

FINANCIAL STATEMENTS

ST. HUBERT'S GIRALDA

December 31, 2018 and 2017

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October 23, 2020

Board of Trustees
St. Hubert's Giralda
Madison, New Jersey

Independent Auditor's Report

We have audited the accompanying financial statements of St. Hubert's Giralda (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, 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 2018 financial statements referred to above present fairly, in all material respects, the financial position of St. Hubert's Giralda as of December 31, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, St. Hubert's Giralda adopted Financial Accounting Standards Board ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

Prior Period Financial Statements

The financial statements as of December 31, 2017, were audited by Spire Group, PC, who merged with Hill, Barth & King LLC as of December 1, 2018, and whose report dated November 6, 2018, expressed an unmodified opinion on those financial statements.

Hill, Barth & King LLC

Certified Public Accountants

ST. HUBERT'S GIRALDA

**Statements of Financial Position
December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 1,399,722	\$ 1,358,026
Accounts receivable	477,872	463,531
Bequests receivable	386,871	381,000
Investments	3,177,609	3,421,511
Accrued interest receivable	25,057	24,040
Prepaid expenses	97,542	83,257
Inventory	22,594	32,823
Property and equipment - net	16,138,309	16,475,393
Other assets	24,765	24,765
Total Assets	\$ 21,750,341	\$ 22,264,346
Liabilities		
Accounts payable and accrued expenses	\$ 275,866	\$ 399,282
Accrued salaries and taxes	136,617	98,407
Accrued vacation	74,726	36,579
Deferred revenue	23,119	26,834
Total Liabilities	510,328	561,102
Net Assets		
Without donor restrictions		
Undesignated	19,376,194	19,752,997
Board designated for endowment	559,319	565,545
Total without donor restrictions	19,935,513	20,318,542
With donor restrictions	1,304,500	1,384,702
Total Net Assets	21,240,013	21,703,244
Total Liabilities and Net Assets	\$ 21,750,341	\$ 22,264,346

See accompanying notes to financial statements

ST. HUBERT'S GIRALDA

**Statements of Activities and Changes in Net Assets
Years Ended December 31, 2018 and 2017**

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Revenue				
Program service fees	\$ 2,098,804	\$ -	\$ 1,897,577	\$ -
Contributions and bequests	4,314,694	1,591,455	2,771,070	1,680,345
Special events - net of expenses of \$5,682 in 2018 and \$26,146 in 2017	44,982	-	66,059	66,059
Investment return - net of investment fees of \$18,315 in 2018 and \$19,691 in 2017	(19,043)	955	301,074	483
Net assets released from restrictions due to satisfaction of purpose	1,672,612	(1,672,612)	1,158,035	(1,158,035)
Total Revenue	8,112,049	(80,202)	6,193,815	522,793
Expenses				
Program Services				
Animal welfare services	6,037,885	-	4,671,366	-
Community service	484,746	-	417,016	-
Training and behavior center	636,579	-	632,964	-
Membership services	254,212	-	238,560	-
Doggy day-camp	85,698	-	64,003	-
Total Program Services	7,499,120	-	6,023,909	-
Supporting Services				
Administration	369,884	-	290,117	-
Development	626,074	-	586,003	-
Total Supporting Services	995,958	-	876,120	-
Total Expenses	8,495,078	-	6,900,029	-
Changes in Net Assets Before Non-Operating Activities - Forward	(383,029)	(80,202)	(706,214)	522,793
				(183,421)

See accompanying notes to financial statements

ST. HUBERT'S GIRALDA

**Statements of Activities and Changes in Net Assets (Continued)
Years Ended December 31, 2018 and 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Net Assets Before Non-Operating Activities - Forwarded	(383,029)	(80,202)	(463,231)	(706,214)	522,793	(183,421)
Non-Operating Activities						
Gain on sale of other assets	-	-	-	1,257	-	1,257
Changes in Net Assets	(383,029)	(80,202)	(463,231)	(704,957)	522,793	(182,164)
Net Assets - Beginning of Year	20,318,542	1,384,702	21,703,244	21,023,499	861,909	21,885,408
Net Assets - End of Year	<u>\$ 19,935,513</u>	<u>\$ 1,304,500</u>	<u>\$ 21,240,013</u>	<u>\$ 20,318,542</u>	<u>\$ 1,384,702</u>	<u>\$ 21,703,244</u>

See accompanying notes to financial statements

ST. HUBERT'S GIRALDA

**Statements of Functional Expenses
Year Ended December 31, 2018**

	Program Services										Supporting Services		
	Animal Welfare Service	Community Service	Training and Behavior Center	Membership Service	Doggy Day-Camp	Total Program Services	Administration	Development	Supporting Services	Total			
Salaries	\$ 2,784,398	\$ 294,253	\$ 313,744	\$ 73,956	\$ 64,748	\$ 3,531,099	\$ 194,483	\$ 167,552	\$ 362,035	\$ 3,893,134			
Benefits	231,750	20,587	8,651	4,839	6,285	272,112	17,622	7,387	25,009	297,121			
Payroll taxes	267,017	27,121	31,964	6,620	6,359	339,081	18,249	15,353	33,602	372,683			
Printing and publications	9,078	508	770	85,523	-	95,879	508	139,522	140,030	235,909			
Professional services	98,135	12,691	38,242	35,879	2,166	187,113	100,192	102,488	202,680	389,793			
Travel	24,758	7,102	264	862	-	32,986	1,639	829	2,468	35,454			
Insurance	120,373	12,883	28,883	3,915	4,297	170,351	6,367	5,526	11,893	182,244			
Depreciation	346,253	11,963	132,275	2,600	1,528	494,619	3,078	15,012	18,090	512,709			
Program supplies	1,602,672	62,829	1,854	-	214	1,667,569	-	168	168	1,667,737			
Equipment rental and repairs	90,807	13,781	18,775	3,751	544	127,658	3,777	3,751	7,528	135,186			
Office supplies and postage	11,599	1,277	3,119	30,476	-	46,471	5,875	65,390	71,265	117,736			
Dues and subscriptions	1,670	-	141	-	-	1,811	414	1,438	1,852	3,663			
Training and workshops	14,148	-	290	-	-	14,438	4,119	-	4,119	18,557			
Advertising and promotion	250	1,240	-	-	485	1,975	-	55,447	55,447	57,422			
Utilities and ground maintenance	251,769	14,909	46,554	5,773	(1,135)	317,870	8,712	11,632	20,344	338,214			
Building rental	-	-	917	-	-	917	-	-	-	917			
Miscellaneous expense	183,208	3,602	828	18	207	187,863	4,849	612	5,461	193,324			
Items purchased for resale	-	-	9,308	-	-	9,308	-	33,967	33,967	43,275			
	6,037,885	484,746	636,579	254,212	85,698	7,499,120	369,884	626,074	995,958	8,495,078			
Special event expenses	-	-	-	-	-	-	-	5,682	5,682	5,682			
Investment fees	14,746	1,184	1,555	621	209	18,315	-	-	-	18,315			
Total Functional Expenses	\$ 6,052,631	\$ 485,930	\$ 638,134	\$ 254,833	\$ 85,907	\$ 7,517,435	\$ 369,884	\$ 631,756	\$ 1,001,640	\$ 8,519,075			

See accompanying notes to financial statements

ST. HUBERT'S GIRALDA

**Statements of Functional Expenses (Continued)
Year Ended December 31, 2017**

	Program Services										Supporting Services			Total
	Animal Welfare Service	Community Service	Training and Behavior Center		Membership Service	Doggy Day-Camp	Total Program Services	Administration	Development	Supporting Expenses	Total Expenses			
			Animal Welfare Service	Community Service										
Salaries	\$ 2,226,334	\$ 235,604	\$ 312,323	\$ 86,605	\$ 42,641	\$ 2,903,707	\$ 132,765	\$ 173,819	\$ 306,584	\$ 3,210,291				
Benefits	182,600	19,500	6,999	523	4,606	214,228	14,464	13,744	28,208	242,436				
Payroll taxes	221,421	24,261	31,577	7,574	4,553	289,386	15,117	18,325	33,442	322,828				
Printing and publications	7,856	466	598	74,232	-	83,152	518	126,459	126,977	210,129				
Professional services	53,753	7,205	29,588	10,208	2,181	102,935	69,804	37,909	107,713	210,648				
Travel	9,429	248	(92)	-	-	8,754	622	909	1,531	10,285				
Insurance	101,135	12,560	24,699	3,890	3,611	145,895	5,903	5,371	11,274	157,169				
Depreciation	338,730	12,164	133,896	2,964	1,200	488,954	3,442	15,353	18,795	507,749				
Program supplies	1,117,472	72,635	1,886	-	276	1,192,269	-	466	466	1,192,735				
Equipment rental and repairs	85,299	12,703	25,780	3,609	1,229	128,620	3,644	6,476	10,120	138,740				
Office supplies and postage	10,124	2,024	2,852	43,213	38	58,251	3,028	63,949	66,977	125,228				
Dues and subscriptions	1,170	-	29	-	-	1,199	1,885	608	2,493	3,692				
Training and workshops	1,644	-	328	-	-	1,972	7,650	390	8,040	10,012				
Advertising and promotion	414	250	-	-	-	664	-	54,159	54,159	54,823				
Utilities and ground maintenance	230,608	16,386	53,203	5,542	3,279	309,018	29,904	11,566	41,470	350,488				
Miscellaneous expense	83,177	1,010	1,805	200	389	86,581	1,371	2,227	3,598	90,179				
Items purchased for resale	-	-	8,324	-	-	8,324	-	54,273	54,273	62,597				
	<u>4,671,366</u>	<u>417,016</u>	<u>632,964</u>	<u>238,560</u>	<u>64,003</u>	<u>6,023,909</u>	<u>290,117</u>	<u>586,003</u>	<u>876,120</u>	<u>6,900,029</u>				
Special event expenses	-	-	-	-	-	-	-	26,146	26,146	26,146				
Investment fees	15,270	1,363	2,069	780	209	19,691	-	-	-	19,691				
Total Functional Expenses	\$ 4,686,636	\$ 418,379	\$ 635,033	\$ 239,340	\$ 64,212	\$ 6,043,600	\$ 290,117	\$ 612,149	\$ 902,266	\$ 6,945,866				

See accompanying notes to financial statements

ST. HUBERT'S GIRALDA**Statements of Cash Flows
Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (463,231)	\$ (182,164)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	512,709	507,749
Realized loss	72,304	21,304
Unrealized (gain) loss	119,529	(218,533)
Donated marketable securities	(77,052)	(111,715)
(Gain) on sale of other assets	-	(1,257)
(Increase) decrease in:		
Accounts receivable	(14,341)	(148,939)
Bequests receivable	(5,871)	382,616
Pledges receivable	-	969
Accrued interest receivable	(1,017)	(3,767)
Prepaid expenses	(14,285)	(7,660)
Inventory	10,229	23,178
Increase (decrease) in:		
Accounts payable and accrued expenses	(123,416)	38,519
Accrued salaries and taxes	38,210	20,793
Accrued vacation	38,147	(8,154)
Deferred revenue	(3,715)	(1,895)
Net Cash Provided by Operating Activities	<u>88,200</u>	<u>311,044</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(175,625)	(116,047)
Purchase of investments	(732,512)	(1,272,910)
Proceeds from sale of investments	861,633	1,236,365
Proceeds from sale of fine art	-	2,009
Net Cash (Used in) Investing Activities	<u>(46,504)</u>	<u>(150,583)</u>
Increase in Cash and Cash Equivalents	41,696	160,461
Cash and Cash Equivalents - Beginning of Year	<u>1,358,026</u>	<u>1,197,565</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,399,722</u>	<u>\$ 1,358,026</u>

See accompanying notes to financial statements

ST. HUBERT'S GIRALDA

Notes to Financial Statements December 31, 2018 and 2017

Note 1 - Organization and Purpose

Organization

St. Hubert's Giralda (the "Organization") is a non-profit organization dedicated to the humane treatment of animals. The Organization believes in and provides services that support the human/animal bond and seeks to foster an environment in which people value and respect all living creatures.

Note 2 - Summary of Significant Accounting Policies

Adoption of New Accounting Standard

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 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.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk are cash and investments arising from its normal activities. The Organization places its cash with high credit quality financial institutions. The amount on deposit in any one institution that exceeds federally insured limits is subject to credit risk. At December 31, 2018 and 2017, the Organization had cash in excess of federally insured limits of \$746,478 and \$993,494, respectively.

All investments are subject to credit risk.

Accounts Receivable

Accounts receivable are recorded at cost. The potential risk is limited to the amount recorded in the financial statements. On a periodic basis, the Organization evaluates its accounts receivable to determine if any portion is uncollectible. Based upon historical experience, management deems no allowance for doubtful accounts to be necessary as of December 31, 2018 and 2017.

Bequests Receivable

Bequests receivable are recognized when the Organization receives notification that the probate court has declared the will is valid. Bequests receivable are generally expected to be collected in less than one year.

ST. HUBERT'S GIRALDA

**Notes to Financial Statements (Continued)
December 31, 2018 and 2017**

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments

Investments are recorded at fair value. Realized and unrealized gains and losses are reflected separately in the statement of activities and changes in net assets. The realized gain or loss from the sale of an investment is reported as the selling price of the investment less the carrying value of the investment at the time of sale.

Property and Equipment

Property and equipment is stated at cost if purchased or at fair value on the date of donation if donated. Property and equipment costing \$1,000 or more is depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to fifty years. The cost of maintenance and repairs is recorded as expenses are incurred.

The range of estimated useful lives is as follows:

Buildings and improvements	10 - 50 years
Equipment	5 -10 years
Vehicles	4-5 years

Long-Lived Assets

Long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their value as determined by an estimate of undiscounted future cash flows.

Income Taxes

The Organization is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Inventory

Inventory is recorded at the lower of cost or net realizable value using the first-in, first-out method and consists of primarily pet accessories and toys.

Deferred Revenue

The Organization recognizes revenue when it is realizable and earned. Deferred revenue represents amounts collected but not earned as of December 31, 2018 and 2017. This is primarily comprised of revenue for the Organization's dog training classes paid in advance to be held in the subsequent fiscal year.

ST. HUBERT'S GIRALDA

Notes to Financial Statements (Continued) December 31, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Asset Classification

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

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of trustees.

Board Designated for Endowment – The “Connie Fund” was established in May 2012. It was seeded by the estate of Martha E. Henry and was named in honor of her mother, Connie. The spirit is to provide ongoing operational support to the mission of the Organization. The Organization is conscious of its need to establish an endowment type fund and as such has an interest in further development of the Connie Fund to meet that need. The Board of Trustees passed a motion which requires 100% Board approval to touch the corpus of this fund. Only the income from the fund will be used every year to support operations. Therefore, the Connie Fund is classified as Board designated net assets without donor restrictions.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of the 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.

In-Kind Contributions

The Organization receives various donations of professional services and supplies for its special events, which are recorded at their estimated fair market value on the date of donation. For the years ended December 31, 2018 and 2017, the Organization received donated securities with a fair market value of \$77,052 and \$111,715, respectively.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

ST. HUBERT'S GIRALDA

**Notes to Financial Statements (Continued)
December 31, 2018 and 2017**

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Direct Cost and Time & Effort
Benefits	Direct Cost and Time & Effort
Payroll taxes	Direct Cost and Time & Effort
Printing and publications	Direct Cost and Time & Effort
Professional services	Direct Cost
Travel	Direct Cost
Insurance	Direct Cost and Time & Effort
Depreciation	Direct Cost and Square Footage
Program supplies	Direct Cost
Equipment rental and repairs	Direct Cost
Office supplies and postage	Direct Cost and Time & Effort
Dues and subscriptions	Direct Cost
Training and workshops	Direct Cost
Advertising and promotion	Direct Cost
Utilities and ground maintenance	Direct Cost and Square Footage
Building rental	Direct Cost
Miscellaneous expense	Direct Cost
Items purchased for resale	Direct Cost

Reclassifications

Certain 2017 items were reclassified to conform to the 2018 presentation.

ST. HUBERT'S GIRALDA

Notes to Financial Statements (Continued) December 31, 2018 and 2017

Note 3 – Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover thirty days of general expenditures (approximately \$708,000). Financial assets in excess of daily cash requirements are invested in marketable securities. These securities are considered long-term but are available if the need arises.

The following represents the financial assets at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,399,722	\$ 1,358,026
Accounts receivable	477,872	463,531
Bequests receivable	386,871	381,000
Investments	3,177,609	3,421,511
Accrued interest receivable	25,057	24,040
	<u>5,467,131</u>	<u>5,648,108</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>1,304,500</u>	<u>1,384,702</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,162,631</u>	<u>\$ 4,263,406</u>

Note 4 - Investments

Investments consisted of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Equities	\$ 1,104,687	\$ 1,370,351	\$ 1,293,608	\$ 1,675,609
Corporate bonds	1,845,181	1,797,649	1,478,114	1,732,975
U.S. Government securities	<u>9,761</u>	<u>9,609</u>	<u>12,444</u>	<u>12,927</u>
Totals	<u>\$ 2,959,629</u>	<u>\$ 3,177,609</u>	<u>\$ 2,784,166</u>	<u>\$ 3,421,511</u>

ST. HUBERT'S GIRALDA

Notes to Financial Statements (Continued) December 31, 2018 and 2017

Note 5 - Fair Value Measurements

For financial assets and liabilities measured at fair value on a recurring basis, 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. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions made by management. Preference is given to observable inputs. In accordance with FASB ASC 820 fair value measurements are categorized into one of three levels (the fair value hierarchy) based on the inputs to the valuation techniques used to measure fair value as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2 – unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 – unobservable inputs which reflect the reporting entity's own assumptions on what assumptions market participants would use in pricing the asset or liability based on the best available information.

Marketable equity securities are traded in active markets and valued based on their quoted fair value by independent pricing vendors. Corporate bonds and U.S. government securities are valued using quotes from independent pricing vendors based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates for similar instruments.

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In such cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ST. HUBERT'S GIRALDA

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 5 - Fair Value Measurements (Continued)

The following tables set forth, by level within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018 and 2017:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	2018			
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Equities:				
Financial sector	\$ 381,771	\$ 381,771	\$ -	\$ -
Healthcare sector	249,929	249,929	-	-
Real estate sector	218,893	218,893	-	-
Energy sector	185,525	185,525	-	-
Utilities sector	153,296	153,296	-	-
Technology sector	99,338	99,338	-	-
Basic materials sector	66,421	66,421	-	-
Consumer goods sector	15,178	15,178	-	-
Total equities	<u>1,370,351</u>	<u>1,370,351</u>	<u>-</u>	<u>-</u>
Corporate bonds:				
Consumer goods sector	328,876	-	328,876	-
Technology sector	294,704	-	294,704	-
Financial sector	285,660	-	285,660	-
Industrial goods sector	239,564	-	239,564	-
Communications sector	170,417	-	170,417	-
Energy sector	164,007	-	164,007	-
Basic materials sector	117,181	-	117,181	-
Healthcare sector	101,965	-	101,965	-
Services sector	59,261	-	59,261	-
Real estate sector	36,014	-	36,014	-
Total corporate bonds	<u>1,797,649</u>	<u>-</u>	<u>1,797,649</u>	<u>-</u>
Government securities:				
Mortgage-backed	9,609	-	9,609	-
Total assets	<u>\$ 3,177,609</u>	<u>\$ 1,370,351</u>	<u>\$ 1,807,258</u>	<u>\$ -</u>

ST. HUBERT'S GIRALDA

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

Note 5 - Fair Value Measurements (Continued)

	2017	Fair Value Measurements at Reporting Date Using		
		Total	(Level 1)	(Level 2)
Equities:				
Financial sector	\$ 426,552	\$ 426,552	\$ -	\$ -
Real estate sector	377,843	377,843	-	-
Energy sector	265,246	265,246	-	-
Healthcare sector	199,076	199,076	-	-
Technology sector	163,633	163,633	-	-
Utilities sector	119,210	119,210	-	-
Basic materials sector	110,825	110,825	-	-
Industrial goods sector	13,224	13,224	-	-
Total equities	1,675,609	1,675,609	-	-
Corporate bonds:				
Consumer goods sector	340,801	-	340,801	-
Technology sector	306,575	-	306,575	-
Financial sector	301,850	-	301,850	-
Industrial goods sector	184,796	-	184,796	-
Communications sector	174,297	-	174,297	-
Energy sector	167,968	-	167,968	-
Healthcare sector	91,952	-	91,952	-
Services sector	67,436	-	67,436	-
Basic materials sector	59,767	-	59,767	-
Real estate sector	37,533	-	37,533	-
Total corporate bonds	1,732,975	-	1,732,975	-
Government securities:				
Mortgage-backed	12,927	-	12,927	-
Total assets	\$ 3,421,511	\$ 1,675,609	\$ 1,745,902	\$ -

ST. HUBERT'S GIRALDA

**Notes to Financial Statements (Continued)
December 31, 2018 and 2017**

Note 5 - Fair Value Measurements (Continued)

Maturity dates for the bonds held at December 31, 2018 range from 2019 to 2037. The fair value of maturities of the bonds are as follows:

Due in one year or less	\$ 358,908
Due in one to five years	1,344,184
Due in five to ten years	94,557
Due in ten to fifteen years	-
Due in fifteen to twenty years	<u>9,609</u>
Total	\$ <u>1,807,258</u>

Note 6 - Property and Equipment

Property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 733,387	\$ 733,387
Building and improvements	16,351,165	16,301,350
Equipment	495,108	1,174,556
Vehicles	370,413	393,954
Construction in progress	<u>1,927,978</u>	<u>1,836,973</u>
	19,878,051	20,440,220
Accumulated depreciation	<u>(3,739,742)</u>	<u>(3,964,827)</u>
Totals	\$ <u>16,138,309</u>	\$ <u>16,475,393</u>

For the years ended December 31, 2018 and 2017, depreciation expense amounted to \$512,709 and \$507,749, respectively.

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following:

	<u>2018</u>	<u>2017</u>
Building fund	\$ 190,238	\$ 399,429
Program restrictions	<u>1,114,262</u>	<u>985,273</u>
Totals	\$ <u>1,304,500</u>	\$ <u>1,384,702</u>

ST. HUBERT'S GIRALDA

Notes to Financial Statements (Continued) December 31, 2018 and 2017

Note 7 – Net Assets with Donor Restrictions (Continued)

Net assets released from net assets with donor restrictions are as follows:

	<u>2018</u>	<u>2017</u>
Building fund	\$ 222,646	\$ 20,419
Program restrictions	<u>1,449,966</u>	<u>1,137,616</u>
Totals	<u>\$ 1,672,612</u>	<u>\$ 1,158,035</u>

Note 8 - Pension Plan

The Organization has a defined contribution plan covering substantially all of its employees. Employer contributions are discretionary and are based on up to five percent of covered employees' salaries. Employees may elect to make salary reduction contributions to the plan. The Organization did not contribute to the plan for the years ended December 31, 2018 and 2017.

Note 9 - Lease Commitment

The Organization leases office equipment under various operating leases expiring through September 2022.

Aggregate future minimum payments are as follows:

<u>Year Ended December 31,</u>	
2019	\$ 18,024
2020	6,072
2021	4,772
2022	<u>1,629</u>
Total	<u>\$ 30,497</u>

For the years ended December 31, 2018 and 2017, rent expense amounted to \$18,024 and \$16,395, respectively.

Note 10 - Litigation

The Organization is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material effect on the financial condition or results of operations of the Organization.

ST. HUBERT'S GIRALDA

Notes to Financial Statements (Continued) December 31, 2018 and 2017

Note 11 - Subsequent Events

Management evaluated all activity of the Organization through October 23, 2020, the date which the financial statements were available to be issued, and concluded that no subsequent events occurred that would require recognition or disclosure in the financial statements or notes, except as described below.

On August 27, 2019, the Organization merged with Washington Humane Society d/b/a Humane Rescue Alliance (Alliance). The merger has resulted in the largest regional animal welfare organization on the east coast. As a result of the merger, the Alliance acquired all of the assets and liabilities of the Organization.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.