

Humane Society of Greater Dayton

Financial Statements

December 31, 2020 and 2019



FLAGEL HUBER FLAGEL
Certified Public Accountants | Business Advisors

Humane Society of Greater Dayton

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December 31, 2020 and 2019

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FLAGEL HUBER FLAGEL

CPAs & 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, 2020 and 2019, 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, 2020 and 2019, 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.

Flagel Huber Flagel

Certified Public Accountants
Dayton, Ohio
September 21, 2021

Humane Society of Greater Dayton
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash, cash equivalents, and restricted cash	\$ 5,019,342	\$ 4,062,921
Pledges receivable - capital campaign, net	46,933	1,050,541
Contributions receivable	450,307	190,698
Investments	881,639	732,366
Prepaid expenses	8,921	7,231
Total Current Assets	<u>6,407,142</u>	<u>6,043,757</u>
Other Assets		
Pledges receivable - capital campaign, net	955,997	31,879
Contributions receivable, net	1,963,552	2,001,229
Property and equipment, net	1,765,104	1,320,906
Deposits	190	190
Investments - permanently restricted	148,416	148,416
Beneficial interest in perpetual trust	747,835	0
Total Other Assets	<u>5,581,094</u>	<u>3,502,620</u>
Total Assets	<u>\$ 11,988,236</u>	<u>\$ 9,546,377</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 265,081	\$ 116,731
Accrued expenses	10,792	42,365
Note payable - Paycheck Protection Program	196,053	0
Total Current Liabilities	<u>471,926</u>	<u>159,096</u>
Net Assets		
Without donor restrictions	3,946,445	3,167,083
With donor restrictions	7,569,865	6,220,198
Total Net Assets	<u>11,516,310</u>	<u>9,387,281</u>
Total Liabilities and Net Assets	<u>\$ 11,988,236</u>	<u>\$ 9,546,377</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 409,281	\$ 1,364,654	\$ 1,773,935
Contributions - capital campaign, net	0	983,342	983,342
Special events revenue (net of cost of direct benefits totaling \$2,818)	256,996	0	256,996
Grant revenue	240,956	0	240,956
In-kind contributions	62,107	0	62,107
Direct mail contributions	585,042	0	585,042
Adoption fees	127,469	0	127,469
Owner release fees	11,767	0	11,767
Service fees	78,448	0	78,448
Sales (net of cost of sales totaling \$8,129)	6,067	0	6,067
Net assets released from restrictions	998,329	(998,329)	0
Total support and revenue	2,776,462	1,349,667	4,126,129
Operating Expenses			
Program services	1,575,392	0	1,575,392
Management and general	233,240	0	233,240
Fundraising	312,706	0	312,706
Total operating expenses	2,121,338	0	2,121,338
Operating Change in Net Assets			
	655,124	1,349,667	2,004,791
Other Revenue (Expense)			
Interest income - capital campaign	5,629	0	5,629
Return on investments, net	153,943	0	153,943
Loss on sale of property	(35,334)	0	(35,334)
Total other revenue	124,238	0	124,238
Change in Net Assets	779,362	1,349,667	2,129,029
Net Assets - beginning of year	3,167,083	6,220,198	9,387,281
Net Assets - end of year	\$ 3,946,445	\$ 7,569,865	\$ 11,516,310

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 \$9,070)	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	<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 Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 643,299	\$ 128,660	\$ 147,040	\$ 918,999
Payroll taxes	30,311	6,062	6,928	43,301
Health insurance	28,961	2,633	6,018	37,612
Employee development	6,519	592	1,498	8,609
Professional services	176,774	40,906	61,819	279,499
Animal supplies	46,033	0	0	46,033
Shelter services	5,639	0	326	5,965
Veterinarian services	44,853	0	0	44,853
Veterinarian supplies	160,502	75	25	160,602
Auto expense	3,168	438	192	3,798
Facility maintenance	59,820	4,312	2,616	66,748
Liability insurance	17,171	3,127	1,042	21,340
Communications	24,806	3,644	3,251	31,701
Utilities	43,140	533	178	43,851
Rent	19,961	58	19	20,038
Technology	8,270	4,068	71	12,409
Depreciation	70,766	13,269	4,423	88,458
Special events	38,089	0	33,564	71,653
Capital campaign costs	35,110	15,819	16,770	67,699
Bank charges	24,612	5,387	1,378	31,377
General printing	20,369	689	5,323	26,381
Advertising	48,082	0	12,682	60,764
Postage	14,078	0	5,014	19,092
Licenses/permits	2,734	183	61	2,978
Organization dues	1,525	2,166	1,533	5,224
Meals and entertainment	800	619	935	2,354
Total operating expenses	<u>\$ 1,575,392</u>	<u>\$ 233,240</u>	<u>\$ 312,706</u>	<u>\$ 2,121,338</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
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,129,029	\$ 3,962,729
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	88,458	89,285
Realized gain on investments	(1,167)	(6,897)
Unrealized gain on investments	(116,426)	(112,316)
Loss (gain) on sale of property and equipment	35,334	(2,467)
Donated property and equipment	0	(46,951)
Change in beneficial interest in perpetual trust	(747,835)	0
Changes in assets and liabilities:		
Pledges receivable - capital campaign	79,490	343,301
Contributions receivable	(221,932)	(2,160,927)
Grant receivable	0	4,500
Prepaid expenses	(1,690)	2,512
Accounts payable	148,350	48,155
Accrued expenses	(31,573)	3,668
Net Cash Provided by Operating Activities	<u>1,360,038</u>	<u>2,124,592</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(567,990)	(55,505)
Proceeds from the sale of property and equipment	0	3,000
Proceeds from sale of investments	42,821	27,039
Purchase of investments	(74,501)	(51,619)
Net Cash Used in Investing Activities	<u>(599,670)</u>	<u>(77,085)</u>
Cash Flows From Financing Activities:		
Proceeds from note payable	196,053	0
Change in Cash, Cash Equivalents, and Restricted Cash	956,421	2,047,507
Cash, Cash Equivalents, and Restricted Cash - beginning of year	<u>4,062,921</u>	<u>2,015,414</u>
Cash, Cash Equivalents, and Restricted Cash - end of year	<u>\$ 5,019,342</u>	<u>\$ 4,062,921</u>

The accompanying notes are an integral part of these statements.

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2020 and 2019

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 Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash, Cash Equivalents, and Restricted Cash

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 restricted by donors.

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.

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Restricted Cash (continued)

Cash, cash equivalents, and restricted cash as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,611,916	\$ 967,583
Cash – with donor restrictions	<u>3,407,426</u>	<u>3,095,338</u>
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 5,019,342</u>	<u>\$ 4,062,921</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.

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 \$52,531 and \$23,586 at December 31, 2020 and 2019.

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.

The Society adopted Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820)* which affects the disclosure requirements for fair value measurement. The adoption of this new standard has not had a material impact on the Society's financial statements.

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, 2020 and 2019

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, 2020 and 2019.

Revenue Recognition

The Society accounts for program service revenue in accordance with *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. Under this guidance, revenues from contracts are measured based on the amount of consideration specified in a contract with a customer 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 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 written contracts with customers for these goods or services as the contract is implicit in the exchange for payment.

The Society is the recipient of grant funds from various government agencies. Under *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*, these reimbursement type grants are classified as conditional contributions rather than program service revenue.

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.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs incurred during 2020 and 2019 were \$60,764 and \$14,660, respectively.

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2020 and 2019

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.

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, 2020. The Society believes it is no longer subject to income tax examination for tax years prior to 2017.

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.

3. Pledges Receivable - Capital Campaign

Pledges receivable consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Expected to be collected in:		
Less than one year	\$ 46,933	\$ 1,050,541
One to five years	834,179	71,182
Greater than five years	200,000	0
Total	<u>1,081,112</u>	<u>1,121,723</u>
Less: discounts to net present value	(25,651)	(15,717)
Less: allowance for uncollectible amounts	<u>(52,531)</u>	<u>(23,586)</u>
Net	<u>\$ 1,002,930</u>	<u>\$ 1,082,420</u>

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2020 and 2019

3. Pledges Receivable - Capital Campaign (Continued)

Pledges receivable due in more than one year are discounted at the federal rate applicable at the time of the pledge, which range from 0.6% to 3.6% as of December 31, 2020 and 2019, respectively.

4. Contributions Receivable

Contributions receivable consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Expected to be collected in:		
Less than one year	\$ 450,307	\$ 190,698
One to five years	1,145,909	1,381,210
Greater than five years	<u>864,546</u>	<u>799,848</u>
Total	2,460,762	2,371,756
Less: discounts to net present value	<u>(46,903)</u>	<u>(179,829)</u>
Net	<u>\$ 2,413,859</u>	<u>\$ 2,191,927</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 \$1,957,157 and \$1,861,880 at December 31, 2020 and 2019, respectively.

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 \$282,878 and \$298,626 at December 31, 2020 and 2019, respectively.

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 0.6% and 2.0% at December 31, 2020 and 2019, respectively. The total amount of the discount at December 31, 2020 and 2019 was \$46,631 and \$178,609, respectively.

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 0.6% and 2.0% at December 31, 2020 and 2019, respectively. The total amount of the discount at December 31, 2020 and 2019 was \$272 and \$1,220, respectively.

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2020 and 2019

5. Property and Equipment

The following is a summary of property and equipment at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>	Estimated <u>Life in Years</u>
Land	\$ 332,382	\$ 305,007	NA
Building	1,146,683	1,093,631	40
Building improvements	108,360	152,568	10 - 15
Community dog park	28,136	158,911	15
Animal vehicles	109,468	109,468	5
Furniture and equipment	215,642	251,071	7 - 10
Construction in progress	861,995	409,796	NA
Total	<u>2,802,666</u>	<u>2,480,452</u>	
Less accumulated depreciation	<u>(1,037,562)</u>	<u>(1,159,546)</u>	
Net book value	<u>\$ 1,765,104</u>	<u>\$ 1,320,906</u>	

Depreciation expense for the years ended December 31, 2020 and 2019 was \$88,458 and \$89,285, respectively.

6. Investments

Investments are stated at fair value and are comprised of the following:

	<u>2020</u>	<u>2019</u>
Money market accounts	\$ 8,422	\$ 10,182
Equity securities	136,552	117,356
Fixed income securities	29,545	28,529
Alternative investments	14,369	12,529
Real estate securities	16,415	14,265
Mutual funds	824,752	697,921
	<u>\$ 1,030,055</u>	<u>\$ 880,782</u>

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

	<u>2020</u>	<u>2019</u>
Unrealized gains	\$ 116,426	\$ 112,316
Realized gains	1,167	6,897
Interest and dividend income	43,890	31,904
Investment fees	<u>(7,540)</u>	<u>(6,891)</u>
	<u>\$ 153,943</u>	<u>\$ 144,226</u>

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2020 and 2019

7. Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Cash restricted for specific purpose:		
Capital campaign	\$ 3,151,641	\$ 3,015,645
Furry Skurry	0	75
Fore Paws	0	1,760
Pet Afflaire	2,734	0
General spay/neuter	253,051	77,858
	<u>3,407,426</u>	<u>3,095,338</u>
Grant receivable restricted for specific purpose:		
General spay/neuter	0	20,900
Pledges and contributions receivable restricted for specific programs:		
Capital campaign pledges	1,002,930	1,082,420
General spay/neuter	1,957,156	1,861,880
Fore Paws	0	850
Furry Skurry	0	2,660
Pet Afflaire	5,000	7,734
	<u>2,965,086</u>	<u>2,955,544</u>
Total net assets with purpose restrictions	<u>6,372,512</u>	<u>6,071,782</u>
Contributions receivable with time restrictions	<u>301,102</u>	<u>0</u>
Subject to the Society's spending policy and appropriation:		
Investment of donor restricted funds held in perpetuity		
Endowment	148,416	148,416
Beneficial interest in perpetual trust	747,835	0
	<u>896,251</u>	<u>148,416</u>
Total net assets with donor restrictions	<u>\$ 7,569,865</u>	<u>\$ 6,220,198</u>

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2020 and 2019

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>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Capital campaign	\$ 926,836	\$ 0
Furry Skurry	2,735	2,500
Fore Paws Golf	2,610	0
General spay/neuter expenses	45,248	0
Spay/Neuter grant	20,900	0
Vet care	0	4,500
Total net assets released from restriction	<u>\$ 998,329</u>	<u>\$ 7,000</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, 2020.

Cash and cash equivalents	\$ 5,019,342
Pledges receivable	1,002,930
Contributions receivable	2,413,859
Investments and beneficial interest	<u>1,777,889</u>
Total financial assets at December 31, 2020	10,214,020
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(7,569,865)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,644,155</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

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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, 2020 and 2019. 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.

The endowment consists of donor-restricted funds totaling \$148,416 for the years ended December 31, 2020 and 2019. 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.

10. Beneficial Interest in Perpetual Trust

During 2020 the Society became the beneficiary of a perpetual trust held by Park National Bank (PNB). The trust assets are not in the possession of the Society and are administered and managed by PNB. Under the terms of the trust, the Society has the irrevocable right to receive 25% of the income earned on the endowment assets in perpetuity. Accordingly, the Society has recorded an asset entitled "beneficial interest in perpetual trust" equivalent to the present value of the expected future cash flows from the trust. In this case, the present value is estimated at an amount equal to the fair market value of 25% the assets of the trust. The fair market value of these trust assets at December 31, 2020 was \$747,835. The asset value is adjusted annually and any change in the value is recognized as a gain or loss with donor restriction on the statements of activities each year. The annual distributions from the trust are restricted for direct animal care and are reported as investment income with donor restrictions, unless those restrictions are met in the same period in which the distribution is recorded, in which case they are recorded as without donor restriction. Income received from the trust and reported as investment income for the year ended December 31, 2020 was \$14,336.

The Society is also the beneficiary of various other funds established by donors. These 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, 2020 and 2019 was \$601,810 and \$566,570, 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, 2020 and 2019.

Humane Society of Greater Dayton

Notes to Financial Statements

December 31, 2020 and 2019

11. 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, 2020. Significant transfers between fair value levels are determined at the end of the reporting period. There were no significant transfers in 2020 and 2019. 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.

Beneficial interest in a perpetual trust: Measured at the fair value of assets comprising the trust at year-end as reported by the Trustee of the trust.

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Notes to Financial Statements

December 31, 2020 and 2019

11. Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at December 31, 2020 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market accounts	\$ 8,422	\$ 0	\$ 0	\$ 8,422
Equity securities	136,552	0	0	136,552
Fixed income securities	29,545	0	0	29,545
Alternative investments		0	14,369	14,369
Real estate securities	16,415	0	0	16,415
Mutual funds	824,752	0	0	824,752
Beneficial interest in trust	0	0	747,835	747,835
Total assets at fair value	<u>\$ 1,015,686</u>	<u>\$ 0</u>	<u>\$ 762,204</u>	<u>\$ 1,777,890</u>

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>

12. COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak” or “COVID”) and the health risks to the international community. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In addition to complying with local health mandates, management took appropriate actions to mitigate the spread of the virus by altering its protocols to minimize personal contact within its office. However, given the continuing evolution of the COVID-19 outbreak, the Society is not able to fully estimate the effects of COVID-19 on its results of operations, financial condition, or liquidity for fiscal year 2021. Management believes that adaptive changes in operations, in addition to receiving funds from the Payroll Protection Plan Program, have been sufficient to protect the Society from the near-term negative impact related to the COVID-19 outbreak through the date of this report.

Humane Society of Greater Dayton

Notes to Financial Statements

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13. Note Payable – Paycheck Protection Program

In May 2020, the Organization 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 program allows for a portion of the loan (up to the full amount) to be forgiven based on qualifying expenses. Any unforgiven amount of the PPP loan will be required to be repaid over a two-year term with interest at 1%.

The Society is accounting for the PPP loan according to the guidance found in FASB *ASC 470, Debt*. As such, the original loan amount is recorded as a note payable and will remain a liability until formal forgiveness of the loan is received from the lender or until the Society has repaid the balance in full. At the time forgiveness of the loan is granted, the Society will recognize a gain on extinguishment of debt for the amount of loan forgiveness.

14. Subsequent Events

Subsequent to year end, the Society received approval and funding for an additional 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) and totaled \$195,317. The PPP loan may be forgiven in whole or in part depending upon certain factors, which will be determined after a 24-week deferral period. Any unforgiven amounts of the PPP loan will be required to be repaid over a five-year term at 1% interest.

Subsequent to year end, the Society closed on a draw note with Fifth Third Bank for a bridge loan related to the construction of the new animal hospital. The maximum amount of the note is \$1,750,000 and is available to be drawn on beginning February 2021 and ending February 2022, the conversion date. Upon conversion, the draw note becomes a term loan with a maturity date of February 2027. The note accrues interest at 2.85% and is required to be paid quarterly through the draw period, and then quarterly along with principal payments beginning in March 2022.

In April 2021, the Society was granted full forgiveness of its original PPP loan, see Note 13.

Management has evaluated the activity of the Society through September 21, 2021 (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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