

HUMANE SOCIETY OF PULASKI COUNTY

FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

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COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

650 S. Shackleford Road • Suite 400 • P. O. Box 21675 • Little Rock, Arkansas 72221-1675
(501) 225-2133 • Fax (501) 223-2839

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, 2020, 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, 2020, 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
July 12, 2021

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	1,502,543
Investments		897,866
Total Current Assets		2,400,409

RESTRICTED ASSETS

Cash		17,139
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PROPERTY AND EQUIPMENT

Land		17,000
Building		1,682,587
Furniture, Fixtures and Equipment		438,430
Vehicles		194,374
		2,332,391
Less Accumulated Depreciation		1,431,200
Net Property and Equipment		901,191

OTHER ASSETS

5,691

Total Assets	\$	3,324,430
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	25,052
Payroll Protection Program Loan		105,100
Total Current Liabilities		130,152

NET ASSETS

Without Donor Restrictions		3,177,139
With Donor Restrictions		17,139
Total Net Assets		3,194,278

Total Liabilities and Net Assets	\$	3,324,430
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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, 2020

	<u>Without</u>	<u>With</u>	<u>Total</u>
	<u>Donor Restrictions</u>	<u>Donor Restrictions</u>	
<u>SUPPORT AND REVENUE</u>			
Contributions and Public Support	\$ 697,165	\$ 434	\$ 697,599
Program Services	96,907	-	96,907
Special Events and Activities	135,165	-	135,165
Other Income	6,884	-	6,884
Net Assets Released from Restrictions	11,817	(11,817)	-
Total Revenue	947,938	(11,383)	936,555
 <u>EXPENSES</u>			
Program Services	1,116,588	-	1,116,588
Supporting Services:			
Management and General	11,590	-	11,590
Fundraising	13,121	-	13,121
Total Expenses	1,141,299	-	1,141,299
Support and Revenue Over (Under) Expenses	(193,361)	(11,383)	(204,744)
 <u>OTHER INCREASES (DECREASES)</u>			
Investment Income	12,184	52	12,236
Estate Bequests	604,723	-	604,723
Gain (Loss) on Sale of Investments	564	-	564
Unrealized Gain (Loss) on Investments	84,264	-	84,264
Total Other Increases (Decreases)	701,735	52	701,787
INCREASE (DECREASE) IN NET ASSETS	508,374	(11,331)	497,043
NET ASSETS AT BEGINNING OF YEAR	2,668,765	28,470	2,697,235
NET ASSETS AT END OF YEAR	\$ 3,177,139	\$ 17,139	\$ 3,194,278

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, 2020

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Bank Charges	\$ -	\$ 8,870	\$ -	\$ 8,870
Depreciation	79,220	-	-	79,220
Dues and Subscriptions	-	2,657	-	2,657
Employment/Staff Expense	1,332	-	-	1,332
Fundraising Costs	-	-	13,121	13,121
Grant Expense	21,000	-	-	21,000
Insurance	22,816	-	-	22,816
Medicine	70,409	-	-	70,409
Membership Expense	2,850	-	-	2,850
Memorials	-	63	-	63
Merchandise	1,067	-	-	1,067
Newsletter	6,342	-	-	6,342
Office Administration and Supplies	5,010	-	-	5,010
Payroll Taxes	41,589	-	-	41,589
Professional Fees	82,451	-	-	82,451
Repair and Maintenance	17,758	-	-	17,758
Salaries	536,409	-	-	536,409
Shelter Operations	84,074	-	-	84,074
Taxes	126	-	-	126
Telephone and Utilities	38,747	-	-	38,747
Vehicle Expense	9,706	-	-	9,706
Veterinarian Services	94,138	-	-	94,138
Website and Internet	1,544	-	-	1,544
 Total Expenses	 <u>\$ 1,116,588</u>	 <u>\$ 11,590</u>	 <u>\$ 13,121</u>	 <u>\$ 1,141,299</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, 2020

OPERATIONS:

Increase (Decrease) in Net Assets	\$	497,043
Adjustments Needed to Reconcile to Net Cash Provided by Operations:		
Depreciation		79,220
Unrealized (Gain) Loss on Investments		(84,828)
Change in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		-
(Increase) Decrease in Other Assets		26
Increase (Decrease) in Accounts Payable		10,107
Net Change Inflows (Outflows) from Operations		501,568

INVESTING ACTIVITIES:

Inflows (Outflows):		
Net Change in Investments		193,320
Purchase of Property		(15,897)
Net Investing Inflows (Outflows)		177,423

FINANCING ACTIVITIES:

Inflows (Outflows)		
Payroll Protection Loan Proceeds		105,100
Net Financing Inflows (Outflows)		105,100

Increase (Decrease) in Cash and Cash Equivalents		784,091
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Beginning Cash and Cash Equivalents		735,591
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Ending Cash and Cash Equivalents	\$	1,519,682
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Cash and Cash Equivalents	\$	1,502,543
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Restricted Cash		17,139
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Total Cash, Cash Equivalents, and Restricted Cash shown in the Statement of Cash Flows at 12/31/20	\$	1,519,682
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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, 2020

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 \$1,519,682 at December 31, 2020 consists of \$1,502,543 in unrestricted cash and \$17,139 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, 2020

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, 2020 amounted to \$79,220.

(f) Revenue Recognition

The Society derives its revenue from contributions, program services, and special events fees. Effective for the year beginning January 1, 2019 it implemented the revenue disclosure requirements of ASU 2014-09, "Revenue From Contracts with Customers," issued by Financial Accounting Standard Board (FASB). This new standard requires an entity to recognize revenue when it transfers promised goods and services to the customer in an amount that reflects the consideration to which that entity expects to be entitled in exchange for those goods or services. Additional disclosures may be required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

(g) 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.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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, 2020. All tax returns from 2017 forward are open and subject to examination.

(i) Donated Services

Donated veterinarian services of \$11,288 have been reported as revenue and are included in total contributions and public support of \$697,599 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.

(j) 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.
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HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Fair Value Measurements (Continued)

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.

(k) Net Assets

In accordance with ASU 2016-14, 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, 2020 are further explained in Note 3.

(l) 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.

HUMANE SOCIETY OF PULASKI COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2: INVESTMENTS

Investments as of December 31, 2020 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, 2020:

<u>Original Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
\$ 813,602	\$ 897,866	\$ 84,264

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2020.

	<u>Unrestricted</u>
Investment Income	\$ 12,236
Realized Gains (Losses)	564
Unrealized Gains (Losses)	<u>84,264</u>
Total Investment Return	<u>\$ 97,064</u>

NOTE 3: RESTRICTED NET ASSETS

At December 31, 2020, net assets with donor-imposed restrictions amounting to \$17,139 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, 2020 amounted to \$1,519,682 per books and \$1,531,004 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:

HUMANE SOCIETY OF PULASKI COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4: CONCENTRATIONS (CONTINUED)

Cash on deposit	\$ <u>1,531,004</u>
Applicable FDIC/SIPC Limits	339,339
U.S. Government Securities Pledged as Collateral	<u>838,957</u>
Total Cash Deposits Insured and Collateralized	<u>1,178,296</u>
Uninsured Deposits	<u>\$ 352,708</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.*"

The following table reflects assets that are measured and carried at fair value on a recurring basis as of December 31, 2020.

	<u>Fair Value Measurements Using</u>			<u>Assets At Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments:				
Certificates of Deposit	\$ 60,122	\$ -	\$ -	\$ 60,122
Marketable Equity Securities	<u>837,744</u>	<u>-</u>	<u>-</u>	<u>837,744</u>
Total	<u>\$ 897,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 897,866</u>

There were no transactions to or from Level 3 investments during the year ended December 31, 2020.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 \$17,139	\$ 2,838,270
Accounts Receivable	
Total	\$ 2,383,270

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, 2020 were as follows:

Program	\$ 1,116,588
Supporting Services:	
Management and General	11,590
Fundraising	13,121
Total	\$ 1,141,299

NOTE 7: SBA PPP LOAN

On April 14, 2020, the Society received loan proceeds in the amount of \$105,100 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides loans to qualifying businesses and nonprofit organizations for amounts up to 2.5 of the average monthly payroll expenses of the qualifying borrower. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first ten months, after the end of the twenty-four month period. The Humane Society of Pulaski County intends to use the proceeds for purposes consistent with the PPP. While the management believes that its use of the proceeds will meet the conditions for forgiveness of the loan, no assurance can be provided. The loan was forgiven on February 24, 2021.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 8: RISKS AND UNCERTAINTIES

In February 2020, the COVID-19 virus began spreading in the United States, including areas in which the Society operates. Business continuity and social activities have been severely impacted as government and citizens take significant and unprecedented measures to mitigate the consequences of the epidemic. Management has carefully monitored the situation and evaluated its options during this time. Although the effect of the outbreak is expected to be temporary, there is considerable uncertainty about its outcome, and the impact and duration cannot be reasonably estimated at this time.

NOTE 9: SUBSEQUENT EVENTS

The Society did not have any recognized or nonrecognized subsequent events occur after December 31, 2020, the date of the statement of financial position. Subsequent events and transactions have been evaluated for potential recognition or disclosure through July 12, 2021, the date the financial statements were available to be issued.