

FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE

AUDITED FINANCIAL STATEMENTS

December 31, 2020



BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Franklin County Humane Society
Winchester, Tennessee

We have audited the accompanying financial statements of the Franklin County Humane Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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.

Auditors' 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 auditors' 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 Franklin County Humane Society as of December 31, 2020, 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.

Winchester, Tennessee
May 26, 2021

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

Current assets:

Cash and cash equivalents		\$	147,744.32
Unconditional promises to give, net (Note 9)			11,425.00
Prepaid assets			4,859.00
Total current assets			<u>164,028.32</u>

Non-current assets:

Capital assets

Land	\$	60,860.20	
Buildings		614,649.61	
Furniture, fixtures and equipment		168,788.47	
Vehicles		<u>24,170.00</u>	\$ 868,468.28
Less accumulated depreciation			<u>(258,998.00)</u>
Total non-current assets			<u>609,470.28</u>

Total assets			<u><u>\$ 773,498.60</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued liabilities		\$	8,357.55
Accrued salaries and leave			1,207.53
Payroll taxes payable			2,340.53
Refundable advances (Note 6)			5,992.19
Current portion of notes payable (Note 8)			<u>29,353.82</u>
Total current liabilities			47,251.62

Long-term liabilities:

Notes payable	\$	90,727.58	
Less current portion of notes payable		<u>(29,353.82)</u>	<u>61,373.76</u>
Total long-term liabilities			<u>61,373.76</u>
Total liabilities			108,625.38

Net assets:

Without donor restrictions without board designations	\$	631,678.61	
Without donor restrictions with board designations		<u>33,194.61</u>	<u>664,873.22</u>
Total liabilities and net assets			<u><u>\$ 773,498.60</u></u>

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

FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Revenues and support:			
Adoption fee income, net of discounts	\$ 35,160.75	\$ 0.00	\$ 35,160.75
Private foundation funding	17,500.00	10,064.56	27,564.56
Donations	212,662.66	0.00	212,662.66
Membership dues	228.00	0.00	228.00
Fundraising	47,432.79	0.00	47,432.79
Paycheck protection program loan forgiveness	22,055.00	0.00	22,055.00
Interest Income	84.78	0.00	84.78
Miscellaneous income	85.00	0.00	85.00
Total revenues	335,208.98	10,064.56	345,273.54
Net assets released from restrictions	10,064.56	(10,064.56)	0.00
Expenses:			
Shelter program	210,965.16	0.00	210,965.16
Fundraising	20,591.50	0.00	20,591.50
General & Administration	12,851.99	0.00	12,851.99
Depreciation	32,725.67	0.00	32,725.67
Total expenses	277,134.32	0.00	277,134.32
Increase/(decrease) in net assets	68,139.22	0.00	68,139.22
Beginning net assets	596,734.00	0.00	596,734.00
Ending net assets	\$ 664,873.22	\$ 0.00	\$ 664,873.22

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

FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program	Fundraising	General & Administrative	Total Expenses
Salaries	\$ 100,422.57	\$ 0.00	\$ 0.00	\$ 100,422.57
Payroll Tax	13,651.55	0.00	0.00	13,651.55
Total salaries and fringe benefits	114,074.12	0.00	0.00	114,074.12
Vehicle expenses	1,430.74	0.00	0.00	1,430.74
Utilities	14,758.33	0.00	140.04	14,898.37
Supplies	22,536.58	0.00	0.00	22,536.58
Publications and subscriptions	2,163.47	0.00	0.00	2,163.47
Maintenance and repairs	1,941.93	0.00	0.00	1,941.93
Insurance	5,398.85	0.00	0.00	5,398.85
Interest expense	4,791.63	0.00	0.00	4,791.63
Legal and professional	0.00	0.00	12,711.95	12,711.95
License and memberships	249.46	0.00	0.00	249.46
Veterinary services	33,491.92	0.00	0.00	33,491.92
Grant expense	2,163.61	0.00	0.00	2,163.61
Meals and entertainment	124.52	0.00	0.00	124.52
Adoption transportation	7,840.00	0.00	0.00	7,840.00
Fundraising expenses	0.00	20,591.50	0.00	20,591.50
Expenses before depreciation	210,965.16	20,591.50	12,851.99	244,408.65
Depreciation	32,725.67	0.00	0.00	32,725.67
Total expenses	\$ 243,690.83	\$ 20,591.50	\$ 12,851.99	\$ 277,134.32

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

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets		\$	68,139.22
Adjustments to reconcile decrease in net assets without donor restrictions to net cash provided by operating activities:			
Depreciation and amortization	\$	32,725.67	
Paycheck protection program loan forgiveness		(22,055.00)	
(Increase) decrease in operating assets:			
Accounts receivable		(2,700.00)	
Prepaid expenses		(592.15)	
Increase (decrease) in operating liabilities:			
Accounts payable		(4,547.52)	
Refundable advances		(3,872.06)	
Payroll taxes payable		(182.90)	(1,223.96)
Net cash provided by operating activities			66,915.26

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets		(18,070.00)
Net cash used by investing activities		(18,070.00)

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:

Long term debt		(26,894.41)
Paycheck protection program loan forgiveness		22,055.00
Net cash used by financing activities		(4,839.41)
Net increase in cash and cash equivalents		44,005.85
Cash and cash equivalents at beginning of year		103,738.47
Cash and cash equivalents at end of year (Note 2)	\$	147,744.32

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

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Franklin County Humane Society is a local animal shelter that operates to prevent cruelty to animals, to educate the community, to maintain a foster care and adoption program, and to reduce future generations of unwanted companion animals by developing and maintaining a low cost spay/neuter program.

The financial statements of Franklin County Humane Society have been prepared on an accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*", with several clarifying updates issued during 2016 and 2017. The new standard is effective for reporting periods beginning after December 15, 2018 and supersedes all prior revenue recognition standards. Under Topic 606, revenue recognition occurs when promised goods or services are transferred to customers in amounts that reflect the consideration to which the organization expects to be entitled to in exchange for those goods or services.

On January 1, 2019, the Organization adopted ASU No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*" using the modified retrospective method applied to those grants that were not completed as of January 1, 2019. In adopting Topic 606, the Organization changed their accounting policy for revenue recognition. The cumulation impact of adopting ASU 606 was immaterial and did not require an adjustment to net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Franklin County Humane Society considers all highly liquid investments (including assets with donor restrictions) with a maturity of three months or less when purchased to be cash equivalents.

Promises to Give

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

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor.

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property additions are recorded at cost or fair market value if donated. Depreciation is calculated using the straight-line method over the estimated useful life. Expenses for additions, improvements, and replacements are added to the property accounts while expenses for maintenance and repairs are expensed currently.

Interest is capitalized in connection with the construction of major facilities. The construction period interest is recorded as part of the asset to which it is related and is amortized over the asset's estimated useful life. No interest was capitalized for the year ended December 31, 2020.

The Society follows the policy of recording contributions of long-lived assets directly in investment in plant assets instead of recognizing their gift over the useful life of the asset. The amounts shown are from market valuation as of October 29, 2001, plus subsequent additions at cost or fair market value if donated.

Contributed Goods and Services

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated services are recognized as contributions in accordance with FASB ASC topic, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. For the year ended December 31, 2020, no amounts for donated services have been reflected in the financial statements, as they do not meet the criteria for recognition.

Refundable Advances

The Foundation is the recipient of grants that require expenditure for specified activities before the Foundation is reimbursed by the grantor for the costs incurred. Documentation showing actual costs expended is included when submitting a monthly or quarterly report for reimbursement. Certain grantors pay in advance of incurring the specified costs; in those cases, the amount received in excess of amounts spent on reimbursable costs is reported as refundable advances.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Net assets without donor restrictions include the following:

- A. General & Administrative: General includes the revenues and expenses associated with the principal mission of the Franklin County Humane Society.
- B. Land, Buildings, and Equipment: Land, Buildings, and Equipment assets are stated at market valuation as of October 29, 2001, plus subsequent additions at cost, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of the assets.

Net assets with donor restrictions include gifts for which donor imposed restrictions have not been met, trust activity, and pledges receivable for which the ultimate purpose of the proceeds is restricted.

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires managements to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cost Allocation

The financial statements present expenses by functional classification in accordance with the overall service mission of the Society. Each functional classification displays all expenses related to the underlying operations by natural classification.

NOTE 2 – CASH

As of December 31, 2020, cash is made up of the following amounts:

Schedule of Cash:	
Cash without donor restrictions	\$ 125,742.11
Certificate of deposits	<u>22,002.21</u>
Total Cash	<u>\$ 147,744.32</u>

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Franklin County Humane Society's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2020</u>
Financial assets at year-end	\$164,028.32
Less those unavailable for general expenditures within one year, due to:	
Accounts payable	8,357.55
Accrued salaries and leave	1,207.53
Payroll liabilities	2,340.53
Refundable advances	5,992.19
Current portion of notes payable	<u>29,353.82</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$116,776.70</u>

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>January 1, 2020</u>	<u>December 31, 2020</u>
Capital assets not being depreciated:		
Land and improvements	\$ 60,860.20	\$ 60,860.20
Construction in Progress	13,839.61	0.00
Buildings	614,649.61	614,649.61
Equipment	136,878.86	168,788.47
Vehicles	24,170.00	24,170.00
Accumulated Depreciation	<u>(226,272.38)</u>	<u>(258,998.00)</u>
Net fixed assets	<u>\$ 624,125.95</u>	<u>\$ 609,470.28</u>

NOTE 5 – NET ASSETS

Net assets without donor restrictions at December 31, 2020: \$ 631,678.61

Net assets without donor restrictions with board designations at December 31, 2020, are operating grant money as well as funds for the Society's programs listed below:

Templeton Education & Character Building Program	\$ 20,694.61
Low-Income Spay Program-Community Foundation	<u>12,500.00</u>
	<u>\$ 33,194.61</u>

NOTE 6 – REFUNDABLE ADVANCES

The Organization records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue. The activity in the refundable advance account is reported as follows:

Refundable advances, beginning of year	\$ 9,864.25
Grant awards received	27,047.50
Grant expenditures	<u>(30,919.56)</u>
Refundable advances, end of year	<u>\$ 5,992.19</u>

NOTE 7 – EMPLOYEE BENEFITS

The Society does not offer insurance or retirement benefits. The shelter manager is allowed accrual of vacation at 0.77 hours per week worked, with a maximum of 40 hours per year. The director of development is allowed accrual of vacation at 1.54 hours per week, with a maximum of 80 hours per year. Other employees are allowed accrual of vacation at 0.01 hours per hour worked, with a maximum of 20.8 hours per year. Accrued compensated absences at December 31, 2020 were \$1,207.53.

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 8 – LONG-TERM NOTE PAYABLE

Citizens Community Bank; 5.50% note payable,
due in annual installments of \$33,709.44
including interest through 2023.

\$ 90,727.58

Below is a summary of notes payable:

<u>Fiscal Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 29,353.82	\$ 4,355.62	\$ 33,709.44
2022	30,601.35	3,108.09	33,709.44
2023	<u>30,772.41</u>	<u>1,807.53</u>	<u>32,579.94</u>
	<u>\$ 90,727.58</u>	<u>\$ 9,271.24</u>	<u>\$ 99,998.82</u>

NOTE 9 – PROMISES TO GIVE

Promises to give consist of unconditional promises to give obtained through solicited funds and fundraisers. At December 31, 2020, the Franklin County Humane Society had unconditional promises to give without donor restrictions in the amount of \$11,425.00, which is expected to be collected within one year.

NOTE 10 – PAYCHECK PROTECTION PROGRAM

On April 13, 2020, the Organization received loan proceeds in the amount of \$22,055.00 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after up to twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. As of December 31, 2020, the entire loan amount has been forgiven.

NOTE 11 – DATE OF MANAGEMENT'S REVIEW

The Franklin County Humane Society has considered all events subsequent to December 31, 2020 and through May 26, 2021, the issuance date of these financial statements. In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.