

Santa Maria Valley Humane Society

Financial Statements

Year Ended June 30, 2018

**Santa Maria Valley Humane Society
Financial Statements
Year Ended June 30, 2018**

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Independent Auditors' Report

To the Board of Directors of
Santa Maria Valley Humane Society

We have audited the accompanying financial statements of Santa Maria Valley Humane Society (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 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 auditors' 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.

Board of Directors

Santa Maria Valley Humane Society

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Maria Valley Humane Society as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation

San Luis Obispo, California

November 15, 2018

Santa Maria Valley Humane Society
Statement of Financial Position
June 30, 2018

Assets

Current assets:

Cash and cash equivalents	\$ 317,850
Accounts receivable	5,000
Bequest receivable	132,500
Promises to give, net of allowance	73,076
Inventories	40,544
Prepaid expenses	7,522
Investments	<u>950,842</u>
Total current assets	1,527,334

Property and equipment, net of accumulated depreciation and amortization 3,845,880

Other assets:

Investments 55,445

Total assets \$ 5,428,659

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 86,913
Payroll liabilities	44,537
Accrued liabilities	40,370
Line of credit	50,000
Current portion of notes payable	<u>25,000</u>
Total current liabilities	<u>246,820</u>

Long-term liabilities:

Notes payable, net of current portion 75,000

Total long term liabilities 75,000

Total liabilities 321,820

Net assets:

Unrestricted 5,006,774

Board designated quasi-endowment 55,445

Temporarily restricted 44,620

Total net assets 5,106,839

Total liabilities and net assets \$ 5,428,659

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

Santa Maria Valley Humane Society
Statement of Activities
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and other revenue:			
Contributions	\$ 376,973	\$ 163,211	\$ 540,184
Grants	218,880		218,880
In kind contributions - donated lease	146,400		146,400
In kind contributions - goods and services	49,067		49,067
Shelter services	123,503		123,503
Veterinary services	391,765		391,765
Fundraising, net of direct costs of \$43,674	343,495		343,495
Interest and dividends	24,032		24,032
Realized and unrealized gains on investments	10,949		10,949
Miscellaneous income	4,003		4,003
Loss on disposal of assets	<u>(1,437)</u>		<u>(1,437)</u>
 Total support and other revenue	 <u>1,687,630</u>	 <u>163,211</u>	 <u>1,850,841</u>
 Net assets released from restrictions	 <u>208,507</u>	 <u>(208,507)</u>	 <u>-</u>
 Expenses:			
Program services - shelter	1,102,743		1,102,743
Program services - clinic	725,553		725,553
Management and general	237,791		237,791
Fundraising	<u>186,211</u>		<u>186,211</u>
Total expenses	<u>2,252,298</u>		<u>2,252,298</u>
 Change in net assets	 (356,161)	 (45,296)	 (401,457)
 Net assets - beginning of year	 <u>5,418,380</u>	 <u>89,916</u>	 <u>5,508,296</u>
 Net assets - end of year	 <u>\$ 5,062,219</u>	 <u>\$ 44,620</u>	 <u>\$ 5,106,839</u>

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

Santa Maria Valley Humane Society
Statement of Functional Expenses
Year Ended June 30, 2018

	<u>Program Services</u>		<u>Support Services</u>		<u>Total</u>
	<u>Shelter</u>	<u>Clinic</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and wages	\$ 466,709	\$ 259,372	\$ 149,615	\$ 25,179	\$ 900,875
Contractors	6,522	180,546		10,684	197,752
In kind contributions expense - lease	146,400				146,400
Depreciation and amortization	98,711	13,697	3,542	2,125	118,075
Pet medications	3,322	109,952			113,274
Advertising and promotion	30,158	20,294		60,757	111,209
Payroll tax and service	52,372	25,537	5,301	9,327	92,537
Utilities	61,402	8,520	2,203	1,323	73,448
Discounted services	24,527	46,344			70,871
In kind contributions expense - other	22,127			26,940	49,067
Repairs and maintenance	28,320	3,928	1,015	608	33,871
Outside veterinary fees	26,854	5,285			32,139
Supplies	18,292	1,299	6,363	1,813	27,767
Employee training and appreciation	12,613	5,239	3,591	4,832	26,275
Insurance	20,464	2,839	734	441	24,478
Licenses and fees	9,108	12,924	34		22,066
Equipment	3,416	14,644	2,905		20,965
Bank and merchant fees	1,731	6,539		10,962	19,232
Workers' compensation	10,091	3,616	1,896	3,335	18,938
Printing and publications	1,245	53	3,298	12,620	17,216
Equipment rental (copier)	12,000		2,476		14,476
Audit and accounting			14,325		14,325
Information technology	10,968	1,522	394	236	13,120
Investment management fees			12,849		12,849
Employee benefits	463		12,001	78	12,542
Cost of goods sold	10,285	2,214			12,499
Pet food	11,994				11,994
Miscellaneous			4,290	5,975	10,265
Volunteer and education program	7,574				7,574
Donor acknowledgement				6,578	6,578
Interest			4,704		4,704
Postage and shipping	312		1,462	2,398	4,172
Uniforms	1,856	1,189			3,045
Vehicles	2,468				2,468
Legal fees			1,700		1,700
Taxes	439		1,213		1,652
Dues and subscriptions			1,524		1,524
Bad debt expense			356		356
	<u>\$ 1,102,743</u>	<u>\$ 725,553</u>	<u>\$ 237,791</u>	<u>\$ 186,211</u>	<u>\$ 2,252,298</u>

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

Santa Maria Valley Humane Society
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from operating activities:		
Change in net assets		\$ (401,457)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	\$ 118,075	
Loss on disposal of assets	1,437	
Realized and unrealized gains on investments	(10,949)	
Note payable forgiveness	(25,000)	
Changes in operating assets and liabilities:		
Accounts receivable	(369)	
Bequest receivable	(132,500)	
Promises to give, net of allowance	(61,876)	
Inventories	(18,833)	
Prepaid expenses	1,397	
Accounts payable	79,850	
Payroll liabilities	30,751	
Accrued liabilities	28,001	
Net cash used in operating activities		(391,473)
Cash flows from investing activities:		
Cash received from certificate of deposit	202,405	
Purchases of property and equipment	(245,720)	
Purchase of investments	(2,384,327)	
Reinvested proceeds from sale of investments	1,611,663	
Net cash used in investing activities		(815,979)
Cash flows from financing activities:		
Borrowings on line of credit, net	50,000	
Repayments on note payable	(2,155)	
Net cash provided by financing activities		47,845
Net decrease in cash and cash equivalents		(1,159,607)
Cash and cash equivalents - beginning of year		1,477,457
Cash and cash equivalents - end of year		\$ 317,850
Supplemental disclosures of cash flow information:		
Interest paid during the period		\$ 4,704

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

Santa Maria Valley Humane Society
Notes to Financial Statements
June 30, 2018

Note 1: Nature of Business

Santa Maria Valley Humane Society (the Organization), a California non-profit public benefit corporation and a 501(c)(3) exempt organization under the Internal Revenue Service code, provides shelter, care, adoption, and veterinary services to homeless dogs and cats in the greater Santa Maria Valley area of California. The Organization also provides educational services on topics such as animal welfare, pet overpopulation, and the responsibilities of pet ownership. The Organization derives its revenues primarily from contributions, grants, and fundraising.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, which recognizes all revenue as income when earned and operating expenses as deductions from income when incurred. The Organization reports information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted and permanently restricted. There were no permanently restricted net assets as of June 30, 2018.

Estimates

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.

Contribution and Grant Revenue

All contribution and grant revenues are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily or permanently restricted. The restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restriction when the donor stipulated time restriction ends or the purpose restriction is accomplished by the Organization. Donor-restricted contributions and grants whose restrictions are met in the same year are reported as unrestricted support. All gifts granted to the Organization are recorded at fair market value at the time of receipt.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments including demand deposits, money market accounts and certificates of deposit purchased with an original maturity of three months or less to be cash and cash equivalents. The Organization had cash equivalents at June 30, 2018 of \$166,109.

Santa Maria Valley Humane Society

Notes to Financial Statements

June 30, 2018

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Note 2: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

The Organization provides an allowance for uncollectible accounts receivable based upon prior experience and management's assessment of the collectability of specific existing accounts. Based on a review of accounts receivable, management has determined that an allowance for doubtful accounts was unnecessary at June 30, 2018. Any bad debts in the future would be charged off as incurred.

Bequest Receivable

The Organization was named as the beneficiary of a 50% interest in a residential property in Santa Maria, California in November 2017. The Organization expects a sale of this property to occur within the next fiscal year, at which time the Organization will receive 50% of the sales proceeds. A fair value of this interest has been determined based on an appraisal of the property, and a receivable for \$132,500 has been included on the statement of financial position accordingly.

Promises to Give

Promises to give are unconditional promises to make future payments to the Organization. Promises to give are recognized as contributions in the period pledged when all applicable eligibility requirements are met. Promises to give are recorded net of an allowance for doubtful accounts of \$5,074 at June 30, 2018. Management has determined that the discount to record promises to give at their present value is immaterial to the financial statements and therefore it has not been recorded.

Inventories

Inventories consist of pet care products and other retail items held for resale at the shelter and clinic. Inventories are recorded at the lower of cost or market value, using the average cost method.

Investments and Quasi-Endowment Investments

The Organization initially records marketable securities at acquisition cost if purchased and subsequently carries them at fair value. Donated investments are reported at fair value at the date of gift. Realized gains and losses on dispositions are based on the net proceeds and the adjusted carrying value of the securities sold. Net unrealized gains and losses represent the net change in fair value of the securities and are recorded as an increase or decrease to net assets.

Santa Maria Valley Humane Society

Notes to Financial Statements

June 30, 2018

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Note 2: Summary of Significant Accounting Policies (Continued)

The Organization maintains a board-designated quasi-endowment fund with the Santa Barbara Foundation (the Foundation). The Foundation makes all decisions regarding the investment of funds and charges a fee to the Organization to manage the funds. Investment fees for the Foundation quasi-endowment were \$626 for the year ended June 30, 2018. The quasi-endowment fund is included in unrestricted net assets.

The quasi-endowment is managed by the Foundation as follows:

Return Objectives and Risk Parameters:

The Foundation's goal is to achieve a total return on the Organization's investments equivalent to the Organization's spending requirements, including consideration of long-term inflation rates and management fees. The Foundation uses an investment time horizon of 25 years in which to achieve this goal. The Foundation recognizes both the need for annual income to be produced by the investment for the Organization, and the need for long-term growth of the principal balance in order to increase future purchasing power. These investment objectives call for a philosophy which avoids extreme positions or opportunistic styles and attempts to temper volatility.

Strategies Employed for Achieving Objectives:

To satisfy its objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization's quasi-endowment invests in a diversified portfolio of fixed income securities and domestic and international equities to provide liquidity and income, as well as other less liquid assets such as private equity, real estate, and hedge funds, to provide long-term appreciation.

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Organization's Board may appropriate for expenditure in any year as much of the net appreciation, realized and unrealized, in value of the quasi-endowment over the original dollar value of the investment as is deemed prudent, however not to exceed the maximum spending rate established under each specific investor's agreement. The maximum spending rate applicable to the Organization's investment is equal to 4% of the average fund balance over the past three years. The adherence to a maximum spending rate is intended to protect the fund from a decline in value due to the effects of inflation and the costs of investment management. This is consistent with the objectives of maintaining and growing the purchasing power of the quasi-endowment while still providing annual income to the Organization.

Property and Equipment

Buildings and improvements, purchased equipment and computers, and furniture are recorded at cost. Donated furniture and equipment are recorded at estimated fair value at the date of receipt and the Organization has adopted a policy of not implying a time restriction on donated assets, which are recorded as increases in unrestricted net assets. It is the policy of the Organization to capitalize assets with a unit cost of more than \$500. Depreciation of buildings and improvements, equipment and computers, and furniture is provided using the straight-line method over the estimated useful lives.

Santa Maria Valley Humane Society

Notes to Financial Statements

June 30, 2018

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Note 2: Summary of Significant Accounting Policies (Continued)

Buildings and improvements	10 - 50 years
Furniture and fixtures	10 - 20 years
Equipment and computers	3 - 10 years

Fair Value Measurements

The Organization records its financial assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) (the Topic). This Topic provides a framework for measuring fair value, clarifies the definition of fair value and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The Topic also establishes a three-tier hierarchy, as follows, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value:

Investments: Common stock and mutual funds are recorded at fair value based upon quoted market prices using Level 1 inputs. Quasi-endowment investments are recorded at fair value based upon quoted market prices using Level 2 inputs.

Santa Maria Valley Humane Society

Notes to Financial Statements

June 30, 2018

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Note 2: Summary of Significant Accounting Policies (Continued)

This hierarchy requires the Organization to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock and mutual funds	\$ 950,842	\$	\$	\$ 950,842
Santa Barbara Foundation Fund		55,445		55,445
Total assets at fair value	<u>\$ 950,842</u>	<u>\$ 55,445</u>	<u>\$ -</u>	<u>\$ 1,006,287</u>

Income Taxes

The Organization is recognized by the Internal Revenue Service as a qualified section 501(c)(3) non-profit organization, and as such, is not liable for Federal income and State franchise tax. However, the Organization remains subject to taxes on any net income that is derived from a trade or business, regularly carried on, and unrelated to its exempt purpose with certain exclusions. No income taxes have been recorded in the accompanying financial statements since management believes the Organization has no taxable unrelated business income.

Income Taxes Topic of FASB ASC requires, among other things, the recognition and measurement of tax positions based on a "more likely than not" (likelihood greater than 50%) approach. As of June 30, 2018, management has considered its tax positions and believes that the Organization did not maintain any tax positions that did not meet the "more likely than not" threshold. The Organization does not expect any material changes through June 30, 2019. However, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after June 30, 2015, and by the California Franchise Tax Board for fiscal years ending on or after June 30, 2014.

Donated Goods and Services

The Organization receives donations of time and services from members of the community and volunteers that are recorded in the financial statements if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of these donations is not reflected in the accompanying financial statements since they do not meet the two recognition criteria described above.

In-kind donations of supplies and fixed assets used directly by the organization are valued at their appraised values at the time of the gift. The total value of these in kind contributions was \$195,467 for the year ended June 30, 2018, which included \$146,400 of contributed property rental, discussed further in Note 9.

Santa Maria Valley Humane Society

Notes to Financial Statements

June 30, 2018

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Note 2: Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the year ended June 30, 2018 totaled \$111,209.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentrations

Credit Risk:

The Organization's bank accounts from time to time exceed the Federal Deposit Insurance Corporation (FDIC) limit, which covers up to \$250,000 of the Organization's combined accounts. As of June 30, 2018, the company had no funds in excess of FDIC insurance limits.

Major Funding:

At June 30, 2018, pledges from two donors made up 38% of the promises to give balance.

Note 3: Promises to Give

At June 30, 2018, promises to give were comprised of:

Solar panel project	\$ 3,300
Board holiday pledges	4,700
Humane Heroes	<u>70,150</u>
	78,150
Less allowance for uncollectible accounts	<u>(5,074)</u>
Promises to give, net	<u>\$ 73,076</u>
Amounts due in:	
One year or less	\$ 20,500
One to five years	<u>57,650</u>
Total amounts due	<u>\$ 78,150</u>

Santa Maria Valley Humane Society

Notes to Financial Statements

June 30, 2018

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Note 4: Investments and Quasi-Endowment Investments

At June 30, 2018, investments were carried at fair value and consisted of the following:

Common stock and mutual funds	\$ 950,842
Quasi-endowment investments:	
Santa Barbara Foundation Endowment Fund	<u>55,445</u>
Total investments	<u>\$ 1,006,287</u>

Quasi-Endowment Investments

The Santa Barbara Foundation Fund represents a quasi-endowment established by the board in October 2016 and is invested with the Santa Barbara Foundation (the Foundation). The Foundation is a California non-profit, non-stock, public benefit corporation that was established in 1928. The Foundation administers various funds contributed by individuals, organization, and businesses. The funds are managed as a pool of assets. The Foundation's portfolio includes a wide range of investments, including domestic and international equities, fixed income securities, and alternative investments.

For the year ended June 30, 2018, changes in quasi-endowment net assets were as follows:

Quasi-endowment net assets - beginning of year	\$ 53,195
Investment return:	
Investment income, net of fees	477
Net appreciation (realized and unrealized)	<u>1,773</u>
Quasi-endowment net assets - end of year	<u>\$ 55,445</u>

Note 5: Property and Equipment

At June 30, 2018, property and equipment consisted of the following:

Buildings & improvements	\$ 3,864,258
Machinery & equipment	169,365
Furniture & fixtures	181,777
Computers & software	21,555
Vehicles	<u>41,445</u>
	4,278,400
Less accumulated depreciation and amortization	<u>(432,520)</u>
Property and equipment, net of accumulated depreciation and amortization	<u>\$ 3,845,880</u>

Santa Maria Valley Humane Society

Notes to Financial Statements

June 30, 2018

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Note 6: Notes Payable

At June 30, 2018, notes payable consisted of the following:

Note payable to the Lee Heller Trust for an original amount of \$125,000. Note is non-interest bearing and the principal is due in annual installments of \$25,000 through June 2022. A discount on the note was not recorded as it was considered immaterial to the financial statements.

	<u>\$ 100,000</u>
	100,000
Less current portion	<u>(25,000)</u>
Notes payable, net of current portion	<u><u>\$ 75,000</u></u>

At June 30, 2018, future minimum principal payments were as follows:

<u>For the Year Ending June 30,</u>	
2019	\$ 25,000
2020	25,000
2021	25,000
2022	<u>25,000</u>
Total	<u><u>\$ 100,000</u></u>

Note 7: Line of Credit

On April 5, 2017, the Organization entered into a \$250,000 revolving line of credit with Rabobank. The line of credit matures on March 26, 2019. The line of credit bears interest at 6.75% annually. The outstanding balance on the line of credit was \$50,000 at June 30, 2018.

Note 8: Net Assets

At June 30, 2018, temporarily restricted net assets were available for the following purposes:

Animal Charitable Foundation	\$ 3,209
Chrissy's Fund	1,911
Guardian angel program	11,594
Solar panel project	26,305
Squeaky's fund (cat food/medicine)	<u>1,601</u>
Temporarily restricted net assets	<u><u>\$ 44,620</u></u>

Santa Maria Valley Humane Society

Notes to Financial Statements

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Note 9: Operating Lease

The Organization leases 21,000 square feet of property from the City of Santa Maria under a forty year operating lease agreement effective July 20, 2010, with the option to extend the lease for two additional five year periods upon maturity. This property contains the Organization's main operating office and facilities, which are owned outright by the Organization and not included in the lease agreement. The monthly rent on the property has been waived by the City of Santa Maria for the duration of the lease as the Organization is deemed to provide valuable services to the community. The fair value of the lease for the year ended June 30, 2018 has been recorded at \$146,400 and included as in-kind contributions on the statement of activities.

Note 10: Related Party Transactions

The Organization occasionally receives donation pledges from employees and members of the Board of Directors. At June 30, 2018 pledges receivable from related parties totaled \$13,450, and were included in promises to give on the statement of financial position.

Note 11: Power Purchase Agreement

In December 2016 the Organization entered into a power purchase agreement with a solar power supplier. Under the agreement, the Organization purchases solar energy from the power supplier for a monthly fee based upon kilowatt hours of energy used each month. The solar power is provided by solar panels installed on the roof of the Organization's office building. Legal title to the solar panels is not held by the Organization, but rather by the power supplier, who leases the roof space from the Organization at a nominal monthly amount. Solar panel installation was completed in December 2017, at which time the power purchase agreement officially commenced.

The minimum term of this power purchase agreement is five years, at which time the Organization may choose to extend the agreement for a maximum of 15 additional years. If the Organization withdraws from the power purchase agreement at any time after commencement, it will be required to pay the stipulated loss value, which ranges from \$228,000 in year one to \$30,000 in year twenty. The Organization has the option of purchasing the solar panels from the power supplier at their current fair market value at the end of years 5, 10, or 20 of the agreement.

Note 12: Subsequent Events

Events subsequent to June 30, 2018 have been evaluated through November 15, 2018, which is the date the financial statements were available to be issued. Management did not identify any subsequent events that meet the requirements for disclosure.