

VANDEBURGH HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

(With Independent Accountant's Review Report Thereon)

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Vanderburgh Humane Society, Inc.

We have reviewed the accompanying financial statements of Vanderburgh Humane Society, Inc. (an Indiana nonprofit organization), which comprise the statement of financial position as of December 31, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, except for the issue noted in the Known Departure From Accounting Principles Generally Accepted in the United States of America paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

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Known Departure from Accounting Principles Generally Accepted in the United States of America

As more fully described in Note 4 to the financial statements, the Organization has excluded certain beneficial interests in assets held by others in the financial statements due to its inability to obtain fair value information. In our opinion, accounting principles generally accepted in the United States of America require that such beneficial interests in assets held by others be recorded at fair value at the date of notification of existence. Quantification of the effects on the financial statements of the preceding practice is not practicable.

Report on 2017 Financial Statements

The 2017 financial statements were audited by us, and we expressed a qualified opinion dated July 24, 2018 on those financial statements because of the departure from generally accepted accounting principles described in the Known Departure from Accounting Principles Generally Accepted in the United States of America paragraph. We have not performed any auditing procedures since that date.

Riney Hancock CPAs PSC

Evansville, Indiana
September 4, 2019

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash	\$ 48,005	\$ 110,017
Contributions receivable	4,923	29,590
Other current assets	<u>30,957</u>	<u>37,313</u>
Total current assets	83,885	176,920
Property and equipment, net	2,335,699	2,476,092
Other assets:		
Beneficial interests in assets held by others	478,196	546,712
Cash surrender value of life insurance	67,745	64,938
Other	<u>2,309</u>	<u>4,697</u>
Total other assets	548,250	616,347
Total assets	<u><u>\$ 2,967,834</u></u>	<u><u>\$ 3,269,359</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 24,054	\$ 39,709
Accounts payable	20,692	39,024
Accrued expenses	<u>25,276</u>	<u>20,762</u>
Total current liabilities	70,022	99,495
Long-term liabilities:		
Long-term debt	437,198	512,588
Other liabilities	<u>4,523</u>	<u>7,375</u>
Total long-term liabilities	441,721	519,963
Total liabilities	<u>511,743</u>	<u>619,458</u>
Net assets:		
Without donor restrictions	1,934,953	2,087,454
With donor restrictions	<u>521,138</u>	<u>562,447</u>
Total net assets	2,456,091	2,649,901
Total liabilities and net assets	<u><u>\$ 2,967,834</u></u>	<u><u>\$ 3,269,359</u></u>

See Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:						
Revenues and support:						
Adoption and surrender fees	\$ 158,364	\$ -	\$ 158,364	\$ 142,141	\$ -	\$ 142,141
Spay/neuter clinic fees	406,017	-	406,017	472,953	-	472,953
Contributions	579,548	42,942	622,490	587,824	15,735	603,559
Resale of donated items	69,037	-	69,037	61,001	-	61,001
Investment income	13,398	-	13,398	15,159	-	15,159
Other	28,245	-	28,245	20,747	-	20,747
Special events:						
Special events revenue	147,891	-	147,891	134,627	-	134,627
Cost of direct benefits to donors	(39,192)	-	(39,192)	(38,970)	-	(38,970)
Net special event revenue	108,699	-	108,699	95,657	-	95,657
Change in value of beneficial interest in assets held by others	-	(60,034)	(60,034)	-	50,927	50,927
Net assets released from restrictions	24,217	(24,217)	-	11,477	(11,477)	-
Total revenues and support	1,387,525	(41,309)	1,346,216	1,406,959	55,185	1,462,144
Expenses:						
Program service	1,322,491	-	1,322,491	1,321,386	-	1,321,386
Supporting services:						
General and administrative	100,514	-	100,514	95,074	-	95,074
Fundraising	117,021	-	117,021	139,370	-	139,370
Total supporting services	217,535	-	217,535	234,444	-	234,444
Total expenses	1,540,026	-	1,540,026	1,555,830	-	1,555,830
Change in net assets	(152,501)	(41,309)	(193,810)	(148,871)	55,185	(93,686)
Net assets, beginning of year	2,087,454	562,447	2,649,901	2,236,325	507,262	2,743,587
Net assets, end of year	\$ 1,934,953	\$ 521,138	\$ 2,456,091	\$ 2,087,454	\$ 562,447	\$ 2,649,901

See Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2018 and 2017

	2018				2017			
	Program	General & Admin.	Fund- raising	Total	Program	General & Admin.	Fund- raising	Total
Advertising	\$ 3,568	\$ 3,155	\$ 906	\$ 7,629	\$ 2,530	\$ 351	\$ 2,370	\$ 5,251
Automobile	3,143	-	-	3,143	3,208	-	-	3,208
Bank charges	4,475	463	4,474	9,412	3,949	529	3,949	8,427
Depreciation & amortization	135,642	2,856	4,283	142,781	132,436	2,788	4,182	139,406
Direct mail	-	-	32,302	32,302	-	-	49,260	49,260
Dues & subscriptions	630	-	-	630	884	-	-	884
Employee benefits	37,993	3,092	3,093	44,178	63,894	5,201	5,200	74,295
Food & supplies	55,407	-	-	55,407	65,606	-	-	65,606
Insurance	30,101	792	792	31,685	31,257	823	822	32,902
Interest	28,225	743	743	29,711	33,524	882	882	35,288
Maintenance	56,271	1,481	1,481	59,233	51,811	1,363	1,364	54,538
Medical	150,715	-	-	150,715	149,751	-	-	149,751
Miscellaneous	10,617	4,733	6,271	21,621	6,184	2,950	6,326	15,460
Payroll taxes	50,215	4,087	4,087	58,389	47,748	3,886	3,887	55,521
Printing & postage	819	819	1,853	3,491	593	593	2,734	3,920
Professional fees	-	15,846	-	15,846	-	16,364	-	16,364
Rent	3,058	3,058	-	6,116	3,228	3,227	-	6,455
Salaries	654,883	53,304	53,305	761,492	628,728	51,176	51,175	731,079
Supplies	-	3,341	688	4,029	-	2,273	4,552	6,825
Telephone	3,603	293	293	4,189	3,693	301	300	4,294
Travel & education	-	-	-	-	2,416	-	-	2,416
Utilities	93,126	2,451	2,450	98,027	89,946	2,367	2,367	94,680
	<u>\$ 1,322,491</u>	<u>\$ 100,514</u>	<u>\$ 117,021</u>	<u>\$ 1,540,026</u>	<u>\$ 1,321,386</u>	<u>\$ 95,074</u>	<u>\$ 139,370</u>	<u>\$ 1,555,830</u>

See Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (193,810)	\$ (93,686)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	144,464	140,302
Change in beneficial interests in assets held by others	60,034	(50,927)
Increase in cash surrender value of life insurance	(2,807)	(2,638)
Decrease (increase) in assets:		
Contributions receivable	24,667	(4,962)
Prepaid expenses	6,356	(10,696)
Increase (decrease) in liabilities:		
Accounts payable	(18,332)	18,353
Accrued expenses	4,514	(2,979)
Other liabilities	(2,852)	(2,692)
Net cash provided by (used in) operating activities	<u>22,234</u>	<u>(9,925)</u>
Cash flows from investing activities:		
Principal payments received from remainder trust	8,482	7,986
Purchases of property and equipment	<u>-</u>	<u>(38,465)</u>
Net cash provided by (used in) investing activities	<u>8,482</u>	<u>(30,479)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	482,861	-
Repayments on long-term debt	<u>(575,589)</u>	<u>(106,107)</u>
Net cash used in financing activities	<u>(92,728)</u>	<u>(106,107)</u>
Net decrease in cash	(62,012)	(146,511)
Cash, beginning of year	<u>110,017</u>	<u>256,528</u>
Cash, end of year	<u>\$ 48,005</u>	<u>\$ 110,017</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 30,102</u>	<u>\$ 35,324</u>

See Notes to Financial Statements.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

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

Nature of Organization

Vanderburgh Humane Society, Inc. was founded in 1957 as a not-for-profit organization dedicated to the promotion of animal welfare in Vanderburgh County, Indiana, and surrounding areas. The Organization's programs are designed to prevent cruelty to animals, provide care and find homes for homeless animals, educate the public about humane treatment of animals and seek solutions to pet overpopulation. The Organization is supported primarily through donations, program fees, and fundraising events.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of less than 90 days to be cash equivalents. There were no cash equivalents at December 31, 2018 or 2017.

Contributions Receivable

Contributions receivable consist of unconditional promises to give, including bequests, which are recognized as revenues in the period received. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Management utilizes the allowance method of accounting for uncollectible accounts. The allowance is based on historical collection experience and changes in current economic conditions in the area. Management believes all contributions receivable will be collected in full, therefore no allowance has been recorded.

Beneficial Interest in Assets Held by Others

Beneficial interests in assets held by others are carried at fair market value, if determinable. Assets donated with explicit restrictions regarding their use are reported as restricted support until such restrictions expire. Absent donor stipulations, contributions of beneficial interests in assets held by others are recorded as unrestricted support. The Organization is the recipient of several bequests that the Organization has not recorded due to the inability to obtain sufficient information to properly value these bequests.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

1. **Organization and Summary of Significant Accounting Policies, Continued**

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Acquisitions of property and equipment in excess of \$500 and with estimated useful lives in excess of one year are capitalized.

Donated furniture and equipment are recorded as contributions at their estimated values at the date of receipt. If donors stipulate a time period during which the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Contributions

Contributions received are recorded as unrestricted or restricted support, depending on the existence and nature of any donor restrictions.

Contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the same reporting period. All other restricted contributions are reported as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Services

A substantial number of volunteers donate significant amounts of their time to benefit the Organization's programs. However, the value of these services is not reflected in the financial statements, as it does not meet the criteria for recognition.

Advertising

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing various services and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, benefits, payroll taxes and office expenses have been allocated based on time and effort. Occupancy, insurance, interest, and depreciation expenses have been allocated based on square footage of building.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

1. Organization and Summary of Significant Accounting Policies, Continued

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Certain reclassifications of 2017 amounts have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date were as follows at December 31:

	<u>2018</u>	<u>2017</u>
Cash	\$ 5,063	\$ 92,341
Contributions receivable	4,923	29,590
Distributions from beneficial interest in assets held by others	5,570	3,854
Cash surrender value of life insurance	<u>67,745</u>	<u>64,938</u>
	<u>\$ 83,301</u>	<u>\$ 190,723</u>

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

2. Liquidity and Availability, Continued

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments, including money market accounts and certificates of deposit.

3. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 315,279	\$ 315,279
Buildings and improvements	3,839,914	3,839,914
Equipment	177,271	194,751
Vehicles	<u>75,985</u>	<u>75,985</u>
Total cost	4,408,449	4,425,929
Less accumulated depreciation	<u>(2,072,750)</u>	<u>(1,949,837)</u>
Property and equipment, net	<u>\$ 2,335,699</u>	<u>\$ 2,476,092</u>

4. Beneficial Interests in Assets Held by Others

Beneficial Interest in Remainder Trust

The Organization is a beneficiary of a charitable remainder trust, the assets of which are held by a local bank. The Organization has the irrevocable right to receive one seventh of the distributable net income until termination of the trust in June 2025, at which time the Organization will receive 15% of principal, without restrictions. The fair market value of this interest was \$436,564 and \$497,558 at December 31, 2018 and 2017, respectively. A loss of \$52,512 and a gain of \$46,290 were included in the change in temporarily restricted net assets for the years ended December 31, 2018 and 2017, respectively.

This trust is a private foundation under the IRS tax code. As a result, a minimum of 5% of the trust's fair market value is required to be distributed to the charitable beneficiaries annually, and a principal distributions of \$8,482 and \$7,986 were made to the Organization during the years ended December 31, 2018 and 2017, respectively.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

4. Beneficial Interests in Assets Held by Others, Continued

Beneficial Interest in Perpetual Trust

The Organization is a beneficiary of a perpetual trust, the assets of which are held by a local bank. The Organization has the irrevocable right to receive one fifty-eighth of the distributable net income in perpetuity, without restrictions. The fair market value of this interest was \$41,632 and \$49,154 at December 31, 2018 and 2017, respectively. A loss of \$7,522 and a gain of \$4,637 were included in the change in permanently restricted net assets for the years ended December 31, 2018 and 2017, respectively.

Other Estates and Charitable Remainder Trusts

The Organization is also a beneficiary of various other estates and charitable remainder trusts. Due to the difficulty the Organization has encountered in obtaining current fair value information, the Organization has not been able to reasonably value and record its interest in all of these trusts and estates, as required by U. S. generally accepted accounting principles.

5. Fair Value Measurements

Fair value of assets measured on a recurring basis was as follows:

	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	42942
<u>December 31, 2018:</u>			
Beneficial interests in assets held by others	\$ 436,564	\$ 41,632	\$ 478,196
Cash surrender value of life insurance	67,745	-	67,745
	<u>\$ 504,309</u>	<u>\$ 41,632</u>	<u>\$ 545,941</u>
<u>December 31, 2017:</u>			
Beneficial interests in assets held by others	\$ 497,558	\$ 49,154	\$ 546,712
Cash surrender value of life insurance	64,938	-	64,938
	<u>\$ 562,496</u>	<u>\$ 49,154</u>	<u>\$ 611,650</u>

Fair value for the cash surrender value of life insurance is determined by the amount that could be realized under the insurance contract and is considered a Level 2 input.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

5. Fair Value Measurements, Continued

Fair value of the beneficial interest in a remainder trust is measured using the fair value of the assets held in the trust as reported by the trustee as of December 31, 2018 and 2017, which approximates the present value of the expected future cash flows, discounted at 2.5%, and is considered a Level 2 input.

Fair value of the beneficial interest in a perpetual trust is measured using the fair value of the assets held in the trust as reported by the trustee as of December 31, 2018 and 2017. The Organization considers the measurement of this trust to be a Level 3 input because even though that measurement is based on unadjusted fair values of the trust assets, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

The table below presents information about fair value measurements that use significant unobservable inputs (Level 3) for the years ended December 31:

	<u>2018</u>	<u>2017</u>
<u>Beneficial interest in perpetual trust:</u>		
Beginning of year	\$ 49,154	\$ 44,517
Total gains (losses) recognized in the change in permanently restricted net assets:		
Change in value of perpetual trust	<u>(7,522)</u>	<u>4,637</u>
End of year	<u>\$ 41,632</u>	<u>\$ 49,154</u>

The Organization recognizes transfers in and out of levels at the end of the reporting period. There were no transfers between levels in 2018 and 2017.

At least annually, management and the Board of Directors review and approve the Organization's fair value measurement policies and procedures and determine if the valuation techniques used in fair value measurements are still appropriate.

6. Leases

The Organization leases equipment under cancelable and noncancelable operating lease agreements, which expire at various dates through December 2021. Total rent expense was \$6,116 and \$6,455 for the years ended December 31, 2018 and 2017, respectively.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

6. Leases, Continued

Future minimum lease payments are as follows:

2019	\$	5,476
2020		5,476
2021		4,368
		<u>15,320</u>
	\$	<u>15,320</u>

7. Long-Term Debt

Long-term debt consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Note payable to bank, 4.65% interest, \$3,764 monthly through June 2023, when remaining balance is due, secured by all real estate	\$ 464,977	\$ -
Note payable to bank, 5.5% interest, \$6,116 monthly through June 2019, when remaining balance is due, secured by all real estate	-	553,566
Less unamortized debt issuance cost	<u>(3,725)</u>	<u>(1,269)</u>
Debt, net of unamortized debt issuance cost	461,252	552,297
Less current maturities	<u>(24,054)</u>	<u>(39,709)</u>
Long-term debt	<u>\$ 437,198</u>	<u>\$ 512,588</u>

The Organization reports amortization of debt issuance costs as interest expense.

Scheduled long-term debt maturities are as follows for the years ended December 31:

2019	\$	24,054
2020		25,196
2021		26,393
2022		27,647
2023		361,687
		<u>464,977</u>
	\$	<u>464,977</u>

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

8. Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows at December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specific purpose:		
Debt reduction	\$ 32,942	\$ 7,500
Animal care	2,400	760
Building improvements and repairs	<u>7,600</u>	<u>7,475</u>
	42,942	15,735
Subject to the passage of time:		
Beneficial interest in remainder trust	436,564	497,558
Assets to be maintained in perpetuity:		
Beneficial interest in perpetual trust	<u>41,632</u>	<u>49,154</u>
	<u>\$ 521,138</u>	<u>\$ 562,447</u>

Net assets released from donor restrictions were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions:		
Debt reduction	\$ 7,500	\$ -
Animal care	760	3,491
Building improvements and repairs	<u>7,475</u>	<u>-</u>
Distributions of principal:		
Beneficial interest in remainder trust	<u>8,482</u>	<u>7,986</u>
	<u>\$ 24,217</u>	<u>\$ 11,477</u>

The Board had restricted \$1,941 at December 31, 2017 to be used for animal spays and neuters or animal medical emergencies. The Organization had no board restricted funds at December 31, 2018.

9. Income Taxes

The Organization is exempt from income taxes as a nonprofit corporation 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 support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

10. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of cash on deposit at financial institutions and contributions receivable. Cash in banks may, at times, exceed federal deposit insurance limits. The Organization attempts to minimize this risk by using high-credit quality financial institutions. Contributions receivable are periodically reviewed by management for their collectibility and an allowance for doubtful accounts is established, as deemed necessary.

11. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update requires entities to recognize revenue at amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services at the time of transfer. In doing so, entities will need to use more judgment and make more estimates in order to identify performance obligations in the contract, estimate the amount of variable consideration to include in the transaction price, and allocate the transaction price to each separate performance obligation. The amendments of this ASU are effective for reporting periods beginning after December 15, 2018.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments and a right-to-use asset representing its right to use the underlying asset for the lease term for all leases with a lease term of more than 12 months. The amendments of this ASU are effective for reporting periods beginning after December 15, 2019.

Management is currently assessing the impact the adoption of these ASUs will have on its financial statements.

12. Subsequent Events

The Organization has evaluated subsequent events through September 4, 2019, the date the financial statements were available to be issued.