

Humane Society of Greenwood

Report on Financial Statements

For the year ended June 30, 2019

Humane Society of Greenwood

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Independent Auditor's Report

The Board of Directors
Humane Society of Greenwood
Greenwood, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Humane Society of Greenwood (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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.

Auditor's 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 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 the Humane Society of Greenwood as of June 30, 2019, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 13 through 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Manley Garwin, LLC

Greenwood, South Carolina
April 20, 2020

Humane Society of Greenwood

Statement of Financial Position

June 30, 2019

Assets

Current Assets

Cash and cash equivalents	\$	179,182
Pledges receivable, net		92,980
Total current assets		<u>272,162</u>

Non-Current Assets

Pledges receivable, net		496,518
Property and equipment, net		1,424,619
Total non-current assets		<u>1,921,137</u>
Total assets	\$	<u>2,193,299</u>

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	8,807
Accrued expenses		8,675
Accrued leave		2,559
Construction line of credit		41,184
Total current liabilities		<u>61,225</u>

Non-Current Liabilities

Construction line of credit		140,000
Total liabilities		<u>201,225</u>

Net assets

Without donor restriction		
Undesignated		1,937,934
Designated by Board of Directors		39,539
With donor restriction		14,601
Total net assets		<u>1,992,074</u>
Total liabilities and net assets	\$	<u>2,193,299</u>

See Notes to Financial Statements

Humane Society of Greenwood

Statement of Activities

For the year ended June 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restriction	Total
Revenue and support			
Local government support	\$ 400,000	\$ -	\$ 400,000
Contributions	165,947	-	165,947
Adoption	41,054	-	41,054
Rescue revenue	14,488	-	14,488
Reclaim revenue	15,845	-	15,845
Donations and fundraiser revenue	62,067	22,556	84,623
Spay and neuter	71,892	-	71,892
In kind donations	39,262	-	39,262
Other income	2,167	165	2,332
Net assets released from restrictions	743,813	(743,813)	-
Total revenue and support	<u>1,556,535</u>	<u>(721,092)</u>	<u>835,443</u>
Expenses			
Program services	833,398	-	833,398
Supporting services			
Management and general	76,679	-	76,679
Fundraising	47,054	-	47,054
Total expenses	<u>957,131</u>	<u>-</u>	<u>957,131</u>
Revenue and support over/(under) expenses	<u>599,404</u>	<u>(721,092)</u>	<u>(121,688)</u>
Other income and expenses			
Gain (loss) on disposal of asset	(17,248)	-	(17,248)
Total other income and expenses	<u>(17,248)</u>	<u>-</u>	<u>(17,248)</u>
Changes in net assets	582,156	(721,092)	(138,936)
Net assets, beginning of year	<u>1,395,317</u>	<u>735,693</u>	<u>2,131,010</u>
Net assets, end of year	<u>\$ 1,977,473</u>	<u>\$ 14,601</u>	<u>\$ 1,992,074</u>

See Notes to Financial Statements

Humane Society of Greenwood

Statement of Functional Expenses

For the year ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Auto expenses	\$ 3,127	\$ -	\$ -	\$ 3,127
Bank charges	679	-	-	679
Campaign expenses	35,782	-	-	35,782
Certified mail	375	-	-	375
Credit card fees	3,956	-	-	3,956
Depreciation	23,351	2,748	1,372	27,471
Dues and subscriptions	1,892	2,367	473	4,732
Education	34	-	-	34
Employee medical expense	323	-	-	323
Employee relations	4,503	-	-	4,503
Euthanasia supplies	4,003	-	-	4,003
Facilities maintenance	3,341	-	-	3,341
Flea prevention	1,031	-	-	1,031
Fundraising	-	-	13,164	13,164
Group insurance	9,666	1,706	-	11,372
Interest expense	6,613	-	-	6,613
HTL (head removal)	460	-	-	460
Insurance	15,243	2,690	-	17,933
Marketing	641	-	-	641
Meals	177	-	-	177
Microchip expense	10,882	-	-	10,882
Miscellaneous	5,631	311	311	6,253
Office supplies	3,707	1,711	285	5,703
Other supplies	13,929	733	-	14,662
Payroll expense	428,053	50,359	25,180	503,592
Petsmart grant veterinary supplies	43,022	-	-	43,022
Postage	763	1,525	763	3,051
Printing	1,685	1,123	2,808	5,616
Professional fees	15,020	-	-	15,020
Rabies tags	608	-	-	608
Reclaim fees	1,222	-	-	1,222
Non-recurring grant	3,672	-	-	3,672
Repairs and maintenance	4,668	-	-	4,668
Spay and neuter	56,895	-	-	56,895
Signs and banners	402	-	-	402
Small equipment	873	-	-	873
Supplies	62,735	-	-	62,735
Taxes and licenses	793	-	-	793
Telephone/internet	2,698	5,393	2,698	10,789
Training	1,596	-	-	1,596
Uniforms	3,625	-	-	3,625
Utilities	18,038	6,013	-	24,051
Veterinarians	30,647	-	-	30,647
Veterinary supplies	6,798	-	-	6,798
Volunteer services	239	-	-	239
Total expenses	<u>\$ 833,398</u>	<u>\$ 76,679</u>	<u>\$ 47,054</u>	<u>\$ 957,131</u>

See Notes to Financial Statements

Humane Society of Greenwood

Statement of Cash Flows

For the year ended June 30, 2019

Operating activities

Change in net assets	\$ (138,936)
Adjustments to reconcile change in net assets to cash used for operating activities:	
Depreciation	27,471
Loss on disposal	17,248
Change in assets and liabilities	
Pledges receivable	201,841
Accounts payable	(480,813)
Accrued expenses	(582)
Accrued leave	(1,148)
	<hr/>
Net cash used for operating activities	(374,919)

Investing activities

Disposals of fixed assets	<hr/> 11,342
Net cash provided by investing activities	<hr/> 11,342

Financing activities

Proceeds on construction line of credit	148,523
Payments on construction line of credit	<hr/> (151,220)
Net cash used for financing activities	<hr/> (2,697)
Net increase (decrease) in cash and cash equivalents	(366,274)

Cash and cash equivalents, beginning of year

545,456

Cash and cash equivalents, end of year

\$ 179,182

Supplemental disclosures of cash flow information

Construction line of credit proceeds issued to purchase equipment	<hr/> <u>\$ 183,881</u>
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See Notes to Financial Statements

Humane Society of Greenwood

Notes to Financial Statements

June 30, 2019

Note 1. Summary of Significant Accounting Policies

The Humane Society of Greenwood (the “Organization”) was established as a non-profit corporation pursuant to the laws and regulations of the State of South Carolina on March 31, 1958, to give sanctuary to abandoned, abused, and neglected animals, provide education to the public on responsible and humane pet ownership, encourage the public to spay and neuter their pets by providing low cost surgery, and encourage adoptions of those animals placed in its care. The Organization also serves the citizens of Greenwood County by upholding the law as it relates to the protection of its people and animals.

Financial statements presentation:

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets without Donor Restrictions—These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions—These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently. Until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted. The Organization had \$14,601 net assets with donor restrictions at June 30, 2019.

Cash and cash equivalents:

Cash and cash equivalents consist of cash held in checking, savings and money market accounts with original maturities of less than 90 days.

Inventory:

Inventory is stated at the lower of cost or market which is determined on the first-in, first-out basis.

Accrued leave:

Employees accumulate vacation earned in excess of amounts used. This liability of the Organization is computed based on rates of pay in effect at year end.

Humane Society of Greenwood

Notes to Financial Statements

June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Contributions:

Contributions received are recorded as donor restricted or without donor restriction support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increases the net asset class. When donor restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Contributed property and equipment is recorded at fair value at the date of donation.

Revenue recognition:

Revenue consists primarily of local government support and donations from citizens. Revenue is recorded as earned.

Pledges receivable:

Pledges receivable due in the next year are reflected as current promises to give and are recorded at their net realizable value. Pledges due in subsequent years are reflected as long-term pledges and are recorded at the present value of their net realizable value using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Based on past experience and on analysis of collectability, management believes that no allowance for uncollectible pledges should be recorded; however, it is reasonably possible that some pledges may not be collected.

In-kind contributions/donated services:

GAAP requires the Organization to recognize donated services that create or enhance non-financial assets or require specialized skill and would typically need to be purchased if not provided by donation. The Organization receives donated volunteer services and other non-cash items. The Organization receives donated services from unpaid volunteers assisting the Organization with administration, animal foster care, veterinary treatment and assistance with fundraising. Donated services that meet the recognition criteria, donated property and donated materials, are recognized at their cost or estimated fair market values.

Property and equipment:

Property and equipment is stated at cost, except for donated property and equipment which is recorded at fair market value at the time of the donation. The Organization capitalizes all property and equipment with a cost of \$2,500, if purchased, and a fair value of \$2,500 if received by contribution. Depreciation is computed on the straight-line method over estimated useful lives of five to twenty years.

Humane Society of Greenwood

Notes to Financial Statements

June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Income taxes:

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes.

Management evaluates any uncertain tax positions or unrecognized tax benefits or liabilities that may exist. Management does not believe that any material uncertain tax positions or unrecognized tax benefits or liabilities exist for the years ended June 30, 2019. The Organization's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense.

With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2016.

Recently issued accounting standards:

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update changes terminology used to describe categories of net asset classification, adds new disclosures about liquidity and availability of resources, and expands disclosures related to functional allocation of expenses. The Organization adopted the provisions of this new standard during the year ended June 30, 2019.

Functional Expense Allocation

The accompanying 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. Some expenses, including supplies and materials, are directly identifiable and are charged to programs and supporting services accordingly. Administrative and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Allocations of significant costs, including compensation and related expenses, dues and subscriptions, utilities, and telephone and internet, are based on estimates of time and effort and other reasonable methods.

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 of assets and liabilities and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Subsequent events:

These financial statements have been updated for subsequent events through the date of the independent accountant's report, the date the financial statements were available to be issued.

Humane Society of Greenwood

Notes to Financial Statements

June 30, 2019

Note 2. Pledges Receivable

Unconditional pledges receivable as of June 30, 2019 consist of temporarily restricted pledges for the Capital Campaign. These pledges are to be received by the Humane Society of Greenwood for year subsequent to June 30, 2019, and are deemed to be fully collectible by management.

The following schedule summarizes the Organization's pledges receivable at June 30, 2019:

Within one year	\$ 97,440
Less: Discount for time value of money	<u>(4,460)</u>
Total short-term	92,980
Due 1-5 years	98,563
Due thereafter	425,000
Less: Discount for time value of money	<u>(27,045)</u>
Total long-term	<u>496,518</u>
Total pledges receivable	<u>\$ 589,498</u>

Note 3. Availability and Liquidity

The majority of the Organization's financial assets are received for adoptions and maintenance of operations and are available to meet ongoing cash needs for general expenditures. The Organization's financial assets available to meet general expenditures within one year includes cash and cash equivalents. At June 30, 2019 these financial assets available to meet general expenditures within one year totaled \$218,022. The Organization's liquidity goal is generally to maintain current financial assets at a minimum of 90 days of operating expenses.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

Cash and cash equivalents	\$ 179,182
Pledges receivable	<u>92,980</u>
	272,162
Less amounts unavailable for general expenditure:	
Designated by board of directors	(39,539)
Net assets with donor restrictions	<u>(14,601)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 218,022</u>

As part of the Organization's liquidity management plan, it has a policy to structure assets to be available as its general expenditures, liabilities, and other obligations come due.

Humane Society of Greenwood

Notes to Financial Statements

June 30, 2019

Note 4. Property and Equipment

A summary of property and equipment at June 30, 2019, is as follows:

Buildings and improvements	\$ 1,455,458
Equipment	<u>41,497</u>
Total	1,496,955
Less: Accumulated depreciation	<u>(72,336)</u>
Property and equipment, net	<u>\$ 1,424,619</u>

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2019:

Adoption sponsorships	\$ 170
Heartworm treatment fund	990
Interest income	523
Kuranda Bed Fund	55
Leath pawsitive prison program	140
Maddie's fund	130
Medical fund	1,967
Microchip fund	812
Petsmart grant veterinary supplies	2,883
Pet food fund	701
Sharp facets program	790
Spay and neuter	4,810
SRH vaccination program	240
TNR program	<u>390</u>
Total	<u>\$ 14,601</u>

Note 6. Construction Line of Credit

The Organization has a \$590,000 line of credit, secured by pledges receivable, with a financial institution for the purpose of building a new adoption center, spay and neuter clinic, and community education room. The terms of the line of credit are monthly interest only payments (5.84% fixed) based on the principal balance with principal reductions on the loan due by December 31st of each year. As of June 30, 2019, no more draws may be made on the line of credit due to the completion of the construction project.

Principal maturities on the line of credit are as follows:

<u>Year ending June 30,</u>	
2020	\$ 41,184
2021	100,000
2022	<u>40,000</u>
	<u>\$ 181,184</u>

Humane Society of Greenwood

Notes to Financial Statements

June 30, 2019

Note 7. Concentrations of Credit Risk

Management believes credit risk associated with the Organization's banking relationships is not significant. The book balance of the Organization's deposits was \$178,882 and the bank balance was \$180,716 at June 30, 2019. Petty cash on hand was \$300 at June 30, 2019. The Organization places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of FDIC insurance limits.

Note 8. In-kind Contributions/Donated Services

The Organization received donated supplies including pet food, cleaning supplies, and cat litter. The value of these donated supplies is based on the cost or estimated fair market value. The contributions are reported in the financial statements as revenue when received and an expense as the supplies are used. The Organization recorded donated goods that totaled approximately \$39,000 during the fiscal year 2019. Donated supplies are included in in-kind donations in the statement of activities.

Note 9. Concentration of Revenues

The Organization received approximately 48% of its revenue from the local County government for the year ended June 30, 2019.

Humane Society of Greenwood**Schedule 1 - Schedule of Classified Revenues****For the year ended June 30, 2019**

	HSOG Without Donor Restrictions	HSOG With Donor Restrictions	Shelter	Spay & Neuter Clinic	Adoption	Total
Revenue and support						
Local government support	\$ -	\$ -	\$ 400,000	\$ -	\$ -	\$ 400,000
Contributions	29,912	-	-	26,484	109,551	165,947
Adoption revenue	-	-	3,010	-	38,044	41,054
Rescue revenue	-	-	13,468	-	1,020	14,488
Reclaim Revenue	-	-	15,845	-	-	15,845
Donations and fundraiser revenue	62,067	22,556	-	-	-	84,623
Spay and neuter	-	-	-	71,892	-	71,892
In kind donations	2,527	-	28,418	-	8,317	39,262
Other income	306	165	1,060	801	-	2,332
Net assets released from restrictions	697,602	(743,813)	43,951	340	1,920	-
Total revenue and support	<u>\$ 792,414</u>	<u>\$ (721,092)</u>	<u>\$ 505,752</u>	<u>\$ 99,517</u>	<u>\$ 158,852</u>	<u>\$ 835,443</u>

Humane Society of Greenwood

Schedule 2 - Schedule of Classified Expenditures

For the year ended June 30, 2019

	HSOG	Shelter	Spay & Neuter Clinic	Adoption	Total
Auto expenses	\$ 2,581	\$ 544	\$ -	\$ -	\$ 3,125
Bank charges	944	-	-	-	944
Capital campaign	35,782	-	-	-	35,782
Cat litter	18	2,474	51	1,227	3,770
Certified mail	-	375	-	-	375
Cleaning supplies	141	5,249	24	2,355	7,769
Credit card fees	3,401	555	-	-	3,956
Depreciation	27,471	-	-	-	27,471
Discounted Receivables	6,254	-	-	-	6,254
Dues and subscriptions	4,637	95	-	-	4,732
Employee drug testing	32	-	-	-	32
Employee medical expense	-	291	-	-	291
Employee relations	4,503	-	-	-	4,503
Euthanasia supplies	-	4,003	-	-	4,003
Facilities maintenance	1,029	1,344	530	438	3,341
Flea prevention	96	873	-	-	969
Fundraising	13,164	-	-	-	13,164
HTL (head removal)	-	460	-	-	460
Insurance	9,221	8,551	64	97	17,933
In-kind expense	2,527	28,418	-	8,317	39,262
Marketing	581	-	-	60	641
Meals	145	32	-	-	177
Microchip expense	-	5,181	340	5,021	10,542
Miscellaneous	473	270	-	-	743
Non-recurring grants	7,171	929	340	1,920	10,360
Office supplies	1,588	3,037	486	348	5,459
Payroll expense	88,123	267,920	63,689	95,230	514,962
Personnel	112	-	-	-	112
Pet food	-	2,952	8	1,210	4,170
Petsmart grant veterinary supplies	-	43,022	-	-	43,022
Postage	2,996	16	41	-	3,053
Printing	5,520	51	45	-	5,616
Professional fees	7,415	7,493	-	-	14,908
Rabies tags	-	371	-	238	609
Reclaim fees	-	1,222	-	-	1,222
Repairs and maintenance	680	3,925	-	63	4,668
Spay and neuter	-	18,695	-	38,200	56,895
Small equipment	311	562	-	-	873
Supplies	1,969	9,059	9,458	2,361	22,847
Taxes and licenses	310	484	-	-	794
Telephone/internet	4,336	6,452	-	-	10,788
Training	785	811	-	-	1,596
Uniforms	3,625	-	-	-	3,625
Utilities	9,340	14,711	-	-	24,051
Veterinarians	538	3,364	24,439	1,768	30,109
Veterinary supplies	-	6,914	-	-	6,914
Volunteer services	239	-	-	-	239
Total expenses	\$ 248,058	\$ 450,705	\$ 99,515	\$ 158,853	\$ 957,131

Humane Society of Greenwood

Schedule 3 - Schedule of Shelter Revenues

For the year ended June 30, 2019

	<u>Shelter</u>
Revenue and support	
Local government support	\$ 400,000
Adoption revenue	3,010
Rescue revenue	13,468
Reclaim Revenue	15,845
In kind donations	28,418
Other income	1,060
Net assets released from restrictions	43,951
Total revenue and support	<u>\$ 505,752</u>

Humane Society of Greenwood

Schedule 4 - Schedule of Shelter Expenditures

For the year ended June 30, 2019

	<u>Shelter</u>
Auto expenses	\$ 544
Cat litter	2,474
Certified mail	375
Cleaning supplies	5,249
Credit card fees	555
Dues and subscriptions	95
Employee medical expense	291
Euthanasia supplies	4,003
Facilities maintenance	1,344
Flea prevention	873
HTL (head removal)	460
Insurance	8,551
In-kind expense	28,418
Meals	32
Microchip expense	5,181
Miscellaneous	270
Non-recurring grants	929
Office supplies	3,037
Payroll expense	267,920
Pet food	2,952
Petsmart grant veterinary supplies	43,022
Postage	16
Printing	51
Professional fees	7,493
Rabies tags	371
Reclaim fees	1,222
Repairs and maintenance	3,925
Spay and neuter	18,695
Small equipment	562
Supplies	9,059
Taxes and licenses	484
Telephone/internet	6,452
Training	811
Utilities	14,711
Veterinarians	3,364
Veterinary supplies	6,914
	<hr/>
Total expenses	<u>\$ 450,705</u>