

TREE HOUSE HUMANE SOCIETY, INC.

Report on Audited Financial Statements

December 31, 2018

**MANNING SILVERMAN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
(847) 459-8850**

TREE HOUSE HUMANE SOCIETY, INC.
TABLE OF CONTENTS
DECEMBER 31, 2018

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4 - 5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 17



CERTIFIED PUBLIC ACCOUNTANTS

Home Office

175 Olde Half Day Rd, Suite 290

Lincolnshire, IL 60069

P: (847) 459-8850

F: (847) 537-8954

www.manningsilverman.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tree House Humane Society, Inc.
Chicago, Illinois

We have audited the accompanying financial statements of Tree House Humane Society, Inc. (an Illinois not-for-profit corporation) which comprise the statements 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.

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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

• Lincolnshire • Chicago • St. Charles • Schaumburg •

"HELPING OUR CLIENTS GROW AND PROSPER SINCE 1987"

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 Organization'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 Tree House Humane Society, Inc. as of December 31, 2018 and the results of its activities and changes in net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, likely representing the firm Manning Silverman & Company, positioned above the printed name.

Manning Silverman & Company
Certified Public Accountants
Lincolnshire, Illinois

August 22, 2019

TREE HOUSE HUMANE SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 936,699
Investments	266,319
Inventory	6,111
Prepaid Expenses	2,574
Deposits	<u>5,734</u>
Total Current Assets	1,217,437
Fixed Assets at Net Book Value:	
Land	630,000
Building and Building Improvements	6,354,075
Furniture and Equipment	<u>151,007</u>
Total Net Fixed Assets	7,135,082
Other Assets:	
Cash Held for Investment in Perpetuity	<u>9,624</u>
Total Other Assets	<u>9,624</u>
Total Assets	<u><u>\$ 8,362,143</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	\$ <u>5,203</u>
Total Current Liabilities	5,203
Long-Term Liabilities	
Line of Credit	<u>1,685,961</u>
Total Long-Term Liabilities	1,685,961
Net Assets:	
Without Donor Restrictions	6,661,355
With Donor Restrictions	<u>9,624</u>
Total Net Assets	<u>6,670,979</u>
Total Liabilities and Net Assets	<u><u>\$ 8,362,143</u></u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

TREE HOUSE HUMANE SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support:			
Contributions	\$ 871,836	\$ -	\$ 871,836
Grant	42,549	-	42,549
Bequests	658,767	-	658,767
Membership Dues	11,457	-	11,457
Special Events	130,230	-	130,230
Assets Released from Restrictions	4,360,599	(4,360,599)	-
Total Public Support	6,075,438	(4,360,599)	1,714,839
Program Service Fees:			
Program Fees	154,316	-	154,316
Total Program Service Fees	154,316	-	154,316
Other Revenues (Expenses):			
(Loss) on Disposal of Asset	(46,603)	-	(46,603)
Merchandise Sales	36,152	-	36,152
Miscellaneous Income	43,405	-	43,405
Total Other Revenues (Expenses)	32,954	-	32,954
Investment Income:			
Investment Income	12,693	-	12,693
Realized Gain	(86)	-	(86)
Unrealized Gain	18,339	-	18,339
Total Investment Income	30,946	-	30,946
Total Revenues and Other Support	6,293,654	(4,360,599)	1,933,055

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

TREE HOUSE HUMANE SOCIETY, INC.
STATEMENT OF ACTIVITIES (Continued)
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Total Revenues and Other Support	6,293,654	(4,360,599)	1,933,055
Expenses:			
Program Services			
General	534,798	-	534,798
Clinic	847,989	-	847,989
Educational/Counseling	103,657	-	103,657
Adoption	250,904	-	250,904
Other Outreach	140,818	-	140,818
Total Program Services	1,878,166	-	1,878,166
Support			
Management and General	254,534	-	254,534
Fundraising	447,950	-	447,950
Total Expenses	2,580,650	-	2,580,650
Change in Net Assets	3,713,004	(4,360,599)	(647,595)
Net Assets, Beginning of Year, As Previously Reported	3,252,572	4,370,223	7,622,795
Prior Period Adjustment	(304,221)	-	(304,221)
Net Assets, Beginning of Year, as Restated	2,948,351	4,370,223	7,318,574
Net Assets, End of Year	\$ 6,661,355	\$ 9,624	\$ 6,670,979

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**TREE HOUSE HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services					Support		Organization Total
	General	Clinic	Educational/ Counseling	Adoption	Other Outreach	Management and General	Fundraising	
Salaries	\$ 269,462	\$ 471,874	\$ 38,639	\$ 189,028	\$ 97,860	\$ 1,066,863	\$ 147,863	\$ 1,262,709
Employee Benefits	22,526	39,447	3,230	15,802	8,181	89,186	12,361	105,558
Payroll Taxes	23,976	41,986	3,438	16,819	8,707	94,926	13,157	112,352
Advertising	-	-	-	-	-	-	4,027	4,214
Bank and Credit Card Fees	-	-	-	2,029	-	2,029	18,264	20,413
Consultants	-	-	21,515	-	-	21,515	76,900	103,638
Depreciation	92,934	81,315	11,615	11,615	11,615	209,094	11,615	232,324
Equipment Rental	12,608	-	-	-	-	12,608	223	17,708
Food	1,300	-	-	-	-	1,300	-	1,300
Insurance	9,375	8,204	1,171	1,171	1,171	21,092	3,192	25,455
Interest	-	-	-	-	-	-	114,605	114,605
Lab Tests	-	17,950	-	-	-	17,950	-	17,950
Licenses and Fees	2,288	-	-	-	-	2,288	-	2,288
Medicine	-	55,257	-	-	-	55,257	-	55,257
Miscellaneous	-	2,778	6,117	-	-	8,895	1,963	27,189
Occupancy	21,531	18,839	2,691	2,691	2,691	48,443	2,691	53,825
Office Supplies	1,394	1,394	1,394	1,394	1,394	6,970	4,181	13,938
Payroll Service	17,092	33,331	2,654	7,145	3,021	63,243	4,352	73,513
Postage and Shipping	836	-	4,478	836	-	6,150	21,446	28,432
Printing and Publications	554	554	4,895	554	554	7,111	31,907	40,121
Professional Fees	-	-	-	-	-	-	31,601	31,601
Real Estate Taxes - Western Ave	1,465	1,465	-	-	-	2,930	-	2,930
Supplies	51,018	61,511	-	-	3,804	116,333	83,896	200,229
Telephone	1,820	1,820	1,820	1,820	1,820	9,100	7,279	18,199
Travel	4,619	5,829	-	-	-	10,448	19	10,467
Veterinary Fees	-	4,435	-	-	-	4,435	-	4,435
Total Expenses	\$ 534,798	\$ 847,989	\$ 103,657	\$ 250,904	\$ 140,818	\$ 1,878,166	\$ 254,534	\$ 2,580,650

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

TREE HOUSE HUMANE SOCIETY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities:	
(Decrease) in Net Assets	\$ (647,595)
Adjustments to Reconcile (Decrease) in Net Assets to Net Cash	
Provided by (Used in) Operating Activities:	
Depreciation	232,324
Loss on Sale of Assets	46,603
Realized and Unrealized (Gain) on Investments	(18,253)
Changes in Current Assets and Liabilities:	
Decrease in Contributions Receivable	118,000
Decrease in Other Assets	15,376
Decrease in Inventory, Prepaid Expenses and Deposits	4,301
(Decrease) in Accounts Payable	<u>(46,879)</u>
Net Cash (Used in) Operating Activities	<u>(296,123)</u>
Cash Flows from Investing Activities:	
Purchases of Investments	(17,549)
Proceeds from Sale of Fixed Assets	627,200
Net Purchases and Disposal of Fixed Assets	<u>(219,101)</u>
Net Cash Provided by Investing Activities	<u>390,550</u>
Cash Flows from Financing Activities:	
Financing Payments on Line of Credit	<u>(877,680)</u>
Net Cash (Used in) Financing Activities	<u>(877,680)</u>
Net (Decrease) in Cash and Cash Equivalents	(783,253)
Cash and Cash Equivalents, Beginning of Year	<u>1,719,952</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 936,699</u></u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

TREE HOUSE HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Nature of Activities

Founded in 1971, Tree House Humane Society (“Society”) envisions a world where every cat thrives. The Society’s mission is to empower communities of caregivers to protect, nurture, and support new solutions so no cat suffers. The Society operates a cageless shelter and education center in the West Rogers Park community, offering the following services:

- Community Cats Program: trap/neuter/return services to increase sterilization of outdoor cats; support for 1,000+ community cat colony caretakers managed colonies; Cat at Work program that places appropriate feral cats in residential and commercial settings to provide rodent control.
- Foster Care: temporary placement in foster homes for healthy and treatable stray cats that need time to recover from illnesses and injuries before they move to the adoption floor.
- Clinic: comprehensive veterinary care for cats admitted to the shelter for adoption, including sterilization, vaccinations, and treatment of health issues that must be resolved prior to adoption; sterilization and wellness services for feral cats brought in by community members who trapped them.
- Adoptions: placement of shelter cats in forever homes after screening and counseling.
- Pet Food Pantry: supplemental food, litter and other donated supplies for cats and dogs for community members facing financial challenges in an effort to maintain pets in their homes.
- Education and Outreach: workshops, presentations and activities for cat lovers of all ages to educate them about the humane treatment of animals.

Annually, the Society assists about 5,000 cats, nearly 1,000 of them through adoption. In the year ending December 31, 2018, the Society received 79% of its revenues from contributions and bequests with the remaining income coming from fundraising, program fees, membership dues, grants and investment income.

TREE HOUSE HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2018

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accounts of the Society are maintained on the accrual basis. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Society considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, excluding those amounts contained in the investment portfolios.

Inventory

Inventory is stated at the lower of cost or market, using procedures which approximate the first-in, first-out (FIFO) method of inventory valuation.

Fair Value Measurements

Under GAAP, *fair value* is 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 (exit price). The Society utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

The Society's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

TREE HOUSE HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2018

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements). The three levels of fair value hierarchy are as follows:

Level I Valuation based on quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level II Valuation based on inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets, or liabilities in markets that are not active, that is, markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level III Valuation based on inputs that are unobservable for an asset or liability and should be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input, therefore, reflects the Society's assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The following table sets forth by level, the Society's assets as of December 31, 2018:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Fixed Income	\$ 74,054	\$ -	\$ -	\$ 74,054
Equity Investments	<u>192,265</u>	<u>-</u>	<u>-</u>	<u>192,265</u>
Total Investment Assets at Fair Value	<u>\$ 266,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,319</u>

TREE HOUSE HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2018

Contributions Receivable and Bad Debt Expense

Management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If an amount becomes uncollectible, it is charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Property and Equipment

Property and equipment is recorded at historical cost. The Society capitalizes fixed asset additions over \$1,000. Depreciation is computed using the straight-line method for all property and equipment. The estimated useful lives in computing depreciation are as follows:

<u>Description</u>	<u>Years</u>
Buildings	39
Leasehold Improvements	20 - 39
Computer Equipment	3 - 5
Furniture and Fixtures	5 - 9

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in the statement of activities.

Contributions, Grants and Contracts

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor, grantor or contracting agency. Amounts received that are designated for future periods or are restricted for specific purposes are reported as net assets with donor restrictions that increases those net asset classes. Unconditional promises to give, which do not state a due date, are presumed to be net assets without donor restrictions.

TREE HOUSE HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2018

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions include the principal amount of contributions accepted with the stipulations from the donors that the principal be maintained in perpetuity, with only the income therefrom to be expended for either general purposes or a purpose specified by the donor.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses that are easily and directly associated with a particular program or supporting service are allocated directly to that functional category. Certain costs have been allocated among the programs and supporting services benefited based on time devoted to the functional areas and other appropriate methods.

Income Taxes

The Society is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation. It is also required to recognize or derecognize in its financial statements positions taken or expected to be taken in a tax return on a "more likely than not" threshold. The Society does not believe its financial statements include any uncertain tax positions. The Society's income tax filings for the years 2015 and thereafter remain subject to examination by the Internal Revenue Service.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the relevant period. Actual results could differ from those estimates.

TREE HOUSE HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2018

Change in Accounting Principle

On August 18, 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, 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 Society has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The implementation had no impact on previously reported net assets.

3. Liquidity and Availability of Resources

The Society's revenue comes predominantly from individual contributors in the form of one-time donations, bequests which usually come from individuals who have previously adopted cats from the Society or have another personal connection to the Society, and special fundraising events held at various times throughout the year. Other major revenue sources include in-kind contributions from sponsor companies, capital campaigns, and other restricted contributions from major donors.

The Society has a membership program, which is being improved and relaunched in 2019 to better draw in members and potential members to our relatively new home which was opened in July 2017. The new membership program is designed to provide better engagement between donors and the organization and its mission. The Society does actively seek grant funding, both governmental and corporate or foundational, but this has not historically been a primary source of revenue for the Society.

The Society maintains a modest portfolio of investments, usually previously received as contributions in the form of stocks. The Society also maintains a robust cash reserve, in addition to its operating account, to provide for regular loan payments and in case of emergency needs.

In May 2019, the Society's Cat Café opened providing what is anticipated will be a substantial revenue stream; however, the Cat Café is expected to provide a greater profile for its various programs. In 2019, the Society also received an unexpected bequest of \$2,580,000 which materially improved the Society's financial situation.

TREE HOUSE HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2018

The following table reflects the Society's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available to meet general expenditures within one year also may include assets with donor restrictions.

Cash and Cash Equivalents	\$ 936,699
Investments	266,319
Inventory	6,111
Prepaid Expenses	2,574
Deposits	<u>5,734</u>
 Total Current Assets	 <u>\$ 1,217,437</u>

4. Donated Materials and Services

In-kind donations of material are recorded at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Conditional transfers of assets are recognized when the conditions upon which they depend are substantially met. The Society received in-kind donations during the year ended December 31, 2018 of \$4,529.

Donations of services are recorded if they create or enhance a non-financial asset or are specialized skills that would be purchased if they were not donated. The Society did receive donated services for the year ended December 31, 2018; however no amounts have been reflected in the financial statements since the Society pays for most services requiring specific expertise and other individuals volunteer their time.

5. Concentration of Credit Risk

Financial instruments, which potentially subject the entity to concentrations of credit risk, consist of money market accounts and investment securities.

The Society places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. The Society maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts.

The Society has significant investments in stocks, bonds, and mutual funds and, therefore, is subject to concentrations of credit risk. Investments are monitored, and recommendations are made, by the internal affairs committee, for approval by the Board of Directors. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Society and its beneficiaries.

TREE HOUSE HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2018

6. Investments

The Society's investments as of December 31, 2018 are summarized as follows:

Vanguard	\$ 74,054
Northern Trust	24,371
Charles Schwab	<u>167,894</u>
Total Investments	<u>\$ 266,319</u>

7. Fixed Assets and Other Assets

The costs of the Society's assets as of December 31, 2018 are shown below:

Land	\$ 630,000
Building and Building Improvements	6,557,787
Furniture and Equipment	391,589
Vehicles	<u>19,306</u>
	7,598,682
Less Accumulated Depreciation	<u>536,529</u>
Net Book Value	<u>\$ 7,062,153</u>

Depreciation expense for the year ended December 31, 2018 was \$206,521.

In February 2018, the Society sold its Ashland facility for a sales price of \$627,200.

8. Advertising Costs

Advertising costs, used by the Society to promote its programs among the audiences it serves, are expensed as incurred. Advertising costs for the year ended December 31, 2018 were \$4,213.

9. Compensated Absences

Employees of the Society are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Society's policy is to recognize the costs of compensated absences when actually paid to employees.

TREE HOUSE HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2018

10. Activities with Joint Costs

The Society conducted activities that included fundraising appeals as well as program components. These activities include direct mail activities. The costs of conducting these joint activities which met the purpose, audience and content criteria of AICPA Statement of Position (“SOP”) 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities That Include Fund-Raising*, included a total of \$40,119 of joint costs for the year ended December 31, 2018, that were functionally allocated as follows:

Programs	\$ 14,788
Fundraising	<u>25,331</u>
Total	<u>\$ 40,119</u>

11. Mortgage Payable

The Society entered into a loan with Bridgeview Bank Group with an original amount of \$1,713,641 that was issued on May 13, 2018. The loan carries a fixed interest rate of 5.500% and is secured by the Society’s property and assets. This loan matures on July 12, 2023, at which time the loan becomes due in full. The loan requires 61 monthly payments of \$11,866 and an additional last payment estimated at \$1,445,957. Future annual loan principal payments are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 50,762
2020	53,376
2021	56,650
2022	59,853
2023	<u>1,464,674</u>
Total	<u>\$ 1,685,315</u>

TREE HOUSE HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2018

12. Prior Period Adjustment

During the year management made the following determinations with respect to prior years' financial statements:

- Certain pledge receivables totaling \$71,000 as of December 31, 2017 were determined to be uncollectible;
- Fixed assets in the amount of \$233,221 were disposed of in 2017 as a result of relocation to the new facility;

The aggregate of these transactions, \$304,221, is reflected in the statement of activities and changes in net assets as a prior period adjustment, decreasing the beginning balance of net assets without donor restrictions at December 31, 2017.

13. Subsequent Events

In March 2019, the Society received an unexpected bequest in the amount of \$2,580,000. In May 2019, the Society's Cat Café opened.

Subsequent events have been evaluated through August 22, 2019 which is the date the financial statements were available to be issued. There are no other subsequent events requiring recognition and/or disclosure in the financial statements.