

THE HUMANE ASSOCIATION OF WILSON COUNTY

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S
REPORT**

JUNE 30, 2022

THE HUMANE ASSOCIATION OF WILSON COUNTY

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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Directors of
The Humane Association of Wilson County
Lebanon, Tennessee

Qualified Opinion

I have audited the accompanying financial statements of The Humane Association of Wilson County (a nonprofit organization), which comprises the statement of financial position as of June 30, 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 my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of this report, the financial statements referred to above present fairly, in all material respects, the financial position of The Humane Association of Wilson County as of June 30, 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 Qualified Opinion

We were unable to obtain appropriate audit evidence about the revenues and expenses due to insufficient records related to these accounts and amounts.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of The Humane Association of Wilson County, and to meet the other ethical responsibilities in accordance with the relevant ethical requirements relating to the audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the qualified 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 Humane Association of Wilson County'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

My 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 my 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 controls. Misstatements 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, I:

- Exercise professional judgement 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 Humane Association of Wilson County'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 my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Humane Association of Wilson County's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

June 22, 2023

FINANCIAL STATEMENTS

THE HUMANE ASSOCIATION OF WILSON COUNTY

Statement of Financial Position

June 30, 2022

Assets

Current assets:	
Cash	\$ 849,385
Certificate of deposit	224,000
Investment	196,812
Security deposit	5,000
Total current assets	<u>1,275,197</u>
Property and equipment:	
Building and improvements	838,529
Property and equipment	245,742
Less: accumulated depreciation	<u>(339,175)</u>
Net property and equipment	<u>745,096</u>
 Total assets	 \$ <u><u>2,020,293</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 13,666
Accrued expenses	737
Total current liabilities	<u>14,403</u>
 Total liabilities	 <u>14,403</u>
Net assets:	
Without donor restrictions	<u>2,005,890</u>
Total net assets	<u>2,005,890</u>
 Total liabilities and net assets	 \$ <u><u>2,020,293</u></u>

THE HUMANE ASSOCIATION OF WILSON COUNTY

Statement of Activities

For the year ended June 30, 2022

	<u>Almost Home</u>	<u>Joy Clinic</u>	<u>NLOL</u>	<u>Total</u>
Revenues - Without Donor Restrictions:				
Adoptions	50,470			50,470
Spay and neuter		362,261		362,261
Spay it forward		11,112		11,112
In-take fees	3,029			3,029
Donations	10,665	2,788	299,429	312,882
Appeals			67,273	67,273
Endowment fund			10,000	10,000
Estate-will donations			7,000	7,000
Grants		74,800	3,000	77,800
Fundraisers, less expenses of \$12,818			50,588	50,588
Memorials			3,426	3,426
Total public support and revenues	64,164	450,961	440,716	955,841
Other income				
Gain on sale of property and equipment			12,569	12,569
Unrealized loss on investments			(3,696)	(3,696)
Interest income			2,065	2,065
Total other income	0	0	10,938	10,938
Total revenues	64,164	450,961	451,654	966,779
Expenses:				
Almost Home	224,424			224,424
Joy Clinic		315,652		315,652
NLOL			237,518	237,518
Management and general	4,416			4,416
Total expenses	228,840	315,652	237,518	782,010
Increase (decrease) in net assets				184,769
Beginning of year net assets				1,821,121
End of year net assets				\$ 2,005,890

The accompanying notes are an integral part of these statements.

THE HUMANE ASSOCIATION OF WILSON COUNTY

Statement of Functional Expenses

For the year ended June 30, 2022

	Almost Home	Joy Clinic	NLOL	Total Program	Management and General	Total
	\$			0	4,416	4,416
Administrative						
Angel fund	7,610			7,610		7,610
Conference and workshops			3,982	3,982		3,982
Credit card services	49	2,049	1,459	3,557		3,557
Employee welfare			5,575	5,575		5,575
Office expenses	5,608	191	2,123	7,922		7,922
Advertising			356	356		356
Payroll expenses	147,679	198,201	118,487	464,367		464,367
Professional fees			4,791	4,791		4,791
Insurance			12,850	12,850		12,850
Uniforms			3,116	3,116		3,116
Supplies	11,709	2,209	4,434	18,352		18,352
Utilities	16,897	9,828	2,774	29,499		29,499
Training	45	100		145		145
Shelter		4,622		4,622		4,622
Software			2,935	2,935		2,935
Repair and maintenance	4,056	3,283	11,628	18,967		18,967
Dues			1,155	1,155		1,155
Taxes and licenses		1,258	786	2,044		2,044
Fundraising		249	22,743	22,992		22,992
Medical services and supplies	26,937	90,606	565	118,108		118,108
Auto expense	3,834		372	4,206		4,206
Interest		1,337		1,337		1,337
Depreciation			36,606	36,606		36,606
Miscellaneous		1,719	781	2,500		2,500
Total Expenses	\$ 224,424	315,652	237,518	777,594	4,416	782,010

The accompanying notes are an integral part of these statements.

THE HUMANE ASSOCIATION OF WILSON COUNTY

Statement of Cash Flows

For the year ended December 31, 2022

Cash flows from operating activities:	
Support and revenue received	\$ 930,205
Cash paid for:	
Salaries and related expenses	(469,942)
Program and support services	(213,819)
Net cash provided by operating activities	<u>246,444</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Property and equipemnt	(34,906)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(34,906)</u>
Net increase in cash	211,538
Cash and cash equivalents at beginning of year	861,847
Cash and cash equivalents at end of year	\$ <u><u>1,073,385</u></u>

Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities

Increase (Decrease) in net assets	\$ 184,769
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	36,606
Changes in assets (increase) decrease:	
Investment account	(8,791)
Pledges and grant receivables	36,574
Changes in liabilities increase (decrease):	
Accounts payable	(3,451)
Accrued expenses	737
Net cash provided by operating activities	\$ <u><u>246,444</u></u>

NOTES TO THE FINANCIAL STATEMENTS

THE HUMANE ASSOCIATION OF WILSON COUNTY

Notes to the Financial Statements June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Humane Association of Wilson County (the Association) is a non-profit organization organized in 1978 under the laws of the State of Tennessee as a not-for-profit corporation in Lebanon, Tennessee. The Association promotes educational, ethical and human treatment of animals in Wilson, and surrounding counties, in Tennessee.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and recommendations of the American Institute of Certified Public Accountants in its industry audit and accounting guide, Not-for-Profit Organizations.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Standards (SFAS). The Organization is required to report information regarding its financial position and activities according to two classes of net assets (with donor restrictions and without donor restrictions). In addition, the Organization is required to present a statement of cash flows.

Contributions

Contributions received are recorded as with or without donor restrictions support depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in without donor restrictions net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. When a restriction expires, donor restricted net assets are reclassified to without donor restricted net assets.

THE HUMANE ASSOCIATION OF WILSON COUNTY

Notes to the Financial Statements June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement of Operations

The Statement of Activities reports changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Association's ongoing activities and interest and investment income. Non-operating activities are limited to resources that generate return from other investments, permanently restricted contributions, net assets released for capital expenditures, and other activities considered to be of a more unusual or non-recurring nature. There were no non-operating activities for the year ended June 30, 2022.

Program and Supporting Services – Functional Expenses

The following program and supporting services are included in the accompanying financial statements on the Statement of Functional Expenses.

Program Services – Includes activities carried out to fulfill the Association's mission, resulting in services such as the spay and neuter of cats and dogs.

Supporting Services – Management and General – relates to the overall direction of the Association. These expenses are not identifiable with a particular program, event or fundraising, but are indispensable to the conduct of those activities and are essential to the Association. Specific activities include organizational oversight, business management, record keeping, budgeting, financing, and other administrative activities.

Classification of Expenses

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Expenses applicable to more than one function are allocated on the basis of time and effort.

Estimates

The management of the Association has made certain estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities and the reporting of revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). 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.

THE HUMANE ASSOCIATION OF WILSON COUNTY

Notes to the Financial Statements June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes

The Association has obtained a determination letter from the Internal Revenue Service, which qualifies the Association as a tax-exempt Organization under Section 501(c)(6) of the Internal Revenue Code and, accordingly, is exempt from federal or state income taxes. The Association follows FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, as it relates to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified in management and general expenses in the Association's financial statements.

Fair Value Measurements

The Association follows Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U. S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Association groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are as follows:

Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2- Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

THE HUMANE ASSOCIATION OF WILSON COUNTY

Notes to the Financial Statements June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

U.S. GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash and cash equivalents, grants and accounts receivable, investments, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Investment Valuation

Investments consist of marketable securities and are measured on a recurring basis at fair value at the reporting date using operating statements produced by the entity (Level 3). Unrealized gains and losses are recognized in the Statement of Activities and Changes in Net Assets. Gains and investment income whose restrictions are met in the same reporting period are shown as unrestricted support.

2. AVAILABILITY AND LIQUIDITY

The following represents the Association's financial assets at June 30, 2022:

Financial assets at year end:

Cash	\$849,385
Certificate of deposit	224,000
Investment	<u>196,812</u>
Total financial assets	1,270,197

Less amounts not available to be used within one year: (14,403)

Financial assets available to meet general expenditures
over the next twelve months:

\$1,255,794

The Association's goal is to maintain financial assets at a minimum of one-half of the annual expenditures of the previous year expenditures. As part of the liquidity plan, excess cash is invested in certificate of deposit.

THE HUMANE ASSOCIATION OF WILSON COUNTY

Notes to the Financial Statements June 30, 2022

3. INVESTMENTS

The investment is funds that have been invested with the Community Foundation.

Investments are stated at fair value (Level 3) and are summarized as follows:

Market Value	196,812
Carrying value	<u>196,812</u>
Total Unrealized gains	-

During the year the investments had a decrease in value of \$3,696 which has been included in other income.

4. PROPERTY AND EQUIPMENT

A summary of property and equipment activity is noted below:

	Balance <u>6/30/21</u>	<u>Addition</u>	<u>Retirement</u>	Balance <u>6/30/22</u>
Buildings and improvements	\$ 838,529	-	-	838,529
Furniture and equipment	<u>210,836</u>	<u>34,906</u>	<u>-</u>	<u>245,742</u>
Total	1,049,365	34,906	-	1,084,271
Less: Accumulated depreciation	<u>(325,700)</u>			<u>(339,175)</u>
Net property and equipment	<u>\$723,665</u>			<u>745,096</u>

There was depreciation expense of \$36,606 in the current year.

5. NET ASSETS WITH DONOR RESTRICTIONS

There were no net assets with donor restrictions at year end.

THE HUMANE ASSOCIATION OF WILSON COUNTY

Notes to the Financial Statements June 30, 2022

6. INCOME TAXES

The Association recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. Management has analyzed the Association’s tax positions and has concluded that no tax liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed. The Association identifies its major tax jurisdictions as the U. S. Federal Government and the State of Tennessee. However, the Association is not currently under audit nor has the Association been contacted by any of these jurisdictions. The Association is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months. During the year ended June 30, 2022, the Association did not recognize any interest and penalties relating to taxes, nor were any accrued as of June 30, 2022.

7. SUBSEQUENT EVENTS

The Association has evaluated subsequent events through June 22, 2023, the date the financial statements were available to be issued.