

HUMANE SOCIETY OF PULASKI COUNTY

FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

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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, 2022, 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, 2022, 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 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 Siskie, Ltd.

Certified Public Accountants
June 2, 2023

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,373,224
Investments	1,795,346
Total Current Assets	3,168,570

RESTRICTED ASSETS

Cash	15,511
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PROPERTY AND EQUIPMENT

Land	17,000
Building	1,682,587
Furniture, Fixtures and Equipment	645,245
Vehicles	194,374
	2,539,206
Less Accumulated Depreciation	1,608,637
Net Property and Equipment	930,569

OTHER ASSETS

	6,381
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Total Assets	\$ 4,121,031
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 33,119
Total Current Liabilities	33,119

NET ASSETS

Without Donor Restrictions	4,072,401
With Donor Restrictions	15,511
Total Net Assets	4,087,912

Total Liabilities and Net Assets	\$ 4,121,031
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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, 2022

	<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	\$ 588,613	\$ 6,025	\$ 594,638
Program Services	118,277	-	118,277
Special Events and Activities	121,254	-	121,254
Other Income	2,765	-	2,765
Net Assets Released from Restrictions	<u>7,770</u>	<u>(7,770)</u>	<u>-</u>
Total Revenue	<u>838,679</u>	<u>(1,745)</u>	<u>836,934</u>
 <u>EXPENSES</u>			
Program Services	1,205,824	-	1,205,824
Supporting Services:			
Management and General	12,965	-	12,965
Fundraising	<u>26,077</u>	<u>-</u>	<u>26,077</u>
Total Expenses	<u>1,244,866</u>	<u>-</u>	<u>1,244,866</u>
 Support and Revenue Over (Under) Expenses	 <u>(406,187)</u>	 <u>(1,745)</u>	 <u>(407,932)</u>
 <u>OTHER INCREASES (DECREASES)</u>			
Investment Income	44,718	33	44,751
Estate Bequests	382,301	-	382,301
Unrealized Gain (Loss) on Investments	<u>(340,350)</u>	<u>-</u>	<u>(340,350)</u>
Total Other Increases (Decreases)	<u>86,669</u>	<u>33</u>	<u>86,702</u>
 INCREASE (DECREASE) IN NET ASSETS	 (319,518)	 (1,712)	 (321,230)
 NET ASSETS AT BEGINNING OF YEAR	 <u>4,391,919</u>	 <u>17,223</u>	 <u>4,409,142</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 4,072,401</u>	 <u>\$ 15,511</u>	 <u>\$ 4,087,912</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, 2022

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Bank Charges	\$ -	\$ 9,511	\$ -	\$ 9,511
Continuing Education	110	-	-	110
Depreciation	92,052	-	-	92,052
Dues and Subscriptions	-	3,454	-	3,454
Employment/Staff Expense	4,031	-	-	4,031
Fundraising Costs	-	-	26,077	26,077
Insurance	23,798	-	-	23,798
Medicine	64,833	-	-	64,833
Membership Expense	2,416	-	-	2,416
Memorials	-	-	-	-
Merchandise	2,508	-	-	2,508
Newsletter	6,416	-	-	6,416
Office Administration and Supplies	4,500	-	-	4,500
Payroll Taxes	47,451	-	-	47,451
Professional Fees	85,826	-	-	85,826
Repair and Maintenance	19,552	-	-	19,552
Salaries	606,747	-	-	606,747
Shelter Operations	128,092	-	-	128,092
Taxes	1,009	-	-	1,009
Telephone and Utilities	44,474	-	-	44,474
Vehicle Expense	2,059	-	-	2,059
Veterinarian Services	67,705	-	-	67,705
Website and Internet	2,245	-	-	2,245
	<u>\$ 1,205,824</u>	<u>\$ 12,965</u>	<u>\$ 26,077</u>	<u>\$ 1,244,866</u>
Total Expenses	<u>\$ 1,205,824</u>	<u>\$ 12,965</u>	<u>\$ 26,077</u>	<u>\$ 1,244,866</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, 2022

OPERATIONS:

Increase (Decrease) in Net Assets	\$	(321,230)
Adjustments Needed to Reconcile to Net Cash Provided by Operations:		
Depreciation		92,052
Unrealized (Gain) Loss on Investments		340,350
Change in Current Assets and Liabilities:		
(Increase) Decrease in Other Assets		77
Increase (Decrease) in Accounts Payable		19,036
Net Change Inflows (Outflows) from Operations		130,285

INVESTING ACTIVITIES:

Inflows (Outflows):		
Net Change in Investments		174,117
Purchase of Property		(77,857)
Net Investing Inflows (Outflows)		96,260

FINANCING ACTIVITIES:

Inflows (Outflows)		
Net Financing Inflows (Outflows)		-
Increase (Decrease) in Cash and Cash Equivalents		226,545
Beginning Cash and Cash Equivalents		1,162,190
Ending Cash and Cash Equivalents	\$	1,388,735
Cash and Cash Equivalents	\$	1,373,224
Restricted Cash		15,511
Total Cash, Cash Equivalents, and Restricted Cash shown in the Statement of Cash Flows at 12/31/22	\$	1,388,735

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, 2022

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 \$1,388,735 at December 31, 2022, consists of \$1,373,224 in unrestricted cash and \$15,511 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, 2022

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, 2022, amounted to \$92,052.

(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.

(h) Leases

Effective January 1, 2022 the Society adopted Accounting Standards Update 2016-02, "Leases," which updates Section 842 of the Accounting Standards Codification and requires a lessee to report on its statement of financial position the right-of-use of a long-term lease as an asset and its related liability. This new standard has not had an effect on the accompanying financial statements.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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, 2022. All tax returns from 2019 forward are open and subject to examination.

(j) Donated Services

Donated veterinarian services of \$7,215 have been reported as revenue and are included in total contributions and public support of \$594,638 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.

(k) 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, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) 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, 2022, are further explained in Note 3.

(m) 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, 2022

NOTE 2: INVESTMENTS

Investments as of December 31, 2022, 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, 2022:

<u>Original Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
\$ 1,953,268	\$ 1,795,346	\$ (157,922)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2022.

	<u>Unrestricted</u>
Investment Income	\$ 44,751
Unrealized Gains (Losses)	<u>(340,350)</u>
Total Investment Return	<u>\$ (295,599)</u>

NOTE 3: RESTRICTED NET ASSETS

At December 31, 2022, net assets with donor-imposed restrictions amounting to \$15,511 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, 2022, amounted to \$1,388,735 per books and \$1,394,008 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, 2022

NOTE 4: CONCENTRATIONS (CONTINUED)

Cash on deposit	\$ <u>1,394,008</u>
Applicable FDIC/SIPC Limits	583,507
U.S. Government Securities Pledged as Collateral	<u>806,975</u>
Total Cash Deposits Insured and Collateralized	<u>1,390,482</u>
Uninsured Deposits	<u>\$ 3,526</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, 2022.

	<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	\$ 984,363	\$ -	\$ -	\$ 984,363
Marketable Equity Securities	<u>810,983</u>	<u>-</u>	<u>-</u>	<u>810,983</u>
Total	<u>\$ 1,795,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,795,346</u>

There were no transactions to or from Level 3 investments during the year ended December 31, 2022.

HUMANE SOCIETY OF PULASKI COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

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 \$15,511	\$ 3,168,570
Accounts Receivable	
Total	\$ 3,168,570

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, 2022, were as follows:

Program	\$ 1,205,824
Supporting Services:	
Management and General	12,965
Fundraising	26,077
Total	\$ 1,244,866

NOTE 7: 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.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 8: SUBSEQUENT EVENTS

Except as described in Note 7, the Society did not have any recognized or nonrecognized subsequent events occur after December 31, 2022, the date of the statement of financial position. Subsequent events and transactions have been evaluated for potential recognition or disclosure through June 2, 2023, the date the financial statements were available to be issued.