

Humane Society of Greater Dayton

Financial Statements

December 31, 2019 and 2018



FLAGEL HUBER FLAGEL
Certified Public Accountants | Business Advisors

Humane Society of Greater Dayton

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December 31, 2019 and 2018

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Certified Public Accountants | Business Advisors

Independent Auditor's Report

To the Board of Directors
Humane Society of Greater Dayton

We have audited the accompanying financial statements of Humane Society of Greater Dayton (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of Greater Dayton as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants
Dayton, Ohio
September 22, 2020

Humane Society of Greater Dayton
Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash, cash equivalents, and restricted cash	\$ 4,062,921	\$ 2,015,414
Pledges receivable - capital campaign, net	1,050,541	763,439
Contributions receivable	190,698	31,000
Grant receivable	0	4,500
Investments	732,366	588,573
Prepaid expenses	7,231	9,743
Total Current Assets	<u>6,043,757</u>	<u>3,412,669</u>
Other Assets		
Pledges receivable - capital campaign, net	31,879	662,282
Contributions receivable, net	2,001,229	0
Property and equipment, net	1,320,906	1,308,268
Deposits	190	190
Investments - permanently restricted	148,416	148,416
Total Other Assets	<u>3,502,620</u>	<u>2,119,156</u>
Total Assets	<u>\$ 9,546,377</u>	<u>\$ 5,531,825</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 116,731	\$ 68,576
Accrued expenses	42,365	38,697
Total Current Liabilities	<u>159,096</u>	<u>107,273</u>
Net Assets		
Without donor restrictions:		
Undesignated	3,167,083	2,687,734
Board designated - building	0	44,845
Board designated - endowment	0	54,392
Total net assets without donor restrictions	<u>3,167,083</u>	<u>2,786,971</u>
With donor restrictions	6,220,198	2,637,581
Total Net Assets	<u>9,387,281</u>	<u>5,424,552</u>
Total Liabilities and Net Assets	<u>\$ 9,546,377</u>	<u>\$ 5,531,825</u>

The accompanying notes are an integral part of these statements.

Humane Society of Greater Dayton
Statement of Activities
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 1,072,827	\$ 1,952,817	\$ 3,025,644
Contributions - capital campaign, net	0	1,615,900	1,615,900
Special events revenue (net of cost of direct benefits totaling \$28,327)	380,153	0	380,153
Grant revenue	81,349	20,900	102,249
In-kind contributions	103,345	0	103,345
Direct mail contributions	529,089	0	529,089
Adoption fees	134,935	0	134,935
Owner release fees	16,845	0	16,845
Service fees	103,646	0	103,646
Sales (net of cost of sales totaling \$11,665)	15,998	0	15,998
Net assets released from restrictions	7,000	(7,000)	0
Total support and revenue	<u>2,445,187</u>	<u>3,582,617</u>	<u>6,027,804</u>
Operating Expenses			
Program services	1,599,698	0	1,599,698
Management and general	257,880	0	257,880
Fundraising	370,242	0	370,242
Total operating expenses	<u>2,227,820</u>	<u>0</u>	<u>2,227,820</u>
Operating Change in Net Assets			
	<u>217,367</u>	<u>3,582,617</u>	<u>3,799,984</u>
Other Revenue (Expense)			
Interest income - capital campaign	16,052	0	16,052
Return on investments, net	144,226	0	144,226
Gain on sale of property	2,467	0	2,467
Total other revenue (expense)	<u>162,745</u>	<u>0</u>	<u>162,745</u>
Change in Net Assets	380,112	3,582,617	3,962,729
Net Assets - beginning of year	<u>2,786,971</u>	<u>2,637,581</u>	<u>5,424,552</u>
Net Assets - end of year	<u>\$ 3,167,083</u>	<u>\$ 6,220,198</u>	<u>\$ 9,387,281</u>

The accompanying notes are an integral part of these statements.

Humane Society of Greater Dayton
Statement of Activities
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 1,266,595	\$ 2,500	\$ 1,269,095
Contributions - capital campaign, net	0	1,573,141	1,573,141
Special events revenue (net of cost of direct benefits totaling \$28,115)	295,182	0	295,182
Grant revenue	11,250	4,500	15,750
In-kind contributions	27,205	0	27,205
Direct mail contributions	538,750	0	538,750
Adoption fees	137,818	0	137,818
Owner release fees	14,850	0	14,850
Service fees	85,149	0	85,149
Sales (net of cost of sales totaling \$9,070)	17,917	0	17,917
Net assets released from restrictions	13,000	(13,000)	0
Total support and revenue	<u>2,407,716</u>	<u>1,567,141</u>	<u>3,974,857</u>
Operating Expenses			
Program services	1,522,921	0	1,522,921
Management and general	366,817	0	366,817
Fundraising	411,170	0	411,170
Total operating expenses	<u>2,300,908</u>	<u>0</u>	<u>2,300,908</u>
Operating Change in Net Assets	<u>106,808</u>	<u>1,567,141</u>	<u>1,673,949</u>
Other Revenue (Expense)			
Return on investments, net	(41,978)	0	(41,978)
Change in Net Assets	64,830	1,567,141	1,631,971
Net Assets - beginning of year	<u>2,722,141</u>	<u>1,070,440</u>	<u>3,792,581</u>
Net Assets - end of year	<u>\$ 2,786,971</u>	<u>\$ 2,637,581</u>	<u>\$ 5,424,552</u>

The accompanying notes are an integral part of these statements.

Humane Society of Greater Dayton
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 640,305	\$ 107,760	\$ 151,699	\$ 899,764
Payroll taxes	45,550	9,162	2,061	56,773
Health insurance	36,308	1,979	3,217	41,504
Employee development	17,369	2,574	3,817	23,760
Professional services	159,369	43,038	50,356	252,763
Animal supplies	70,337	0	0	70,337
Shelter services	5,324	0	0	5,324
Veterinarian services	25,035	0	0	25,035
Veterinarian supplies	165,249	0	0	165,249
Auto expense	4,422	0	503	4,925
Facility maintenance	59,657	5,688	3,164	68,509
Liability insurance	17,328	3,024	1,097	21,449
Communications	19,770	3,343	1,657	24,770
Utilities	46,031	80	26	46,137
Rent	24,735	26	8	24,769
Technology	11,400	2,516	131	14,047
Depreciation	71,428	13,393	4,464	89,285
Special events	97,516	0	64,938	162,454
Capital campaign costs	19,881	58,410	59,093	137,384
Bank charges	21,330	3,748	1,249	26,327
General printing	13,184	0	2,715	15,899
Advertising	11,167	0	3,493	14,660
Postage	11,737	7	4,000	15,744
Licenses/permits	2,615	200	0	2,815
Organization dues	1,248	2,281	1,793	5,322
Meals and entertainment	1,403	651	761	2,815
Uncollectible promises to give	0	0	10,000	10,000
Total operating expenses	<u>\$ 1,599,698</u>	<u>\$ 257,880</u>	<u>\$ 370,242</u>	<u>\$ 2,227,820</u>

The accompanying notes are an integral part of these statements.

Humane Society of Greater Dayton
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 611,771	\$ 142,194	\$ 140,641	\$ 894,606
Payroll taxes	51,769	19,032	8,989	79,790
Health insurance	17,506	4,069	4,025	25,600
Employee development	11,239	1,658	2,200	15,097
Professional services	182,947	52,216	57,095	292,258
Animal supplies	47,103	0	0	47,103
Shelter services	8,726	0	439	9,165
Veterinarian services	21,697	0	0	21,697
Veterinarian supplies	143,873	742	1,000	145,615
Auto expense	4,603	2,895	742	8,240
Facility maintenance	70,115	4,487	2,878	77,480
Liability insurance	17,210	3,227	1,075	21,512
Communications	47,509	8,908	2,969	59,386
Utilities	38,390	7,198	2,400	47,988
Rent	18,383	3,447	4,468	26,298
Technology	24,513	2,717	2,795	30,025
Depreciation	69,122	12,960	4,321	86,403
Special events	95,160	0	67,046	162,206
Capital campaign costs	10,287	68,697	81,927	160,911
Bank charges	905	27,812	0	28,717
General printing	10,700	0	7,607	18,307
Advertising	7,276	0	8,246	15,522
Postage	8,062	6	8,115	16,183
Licenses/permits	1,588	0	249	1,837
Organization dues	1,892	3,780	250	5,922
Meals and entertainment	508	686	1,693	2,887
Miscellaneous	67	86	0	153
Total operating expenses	<u>\$ 1,522,921</u>	<u>\$ 366,817</u>	<u>\$ 411,170</u>	<u>\$ 2,300,908</u>

The accompanying notes are an integral part of these statements.

Humane Society of Greater Dayton
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 3,962,729	\$ 1,631,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	89,285	86,403
Realized gain on investments	(6,897)	(90,147)
Unrealized (gain) loss on investments	(112,316)	158,349
Gain on sale of property and equipment	(2,467)	0
Donated securities	0	(14,943)
Donated property and equipment	(46,951)	0
Changes in assets and liabilities:		
Pledges receivable - capital campaign	343,301	(802,916)
Contributions receivable	(2,160,927)	(31,000)
Grant receivable	4,500	8,500
Prepaid expenses	2,512	(5,058)
Accounts payable	48,155	(58,262)
Accrued expenses	3,668	353
Net Cash Provided by Operating Activities	<u>2,124,592</u>	<u>883,250</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(55,505)	(668,220)
Proceeds from the sale of property and equipment	3,000	0
Proceeds from sale of investments	27,039	1,071,416
Purchase of investments	(51,619)	(660,643)
Net Cash Used in Investing Activities	<u>(77,085)</u>	<u>(257,447)</u>
Change in Cash, Cash Equivalents, and Restricted Cash	2,047,507	625,803
Cash, Cash Equivalents, and Restricted Cash - beginning of year	<u>2,015,414</u>	<u>1,389,611</u>
Cash, Cash Equivalents, and Restricted Cash - end of year	<u>\$ 4,062,921</u>	<u>\$ 2,015,414</u>

The accompanying notes are an integral part of these statements.

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2019 and 2018

1. Organization

The Humane Society of Greater Dayton (the Society) is a not-for-profit organization that has been serving the Dayton, Ohio area since 1902. Since its inception, the Society's respect for animals has been unconditional. The Society is in the business of saving animal lives and has been a "no-kill" facility for many years. As the area's oldest, most established animal-advocate center, the Society works with and helps all types of animals. Services include pet adoptions, spay & neuter services, cruelty prevention and investigations, school education programs, offsite adoptions, community outreach programs, information referral, lost and found pet directory, education outreach, pet therapy and the sale of dog licenses. Each program is designed to help create a community where animals are valued, and life is enhanced through relationships with pets.

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Basis of Presentation

The Society 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. A description of each class as it pertains to the Society is as follows:

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.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, amounts for an endowment and future building maintenance and repairs.

Cash, Cash Equivalents, and Restricted Cash

Effective January 1, 2019, the Society adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230). The standard provides guidance on the classification and presentation of restricted cash in the statements of cash flows. The adoption of this new guidance does not have a material impact on the Society's financial statements.

For financial statement purposes, the Society considers all checking accounts, money market accounts, and certificates of deposit to be cash equivalents. Restricted cash represents amounts set aside due to donor restrictions.

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Restricted Cash (continued)

The Society may maintain a portion of this cash in commercial bank accounts which, at times, could exceed federally insured limits. The Society has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

Cash, cash equivalents, and restricted cash as of December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Cash	\$ 946,683	\$ 956,470
Cash – with donor restrictions	3,116,238	1,058,944
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 4,062,921</u>	<u>\$ 2,015,414</u>

Contributions Receivable

Contributions receivable represent unconditional donor promises to contribute cash to the Society which are not related to the capital campaign. Contributions receivable are recognized at the time the promise is made, at the net present value of the amounts expected to be collected. At December 31, 2019 and 2018 all contributions receivable are expected to be collected within one year.

Pledges Receivable - Capital Campaign

Pledges receivable represent unconditional promises to give from donors as part of the Society's capital campaign and have been restricted for the construction of a new building. These pledges are recognized when received at the net present value of their estimated future cash flows.

The Society utilizes the allowance method to account for uncollectible amounts. An allowance is made for possible losses on collection of pledges receivable based upon a periodic review of risk. When receivables are determined to be uncollectible, they are charged off against the allowance. Management deems an account to be uncollectible when all internal collection efforts have been exhausted. Management has evaluated its pledges receivable and recorded an allowance for uncollectible amounts of \$23,586 and \$78,778 at December 31, 2019 and 2018.

Investments

Investments are stated at fair value in the statements of financial position. Investment return includes interest, dividends, realized and unrealized gains and losses, and other investment income and is included in the statements of activities.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives ranging from five to forty years.

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Society reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value. No impairment losses were recognized during the years ended December 31, 2019 and 2018.

Revenue Recognition

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates (ASU's) that affect the Society's revenue recognition policies. The first, Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) affects contracts with customers to transfer goods or services. The core principle of this ASU is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services provided. Revenues from contracts with customers are measured based on the amount of consideration specified in a contract and are recognized when performance obligations (i.e. obligations to transfer goods and / or services) are satisfied, which generally occurs with the transfer of control of the goods or services to the customer. The adoption of this new standard has not had a material impact on the Society's financial statements.

The Society recognizes revenue from the sale of goods and services at a point in time (when the goods are sold, or the service is performed). There are no formal contracts with customers, the contract is implicit in the exchange of the goods or services for payment.

The second, Accounting Standards Update No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions, contributions or conditional contributions. The new standard clarified the classification of governmental reimbursement type grants as conditional contributions. Consequently, these reimbursement type grants are not subject to ASU 2014-09 Revenue from *Contracts with Customers*. The adoption of this new standard has not had a material impact on the Society's financial statements.

Contributions and Support

Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Services and Materials

Donated services are recognized as contributions only if the services create or enhance nonfinancial assets or require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by the Society. Donated services and materials are recorded as contributions at their fair value at the date of donation. The value of substantial donated volunteer services has not been reflected in the accompanying financial statements since these criteria are not met.

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are not directly related to a single program or activity but are indispensable to the conduct of the Society's programs or existence are charged to management and general. Expenses relating to activities undertaken to induce contributions are charged to fundraising. Certain administrative costs including salaries and wages, payroll taxes, and employee benefits are allocated on the basis of estimates of personnel time related to each activity. Costs related to occupancy and maintenance of the building are allocated based upon a space utilization schedule.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs incurred during 2019 and 2018 were \$14,660 and \$15,522, respectively.

Tax Status

A favorable determination letter has been obtained from the Internal Revenue Service exempting the Society from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax is included in these statements. However, any income from certain activities not directly related to the Society's tax-exempt purpose may be subject to taxation as unrelated business income.

The Society determines the recognition of uncertain tax positions, if applicable, that may subject the entity to unrelated business income tax necessary by applying a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with tax authorities. The Society does not have any materially uncertain tax positions, including any position that would place the Society's exempt status in jeopardy at December 31, 2019. The Society believes it is no longer subject to income tax examination for tax years prior to 2016.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts for the prior year have been reclassified to conform with the current year's presentation. These reclassifications did not result in any changes to net assets.

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2019 and 2018

3. Pledges Receivable - Capital Campaign

Pledges receivable consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Expected to be collected in:		
Less than one year	\$ 1,050,541	\$ 763,439
One to five years	71,182	812,116
Total	1,121,723	1,575,555
Less: discounts to net present value	(15,717)	(71,056)
Less: allowance for uncollectible amounts	(23,586)	(78,778)
Net	<u>\$ 1,082,420</u>	<u>\$ 1,425,721</u>

Pledges receivable due in more than one year are discounted at the federal rate applicable at the time of the pledge, which range from 2.0% to 3.6% as of December 31, 2019 and 2018, respectively.

4. Contributions Receivable

Contributions receivable consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Expected to be collected in:		
Less than one year	\$ 190,698	\$ 31,000
One to five years	1,381,210	0
Thereafter	799,848	0
Total	2,371,756	31,000
Less: discounts to net present value	(179,829)	0
Net	<u>\$ 2,191,927</u>	<u>\$ 31,000</u>

During 2019 the Society was notified that they were one of five charitable organizations named to receive a ten year gift from a charitable fund held at a local foundation. The terms of the gift specify that the Society will receive 20% of the total yearly distribution available, which is determined in September each year according to a specified calculation based on the value of the underlying investments. Contributions receivable included above total \$1,861,880 at December 31, 2019.

During 2019 the Society was notified that they were one of six charitable organizations named to receive 5% of an investment account over a three-year period beginning in 2021. Contributions receivable included above total \$298,626 at December 31, 2019.

The Society recorded contributions receivable for its portion of the gifts described above, discounted to present value using the applicable federal rate (AFR) in effect for the reporting year, which was 2.0% at December 31, 2019. The total amount of the discount at December 31, 2019 was \$178,609.

The remaining contributions receivable included above are for stated cash amounts and those due in more than one year are discounted to present value using the applicable federal rate (AFR) in effect at the time of the contribution, which was 2.0%. The total amount of the discount at December 31, 2019 was \$1,220.

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2019 and 2018

5. Property and Equipment

The following is a summary of property and equipment at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Estimated Life in Years</u>
Land	\$ 305,007	\$ 260,556	NA
Building	1,093,631	1,093,631	40
Building improvements	152,568	186,120	10 - 15
Community dog park	158,911	158,911	15
Animal vehicles	109,468	105,790	5
Furniture and equipment	251,071	282,269	7 - 10
Construction in progress	409,796	404,996	NA
Total	<u>2,480,452</u>	<u>2,492,273</u>	
Less accumulated depreciation	<u>(1,159,546)</u>	<u>(1,184,005)</u>	
Net book value	<u>\$ 1,320,906</u>	<u>\$ 1,308,268</u>	

Depreciation expense for the years ended December 31, 2019 and 2018 was \$89,285 and \$86,403, respectively.

6. Investments

The Society's investments as of December 31, 2019 are comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Money market accounts	\$ 10,182	\$ 10,182	\$ 0
Equity securities	102,133	117,356	15,223
Fixed income securities	28,515	28,529	14
Alternative investments	11,343	12,529	1,186
Real estate securities	14,257	14,265	8
Mutual funds	629,586	697,921	68,335
	<u>\$ 796,016</u>	<u>\$ 880,782</u>	<u>\$ 84,766</u>

The Society's investments as of December 31, 2018 are comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Money market accounts	\$ 12,278	\$ 12,278	\$ 0
Equity securities	101,325	98,679	(2,646)
Fixed income securities	32,750	29,009	(3,741)
Alternative investments	16,062	16,843	781
Real estate securities	6,813	5,941	(872)
Mutual funds	595,311	574,239	(21,072)
	<u>\$ 764,539</u>	<u>\$ 736,989</u>	<u>\$ (27,550)</u>

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2019 and 2018

6. Investments (Continued)

A summary of investment return includes the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Unrealized gains (losses)	\$ 112,316	\$ (158,349)
Realized gains	6,897	90,147
Interest and dividend income	31,904	33,793
Investment fees	(6,891)	(7,569)
	<u>\$ 144,226</u>	<u>\$ (41,978)</u>

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Cash restricted for specific purpose:		
Capital campaign	\$ 3,015,645	\$ 1,056,444
Furry Skurry	75	2,500
Fore Paws	1,760	0
General spay/neuter	98,758	0
	<u>3,116,238</u>	<u>1,058,944</u>
Grant receivable restricted for specific purpose:		
Vet care	0	4,500
Pledges receivable restricted for specific programs:		
Capital campaign	1,082,420	1,425,721
General spay/neuter	1,861,880	0
	<u>2,944,300</u>	<u>1,425,721</u>
Contributions receivable restricted for specific purpose:		
Fore Paws	850	0
Furry Skurry	2,660	0
Pet Afflaire	7,734	0
	<u>11,244</u>	<u>0</u>
Total Net Assets with Purpose Restrictions	<u>6,071,782</u>	<u>2,489,165</u>
Subject to the Society's spending policy and appropriation:		
Investment of donor restricted funds held in perpetuity	<u>148,416</u>	<u>148,416</u>
Total net assets with donor restrictions	<u>\$ 6,220,198</u>	<u>\$ 2,637,581</u>

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2019 and 2018

7. Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Vet care	\$ 4,500	\$ 0
General spay/neuter expenses	0	3,000
Furry Skurry	2,500	10,000
Total net assets released from restriction	<u>\$ 7,000</u>	<u>\$ 13,000</u>

8. Liquidity and Availability

The following reflects the Society's financial assets reduced by amounts not available for general use because of contractual or donor-imposed restrictions, or board designations, within one year of December 31, 2019.

Cash and cash equivalents	\$ 4,062,921
Pledges receivable	1,082,420
Contributions receivable	2,191,927
Investments	880,782
Total financial assets at December 31, 2019	<u>8,218,050</u>
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions (including \$1,685,379 of long-term contributions receivable)	(6,220,198)
Long term contributions receivable without donor restrictions	(315,850)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,682,002</u>

The Society is substantially supported by contributions, which may contain donor restrictions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Society must maintain sufficient resources to meet these restrictions. Consequently, financial assets may not be available for general expenditure within one year. As part of the Society's liquidity management policies, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. It is the policy of the Society to regularly review and assess the need for funds to meet operating obligations and to ensure the availability of cash or collateral to fulfill those requirements.

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2019 and 2018

9. Endowment Funds

The Society's endowment consists of an investment fund which was established to provide support to the Society. The endowment includes only donor-restricted funds for the year ended December 31, 2019. For the year ended December 31, 2018, the endowment also included funds designated by the Board of Directors to function as an endowment. During 2019, the board elected to release those funds for use in the ongoing capital campaign. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society follows the State Prudent Management of Institutional Funds Act (SPMIFA) and its own governing documents. The Society has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under SPMIFA. The Society's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

All endowment funds are administered by a third-party organization on which the Society relies for prudent investment policies. The primary objective for the investment of these assets is to generate sufficient long-term growth of capital, without undue exposure to risk, to provide a sustainable level of spending distributions, as well as enhance the real purchasing power of the investments. The objectives shall be accomplished utilizing a balanced strategy of equities and fixed income based upon a mix which is intended to provide real growth, net of inflation and investment fees.

Endowment net asset composition by type of fund is as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Donor-restricted endowment funds:		
Original donor-restricted gift amount required to be maintained in perpetuity by donor	\$ 148,416	\$ 148,416
Board designated endowment funds	<u>0</u>	<u>54,392</u>
Total funds	<u>\$ 148,416</u>	<u>\$ 202,808</u>

All endowment earnings are available for distribution and are immediately appropriated for expenditure; accordingly, they are recorded in net assets without donor restrictions. Endowment earnings with donor restrictions, of which there are none, would be recorded in net assets with donor restrictions.

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Notes to Financial Statements

December 31, 2019 and 2018

10. Fair Value Measurements

The Society applies accounting principles generally accepted in the United States of America (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access. Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets.
- Level 2 - 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 Society has determined that the only material financial assets and liabilities that are measured at fair value on a recurring basis and categorized using the fair value hierarchy are investments. There have been no changes from the prior year in the methodologies used at December 31, 2019. Significant transfers between fair value levels are determined at the end of the reporting period. There were no significant transfers in 2019 and 2018. The following is a description of the valuation methodologies the Society uses for assets measured on a recurring basis at fair value.

Financial assets whose fair value has been measured using level 1 inputs:

Money market accounts: Carrying value is equal to the fair value determined by quoted prices in active exchange markets.

Equity securities, fixed income securities, alternative strategies securities, real estate securities, and mutual funds: Reference to quoted market prices, net asset values per share and other relevant information generated by market transactions.

Financial assets whose fair value has been measured using level 3 inputs:

Alternative investments: Valued at the equity (pro rata interest) in the net assets of the hedge fund of funds, based on valuations provided by respective fund managers. The fair values reported by the fund managers are based on quoted market prices, if available, or other valuation methods.

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Notes to Financial Statements

December 31, 2019 and 2018

10. Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at December 31, 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ 10,182	\$ 0	\$ 0	\$ 10,182
Equity securities	117,356	0	0	117,356
Fixed income securities	28,529	0	0	28,529
Alternative investments	0	0	12,529	12,529
Real estate securities	14,265	0	0	14,265
Mutual funds	697,921	0	0	697,921
Total assets at fair value	<u>\$ 868,253</u>	<u>\$ 0</u>	<u>\$ 12,529</u>	<u>\$ 880,782</u>

Fair values of assets measured on a recurring basis at December 31, 2018 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ 12,278	\$ 0	\$ 0	\$ 12,278
Equity securities	98,679	0	0	98,679
Fixed income securities	29,009	0	0	29,009
Alternative investments	0	0	16,843	16,843
Real estate securities	5,941	0	0	5,941
Mutual funds	574,239	0	0	574,239
Total assets at fair value	<u>\$ 720,146</u>	<u>0</u>	<u>16,843</u>	<u>736,989</u>

The changes in level 3 assets measured at fair value on a recurring basis are summarized as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 16,843	\$ 27,069
Net appreciation (depreciation)	405	(1,310)
Net purchases and sales	<u>(4,719)</u>	<u>(8,916)</u>
Balance, end of year	<u>\$ 12,529</u>	<u>\$ 16,843</u>

11. Beneficial Interest

The Society is the beneficiary of various funds established by donors. The funds are held by a third-party organization which has variance power over the funds and, accordingly, the Society has not included its interest in these funds in the accompanying financial statements. The total value of these funds at December 31, 2019 and 2018 was \$566,570 and \$479,946, respectively. The Society will receive a portion of income or principal from these funds when certain conditions are met as stipulated in the fund agreements. No amounts were received from these funds during the years ended December 31, 2019 and 2018.

Humane Society of Greater Dayton

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12. Subsequent Events

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 global exposure.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. The Society is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Subsequent to year end, the Society received approval and funding for a loan under the Paycheck Protection Program (PPP) as provided for by the CARES Act. The loan was issued through Huntington Bank in connection with the Small Business Administration (SBA) for a total of \$196,053. The PPP loan may be forgiven in whole or in part depending upon certain factors, which will be determined after an 8-week covered period. Any unforgiven amount of the PPP loan will be required to be repaid over a two-year term at 1% interest. On June 5, 2020, the Paycheck Protection Program Flexibility Act of 2020 (PPPFA) was signed into law. The PPPFA extended the covered period to 24 weeks and increased the repayment period to five years for loans made after June 5, 2020. For loans made prior to June 5, 2020, borrowers may elect to use the original 8-week covered period, or the extended 24-week period, and may renegotiate the original two-year term with their lender to match the five-year term under the PPPFA.

Management evaluated the activity of the Society through September 22, 2020 (the date the financial statements were available to be issued) and concluded that other than the above, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



In this ever-changing business environment, Flagel Huber Flagel goes beyond numbers and deadlines, returning the trust and confidence our clients place in us, with a caring partner relationship. We are committed to a collaborative search for ideas and solutions that help business organizations thrive and families build and preserve wealth. Our commitment is simple; financial and operational *insight*, service *integrity*, and problem solving *innovation*.

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