter dogs on scholarship.
- Grooming - services are available to the public and also give shelter animals, who may not otherwise have a chance to put their best "paw" forward, an opportunity to look and feel their best, thus enabling a quick placement in a forever home. Approximately 50 shelter dogs were groomed in the year ended June 30, 2018.
- Grief Counseling - offers support group facilitated by a Licensed Marriage and Family Practitioner for people who have suffered a loss of a companion animal.

Programs to Save Lives - Mutual Rescue

- Launched Mutual Rescue™, a national initiative created by Humane Society Silicon Valley to change the conversation around animal welfare from "people OR animals" to "people AND animals."

People all across the country have stories to tell about how shelter animals have changed their lives for the better and Mutual Rescue™ is bringing these stories to the world stage. The first film, "Eric & Peety," was instantly a viral Internet sensation and has been viewed more than 90 million times across the globe.

Mutual Rescue™ believes that helping animals helps people. And yet, of the \$373 billion in charitable donations made in the U.S. in 2015, less than 1% went to animal-related causes. The initiative wants to raise awareness that when people donate to a local animal shelter, they are helping to transform the lives of people in their community for the better through life-changing, human-animal relationships.

A recent survey revealed that 71% of Americans believe their local humane society is a branch of The Humane Society of the United States. This is not the case, and one of the goals of Mutual Rescue™ is to help people understand the importance of giving directly to their local shelters to create the biggest impact in their local communities.

Mutual Rescue™ emphasizes bringing local communities together to support both animals and humans. This ultimately means connecting millions of animals with millions of people to create the positive transformation of communities all across the country.

In the years ended June 30, 2018 and 2017, the Organization received approximately \$330,000 and \$577,000, respectively, in contributions and other program fees restricted or designated to the Mutual Rescue™ initiative.

Humane Society Silicon Valley
Notes to Financial Statements
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3. CHARITY RATINGS

Charity Navigator and GuideStar are key organizations that provide, on their websites, information on nonprofit organizations. The following information pertains to ratings and comparability to other nonprofits.

The Organization's fundraising expenses, as a percentage of total functional expenses, and its fundraising efficiency (cost to raise \$1) are higher than some other animal welfare organizations due to the additional costs necessary to fund the Comprehensive Campaign. The Organization's goal is to become a national model for saving the lives of companion animals that are capable of healing. The Comprehensive Campaign is needed to sustain and increase the Organization's mission impact through progressive and scalable programs. To achieve that goal, an investment in the Comprehensive Campaign is required. In addition, during the campaign, administrative positions spend more time fundraising and, therefore, a greater percentage of those salaries are allocated towards fundraising rather than administrative (management and general) expense. If those salaries were allocated towards administrative expense, the Organization's fundraising efficiency rating in Charity Navigator would increase positively. At the same time, the Organization's administrative expense would still maintain its excellent rating due to a very low percentage of total functional expenses spent on management and general - even when those allocated salaries are reabsorbed into the administrative category.

Additionally, as part of the Organization's long term sustainability plan, the Organization carries low interest tax-exempt bond debt which was used to finance the construction, equipping and furnishing of the Animal Community Center. Tax-exempt bond financing is common for not-for-profit entities. However, under Charity Navigator's financial rating system, carrying debt is penalized, even for organizations like Humane Society Silicon Valley with a strong financial position. The Organization's current ratio was 5.9 to 1 and 5.6 to 1 at June 30, 2018 and 2017 respectively. The Organization has sufficient liquid assets to pay off the bond payable debt. However, these assets have been invested for long term growth to create an even stronger financial foundation for the future. See Note 9 for more information on the bonds payable.

The above factors negatively affect the financial portion of Humane Society Silicon Valley's rating on Charity Navigator, a key nonprofit charity rating organization.

However, the Organization's strengths are its program efficiency ratio and its accountability and transparency ratings. The Organization's program expenses are 78% of total expenses, which is considered excellent by Charity Navigator's ratings methodology. In addition, the Organization scored maximum points on the accountability and transparency factors of the rating.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of Humane Society Silicon Valley have been prepared on the accrual basis of accounting.

Humane Society Silicon Valley
Notes to Financial Statements
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with accounting principles generally accepted in the United States of America, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted net assets* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an undesignated fund, property and equipment fund plus net assets designated by the Board for specific purposes, if any.
- *Temporarily restricted net assets* - include contributions receivable for general support for future periods, and those assets which are subject to donor restriction - for which the applicable restriction was not met as of the year end of the current reporting period.
- *Permanently restricted net assets* - include those assets which are subject to a non-expiring donor restriction, such as endowments.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity 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.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Revenue recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided. Contract revenue is recognized ratably over the term of the contract. Revenue for clinic fees, some of which are received in advance of performance of services is recognized at the time of service. Any amounts received for services not yet performed are included in deferred fees.

Humane Society Silicon Valley
Notes to Financial Statements
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of the donor restrictions. Restricted contributions are reported as increases in restricted net assets. In the case of temporarily restricted net assets, when the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

In-kind contributions

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which required a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also received donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. While these contributed services are not reflected in the financial statements, the estimated value of these services is disclosed in Note 12.

Cash and cash equivalents

Cash equivalents include highly liquid investments and investments with an original maturity of three months or less. The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

During the year ended June 30, 2018, the Organization adopted the provisions of the Financial Accounting Standards Board Accounting Standards Update 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash. As a result, restricted cash is included with cash and cash equivalent activities in the statement of cash flows. Such changes are reflected for all periods presented.

Inventory

Inventory consists of items for sale in the Pet Store and Clinic and are stated at average cost (which approximates the first in, first out method) or the lower of cost or net realizable value.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Net realized and unrealized gains or losses are classified as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by the donor.

Humane Society Silicon Valley
Notes to Financial Statements
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Promises to give

Unconditional promises to give are recognized as contribution support in the period received and as assets, decrease in liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at present value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give are recorded at fair value.

The Organization's fair value method uses a market interest rate to discount the promises to give. Management believes the market rate already factors in much of the credit risk. However, to account for additional risk, a specific identification method is also used to account for the promises considered uncollectible. Allowance for doubtful promises to give as of June 30, 2018 and 2017, was \$105,110 and \$137,252, respectively.

Humane Society Silicon Valley
Notes to Financial Statements
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - other

Certificates of deposit held for investment that are not debt securities are included in "investments - other".

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 50 years. Equipment purchases for \$3,000 and over are capitalized. Amounts expended for maintenance and repairs are charged to operations as incurred. Depreciation expense for the years ended June 30, 2018 and 2017, totaled \$581,395 and \$580,567, respectively.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30. Accrued vacation as of June 30, 2018 and 2017, totaled \$315,662 and \$280,533, respectively.

Allocation of functional expenses

Directly identifiable expenses are charged to programs and support services. Expenses related to more than one function are charged to programs and support services based on an analysis of personnel time, equipment and facilities utilized for the related activities.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

Uncertainty in income taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

Humane Society Silicon Valley
Notes to Financial Statements
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncertainty in income taxes (continued)

The Organization files information returns in the U.S. federal jurisdiction and state of California. The Organization's federal returns for the years ended June 30, 2015 and beyond remain subject to possible examination by the Internal Revenue Service. The Organization's California returns of the tax years ended June 30, 2014 and beyond remain subject to possible examination by the Franchise Tax Board.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the years ended June 30, 2018 and 2017, totaled \$175,976 and \$186,489, respectively.

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2018 or potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2018. Subsequent events have been evaluated through the date the financial statements became available to be issued, December 19, 2018.

5. CONCENTRATIONS OF RISK

Credit risks

Financial instruments which potentially expose the Organization to credit risk include cash and cash equivalents, investments, accounts receivable, unconditional promises to give, prepaid expenses and cash and cash equivalents held for endowment purposes.

The Organization attempts to limit its credit risk associated with its investments by utilizing outside investment managers to place the Organization's investments with highly rated corporate and financial institutions in accordance with the Organization's written investment policy statements. In addition, the efforts of the investment managers are monitored by the Organization's Investment Committee of the Board of Directors at least quarterly. Management believes the risk assumed is commensurate with the investment objectives specified in the investment policy statements.

Humane Society Silicon Valley
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5. CONCENTRATIONS OF RISK (continued)

Credit risks (continued)

Unconditional promises to give result from pledges by donors located primarily in the San Francisco Bay area. The Organization routinely assesses the financial strength of these various parties. Management does not believe significant risk exists in connection with the Organization's concentration of credit risk for unconditional promises to give at June 30, 2018.

Management does not believe significant risk exists in connection with the other financial instruments identified above at June 30, 2018.

Other risks

Future economic and other conditions including reduction in bequests, reduction in the amounts received through fundraising efforts, reduction in investment income, increase in bond interest expense, natural disasters or other events diverting contributions, changes in life expectancy on bequests, changes in the regulatory environment, union disruptions, inability to negotiate a new union contract, and changes in the demand for humane society type services may adversely affect income and receipts of the Organization. Changes in the near term are not expected to materially affect the amounts reported in the financial statements.

6. INVESTMENTS

Investment composition by type of fund as of June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Restricted Endowment Fund</u>	<u>Total</u>
Certificates of deposit	\$ 6,053,231	\$ -	\$ 6,053,231
Fixed income securities	7,859,771	530,212	8,389,983
Equity mutual funds	2,763,634	2,372,939	5,136,573
Other mutual funds	358,380	177,154	535,534
	<u>\$ 17,035,016</u>	<u>\$ 3,080,305</u>	<u>\$ 20,115,321</u>

Humane Society Silicon Valley
Notes to Financial Statements
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6. INVESTMENTS (continued)

Investments composition by type of fund as of June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Restricted Endowment Funds</u>	<u>Total</u>
Certificates of deposit	\$ 5,037,520	\$ -	\$ 5,037,520
Fixed income securities	8,408,691	543,324	8,952,015
Equity mutual funds	3,070,046	2,508,375	5,578,421
Other mutual funds	<u>366,219</u>	<u>181,018</u>	<u>547,237</u>
	<u>\$ 16,882,476</u>	<u>\$ 3,232,717</u>	<u>\$ 20,115,193</u>

Investments held in restricted endowment funds consisted of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents held for endowment purposes	<u>\$ 378,759</u>	<u>\$ 184,189</u>

Investment income for the year ended June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 466,350	\$ 99,740	\$ -	\$ 566,090
Unrealized gains, net	44,483	197,909	-	242,392
Realized losses, net	<u>(110,826)</u>	<u>(29,008)</u>	<u>-</u>	<u>(139,834)</u>
	<u>\$ 400,007</u>	<u>\$ 268,641</u>	<u>\$ -</u>	<u>\$ 668,648</u>

Investment income for the year ended June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 399,580	\$ 80,672	\$ -	\$ 480,252
Unrealized gains, net	264,253	256,264	-	520,517
Realized gains, net	<u>617,149</u>	<u>95,350</u>	<u>-</u>	<u>712,499</u>
	<u>\$ 1,280,982</u>	<u>\$ 432,286</u>	<u>\$ -</u>	<u>\$ 1,713,268</u>

Humane Society Silicon Valley
Notes to Financial Statements
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6. INVESTMENTS (continued)

The Organization has implemented formal Investment Policy Statements for working capital funds, investments held for endowment purposes, funds raised for the new building campaign to be used for bond debt service, and investments of unrestricted operating funds.

7. UNCONDITIONAL PROMISES TO GIVE

For unconditional promises to give expected to be collected in more than one year a present value discount is estimated based on the risk free rate (appropriate U.S. Treasury Bond Rate) at the time of the grant as adjusted for credit and other donor specific risks. The risk-adjusted discount rate on contributions receivable as of June 30, 2018 ranged from 3.5% to 5%.

Unconditional promises to give consist of the following:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 1,151,199	\$ 1,561,153
Receivable in one to five years	985,634	1,397,818
Receivable in more than five years	<u>309,491</u>	<u>309,491</u>
	2,446,324	3,268,462
Less discounts to net present value	(304,749)	(358,894)
Less allowance for uncollectible promises to give	<u>(105,110)</u>	<u>(137,252)</u>
Net unconditional promises to give	2,036,465	2,772,316
Current portion of unconditional promises to give	<u>(1,023,171)</u>	<u>(1,390,190)</u>
	<u>\$ 1,013,294</u>	<u>\$ 1,382,126</u>

Humane Society Silicon Valley
Notes to Financial Statements
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8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 5,146,351	\$ 5,146,351
Land improvements	2,615,308	2,615,308
Buildings	16,381,031	16,381,031
Machinery, equipment, furniture, and fixtures	1,332,428	1,303,927
Trucks and vans	<u>110,742</u>	<u>110,742</u>
	25,585,860	25,557,359
Accumulated depreciation	<u>(5,944,600)</u>	<u>(5,363,205)</u>
	<u>\$ 19,641,260</u>	<u>\$ 20,194,154</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$581,395 and \$580,567, respectively.

9. BONDS PAYABLE

Bonds payable consist of the following:

	<u>2018</u>	<u>2017</u>
Bonds payable	\$ 11,250,000	\$ 11,700,000
Unamortized bond issuance costs	<u>(348,501)</u>	<u>(362,534)</u>
	<u>\$ 10,901,499</u>	<u>\$ 11,337,466</u>

On April 30, 2008, the California Enterprise Development Authority, a public entity, issued \$16,000,000 of tax exempt variable rate demand revenue bonds to finance the construction, equipping and furnishing of the Animal Community Center. The bond principal and interest are secured by an irrevocable direct pay letter of credit issued by First Republic Bank. During the year ended June 30, 2017, this letter of credit was renewed, extending the expiration date to April 29, 2022. The bonds are subject to mandatory redemption upon termination of the letter of credit if an alternative letter of credit is not obtained prior to expiration. The bonds are further secured by an irrevocable, transferable confirming letter of credit issued by the Federal Home Loan Bank of San Francisco expiring on April 29, 2022. When the confirming letter of credit was issued on December 15, 2010, the maturity date on the bonds was also extended from April 1, 2038 to May 1, 2043. The bonds were rated AA+ effective as of August 11, 2011.

Substantially all of the assets are pledged as collateral for the letter of credit except for securities, investments or other funds held solely for investment purposes provided these assets are not pledged as security for any other debt without the consent of the bank.

Humane Society Silicon Valley
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9. BONDS PAYABLE (continued)

Interest on the bonds is determined each week by the remarketing agent based on the minimum interest rate which would enable the remarketing agent to sell the bonds on the date the rate becomes effective at a price equal to the principal amount plus accrued interest, if any, with a maximum rate of 12%. Interest is payable monthly. Subject to the terms and conditions of the indenture, the bonds can be converted from a weekly variable interest rate to a fixed rate for the remaining term of the bonds. During the fiscal years ended June 30, 2018 and 2017, the interest rate plus the cost of the letters of credit and administration fees ranged from 1.80% to 2.84% and 1.40% to 1.99%, respectively.

Under the indenture, the bonds are not subject to mandatory sinking fund requirements. However, under certain conditions, the bonds are subject to optional and mandatory redemption prior to maturity on May 1, 2043.

Debt issuance costs are being amortized as interest expense on a straight-line basis over the life of the bonds.

The future maturities of the bond payable are as follows:

<u>Year Ending June 30,</u>		
2019	\$	450,000
2020		450,000
2021		450,000
2022		450,000
2023		450,000
Thereafter		<u>9,000,000</u>
	\$	<u><u>11,250,000</u></u>

Covenants under the letter of credit reimbursement agreement require that the debt service coverage ratio equal or exceed 1.10 to 1 calculated annually and that liquid assets as of the second and fourth quarters of each fiscal year exceed \$10,000,000. The Organization was in compliance with these covenants at June 30, 2018 and 2017, and for the fiscal years ended June 30, 2018 and 2017.

See Note 16 for fair value on the bonds payable.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent contributions receivable for general support for future periods and funds held with specific donor restrictions.

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10. TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets consist of the following:

	2018	2017
General support for future periods	\$ 2,036,465	\$ 2,772,316
Accumulated net earnings held for endowment purposes	477,919	435,761
Specific donor restrictions not yet fulfilled	99,980	127,427
	\$ 2,614,364	\$ 3,335,504

Temporarily restricted net assets released from restriction during the year were as follows:

	2018	2017
General support released from time restrictions	\$ 1,649,922	\$ 1,283,493
Program related released from purpose restrictions	701,471	528,667
Amounts appropriated for expenditure from endowment	208,680	208,680
Investment management fees for endowment	17,803	16,943
	\$ 2,577,876	\$ 2,037,783

11. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent endowments which require that the principal be invested in perpetuity and only the income be used for operations. See Endowment Note 17.

12. IN-KIND CONTRIBUTIONS

The estimated fair value of donated supplies and expert services received are recorded as contributions.

In-kind contributions received during the year were as follows:

	2018	2017
Donated pro bono legal services	\$ 102,906	\$ 106,218
Donated supplies from operations	75,094	90,462
Special events supplies and auction items	60,734	70,413
	\$ 238,734	\$ 267,093

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12. IN-KIND CONTRIBUTIONS (continued)

The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. During the year ended June 30, 2018, approximately 4,370 active volunteers donated approximately 230,800 hours of time valued at approximately \$5,698,000 to the Organization. Active volunteers are now defined as any person, including corporate volunteers, who gives any amount of volunteer service hours in a one-year period. Starting with fiscal year end June 30, 2018, the active volunteer numbers include regular volunteers that log into the Organization's volunteer software, in addition to corporate, doggy day out and youth volunteers.

13. RETIREMENT PLAN

Humane Society Silicon Valley maintains a tax deferred 403(b) retirement plan (the "Plan") to provide retirement benefits for all eligible employees. Starting during the fiscal year ended June 30, 2006, the Organization implemented an employer matching program for all eligible employees who are contributing to their tax deferred plan. The Organization is matching 100% of the employee's contributions, up to a maximum of 1.75% of the employee's payroll compensation. The Organization's contributions for the years ended June 30, 2018 and 2017, totaled \$104,846 and \$99,699, respectively.

14. CONTRACTS WITH GOVERNMENTAL AGENCIES

In April 2007, the Organization entered into a stray animal sheltering contract with the City of Sunnyvale that has a potential term of twenty years.

The Organization also entered into agreements for the years ended June 30, 2018 and 2017 with the County of Santa Clara to subsidize spay and neuter surgeries for county residents and to handle surgeries for the County of Santa Clara's San Martin shelter animals.

During the years ended June 30, 2018 and 2017 contract revenue from these agreements totaled \$378,799 and \$411,099, respectively.

15. COLLECTIVE BARGAINING UNIT

Approximately 44% of the Organization employees are covered by a collective bargaining union agreement with the Services Employees International Union, Local 521. It was renewed in October 2018 and expires four years thereafter on June 30, 2022. It shall be renewed from year to year thereafter unless either party gives written notice of a desire to change the agreement at least ninety days prior to expiration. It is typically renewed for a period of four years.

16. FAIR VALUE

For cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and other current liabilities, the carrying amount approximates the fair value because of the immediate or short-term nature of those instruments.

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16. FAIR VALUE (continued)

The fair value of the bonds payable at June 30, 2018, was estimated to be \$11,174,000. The fair value is based on the discounted cash flow of the interest rate differential between the bonds and the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index for bonds with similar characteristics. Also included is an adjustment for nonperformance risk. The Organization does not include any additional input into its present value technique for risk or profit that a market participant might require for compensation for assuming the liability. Since the bonds are a financial liability, the Organization believes the interest rate of the bonds already captures the risk or profit that a market participant would require for compensation for assuming the liability. Furthermore, the Organization does not adjust its present value technique for the existence of a restriction preventing it from transferring the liability.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Certificates of deposit	\$ 6,053,231	\$ -	\$ -	\$ 6,053,231
Fixed income securities	8,389,983	-	-	8,389,983
Equity mutual funds	5,136,573	-	-	5,136,573
Cash and cash equivalents held for endowment purposes	378,759	-	-	378,759
Other mutual funds	<u>535,534</u>	<u>-</u>	<u>-</u>	<u>535,534</u>
	<u>\$ 20,494,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,494,080</u>
Unconditional promises to give, current portion				
Campaign pledges	\$ -	\$ -	\$ 783,884	\$ 783,884
Unrestricted operating pledges	-	-	224,537	224,537
Special events pledges	-	-	10,640	10,640
Irrevocable charitable remainder trust	<u>-</u>	<u>-</u>	<u>4,110</u>	<u>4,110</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,023,171</u>	<u>\$ 1,023,171</u>
Unconditional promises to give, net of current portion				
Campaign pledges	\$ -	\$ -	\$ 674,781	\$ 674,781
Irrevocable charitable remainder trust	-	-	207,969	207,969
Unrestricted operating pledges	<u>-</u>	<u>-</u>	<u>130,544</u>	<u>130,544</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,013,294</u>	<u>\$ 1,013,294</u>

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16. FAIR VALUE (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Certificates of deposit	\$ 5,037,520	\$ -	\$ -	\$ 5,037,520
Fixed income securities	8,952,015	-	-	8,952,015
Equity mutual funds	5,578,421	-	-	5,578,421
Cash and cash equivalents held for endowment purposes	184,189	-	-	184,189
Other mutual funds	<u>547,237</u>	<u>-</u>	<u>-</u>	<u>547,237</u>
	<u>\$ 20,299,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,299,382</u>
Unconditional promises to give, current portion				
Campaign pledges	\$ -	\$ -	\$ 1,289,156	\$ 1,289,156
Unrestricted operating pledges	-	-	88,842	88,842
Special events pledges	-	-	8,066	8,066
Irrevocable charitable remainder trust	<u>-</u>	<u>-</u>	<u>4,126</u>	<u>4,126</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,390,190</u>	<u>\$ 1,390,190</u>
Unconditional promises to give, net of current portion				
Campaign pledges	\$ -	\$ -	\$ 1,031,836	\$ 1,031,836
Irrevocable charitable remainder trust	-	-	208,350	208,350
Unrestricted operating pledges	<u>-</u>	<u>-</u>	<u>141,940</u>	<u>141,940</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,382,126</u>	<u>\$ 1,382,126</u>

The Organization has irrevocably elected to use fair value as the initial and subsequent measure of unconditional promises to give under ASC 825-10 in order to improve financial reporting by mitigating the volatility in reported changes in net assets caused by measuring promises to give differently. The Organization uses a present value technique to measure fair value so the discount rate assumptions and all other elements of the measurement are revised at each measurement date to reflect current market conditions. If necessary, the fair value is adjusted to reflect specific uncollectible promises. Any restrictions that are an attribute of the asset and, therefore, would transfer to a market participant are the only restrictions reflected in fair value. Donor restrictions that are specific to the donee are reflected in the classification of net assets, not in the measurement of fair value.

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16. FAIR VALUE (continued)

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ended June 30, 2018:

	<u>Unconditional Promises to Give</u>
Balance, June 30, 2017	\$ 2,772,316
New promises to give, net of present value adjustments	816,940
Payments on promises to give, net of net of present value adjustments	(1,584,933)
Decrease in allowance for doubtful accounts	<u>32,142</u>
Balance, June 30, 2018	<u>\$ 2,036,465</u>

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ended June 30, 2017:

	<u>Unconditional Promises to Give</u>
Balance, June 30, 2016	\$ 3,182,001
New promises to give, net of present value adjustments	948,844
Payments on promises to give, net of net present value adjustments	(1,360,148)
Decrease in allowance for doubtful accounts	<u>1,619</u>
Balance, June 30, 2017	<u>\$ 2,772,316</u>

Gains and losses (realized and unrealized) related to Unconditional Promises to Give as included in the Statement of Activities for the fiscal year ended June 30, 2018 and are reported in support and revenue as follows:

	<u>New Promises to Give</u>	<u>NPV Discount on Promises Paid</u>	<u>(Increase) Decrease in Allowance</u>	<u>Total</u>
Support and revenue				
Contributions and grants	\$ 788,370	\$ 51,821	\$ 33,041	\$ 873,232
Special events, net	18,095	(557)	(503)	17,035
Trusts, bequests and endowments	<u>10,475</u>	<u>-</u>	<u>(396)</u>	<u>10,079</u>
	<u>\$ 816,940</u>	<u>\$ 51,264</u>	<u>\$ 32,142</u>	<u>\$ 900,346</u>

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16. FAIR VALUE (continued)

Gains and losses (realized and unrealized) related to Unconditional Promises to Give as included in the Statement of Activities for the fiscal year ended June 30, 2017 and are reported in support and revenue as follows:

	New Promises to Give, net	NPV Discount on Promises Paid	(Increase) Decrease in Allowance	Total
Support and revenue				
Contributions and grants	\$ 929,020	\$ 103,086	\$ 2,459	\$ 1,034,565
Special events, net	-	385	316	701
Trusts, bequests and endowments	<u>19,824</u>	<u>-</u>	<u>(1,156)</u>	<u>18,668</u>
	<u>\$ 948,844</u>	<u>\$ 103,471</u>	<u>\$ 1,619</u>	<u>\$ 1,053,934</u>

The carrying values and fair values of the Organization's financial instruments at June 30, 2018:

	Carrying Amount	Fair Value
Financial assets		
Cash and cash equivalents	\$ 6,359,663	\$ 6,359,663
Accounts receivable	67,381	67,381
Unconditional promises to give, current portion	1,023,171	1,023,171
Prepaid expenses	167,836	167,836
Short-term investments - other	500,000	500,000
Investments	10,981,785	10,981,785
Long-term investments - other	5,553,231	5,553,231
Unconditional promises to give, net of current portion	1,013,294	1,013,294
Cash and cash equivalents held for endowment purposes	378,759	378,759
Investments held for endowment purposes	<u>3,080,305</u>	<u>3,080,305</u>
	<u>\$ 29,125,425</u>	<u>\$ 29,125,425</u>
Financial liabilities		
Current liabilities, excluding bonds payable	\$ 939,394	\$ 939,394
Bonds payable	<u>11,250,000</u>	<u>11,174,000</u>
	12,189,394	12,113,394
Unamortized bond issuance costs	<u>(348,501)</u>	<u>(348,501)</u>
	<u>\$ 11,840,893</u>	<u>\$ 11,764,893</u>

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16. FAIR VALUE (continued)

The carrying values and fair values of the Organization's financial instruments at June 30, 2017:

	Carrying Amount	Fair Value
Financial assets		
Cash and cash equivalents	\$ 5,082,474	\$ 5,082,474
Accounts receivable	86,731	86,731
Unconditional promises to give, current portion	1,390,190	1,390,190
Prepaid expenses	159,284	159,284
Short-term investments - other	500,000	500,000
Investments	11,844,956	11,844,956
Long-term investments - other	4,537,520	4,537,520
Unconditional promises to give, net of current portion	1,382,126	1,382,126
Cash and cash equivalents held for endowment purposes	184,189	184,189
Investments held for endowment purposes	<u>3,232,717</u>	<u>3,232,717</u>
	<u>\$ 28,400,187</u>	<u>\$ 28,400,187</u>
Financial liabilities		
Current liabilities, excluding bonds payable	\$ 843,558	\$ 843,558
Bonds payable	<u>11,700,000</u>	<u>11,559,000</u>
	12,543,558	12,402,558
Unamortized bond issuance costs	<u>(362,534)</u>	<u>(362,534)</u>
	<u>\$ 12,181,024</u>	<u>\$ 12,040,024</u>

17. ENDOWMENT

The Organization endowment consists of three individual donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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17. ENDOWMENT (continued)

Interpretation of relevant law

The Board of Directors of Humane Society Silicon Valley has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the California version of UPMIFA. In accordance with the California version of UPMIFA, the Organization 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 Organization 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 Organization
- (7) The investment policies of the Organization

Funds with deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the permanently restricted net assets balance. In accordance with GAAP, decreases in deficiencies are required to be reported in unrestricted net assets until the fair value of assets associated with donor restricted endowment funds rise back to the original permanently restricted net assets balance. There were no funds with deficiencies as of June 30, 2018 or 2017.

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17. ENDOWMENT (continued)

Investment return objectives, risk parameters, strategies and how the investment objectives relate to the spending policy

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets in order to assure compliance with UPMIFA and the Board's policies on investment and expenditure of the earnings, protect the fund assets, increase the likelihood that the investment of the funds will be able to meet the financial needs of the Organization, establish a relevant investment horizon for which the fund assets will be invested, provide guidance and limitations to all investment managers regarding the investment of the fund assets and establish a basis for evaluation of investment results. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceed the annual spending appropriation of up to 7% of the fund with acceptable levels of risk. Beginning July 1, 2010, the Organization engaged professional managers to invest these funds in accordance with the Organization's Investment Policy Statement for the Donor Restricted Endowment Fund.

Spending policy

In the absence of explicit instructions by the donor, the Organization has a policy of appropriating for expenditure all amounts in the endowment up to 7% of the fair value of the original gift as defined by the Board. Any earnings in excess of 7% are temporarily restricted net assets and are available for appropriation in future years in accordance with the Board's policy. If the endowment fund is less than the original gift as of the gift date, although the Board is permitted to determine and continue a prudent payout amount, no amounts are appropriated for expenditure without additional Board review and direction.

Investments and cash and cash equivalents are carried at fair value and investment earnings are reflected in the Statement of Activities.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 477,919</u>	<u>\$ 2,981,145</u>	<u>\$ 3,459,064</u>

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17. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 435,761	\$ 2,981,145	\$ 3,416,906

Changes in endowment net assets for the fiscal year ended June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2017	\$ -	\$ 435,761	\$ 2,981,145	\$ 3,416,906
Investment return				
Interest and dividend income	-	99,740	-	99,740
Net appreciation (realized and unrealized)	-	168,901	-	168,901
Investment management fees	-	(17,803)	-	(17,803)
Total investment return	-	250,838	-	250,838
Appropriation of earnings for expenditure	-	(208,680)	-	(208,680)
	-	42,158	-	42,158
Balance, June 30, 2018	\$ -	\$ 477,919	\$ 2,981,145	\$ 3,459,064

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17. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2016	\$ -	\$ 229,098	\$ 2,981,145	\$ 3,210,243
Investment return				
Interest and dividend income	-	80,672	-	80,672
Net appreciation (realized and unrealized)	-	351,614	-	351,614
Investment management fees	-	(16,943)	-	(16,943)
Total investment return	-	415,343	-	415,343
Appropriation of earnings for expenditure	-	(208,680)	-	(208,680)
	-	206,663	-	206,663
Balance, June 30, 2017	<u>\$ -</u>	<u>\$ 435,761</u>	<u>\$ 2,981,145</u>	<u>\$ 3,416,906</u>

18. RELATED PARTY TRANSACTIONS

Contributions, including new pledges, received from members of the Organization's Board of Directors totaled approximately \$451,000 and \$516,000, for the years ended June 30, 2018 and 2017, respectively.