

HUMANE SOCIETY OF PULASKI COUNTY

FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

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COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

650 S. Shackelford 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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of Pulaski County as of December 31, 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Humane Society of Pulaski County's internal control. Accordingly, no such opinion is expressed.
- Conclude whether, in our judgment, there are conditions or events, considered in aggregate, that raise substantial doubt about Humane Society of Pulaski County's ability to continue as a going concern for a reasonable period of time.

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

Cobb and Suskie, Ltd.

Certified Public Accountants
May 23, 2022

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,144,967
Investments	2,309,813
Total Current Assets	3,454,780

RESTRICTED ASSETS

Cash	17,223
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PROPERTY AND EQUIPMENT

Land	17,000
Building	1,682,587
Furniture, Fixtures and Equipment	567,388
Vehicles	194,374
	2,461,349
Less Accumulated Depreciation	1,516,585
Net Property and Equipment	944,764

OTHER ASSETS

	6,458
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Total Assets	\$ 4,423,225
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 14,083
Total Current Liabilities	14,083

NET ASSETS

Without Donor Restrictions	4,391,919
With Donor Restrictions	17,223
Total Net Assets	4,409,142

Total Liabilities and Net Assets	\$ 4,423,225
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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, 2021

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions and Public Support	\$ 548,614	\$ 75	\$ 548,689
Program Services	99,094	-	99,094
Special Events and Activities	125,976	-	125,976
Other Income	1,721	-	1,721
Net Assets Released from Restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>775,405</u>	<u>75</u>	<u>775,480</u>
 <u>EXPENSES</u>			
Program Services	1,128,373	-	1,128,373
Supporting Services:			
Management and General	11,311	-	11,311
Fundraising	<u>14,644</u>	<u>-</u>	<u>14,644</u>
Total Expenses	<u>1,154,328</u>	<u>-</u>	<u>1,154,328</u>
 Support and Revenue Over (Under) Expenses	 <u>(378,923)</u>	 <u>75</u>	 <u>(378,848)</u>
 <u>OTHER INCREASES (DECREASES)</u>			
Investment Income	55,400	9	55,409
Estate Bequests	1,391,389	-	1,391,389
PPP Loan Forgiveness	105,100	-	105,100
Unrealized Gain (Loss) on Investments	<u>41,814</u>	<u>-</u>	<u>41,814</u>
Total Other Increases (Decreases)	<u>1,593,703</u>	<u>9</u>	<u>1,593,712</u>
 INCREASE (DECREASE) IN NET ASSETS	 1,214,780	 84	 1,214,864
 NET ASSETS AT BEGINNING OF YEAR	 <u>3,177,139</u>	 <u>17,139</u>	 <u>3,194,278</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 4,391,919</u>	 <u>\$ 17,223</u>	 <u>\$ 4,409,142</u>

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, 2021

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Bank Charges	\$ -	\$ 7,974	\$ -	\$ 7,974
Depreciation	85,385	-	-	85,385
Dues and Subscriptions	-	3,337	-	3,337
Employment/Staff Expense	2,857	-	-	2,857
Fundraising Costs	-	-	14,644	14,644
Insurance	22,787	-	-	22,787
Medicine	72,925	-	-	72,925
Membership Expense	2,642	-	-	2,642
Memorials	230	-	-	230
Merchandise	1,950	-	-	1,950
Newsletter	6,154	-	-	6,154
Office Administration and Supplies	4,785	-	-	4,785
Payroll Taxes	44,704	-	-	44,704
Professional Fees	82,352	-	-	82,352
Repair and Maintenance	28,967	-	-	28,967
Salaries	572,546	-	-	572,546
Shelter Operations	106,444	-	-	106,444
Taxes	146	-	-	146
Telephone and Utilities	39,177	-	-	39,177
Vehicle Expense	3,929	-	-	3,929
Veterinarian Services	49,467	-	-	49,467
Website and Internet	926	-	-	926
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 1,128,373</u>	<u>\$ 11,311</u>	<u>\$ 14,644</u>	<u>\$ 1,154,328</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, 2021

OPERATIONS:

Increase (Decrease) in Net Assets	\$	1,214,864
Adjustments Needed to Reconcile to Net Cash Provided by Operations:		
Depreciation		85,385
Unrealized (Gain) Loss on Investments		(41,814)
Change in Current Assets and Liabilities:		
(Increase) Decrease in Other Assets		(767)
Increase (Decrease) in Accounts Payable		(10,969)
Net Change Inflows (Outflows) from Operations		<u>1,246,699</u>

INVESTING ACTIVITIES:

Inflows (Outflows):		
Net Change in Investments		(1,370,133)
Purchase of Property		(128,958)
Net Investing Inflows (Outflows)		<u>(1,499,091)</u>

FINANCING ACTIVITIES:

Inflows (Outflows)		
Payroll Protection Loan Forgiven		(105,100)
Net Financing Inflows (Outflows)		<u>(105,100)</u>

Increase (Decrease) in Cash and Cash Equivalents		(357,492)
Beginning Cash and Cash Equivalents		<u>1,519,682</u>
Ending Cash and Cash Equivalents	\$	<u>1,162,190</u>
Cash and Cash Equivalents	\$	1,395,255
Restricted Cash		<u>17,223</u>
Total Cash, Cash Equivalents, and Restricted Cash shown in the Statement of Cash Flows at 12/31/21	\$	<u>1,412,478</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, 2021

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 \$1,162,190 at December 31, 2021, consists of \$1,144,967 in unrestricted cash and \$17,223 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, 2021

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, 2021, amounted to \$85,385.

(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 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, 2021

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, 2021. All tax returns from 2018 forward are open and subject to examination.

(i) Donated Services

Donated veterinarian services of \$7,081 have been reported as revenue and are included in total contributions and public support of \$548,689 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, 2021

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, 2021, 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, 2021

NOTE 2: INVESTMENTS

Investments as of December 31, 2021, consist of marketable equity and fixed income 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, 2021:

<u>Original Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
\$ 2,140,677	\$ 2,309,813	\$ 169,136

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2021.

	<u>Unrestricted</u>
Investment Income	\$ 55,409
Unrealized Gains (Losses)	41,814
Total Investment Return	<u>\$ 97,223</u>

NOTE 3: RESTRICTED NET ASSETS

At December 31, 2021, net assets with donor-imposed restrictions amounting to \$17,223 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, 2021, amounted to \$1,162,190 per books and \$1,181,243 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, 2021

NOTE 4: CONCENTRATIONS (CONTINUED)

Cash on deposit	\$ <u>1,181,243</u>
Applicable FDIC/SIPC Limits	336,243
U.S. Government Securities Pledged as Collateral	<u>845,000</u>
Total Cash Deposits Insured and Collateralized	<u>1,181,243</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.*”

The following table reflects assets that are measured and carried at fair value on a recurring basis as of December 31, 2021.

	<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:				
Fixed Income Securities	\$ 522,277	\$ -	\$ -	\$ 522,277
Marketable Equity Securities	<u>1,787,536</u>	<u>-</u>	<u>-</u>	<u>1,787,536</u>
Total	<u>\$ 2,309,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,309,813</u>

There were no transactions to or from Level 3 investments during the year ended December 31, 2021.

HUMANE SOCIETY OF PULASKI COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

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 \$17,223	\$ 3,454,780
Accounts Receivable	
Total	\$ 3,454,780

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, 2021, were as follows:

Program	\$ 1,128,373
Supporting Services:	
Management and General	11,311
Fundraising	14,644
Total	\$ 1,154,328

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. Management believes that its use of the proceeds has met the conditions for forgiveness, and the loan was forgiven on February 24, 2021.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Except as described in Note 7, the Society did not have any recognized or nonrecognized subsequent events occur after December 31, 2021, the date of the statement of financial position. Subsequent events and transactions have been evaluated for potential recognition or disclosure through May 23, 2022, the date the financial statements were available to be issued.