EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2018 AND 2017

INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Bay Society for the Prevention
of Cruelty to Animals
Oakland, California

We have audited the accompanying statements of financial position of East Bay Society for the Prevention of Cruelty to Animals (Organization) as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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.

2880 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833
Phone 916.646.6464 • Fax 916.929.6836 • GilbertCPA.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Bay Society for the Prevention of Cruelty to Animals as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

May 20, 2019

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 707,278	$ 755,108
Accounts receivable, net	30,357	25,244
Current portion of contributions receivable	1,175,466	522,595
Inventories	97,808	109,987
Prepaid expenses	126,681	89,121
Total current assets	2,137,590	1,502,055
INVESTMENTS	14,821,566	17,793,858
PROPERTY AND EQUIPMENT, Net	12,828,684	13,383,449
CONTRIBUTIONS RECEIVABLE, Net	305,894	477,656
SPLIT-INTEREST AGREEMENT ASSETS	852,451	1,152,066
TOTAL ASSETS	$ 30,946,185	$ 34,309,084
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 132,384	$ 229,548
Accrued expenses and other liabilities	653,123	611,704
Current portion of debt	8,427,249	8,546,033
Total current liabilities	9,212,756	9,387,285
DEBT, Net	500,000	500,000
Total liabilities	9,712,756	9,887,285
NET ASSETS:		
Without donor restrictions	19,306,604	22,079,585
With donor restrictions	1,926,825	2,342,214
Total net assets	21,233,429	24,421,799
TOTAL LIABILITIES AND NET ASSETS	$ 30,946,185	$ 34,309,084

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

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF ACTIVITIES (Page 1 of 2)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT:		
Program revenues:		
Veterinary services	$ 3,715,544	$ 3,776,644
Less: Discounts for free and reduced fee veterinary services	(699,269)	(702,593)
Veterinary services, net	3,016,275	3,074,051
Shelter and adoption services	764,642	702,475
Total program revenue	3,780,917	3,776,526
Public support:		
Bequests	1,264,861	861,074
Contributions	2,538,896	2,679,812
Net assets released from restrictions	183,075	7,744
Total public support	3,986,832	3,548,630
Other income:		
Investment income (loss)	(579,578)	2,484,527
Rental income	73,740	73,740
Other income	13,234	75
Total other income	(492,604)	2,558,342
Total revenues and support	7,275,145	9,883,498
EXPENSES:		
Program services:		
Shelter and adoption services	4,509,082	4,644,138
Veterinary services	4,013,209	4,282,092
Total program services	8,522,291	8,926,230
Supporting services:		
Fundraising	805,430	713,116
General and administrative	720,405	898,657
Total supporting services	1,525,835	1,611,773
Total expenses	10,048,126	10,538,003
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(2,772,981)	(654,505)

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF ACTIVITIES (Page 2 of 2)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	1,225	634,038
Change in value of split-interest agreement assets	(233,539)	(251,977)
Net assets released from restrictions	(183,075)	(7,744)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(415,389)	374,317
DECREASE IN NET ASSETS	(3,188,370)	(280,188)
NET ASSETS, Beginning of Year	24,421,799	24,701,987
NET ASSETS, End of Year	$ 21,233,429	$ 24,421,799

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services		Supporting Services		
	Shelter and adoption services	Veterinary services	Fundraising	General and administrative	Total
Salaries	$ 1,959,172	$ 1,992,636	$ 214,387	$ 484,873	$ 4,651,068
Payroll taxes and benefits	584,839	466,768	66,979	82,173	1,200,759
Supplies	266,680	727,159	1,253	4,397	999,489
Depreciation	506,873	119,999	5,601	5,846	638,319
Outside services	123,980	263,491	1,546	1,615	390,632
Occupancy	222,232	110,947	2,211	836	336,226
Printing and postage	15,794	13,249	288,504	586	318,133
Interest expense	249,034	62,258			311,292
Repair and maintenance	170,836	49,695	1,838	10,406	232,775
Professional fees	66,626	13,391	47,429	53,180	180,626
Bank charges	20,911	71,609	43,026	33,653	169,199
Insurance	88,159	24,455	1,142	1,192	114,948
Non-depreciable equipment	44,446	26,677	34,045	6,427	111,595
Outreach services	89,488	379			89,867
Events	24,916		56,504		81,420
Advertising	25,157	25,157			50,314
Miscellaneous expense	49,939	45,339	40,965	35,221	171,464
Total	$ 4,509,082	$ 4,013,209	$ 805,430	$ 720,405	$ 10,048,126

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services		Supporting Services		
	Shelter and adoption services	Veterinary services	Fundraising	General and administrative	Total
Salaries	$ 2,228,249	$ 1,888,341	$ 175,228	$ 515,606	$ 4,807,424
Payroll taxes and benefits	608,337	564,994	42,611	101,930	1,317,872
Supplies	217,849	853,605	1,357	17,537	1,090,348
Depreciation	511,621	116,143	6,063	6,328	640,155
Outside services	117,014	398,267	1,419	1,481	518,181
Occupancy	217,971	120,152	2,100	2,197	342,420
Printing and postage	6,786	3,734	262,810	22,037	295,367
Interest expense	186,656	46,664			233,320
Repair and maintenance	142,864	38,803	1,615	3,008	186,290
Professional fees	42,466	26,756	57,859	161,707	288,788
Bank charges	25,897	77,273	37,790	35,108	176,068
Insurance	77,621	21,608	1,000	1,043	101,272
Non-depreciable equipment	47,571	39,975	37,177	5,050	129,773
Outreach services	115,350	19			115,369
Events	15,229	6,771	36,348		58,348
Advertising	18,925	18,929			37,854
Miscellaneous expense	63,732	60,058	49,739	25,625	199,154
Total	$ 4,644,138	$ 4,282,092	$ 713,116	$ 898,657	$ 10,538,003

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (3,188,370)	$ (280,188)
Reconciliation to net cash and cash equivalents used by operating activities:		
Depreciation	638,319	640,155
Receipt of donated investments	(64,050)	(8,398)
Net realized and unrealized (gain) loss on investments	1,019,126	(2,019,766)
Net loss on disposal of assets	146	
Changes in:		
Accounts receivable	(5,113)	(483)
Inventories	12,179	(13,658)
Prepaid expenses	(37,560)	68,871
Contributions receivable	(481,109)	(222,604)
Split-interest agreement assets	299,615	251,977
Accounts payable	(97,164)	54,668
Accrued expenses and other liabilities	41,419	(35,906)
Net cash and cash equivalents used by operating activities	(1,862,562)	(1,565,332)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(405,716)	(6,960,509)
Proceeds from sale of investments	2,422,932	8,460,129
Purchases of property and equipment	(83,700)	(103,108)
Net cash and cash equivalents provided by investing activities	1,933,516	1,396,512
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	347,792	286,879
Payment on line of credit	(466,576)	(386,559)
Net cash and cash equivalents used by financing activities	(118,784)	(99,680)
DECREASE IN CASH AND CASH EQUIVALENTS	(47,830)	(268,500)
CASH AND CASH EQUIVALENTS, Beginning of Year	755,108	1,023,608
CASH AND CASH EQUIVALENTS, End of Year	$ 707,278	$ 755,108
SUPPLEMENTAL ACTIVITY:		
Cash paid for interest	$ 311,292	$ 233,320
NON-CASH ACTIVITY:		
Long-term debt converted into line of credit	$ 250,000	$

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

1. ORGANIZATION AND OPERATIONS

Founded in 1874, East Bay Society for the Prevention of Cruelty to Animals (Organization) is a nonprofit organization committed to the welfare of cats and dogs in Alameda and Contra Costa Counties. The Organization strives to eliminate animal cruelty, neglect and overpopulation by providing programs, education and resources at three locations to support people and companion animals. The Organization offers pet adoptions, spay and neuter, a full-service public veterinary clinic, foster care, dog training, humane education programs, volunteer opportunities and a variety of other services.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Organization reports information regarding its financial position and activities according to two classes of net assets: *without donor restrictions and with donor restrictions*.

Revenue recognition – Private grants and contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Contributions with donor restrictions whose restrictions are met in the same reporting period are shown as unrestricted. Net assets with donor restrictions also includes those whose use by the Organization is restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of the Organization.

Bequests are recognized when estates are settled and the amounts can be reasonably estimated. Bequests on unsettled estates are considered conditional promises to give, because the amounts cannot be reasonably estimated and the dates of distribution are unknown. Bequests receivable represent those amounts for which both amount and timing of payment is known.

Veterinary, shelter and adoption services are recognized when the services occur.

Cash and cash equivalents – For financial statement purposes, the Organization considers investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term purposes.

The Organization minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institutions. The balance at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

Inventories consist of medications and medical supplies, and are stated at the lower of cost (first-in, first-out) or market.

Investments are stated at fair value and include money market funds that are held for long-term purposes.

Property and equipment is stated at cost or, if donated, at fair market value as of the date of donation. The Organization capitalizes all expenditures for property and equipment in excess of $1,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from 5 to 50 years.

Split-interest agreement assets are stated at fair value.

Functional allocation of expenses – The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities and of functional expenses. Shelter, adoption, and veterinary service expenses, repair and maintenance, utilities and outside services have been allocated based on square footage. Personnel expenses are allocated based on employees' time incurred. All other expenses are allocated based on usage of resources.

Income taxes – The Organization is publicly supported and exempt from income taxes under Internal Revenue Code Section 501(c)(3) and corresponding California state codes.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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, information about liquidity and availability of resources, and 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, with the exception of the liquidity disclosures, which have not been applied for the year ended December 31, 2017 as allowed by the transition guidance of this ASU.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new accounting standard develops a common standard that will remove inconsistencies in revenue requirements, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. Application of this statement is effective for the year ending December 31, 2019. The Organization is currently evaluating the impact this pronouncement will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new accounting standard clarifies and improves the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. Application of this statement is effective for transactions in which the entity serves as the resource recipient for the year ending December 31, 2019. For transactions in which the entity serves as the resource provider, the statement is effective for the year ending December 31, 2020. The Organization is currently evaluating the impact this pronouncement will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending December 31, 2020. The Organization is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events have been evaluated through May 20, 2019, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2018 that require recognition or disclosure in such financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows for 2018:

Cash	$ 707,278
Investments	14,821,566
Accounts receivable	30,357
Contributions receivable	666,396
Split-interest agreement assets	852,451
Total financial assets	17,078,048
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions (see Note 10)	(1,926,825)
Total financial assets available to management for general expenditure within one year	$ 15,151,223

As part of the Organization's liquidity management, cash in excess of daily requirements is invested in short-term investments and money market funds. Cash needs are met primarily from service revenue streams daily, with any shortfalls being met by drawings on savings and short-term investments. The Organization also has one line of credit in excess of $6,204,000 to meet cash flow needs.

4. CONTRIBUTIONS RECEIVABLE

The Organization recognizes contributions at their estimated fair value, on a nonrecurring basis, at the time the promise is made. Fair value is determined by calculating the present value of the estimated future cash flows. The discount rate used in determining the net present value of long – term contributions receivable was 5.5% and 6.5% at December 31, 2018 and 2017, respectively.

Contributions receivable consist of the following:

	2018	2017
Gross contributions receivable	$ 1,508,275	$ 1,045,249
Less:		
Discount on contributions receivable	(26,915)	(41,498)
Allowance for uncollectible contributions		(3,500)
Contributions receivable, net	$ 1,481,360	$ 1,000,251

Contributions receivable are due to be collected as follows:

	2018	2017
Within one year	$ 1,175,466	$ 522,595
In one to five years	305,894	477,656
Contributions receivable, net	$ 1,481,360	$ 1,000,251

5. INVESTMENTS

All investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

	2018	2017
Mutual funds:		
Growth	$ 3,900,958	$ 4,531,637
Value	3,572,757	4,483,647
Bonds	3,526,384	6,191,258
Large blend	2,128,992	2,263,094
Industrials	69,307	69,083
Mid-cap blend	54,481	62,174
Foreign large blend		149,160
Consumer goods		3,115
Utilities		1,093
Total mutual funds	13,252,879	17,754,261
Money market funds	1,568,687	39,597
Total	$ 14,821,566	$ 17,793,858

Investment income (loss) consists of the following:

	2018	2017
Interest and dividends	$ 439,548	$ 464,761
Net unrealized and realized gain (loss)	(1,019,126)	2,019,766
Total	$ (579,578)	$ 2,484,527

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2018	2017
Building and improvements	$ 18,589,953	$ 18,554,087
Land	55,410	55,410
Equipment	1,182,527	1,234,522
Memorial gardens	19,545	20,085
Total	19,847,435	19,864,104
Less accumulated depreciation and amortization	(7,018,751)	(6,480,655)
Total	$ 12,828,684	$ 13,383,449

7. SPLIT-INTEREST AGREEMENT ASSETS

Split-interest agreement assets include the estimated fair value of the Organization's interest in various irrevocable charitable remainder trusts held by third-party trustees for which the Organization is the remainder beneficiary as well as a perpetual trust in which the Organization has the irrevocable right to receive income on trust assets in perpetuity. The estimated fair value of these assets was determined with present value techniques using projected investment returns consistent with the composition of the asset portfolios, life expectancies, estimated future cash disbursements and discount rates ranging from 1.8% to 5.5% at December 31, 2018 and 2017, respectively. The Organization's charitable remainder trusts are classified within Level 3 of the fair value hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions.

	2018	2017
Beginning balance	$ 1,152,066	$ 1,404,043
Payout received on matured agreement	(66,077)	
Change in fair value of split-interest agreement assets	(233,538)	(251,977)
Ending balance	$ 852,451	$ 1,152,066

8. DEBT

The Organization has a $14,500,000 revolving line of credit with UBS Bank which was obtained to fund the redemption of the Organization's Bond and to renovate their Baldwin Street facility. The line of credit has a variable interest rate equal to the Bank's LIBOR rate plus 1.35% (3.08% and 2.91% at December 31, 2018 and 2017, respectively) and is due on demand with no established maturity date. There are no required payments under the line of credit; however, the Organization may repay any advance, in whole or part, at any time. The line of credit is secured by all of the Organization's assets. The outstanding balance of December 31, 2018 and 2017 was $8,427,249 and $8,296,003, respectively.

The Organization has two $250,000 fixed rate loans totaling $500,000. Interest payments are due quarterly and principal is due in total upon maturity. The rate and maturity dates are as follows:

Rate	Maturity Date
3.348%	March 9, 2020
4.074%	March 8, 2023

9. LEASE COMMITMENTS

Spay and Neuter Clinic

The Organization has an agreement that extends through 2030 to lease a facility for a spay and neuter clinic located in Oakland, California. The terms of the agreement provide for a monthly base rent of $1,000 plus real estate taxes. The lease contains an option to purchase the property for $500,000 which is exercisable during the period beginning each August 1 and ending each December 31 of every third year during the term of the lease. The Organization also leases equipment under non-cancelable operating leases expiring at various dates through 2023. Expense under operating lease agreements totaled $115,551 and $115,309 in 2018 and 2017, respectively.

Future minimum lease payments under these agreements are as follows:

Year ending December 31,	Spay and neuter clinic	Equipment	Total
2019	$ 52,392	$ 58,500	$ 110,892
2020	52,392	51,868	104,260
2021	52,392	48,552	100,944
2022	52,392	24,257	76,649
2023	52,392	984	53,376
Thereafter	366,744		366,744
Total	$ 628,704	$ 184,161	$ 812,865

The Organization has a long-term non-cancellable sublease agreement with an unrelated company that expires in February 2025. The minimum annual rental income to be received in the future is as follows:

Year ending December 31,	
2019	$ 73,740
2020	75,672
2021	77,848
2022	80,188
2023	82,590
Thereafter	95,758
Total	$ 485,796

East Alameda County Facility

The Organization has a 99-year agreement to lease property from the Alameda County Surplus Property Authority (landlord) on which a second facility providing animal adoption and spay and neuter services for the Eastern Alameda County area was constructed. The terms of the lease provide for annual rent of $1 plus property taxes and utilities. Although the lease may be terminated at any time by the Organization after giving a 180-day notice, the landlord has the option to require the Organization to return the property to its original condition at the beginning of the lease. The landlord may only terminate the lease after 50 years.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of unexpended contributions restricted for the following:

	2018	2017
Time restricted:		
Split-interest agreement assets	$ 313,026	$ 412,221
Purpose restricted:		
Second Chance fund	462,500	552,500
Sit Stay Home	51,389	61,389
Miscellaneous programs	4,375	20,149
Restricted into perpetuity:		
Donor restricted endowment fund	556,110	556,110
Split-interest agreement asset – interest in a perpetual trust	539,425	739,845
Total	$ 1,926,825	$ 2,342,214

The Organization has a donor-restricted endowment fund. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) accumulated unrealized appreciation and depreciation of endowment investments if directed by the donor gift instrument, (c) the original value of subsequent gifts to the permanent endowments, and (d) 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.

Under the investment policy as approved by the Board of Directors, the primary investment objectives are to generate sufficient long term growth of capital, without undue exposure to risk, to enhance the Organization's ability to meet its present and future financial needs, as well as increase the real (adjusted for inflation) purchasing power of the investments.

There were no changes to the endowment fund during December 31, 2018 and 2017.

11. RETIREMENT PLAN

The Organization has established a money purchase pension plan for its employees which allows for a 3% safe harbor non-elective contribution in addition to an elective profit sharing contribution. Eligible employees of the safe harbor contribution are required to have completed two months of service and be at least 18 years of age. Eligible employees of the profit sharing contribution are required to be employed by the Organization on the last day of the plan year. The required contributions under the plan were $212,748 and $218,353 in December 31, 2018 and 2017, respectively. Funding for the contribution is accumulated in an interest-bearing cash account and is remitted to the plan annually.