NASHVILLE HUMANE ASSOCIATION

FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2021

And Report of Independent Auditor

Cherry Bekaert LLP

CPAs & Advisors

NASHVILLE HUMANE ASSOCIATION
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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Directors
Nashville Humane Association
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of Nashville Humane Association (a nonprofit organization) (the "Association"), 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 the Association 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 the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe 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 the 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 the Association's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's 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 material misstatement, 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment 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 the Association's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

Other Matter

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial position of Nashville Humane Association and Supporting Foundation as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended (none of which are presented herein), and we expressed an unmodified opinion on those consolidated financial statements. Such consolidated financial statements are the general-purpose financial statements of Nashville Humane Association and Supporting Foundation, and the financial statements of Nashville Humane Association presented herein are not a valid substitute for those consolidated financial statements.

Cherry Bekaert LLP

Nashville, Tennessee
September 26, 2022

NASHVILLE HUMANE ASSOCIATION
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

ASSETS		
Current Assets:		
Cash and cash equivalents	$	2,089,241
Inventory		16,052
Prepaid expenses and other		4,094
Total Current Assets		2,109,387
Beneficial interests in trusts		134,747
Investments		42,044
Land, building, and equipment, net		2,866,403
Total Assets	$	5,152,581
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$	12,520
Accrued expenses		55,613
Total Current Liabilities		68,133
Net Assets:		
Without Donor Restriction		4,938,846
With Donor Restriction		145,602
Total Net Assets		5,084,448
Total Liabilities and Net Assets	$	5,152,581

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

NASHVILLE HUMANE ASSOCIATION
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenue:			
Public Support:			
Donations	$ 2,493,276	$ -	$ 2,493,276
Auxiliary fundraisers	448,636	-	448,636
In-kind donations	535,577	-	535,577
Grants	445,556	-	445,556
Total Public Support	3,923,045	-	3,923,045
Revenue:			
Adoptions	450,719	-	450,719
Other program services	1,457	-	1,457
Investment return, net	6,409	-	6,409
Total Revenue	458,585	-	458,585
Total Public Support and Revenue	4,381,630	-	4,381,630
Expenses:			
Program Services:			
Shelter operations	2,257,996	-	2,257,996
Rover	236,836	-	236,836
Community spay and neuter program	231,698	-	231,698
Total Program Services	2,726,530	-	2,726,530
Supporting Services:			
Management and general	283,672	-	283,672
Fundraising	643,344	-	643,344
Total Supporting Services	927,016	-	927,016
Total Expenses	3,653,546	-	3,653,546
Change in net assets	728,084	-	728,084
Net assets, beginning of year	4,371,878	145,602	4,517,480
Transfer of net assets from Nashville Humane Association to Nashville Humane Association Supporting Foundation	(161,116)	-	(161,116)
Net assets, end of year	$ 4,938,846	$ 145,602	$ 5,084,448

NASHVILLE HUMANE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services			
	Shelter Operations	Rover	Community Spay and Neuter Program	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	$ 881,883	$ 147,642	$ 145,116	$ 1,174,641	$ 74,218	$ 164,662	$ 238,880	$ 1,413,521
Shelter supplies	624,711	1,883	-	626,594	-	-	-	626,594
Fundraising events	-	-	-	-	-	447,611	447,611	447,611
Payroll taxes and employee benefits	149,161	24,972	24,545	198,678	12,553	27,851	40,404	239,082
Depreciation	123,943	17,963	26,944	168,850	10,777	-	10,777	179,627
Vet supplies	140,098	18,130	6,593	164,821	-	-	-	164,821
Legal and professional	-	-	-	-	109,616	-	109,616	109,616
Miscellaneous	79,009	-	-	79,009	-	-	-	79,009
Grant expenses	60,142	-	-	60,142	-	-	-	60,142
Utilities	41,263	5,980	8,970	56,213	3,588	-	3,588	59,801
Bank charges and investment fees	-	-	-	-	57,451	-	57,451	57,451
Insurance	34,904	5,059	7,588	47,551	3,035	-	3,035	50,586
Repairs and maintenance	48,576	-	-	48,576	-	-	-	48,576
Telephone	16,447	4,993	4,112	25,552	2,056	1,762	3,818	29,370
Office expense	13,606	4,130	3,401	21,137	1,701	1,458	3,159	24,296
Advocacy and continuing ed.	18,946	-	-	18,946	-	-	-	18,946
Equipment rental	12,902	-	-	12,902	-	-	-	12,902
Auto and truck expenses	6,590	6,084	-	12,674	-	-	-	12,674
Technology	-	-	-	-	7,829	-	7,829	7,829
Vet fees	1,405	-	4,429	5,834	-	-	-	5,834
Laundry and uniforms	2,372	-	-	2,372	-	-	-	2,372
Taxes and licenses	849	-	-	849	848	-	848	1,697
Cremation services	1,189	-	-	1,189	-	-	-	1,189
	$ 2,257,996	$ 236,836	$ 231,698	$ 2,726,530	$ 283,672	$ 643,344	$ 927,016	$ 3,653,546

The accompanying notes to the financial statements are an integral part of this statement.

NASHVILLE HUMANE ASSOCIATION
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:	
Change in net assets	$ 728,084
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	179,627
Unrealized gains on investments	(3,581)
Contribution of stock	(62,541)
Changes in operating assets and liabilities:	
Inventory	9,659
Accounts payable and accrued expenses	3,746
Net cash flows from operating activities	854,994
Cash flows from investing activities:	
Transfer of net assets from Nashville Humane Association to Nashville Humane Association Supporting Foundation	(161,116)
Purchase of land, building, and equipment	(862,857)
Purchase of investments	(92)
Proceeds from sale of investments	36,363
Net cash flows from investing activities	(987,702)
Change in cash and cash equivalents	(132,708)
Cash and cash equivalents, beginning of year	2,221,949
Cash and cash equivalents, end of year	$ 2,089,241
Supplemental schedule of noncash investing activities:	
Contribution of stock	$ 62,541

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

Note 1—Nature of organization and summary of significant accounting policies

Nature of Organization – Nashville Humane Association (the "Association") is a nonprofit organization formed in 1946. Nashville Humane Association is committed to finding responsible homes, controlling pet overpopulation, and promoting the humane treatment of animals.

Supporting Organization – Nashville Humane Association Supporting Foundation is an affiliated nonprofit organization formed in 2004 to raise, manage, and distribute funds exclusively for the benefit of the Nashville Humane Association.

Basis of Presentation – These financial statements represent the financial activities of the Nashville Humane Association and are presented in addition to the consolidated audited financial statements of Nashville Humane Association and Supporting Foundation. Such consolidated financial statements are the general-purpose financial statements of Nashville Humane Association and Supporting Foundation, and the financial statements of Nashville Humane Association presented herein are not a valid substitute for those consolidated financial statements.

The Association presents its financial statements in accordance with standards of accounting and reporting prescribed for nonprofit organizations. Under these standards, the Association is required to report information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction. Net assets of the Association are presented as follows:

> *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the Board of Directors.
>
> *Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. As of December 31, 2021, no donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Association considers all cash and related short-term investments with original maturities of three months or less to be cash equivalents.

Donations Receivable – Donations are recognized when a donor makes a promise to give to the Association that is, in substance, unconditional. Donations with donor restrictions are reported as increases in net assets with donor restrictions. Restrictions that are fulfilled in the same accounting period in which the donations are received are reported in the statements of activities as net assets without donor restriction.

Investments – Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Gains or losses on such investments are reported as a change in net assets in the period they occur.

Fair Value Measurements – The Association has an established process in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidelines for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure financial instruments are recorded at fair value. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. FASB ASC guidance has a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Note 1—Nature of organization and summary of significant accounting policies (continued)

The three levels are explained as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following are descriptions of the valuation methodologies used for asset measurement at fair value at December 31, 2021:

Common Stock Mutual Funds – Valued at the closing price reported on the active market on which the individual securities are traded.

Beneficial Interests in Trusts – Valued using information obtained from third party sources, including financial statements and other information from detailed listings of holdings from the trust. These valuations are typically performed annually, based on the present value of the estimated future distributions the Association expects to receive over the term of the trust.

Land, Building, and Equipment – Land, building, and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets. It is the Association's policy to capitalize any expenditures over $500 for land, building, and equipment. Expenditures for repairs and maintenance are charged to expense as incurred.

Income Taxes – The Association is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC"), and the Association is classified as an organization that is not a private foundation as defined in Section 509(a) of the IRC. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

The Association follows FASB ASC guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. There are no tax penalties or interest reported in the accompanying financial statements.

Functional Allocation of Expenses – The costs of providing program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, predominately salaries and related benefits, have been allocated among the programs and supporting services benefited, based primarily on time and effort, while other expenses have been charged directly to the program.

Note 1—Nature of organization and summary of significant accounting policies (continued)

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

In-Kind Donations – In-kind donations are recognized at the fair value of items received at the time of donation. Volunteer time is recognized to the extent such time is provided by individuals with specialized training and which would normally need to be purchased. The Association also receives volunteer services from a number of individuals in carrying out its programs that do not meet the criteria for recognition in the financial statements.

Beneficial Interests in Trusts – FASB ASC standards require that the following instruments be recorded as a contribution and an asset at the present value of the Association's ultimate interest:

> *Perpetual Trusts Held by a Third Party* – Donors have established and funded trusts naming outside fiscal agents to invest and manage the trusts' assets in perpetuity. The Association, each year, will receive a pro rata share of income from the trusts' assets in perpetuity.

Accounting Policies for Future Pronouncements – In February 2016, FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending December 31, 2022. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonfinancial assets to be presented separately from contributions of cash and other financial assets. This standard will be effective for the fiscal year ending December 31, 2022. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 2—Revenue recognition

The Association follows FASB ASU 2014-19, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue when it transfers the promised goods or services to a customer in an amount that reflects consideration to which the entity expects to be entitled to in exchange for those goods and services.

The Association recognizes revenue for services in accordance with the following five steps outlined in ASC 606:

- Identification of the contract or contracts with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction prices.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when or as the Organization satisfies a performance obligation.

Note 2—Revenue recognition (continued)

The Association has analyzed the provisions of Topic 606 and has concluded the following:

Adoptions – Adoption revenue is recognized at the time of delivery to the customer and when collectability is reasonably assured. Such revenue is included in program related revenue in the accompanying statement of activities. Revenue is recorded net of estimated and actual sales adjustments in the same period the related revenues are recorded or when current information indicates additional allowances are required. These estimates are based on the Association's historical experience, specific customer information, and current economic conditions.

Performance Obligations – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under Topic 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Association's contracts with customers do not typically include multiple performance obligations.

Variable Consideration – The Association's contracts with customers do not result in contract modifications. The Association offers immaterial discounts to its customers, which it nets with total sales in the accompanying statement of activities. The discounts offered by the Association are fixed, and are recognized at the point in time the sale occurs.

Payment Terms – The Association's payment terms vary by the type of products offered. The time between invoicing and when payment is due is not significant. The Association's contracts with customers do not generally result in significant obligations associated with returns, refunds, or warranties. Revenue is recognized net of taxes collected from customers, which are subsequently remitted to governmental authorities.

Contract Costs – The Association does not recognize any assets associated with the incremental costs of obtaining a contract with a customer (for example, a sales commission) the Association expects to recover. Most revenue is recognized at a point in time or over a period of one year or less, and the Association uses the practical expedient that allows the Association to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that would have otherwise been recognized is one year or less.

Practical Expedients and Exemptions – There are several practical expedients and exemptions allowed under Topic 606 that impact timing of revenue recognition and disclosures. The Association applied a practical expedient in the application of ASC 606 that allows the Association to elect to treat similar contracts as part of a portfolio of contracts. The contracts have the same provision terms and management has the expectation the result will not be materially different from the consideration of each individual contract.

Disaggregation of Revenue – The statement of activities depict the disaggregation of revenue by revenue stream for the year ended December 30, 2021, and is consistent with how the Association evaluates financial performance.

Note 3—Liquidity and availability of resources

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing activities and programs as well as the conduct of services undertaken to support those activities to be general expenditures. 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 December 31, 2021:

Financial assets at year-end:	
Cash and cash equivalents	$ 2,089,241
Investments	42,044
Total financial assets	2,131,285
Less amounts not available to be used for general expenditures within one year:	
Purpose restrictions	10,855
Financial assets not available to be used within one year	10,855
Financial assets available to meet general expenditures within one year	$ 2,120,430

Note 4—Investments

Investments are stated at fair value with fair value determined based on active markets (Level 1), and consist of the following at December 31, 2021:

Common stock mutual funds:	
Large blend	$ 42,044

The following schedule summarizes the investment return for the years ended December 31, 2021:

Interest and dividends	$ 2,828
Unrealized gains, net	3,581
	$ 6,409

Note 5—Beneficial interests in trusts

The Association is one of five beneficiaries of a perpetual trust. The assets of the trust, totaling approximately $1,354,000 at December 31, 2021, are held and administered by an outside fiscal agent. The Association has recorded an asset, which is considered net assets with donor restrictions, of approximately $135,000 at December 31, 2021, representing its beneficial interest in the trust in accordance with donor's specifications. The Association received no amounts from this trust for the year ended December 31, 2021.

Note 6—Land, building, and equipment

Land, building, and equipment consist of the following at December 31, 20211:

Land	$	1,013,047
Building		2,995,929
Furniture and fixtures		86,613
Equipment		861,216
Works of art		16,625
Vehicles		397,722
		5,371,152
Less accumulated depreciation		(2,504,749)
	$	2,866,403

Depreciation expense totaled $179,627 for the year ended December 31, 2021.

Note 7—Net assets with donor restrictions

Net assets with donor restrictions consist of the following at December 31, 2021:

Relief aid	$	10,855
Beneficial interest in trusts		134,747
Total purpose restrictions		145,602
Total net assets with donor restrictions	$	145,602

Note 8—In-kind donations

The Association receives a significant amount of donated services and items from unpaid volunteers who assist in fundraising, animal care, and special projects. The amount meeting accounting criteria described in Note 1 and recognized in the accompanying financial statements for the year ended December 31, 2021 totaled $535,577.

Note 9—Employee benefit plan

The Association has established a Simple IRA Retirement Plan (the "Plan"). Under the terms of the Plan, the Association will provide a matching contribution up to a maximum of 3% of each eligible employee's annual compensation. Employees are eligible to participate in the Plan once compensation exceeds $1,000 or upon completion of one year of service. Employer contributions totaled $24,404 for the year ended December 31, 2021.

Note 10—Community Foundation of Middle Tennessee investments

The Community Foundation of Middle Tennessee (the "Community Foundation"), a separate nonprofit organization, maintains investments on behalf of the Association. The Community Foundation has ultimate authority and control over the investments; accordingly, the net assets of the Association do not include these investments.

The Association does anticipate receiving periodic investment earnings on its pro rata share of the Community Foundation's assets. The balance of the endowment funds held for the benefit of the Association totaled approximately $4,074,000 at December 31, 2021. The Association received approximately $176,000 from these investments for the year ended December 31, 2021.

Note 11—Concentrations

The Association maintains its cash in bank accounts at national financial institutions whose accounts are insured by the Federal Deposit Insurance Company up to statutory limits. The Association has not experienced any losses in such accounts; therefore, management believes it is not exposed to any significant credit risk related to cash and cash equivalents. Uninsured balances at December 31, 2021 totaled approximately $1,279,000.

Note 12—Risk of loss

The Association is exposed to various risks of loss, including general liability, errors and omissions, and other situations. The Association purchases commercial insurance for the risk of loss. During the year ended December 31, 2021, the Association was named as a defendant in litigation. Any potential settlement would not exceed insurance limits.

Note 13—Subsequent events

The Association has evaluated subsequent events through September 26, 2022, when these financial statements were available to be issued.