

THE HUMANE ASSOCIATION OF WILSON COUNTY, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2020

HUGH W. SMITH, SR.
CERTIFIED PUBLIC ACCOUNTANT



America Counts on CPAs

Human Association of Wilson County, Inc.
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Independent Auditor's Report

To the Board of Directors of
the Humane Association of Wilson County, Inc.

I have audited the accompanying financial statements of the Humane Association of Wilson County, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activity, 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 U.S. generally accepted accounting principles; 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I 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, I express no such opinion. An audit also includes evaluating the appropriateness of account policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

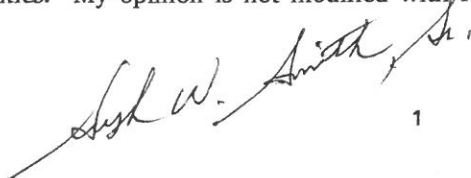
Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Humane Association of Wilson County, Inc. as of June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note- A, during the year ended June 30, 2020 the Humane Association of Wilson County, Inc. adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. My opinion is not modified with respect to this matter.

October 5, 2020



Humane Association of Wilson County, Inc.
Statement of Financial Position
June 30, 2020

ASSETS

Current Assets

Checking Account	\$ 110,380
Joy Clinic Checking Account	112,019
Grant Funds	10,178
Clinic Expansion Checking Account	3,469
Pinnacle CD	224,000
Money Market Account-Building Fund	<u>232,381</u>
Total Cash Accounts	692,427

Other Current Assets

Beneficial Interest-Foundation of Middle Tennessee	200,000
Prepaid Insurance	4,071
Donations Receivable	36,574
Other	<u>69</u>

Total Other Current Assets	240,714
Total Current Assets	<u>933,141</u>

Property and Equipment

Land and building	835,911
Equipment and fixtures	<u>213,454</u>
	1,049,365
Less: Accumulated depreciation	<u>(290,414)</u>
Total Property and Equipment	758,951

Total Assets	<u>\$ 1,692,092</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 31,880
Accrued Expenses	<u>7,665</u>
Total Liabilities	39,545

Net Assets

Without Donor Restrictions	<u>1,652,547</u>
Total Net Assets	1,652,547

Total Liabilities and Net Assets	<u>\$ 1,692,092</u>
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See accompanying notes to the financial statements.

Humane Association of Wilson County, Inc.
 Statements of Activities and Changes in Net Assets
 For the Year Ended June 30, 2020

	<u>Almost Home</u>	<u>Joy Clinic</u>	<u>NLOL</u>	<u>Total</u>
Public Support/Donations				
Angel Fund Donations	\$ 11,125.15	\$	\$	\$ 11,125.15
Appeals			52,616.19	52,616.19
Donations	905.60	20,412.53	232,679.74	253,997.87
Memorials			3,120.80	3,120.80
United Way			642.79	642.79
Estate-Wills			132,805.14	132,805.14
Total Public Support/Donations	<u>12,030.75</u>	<u>20,412.53</u>	<u>421,864.66</u>	<u>454,307.94</u>
Fund Raising				
Reverse Raffle			46,672.94	46,672.94
Special Events	<u>0.00</u>	<u>0.00</u>	<u>6,250.00</u>	<u>6,250.00</u>
Total Fund Raising	<u>0.00</u>	<u>0.00</u>	<u>52,922.94</u>	<u>52,922.94</u>
Operations Income/Grants				
PPP Income (Note H)			70,367.50	70,367.50
Interest	1.55		1,709.59	1,711.14
In-Take Income	1,749.00			1,749.00
Shelter Deferment		5,000.00		5,000.00
Spay/Neuter		155,767.70		155,767.70
Adoptions	59,662.03			
Spay It Forward		14,040.00		14,040.00
Grants	<u>1,000.00</u>	<u>54,600.00</u>	<u>17,345.85</u>	<u>72,945.85</u>
Total Operations Income/Grants	<u>62,412.58</u>	<u>229,407.70</u>	<u>89,422.94</u>	<u>381,243.22</u>
Total Income	<u>\$ 74,443.33</u>	<u>\$ 249,820.23</u>	<u>\$ 564,210.54</u>	<u>\$ 888,474.10</u>
Expenses				
Program Services				689,858.00
Management & General				<u>0.00</u>
Total Expenses				<u>689,858.00</u>
Excess (Deficiency) of Public Support And Revenue Over Expenses				198,616.10
Net Assets, Beginning				<u>1,453,931.00</u>
Net Assets, End				<u>\$ 1,652,547.10</u>

See accompanying notes to the financial statements.

The Humane Association of Wilson County, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	Almost Home	Joy Clinic Operations	NLOL	Supporting Services Management & General	Total (Memo)
Angle Fund Expense	\$ 2,242.64	\$	\$ 358.61	\$	\$ 2,601.25
Administrative		1,565.48			1,565.48
Advertising/Promotion		125.00	132.00		257.00
Automobile Expense	1,184.12		602.76		1,786.88
Bank Service Charges		55.33	6.39		61.72
Building & Grounds Maint.	12,269.49	1,705.66	2,024.02		15,999.17
Cell Phones	598.93	3,258.24			3,857.17
Conference/Workshop		100.00	599.00		699.00
Credit Card Services			2,092.18		2,092.18
Dues & Subscriptions	268.00		1,130.94		1,398.94
Fund Raising Expense	341.00		31,704.25		32,045.25
Insurance			3,804.18		3,804.18
Business and Vehicle Insurance			9,981.94		9,981.94
Payroll	167,278.91	139,439.69	57,125.08		363,843.68
Payroll Taxes	13,905.23	10,911.69	3,830.19		28,647.11
Medical Supplies	27,977.56	82,433.95			110,411.51
Office Supplies	3,626.89	671.90	967.42		5,266.21
Operating Supplies	14,224.12	1,075.36			15,299.48
Medical Services	829.52	2,187.35			3,016.87
Postage & Shipping	176.40	160.27	722.84		1,059.51
Software			4,039.47		4,039.47
Accounting/Audit			2,200.00		2,200.00
General Operations	5,268.87	8,570.36	8,594.83		22,434.06
Utilities	14,713.75	7,770.12	470.47		22,954.34
Total expense before depreciation	264,905.43	260,030.40	130,386.57	.00	655,322.40
Depreciation	13,814.00	13,220.00	7,501.60		34,535.60
Total expenses	\$ 278,719.43	\$ 273,250.40	\$ 137,888.17	\$.00	\$ 689,858.00

See accompanying notes to the financial statements.

Human Association of Wilson County, Inc.
 Statements of Cash Flows
 For the Year Ended June 30, 2020

Cash Flows From Operating Activities	\$ 198,616
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	34,536
Increase (Decrease) in:	
Current Assets	(1,079)
Payables/Accrued Expenses	2,595
	<u>1,516</u>
Net Cash Provided By Operating Activities	234,667
Cash Flows From Investing Activities	
Purchased Equipment	(4,750)
Beneficial Interest in Assets Held by Community Foundation of Middle Tennessee	<u>(200,000)</u>
	(204,750)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>29,917</u>
Cash and Cash Equivalents, Beginning	<u>662,510</u>
Cash and Cash Equivalents, End	\$ <u>692,427</u>

See accompanying notes to the financial statements.

Humane Association of Wilson County, Inc.
Notes to Financial Statements
June 30, 2020

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Humane Association of Wilson County, Inc. was organized in 1978 as a Tennessee not-for-profit corporation and is head quartered in Lebanon, Tennessee. The Organization promotes educational, ethical and human treatment of animals in Wilson, and surrounding counties, in Tennessee.

Basis of presentation –The financial statements of Humane Association of Wilson County, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Humane Association of Wilson County, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

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 organization. These net assets may be used at the discretion of Humane Association of Wilson County, Inc.'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 Humane Association of Wilson County, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Humane Association of Wilson County, Inc.'s ongoing treatment and care for animals. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

notes continued

Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributions receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

As of June 30, 2020, Humane Association of Wilson County, Inc. did have contributions receivable amounting to \$36,574.

Fair value measurements – 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. US 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). Humane Association of Wilson County, Inc. 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:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active

notes continued

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.

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

In-Kind-Donations

Humane Association of Wilson County, Inc. did not receive any in-kind-donations for the period ended June 30, 2020.

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.

Concentration of Credit Risk

Financial instruments that potentially subject Humane Association of Wilson County, Inc. to concentrations of credit risk consist principally of cash and cash equivalents and investments. Humane Association of Wilson County, Inc. maintains its cash and cash equivalents in a local bank. Humane Association of Wilson County, Inc.'s cash and cash equivalent accounts have been placed with a high credit quality financial institution. Humane Association of Wilson County, Inc. has not experienced, nor does it anticipate, any losses with respect to such accounts.

Property, Furniture, and Equipment

Property, furniture, and equipment are stated at cost less accumulated depreciation. Depreciation provided by the use of the straight-line method over the estimated useful lives of the assets. When properties are retired or otherwise disposed of the appropriate accounts are relieved of cost and accumulated depreciation, and any resulting gain or loss is recognized.

The estimated lives used in computing depreciation are as follows:

notes continued

Buildings/Improvements	39 years
Equipment	7 years
Furniture	5 years
Vehicles	5 years

Income taxes – Humane Association of Wilson County, Inc. is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Humane Association of Wilson County, Inc. has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Humane Association of Wilson County, Inc. has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

New Accounting Pronouncement – On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Humane Association of Wilson County, Inc. has adjusted the presentation of these statements accordingly.

Functional expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among animal services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash consists of cash on hand and in banks, including money market funds, and certificates with the original maturities of less than 90 days.

Cash

During the fiscal year, the Organization's cash bank balances did not exceed the federally insured limits. At June 30, 2020, the Organization's cash balances were \$692,427.

NOTE B- DESCRIPTION OF PROGRAMS

Community Services

notes continued

The Organization provides animal health services for the Wilson, and surrounding Tennessee counties.

NOTE C – Availability and Liquidity

The following represents Humane Association of Wilson County, Inc.'s financial assets at June 30, 2020:

Financial Assets at year end:	
Cash and cash equivalents	\$ 692,427
Investments	<u>0</u>
	692,427
Less amounts not available to used within one year:	
Board determined	0
Certificates of deposit	<u>0</u>
	0
Financial assets available to meet general expenditures over the next twelve months	\$ <u>692,427</u>

Humane Association of Wilson County, Inc.'s goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

NOTE D – Investments

The following is a summary of investments at June 30, 2020:

At June 30, 2020 Humane Association of Wilson County, Inc.'s investments consisted of the following:

Money Market Account	\$232,381
Pinnacle CD	<u>224,000</u>
	<u>\$456,381</u>

NOTE E- SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition and disclosure through October 5, 2020 the date the financial statements were available to be issued.

notes continued

NOTE F- FIXED ASSETS

Fixed assets at June 30, consists of the following:

Land & Buildings	\$	835,911.00
Mobile Equipment		25,000.00
Equipment & Fixtures		188,454.00
		<u>1,049,365.00</u>
Less: Accumulated Depreciation		(290,414.00)
	\$	<u><u>758,951.00</u></u>

Depreciation expense for the period ended June 30, was \$34,535.60.

NOTE G-Net Assets

There were no net assets with donor restrictions for the years ended June 30, 2020.

Net assets without donor restrictions for the years ended June 30, 2020
are as follows:

Undesignated	\$ 1,652,547.00
Board-designated net assets	<u>0.00</u>
	<u><u>\$ 1,652,547.00</u></u>

NOTE H - Pay Check Protection Program

The Organization spent 100% of the money received from the PPP on payroll related expenses.