

**FAYETTE COUNTY HUMANE SOCIETY**

**Financial Statements**

**December 31, 2021**

# FAYETTE COUNTY HUMANE SOCIETY

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## Independent Auditor's Report

To the Board of Directors  
Fayette County Humane Society  
Washington Court House, Ohio

### Opinion

We have audited the accompanying financial statements of Fayette County Humane Society (a nonprofit corporation, the "Organization"), which comprise the statement of assets, liabilities and net assets - modified cash basis as of December 31, 2021, and the related statements of revenues and expenses – modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fayette County Humane Society as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting.

### Basis for Opinion

We conducted our audit on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fayette County Humane Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

ATLAS CPAs & Auditors PLLC

Cincinnati, OH  
December 19, 2022



**FAYETTE COUNTY HUMANE SOCIETY**  
**Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis**  
**December 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 313,484	\$ 426,770	\$ 740,254
Pledges receivable, net	-	16,000	16,000
Investments, at fair value	444,645	-	444,645
TOTAL CURRENT ASSETS	758,129	442,770	1,200,899
<b>TOTAL ASSETS</b>	<b>\$ 758,129</b>	<b>\$ 442,770</b>	<b>\$ 1,200,899</b>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Credit card payable	\$ 3,537	\$ -	\$ 3,537
TOTAL CURRENT LIABILITIES	3,537	-	3,537
<b>TOTAL LIABILITIES</b>	<b>3,537</b>	<b>-</b>	<b>3,537</b>
<b>NET ASSETS</b>	<b>754,592</b>	<b>442,770</b>	<b>1,197,362</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 758,129</b>	<b>\$ 442,770</b>	<b>\$ 1,200,899</b>

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

**FAYETTE COUNTY HUMANE SOCIETY**  
**Statement of Revenues and Expenses - Modified Cash Basis**  
**For the Year Ended December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND PUBLIC SUPPORT</b>			
Donation	\$ 571,956	\$ 85,330	\$ 657,286
In kind contributions	8,713	-	8,713
Grants	128,184	-	128,184
Investment return, net	36,312	-	36,312
Paycheck protection program	-	46,202	46,202
Other income	9,300	-	9,300
Release of restrictions	189,948	(189,948)	-
	<u>944,413</u>	<u>(58,416)</u>	<u>885,997</u>
<b>FUNCTIONAL EXPENSES</b>			
Program	480,462	-	480,462
General and administrative	263,904	-	263,904
Fundraising	90,744	-	90,744
	<u>835,110</u>	<u>-</u>	<u>835,110</u>
<b>CHANGE IN NET ASSETS</b>	109,303	(58,416)	50,887
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>645,289</u>	<u>501,186</u>	<u>1,146,475</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 754,592</u>	<u>\$ 442,770</u>	<u>\$ 1,197,362</u>

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

**FAYETTE COUNTY HUMANE SOCIETY**  
**Statement of Functional Expenses - Modified Cash Basis**  
**For the Year Ended December 31, 2021**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 203,646	\$ -	\$ -	\$ 203,646
Payroll taxes	65,502	-	-	65,502
Office	283	51,930	10,895	63,108
Employment benefits	10,086	-	-	10,086
Insurance	10,632	-	-	10,632
Miscellaneous	14,524	-	979	15,503
Professional fees	-	6,511	-	6,511
Contract services	-	88,845	-	88,845
Adoption	25,151	-	-	25,151
Vehicle expense	25,024	-	-	25,024
Communication	-	3,177	-	3,177
Outreach	-	-	31,148	31,148
Education	1,164	-	-	1,164
Medical	115,737	-	-	115,737
Event	-	-	47,722	47,722
Bank Fees	-	4,587	-	4,587
Bad debt	-	108,854	-	108,854
In kind donations	8,713	-	-	8,713
Total functional expenses	<u>\$ 480,462</u>	<u>\$ 263,904</u>	<u>\$ 90,744</u>	<u>\$ 835,110</u>

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

**FAYETTE COUNTY HUMANE SOCIETY**  
**Statement of Cash Flows - Modified Cash Basis**  
**For the Year Ended December 31, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 50,887
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized (gains) losses on investments	(31,290)
(Increase) decrease in:	
Pledges receivable	108,854
Increase (decrease) in:	
Credit card	<u>2,057</u>
Net cash provided by operating activities	<u>130,508</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(19,800)
Proceeds from sales of investments	<u>329,005</u>
Net cash provided by investing activities	<u>309,205</u>
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	 439,713
 <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	 <u>300,541</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 <u><u>\$ 740,254</u></u>

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



**FAYETTE COUNTY HUMANE SOCIETY**  
**Notes to the Financial Statements**  
**December 31, 2021**

**NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

Fayette County Humane Society (the Organization) is a nonprofit corporation organized in 1979 under the laws of the state of Ohio. The Organization's mission is to promote and protect the welfare of domestic animals and to honor the human-companion animal bond. They educate the public about humane treatment of domestic animals and facilitate the adoption of homeless animals. The Organization is funded by Donations from individuals and Groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when incurred. Modifications include recognition of accounts receivable from chapters, accrual of payroll taxes, and capitalization of certain property and equipment.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that 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 directors.

Net assets with donor restrictions: Net assets 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 the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Organization currently does not have net assets with restrictions that are perpetual in nature.

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 statement of activities. The Organization currently has \$442,770 net assets with donor restrictions.

Measure of Operations

The statement of revenues and expenses report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing programs and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be more unusual or nonrecurring in nature. All activities of the Organization were operating activities in 2021.

**FAYETTE COUNTY HUMANE SOCIETY**  
**Notes to the Financial Statements**  
**December 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

As of December 31, 2021, the Organization had cash balances in excess of federally insured limits of \$490,254.

Pledges Receivable

The Organization receives pledges for donations from various organizations and individuals. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is calculated at the federal prime rate. Discount amortization is included in contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend on substantially met.

An allowance for uncollectible pledges is determined based on management's evaluation of the collectability of individual promises. For the year ended December 31, 2021 management estimated \$108,854 allowance for doubtful accounts.

Investments

Investments are reported at their fair values in the statement of assets, liabilities, and net assets. Net investment return (loss) is reported in the statement of revenues and expenses and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising costs were \$0 for the year ended December 31, 2021.

**FAYETTE COUNTY HUMANE SOCIETY**  
**Notes to the Financial Statements**  
**December 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- quoted prices for similar assets/liabilities in active markets;
- quoted prices for identical or similar assets in non-active markets;
- inputs other than quoted prices that are observable for the asset or liability,
- inputs that are derived principally from other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methods used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Revenue Recognition

Contributions are recognized as revenue in the period the unconditional promise is made. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions, grants and bequests are recognized with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenues and expenses as net assets released from restriction. As of December 31, 2021, there were no conditional promises to give with conditions that have not been met.

**FAYETTE COUNTY HUMANE SOCIETY**  
**Notes to the Financial Statements**  
**December 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In-Kind Donations

The Organization receives a significant number of hours of donated services from members of the Board of Directors and other volunteers in support of its programs. Donated services are recorded as public support only if they create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No donated professional services have been recognized in the financial statements for the year ended December 31, 2021 as they did not meet the criteria.

Contributed goods are recorded at fair value at the date of donation.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of revenues and expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on the basis of time and effort or square footage. Costs that have been allocated on the basis of time and effort include grants, salaries and benefits, and professional fees. Occupancy costs have been allocated by square footage.

In 2021, approximately 58% of the Organization's total expenses related to program services, 32% to management and general services, and 3% to fundraising activities.

Income Taxes

The Organization is an Ohio nonprofit corporation and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report any unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Management has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements as of December 31, 2021. The Organization believes the only years open for potential IRS audits are the years ended December 31, 2018 to 2021.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures. On an ongoing basis, management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

**FAYETTE COUNTY HUMANE SOCIETY**  
**Notes to the Financial Statements**  
**December 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounting Standards Update

*Lease Accounting Standard*

In February 2016, the FASB issued ASU No. 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This ASU will be effective for the years ending after December 15, 2022. The Organization is presently evaluating the effect that this ASU will have on its future financial statements, including related disclosures.

**NOTE 3 - AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at December 31:

	<b>2021</b>
Financial assets at year end:	
Cash and cash equivalents	\$ 740,254
Investments	444,645
Total financial assets	1,184,899
Pledges receivable due in one year	16,000
Less amounts not available to be used in one year:	
Net assets with donor restrictions	(442,770)
Financial assets available to meet general expenditures over the next twelve months	\$ 758,129

The Organization has normal and recurring monthly expenses of approximately \$40,000. Cash flows fluctuate throughout the year due to the timing of contributions. It is the desire of the Organization to maintain availability sufficient to cover approximately six months of cash requirements.

**NOTE 4 - PLEDGES RECEIVABLE**

Pledges receivable consisted of \$16,000 due within one year at December 31, 2021.

**FAYETTE COUNTY HUMANE SOCIETY**  
**Notes to the Financial Statements**  
**December 31, 2021**

**NOTE 5 - INVESTMENTS**

The following table sets forth by level, within the fair value hierarchy, the investments measured at fair value on a recurring basis as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,776	\$ -	\$ -	\$ 1,776
Equity mutual funds.	289,306	-	-	\$ 289,306
Fixed income mutual funds	153,561	-	-	\$ 153,561
	<u>\$ 444,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 444,643</u>

Investment return for the year ended December 31, 2021 consisted of:

Interest and dividends	\$ 9,663
Fees	(6,187)
Realized gains	16,388
Unrealized gains	<u>16,448</u>
Net investment return	<u>\$ 36,312</u>

The Organization invests in various investment securities through brokerage accounts. 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 those changes could materially affect investment income and total net assets.

**NOTE 6 - NET ASSETS**

Net assets with donor restrictions were as follows as of December 31, 2021:

Specific Purpose - Building Fund	<u>\$ 442,770</u>
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Net assets without donor restrictions were as follows as of December 31, 2021:

Undesignated	<u>\$ 758,129</u>
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Net assets released from donor restrictions for the year ended December 31, 2021 were as follows:

Satisfaction of Purpose Restrictions	<u>\$ 189,948</u>
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**FAYETTE COUNTY HUMANE SOCIETY**  
**Notes to the Financial Statements**  
**December 31, 2021**

**NOTE 7 - DONATED GOODS AND SERVICES**

During the year ended December 31, 2021, the Organization received in kind donations as well as various services in connection with its animal care. The fair value of in-kind donations and donated services used in the operations of its programs for the year ended December 31, 2021 were \$8,713.

**NOTE 8 - PAYCHECK PROTECTION PROGRAM**

During the year, the Organization received a forgivable loan in the amount of \$46,202 under the Small Business Administration's Paycheck Protection Program (PPP). The loans bears interest at 1% and was to be due in April 2022. PPP allows for a portion of the loan (up to the full amount) to be forgiven based on qualifying expenses. During the year ended December 31, 2021, the Organization incurred the qualifying expenses in excess of the loan amount and has recognized the entire amount of \$46,202 on the statement of revenues and expenses.

**NOTE 9 - EMPLOYEE BENEFIT PLAN**

The Fayette County Humane Society has a tax-deferred 401(k) plan covering all employees. The assets are held for each employee in an individual account maintained by an investment firm. Fayette County Humane Society's match is 5% of each qualified employee's basic contribution. Plan contributions before non-vesting forfeiture incurred by Fayette County Humane Society during the year ended December 31, 2021 were \$10,086.

**NOTE 10 - SUBSEQUENT EVENTS**

Management reviews events and transactions occurring subsequent to the date of the financial statements for matters requiring potential recognition or disclosure in the financial statements. The Organization has evaluated subsequent events through October 19, 2022, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Organization's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, delays, loss of, or reduction to, revenue and funding. Management believes the Organization is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.