

HUMANE SOCIETY OF PULASKI COUNTY

FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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Michael L. Cobb

Anne Suskie Pinyan

Independent Auditors' Report

Board of Directors
Humane Society of Pulaski County
Little Rock, Arkansas

We have audited the accompanying statement of financial position of the Humane Society of Pulaski County (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Humane Society of Pulaski County
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Humane Society of Pulaski County as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Cobb and Suskie, Ltd.

Certified Public Accountants
June 5, 2019

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	890,026
Investments		829,162
Accounts Receivable		400
Total Current Assets		1,719,588

RESTRICTED ASSETS

Cash		26,722
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PROPERTY AND EQUIPMENT

Land		17,000
Building		1,681,742
Furniture, Fixtures and Equipment		390,859
Vehicles		194,374
		2,283,975
Less Accumulated Depreciation		1,263,170
Net Property and Equipment		1,020,805

OTHER ASSETS

		5,897
Total Assets	\$	2,773,012

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	9,117
Total Current Liabilities		9,117

NET ASSETS

Without Donor Restrictions		2,737,173
With Donor Restrictions		26,722
Total Net Assets		2,763,895

Total Liabilities and Net Assets	\$	2,773,012
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The accompanying notes are an integral part of these financial statements.

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without	With	
	<u>Donor Restrictions</u>	<u>Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions and Public Support	\$ 377,068	\$ 2,961	\$ 380,029
Program Services	128,432	-	128,432
Special Events and Activities	211,952	-	211,952
Other Income	7,629	-	7,629
Net Assets Released from Restrictions	<u>5,334</u>	<u>(5,334)</u>	<u>-</u>
Total Revenue	<u>730,415</u>	<u>(2,373)</u>	<u>728,042</u>
 <u>EXPENSES</u>			
Program Services	983,911	-	983,911
Supporting Services:			
Management and General	94,117	-	94,117
Fundraising	<u>42,951</u>	<u>-</u>	<u>42,951</u>
Total Expenses	<u>1,120,979</u>	<u>-</u>	<u>1,120,979</u>
 Support and Revenue Over (Under) Expenses	 <u>(390,564)</u>	 <u>(2,373)</u>	 <u>(392,937)</u>
 <u>OTHER INCREASES (DECREASES)</u>			
Investment Income	13,114	78	13,192
Estate Bequests	848,031	-	848,031
Unrealized Gain (Loss) on Investments	<u>(55,998)</u>	<u>-</u>	<u>(55,998)</u>
Total Other Increases (Decreases)	<u>805,147</u>	<u>78</u>	<u>805,225</u>
 INCREASE (DECREASE) IN NET ASSETS	 414,583	 (2,295)	 412,288
 NET ASSETS AT BEGINNING OF YEAR	 <u>2,322,590</u>	 <u>29,017</u>	 <u>2,351,607</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 2,737,173</u>	 <u>\$ 26,722</u>	 <u>\$ 2,763,895</u>

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

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATIONS:

Increase (Decrease) in Net Assets	\$	412,288
Adjustments Needed to Reconcile to Net Cash Provided by Operations:		
Depreciation		76,673
Unrealized (Gain) Loss on Investments		55,998
Change in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		600
(Increase) Decrease in Other Assets		1,290
Increase (Decrease) in Accounts Payable		(10,738)
Net Change Inflows (Outflows) from Operations		536,111

INVESTING ACTIVITIES:

Inflows (Outflows):		
Net Change in Investments		(297,400)
Purchase of Property		(70,706)
Net Investing Inflows (Outflows)		(368,106)

FINANCING ACTIVITIES:

Inflows (Outflows)		-
Net Financing Inflows (Outflows)		-

Increase (Decrease) in Cash and Cash Equivalents		168,005
Beginning Cash and Cash Equivalents		748,743
Ending Cash and Cash Equivalents	\$	916,748
Cash and Cash Equivalents	\$	890,026
Restricted Cash		26,722
Total cash, cash equivalents, and restricted cash shown in the Statement of Cash Flows at 12/31/18	\$	916,748

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

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program <u>Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Bank Charges	\$ -	\$ 11,639	\$ -	\$ 11,639
Continuing Education	145	-	-	145
Depreciation	76,673	-	-	76,673
Dues and Subscriptions	-	1,874	-	1,874
Employment/Staff Expense	808	-	-	808
Fundraising Costs	-	-	42,951	42,951
Insurance	29,256	-	-	29,256
Medicine	73,769	-	-	73,769
Membership Expense	3,044	-	-	3,044
Merchandise	5,749	-	-	5,749
Newsletter	7,503	-	-	7,503
Office Administration and Supplies	3,958	-	-	3,958
Professional Fees	462	80,604	-	81,066
Repair and Maintenance	26,329	-	-	26,329
Salaries	516,646	-	-	516,646
Shelter Operations	88,327	-	-	88,327
Taxes	42,063	-	-	42,063
Telephone and Utilities	49,648	-	-	49,648
Vehicle Expense	6,228	-	-	6,228
Veterinarian Services	49,878	-	-	49,878
Website and Internet	3,425	-	-	3,425
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 983,911</u>	<u>\$ 94,117</u>	<u>\$ 42,951</u>	<u>\$ 1,120,979</u>

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

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization and Funding

The Humane Society of Pulaski County (the Society) was chartered in 1946 as a non-profit association for the purpose of providing temporary refuge for homeless, injured, abandoned and abused animals and to place such animals in new homes with responsible and caring owners. The Society is economically dependent upon contributions, including estate bequests, from the general public for the majority of its support and revenue.

(b) Basis of Presentation

The statements were prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP) for nonprofit organizations included in the Financial Accounting Standards Codifications (FASB ASC), and the statements were prepared on the accrual basis and, accordingly, include items not resulting from an outlay or a receipt of cash.

(c) Cash Equivalents

The Humane Society of Pulaski County considers all short-term investments with maturities at acquisition of three months or less to be cash equivalents. Total cash of \$916,748 at December 31, 2018 consists of \$890,026 in unrestricted cash and \$26,722 restricted cash.

(d) Investments

As required by GAAP for nonprofit organizations, the Humane Society of Pulaski County carries investments in marketable securities with readily determinable fair values and all investments in debt securities consisting of corporate debentures and certificates of deposit at their fair values in the statement of financial position. Unrealized gains and losses are included as other changes in net assets in the accompanying statement of activities.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (e) Property, Equipment and Depreciation
Property and equipment purchased by the Society for use in conducting program activities is stated at cost. Property and equipment are depreciated utilizing the straight-line method over the estimated useful lives of the assets as follows:

Building	25 years
Furniture, Fixtures and Equipment	5-7 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2018 amounted to \$76,673.

- (f) Functional Expenses
The Society allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are recorded directly according to their natural expenditure classification.

- (g) Income Taxes
The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law and is classified as other than a private foundation.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Society may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Society and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2018. All tax returns from 2015 forward are open and subject to examination.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Donated Services

Donated veterinarian services of \$6,839 have been reported as revenue and are included in total contributions and public support of \$380,029 in the accompanying financial statements. Volunteer services have not been reported as no objective basis is available to measure the value of such services. A substantial number of volunteers donated significant amounts of their time in the Society's program services and fund-raising activities.

(i) Fair Value Measurements

The Humane Society of Pulaski County determines the fair values of its financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis based on a fair value hierarchy of three levels of inputs that may be used to measure fair value, which are as follows:

Level 1 Quoted prices in active markets for identical assets. Level 1 assets include equity securities that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments. This category generally includes U.S. government and agency mortgage-backed debt securities and corporate debt securities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation.

HUMANE SOCIETY OF PULASKI COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Net Assets

In accordance with ASU 2016-14, effective for fiscal years beginning after December 31, 2017, net assets are reported in two distinct classifications:

Net assets without donor restrictions
 Net assets with donor restrictions

Net assets with donor restrictions as of December 31, 2018 are further explained in Note 3.

(h) Basis of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: INVESTMENTS

Investments as of December 31, 2018 consist of marketable equity securities. These investments were originally booked at cost, or, if donated, at their fair value as of the date of donation. The following summarizes the relationship between the original basis and fair value of investments at December 31, 2018:

<u>Original Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
\$ 885,160	\$ 829,162	\$ (55,998)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2018.

	<u>Unrestricted</u>
Investment Income	\$ 13,192
Unrealized Gains (Losses)	<u>(55,998)</u>
Total Investment Return	<u>\$ (42,806)</u>

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3: RESTRICTED NET ASSETS

At December 31, 2018, net assets with donor-imposed restrictions amounting to \$26,722 consisted of a bequest in the original amount of \$172,847 established in 2011. Income from the invested assets of the fund is reported as increases in net assets with donor restrictions. These restricted net assets are restricted to the Specified purpose of expanding the Humane Education Program.

NOTE 4: CONCENTRATIONS

Cash on deposit in demand and time deposit accounts at three financial institutions as of December 31, 2018 amounted to \$916,748 per books and \$921,178 per financial institutions. Deposits at these financial institutions were insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized by U.S. Government securities as follows:

Cash on deposit	\$	<u>921,178</u>
Applicable FDIC/SIPC Limits		168,527
U.S. Government Securities Pledged as Collateral		<u>752,651</u>
Total Cash Deposits Insured and Collateralized		<u>921,178</u>
Uninsured Deposits	\$	<u><u>-</u></u>

Management monitors these balances.

NOTE 5: FAIR VALUE DISCLOSURES

As discussed in Note 1, the Society defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. For additional information, refer to Note 1, “*Summary of Significant Accounting Policies.*”

HUMANE SOCIETY OF PULASKI COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5: FAIR VALUE DISCLOSURES (CONTINUED)

The following table reflects assets that are measured and carried at fair value on a recurring basis as of December 31, 2018.

	<u>Fair Value Measurements Using</u>			Assets At
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments:				
Certificates of Deposit	\$ 187,767	\$ -	\$ -	\$ 187,767
Marketable Equity Securities	<u>641,395</u>	<u>-</u>	<u>-</u>	<u>641,395</u>
Total	<u>\$ 829,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 829,162</u>

There were no transactions to or from Level 3 investments during the year ended December 31, 2018.

NOTE 6: LIQUIDITY MANAGEMENT

The Society's financial assets available for general expenditures within one year of the statement of financial position are as follows:

Cash and cash equivalents, less donor restrictions of \$26,722	\$ 1,719,188
Accounts Receivable	<u>400</u>
Total	<u>\$ 1,719,588</u>

The Society has a goal to maintain cash balances on hand to meet twelve months of ordinary business expenses (exclusive of depreciation). The Society has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Society invests other cash in interest bearing money market accounts.

Expenses for the year ended December 31, 2018 were as follows:

Program	\$ 983,911
Supporting Services:	
Management and General	94,117
Fundraising	<u>42,951</u>
Total	<u>\$ 1,120,979</u>

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7: SUBSEQUENT EVENTS

The Society did not have any recognized or nonrecognized subsequent events occur after December 31, 2018, the date of the statement of financial position. Subsequent events and transactions have been evaluated for potential recognition or disclosure through June 5, 2019, the date the financial statements were available to be issued.