

FRANKLIN COUNTY HUMANE SOCIETY OF MISSOURI

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Franklin County Humane Society of Missouri
St. Louis, Missouri

We have audited the accompanying financial statements of Franklin County Humane Society of Missouri (the "Organization"), a not-for-profit corporation, which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2020, and the related statements of revenues, expenses, and change in net assets – modified cash basis, and functional expenses – modified cash basis 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 modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

BWTP P.C.

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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 assets, liabilities, and net assets of Franklin County Humane Society of Missouri as of December 31, 2020, and the revenues, expenses, and changes in net assets for the year then ended in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

BWTP P.C.

BWTP P.C.
St. Louis, Missouri
July 31, 2022

FRANKLIN COUNTY HUMANE SOCIETY OF MISSOURI

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS

MODIFIED CASH BASIS

DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents \$ 169,036

INVESTMENTS

688,671

FIXED ASSETS

Office furniture and equipment 44,937

Vehicles 20,177

Building and building improvements 220,336

285,450

Less: accumulated depreciation (227,790)

Total Fixed Assets 57,660

TOTAL ASSETS

\$ 915,367

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued expenses \$ 4,812

Accrued payroll and benefits 2,777

Total Current Liabilities 7,589

NET ASSETS WITHOUT DONOR RESTRICTIONS

907,778

TOTAL LIABILITIES AND NET ASSETS

\$ 915,367

FRANKLIN COUNTY HUMANE SOCIETY OF MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

NET ASSETS WITHOUT DONOR RESTRICTIONS

REVENUES

Contributions	\$ 281,236
Program services	122,518
Special events	60,651
Interest and dividend income	19,734
Grants	16,515
Total Revenues	<u>500,654</u>

EXPENSES

Program	477,519
Management and general	27,190
Total Expenses	<u>504,709</u>

OPERATING LOSS (4,055)

OTHER INCOME (EXPENSE)

PPP loan forgiveness	50,800
Unrealized loss on investments, net	(32,435)
Total Other Income (Expense)	<u>18,365</u>

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS 14,310

**NET ASSETS WITHOUT DONOR RESTRICTIONS -
BEGINNING OF YEAR** 893,468

**NET ASSETS WITHOUT DONOR RESTRICTIONS -
END OF YEAR** \$ 907,778

FRANKLIN COUNTY HUMANE SOCIETY OF MISSOURI

STATEMENT OF FUNCTIONAL EXPENSES**MODIFIED CASH BASIS****FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Program</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 244,932	\$ -	\$ 244,932
Veterinary medical services	40,784	-	40,784
Office expenses	23,193	11,225	34,418
Spay and neuter fees	25,670	-	25,670
Employee benefits and taxes	18,952	-	18,952
Insurance	15,126	2,545	17,671
Special events	15,209	-	15,209
Utilities	7,275	7,275	14,550
Contract services	14,055	-	14,055
Shelter supplies	12,096	-	12,096
Printing	11,417	-	11,417
Building maintenance	5,574	5,574	11,148
Bank charges	8,856	-	8,856
Depreciation	6,027	571	6,598
Microchip registration	6,402	-	6,402
Computer expenses	6,665	-	6,665
Animal food	6,104	-	6,104
Advertising	3,520	-	3,520
Postage	3,020	-	3,020
Miscellaneous	1,283	-	1,283
Conferences	1,109	-	1,109
Accounting and legal	250	-	250
Total Expenses	\$ <u>477,519</u>	\$ <u>27,190</u>	\$ <u>504,709</u>

FRANKLIN COUNTY HUMANE SOCIETY OF MISSOURI

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

Franklin County Humane Society of Missouri (the “Organization”), is a not-for-profit corporation. The Organization’s purpose is to provide pet adoption and related services in Franklin County, Missouri.

The Organization relies on community funding to pursue its mission to engage the hearts, hands, and minds of the community to help animals. The Organization offers pet adoptions, humane education, veterinary clinic services, pet therapy for children, seniors, and those living with special needs, and a large community outreach program.

Basis of Accounting

The Organization adopted the modified cash basis of accounting for its financial statements. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America primarily because the Organization has not recognized accounts receivable, certain payables, and their related effects on the changes in net assets. Also, the Organization adjusts investments to fair market value for unrealized gains and losses.

Use of Estimates

The preparation of financial statements in conformity with modified cash basis of accounting 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis. Unrealized gains and losses are included in Other Expense in the accompanying Statement of Revenues, Expenses, and Change in Net Assets – Modified Cash Basis.

The Organization’s investment policy seeks to maintain and increase the real value of the principal and distributions over the long-term.

FRANKLIN COUNTY HUMANE SOCIETY OF MISSOURI

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Organization adopted FASB Accounting Standards Codification 820-10 Fair Value Measurements ("FASB ASC 820-10"), which defines fair value, expands disclosure requirements around fair value, and specifies a hierarchy of valuation techniques. FASB ASC 820-10 applies to all assets and liabilities required to be measured and reported at fair value on a recurring or nonrecurring basis.

The fair value hierarchy, which ranks the quality and reliability of the information used to determine fair value, is as follows:

Level 1: Financial assets whose values are based on unadjusted quoted prices for identical assets in an active market that the Organization can access as of the measurement date.

Level 2: Financial assets whose values are based on the following:

- A) Quoted prices for similar assets or liabilities in active markets;
- B) Quoted prices for identical or similar assets in non-active markets; or
- C) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset.

Level 3: Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Fixed Assets

Fixed assets are stated at cost or, if donated, fair value at the time of the donation, less accumulated depreciation. The Organization's policy is to capitalize all additions and replacements with costs exceeding \$1,000 and estimated useful lives greater than one year in the period placed in service. Maintenance and repairs which do not improve or extend the life of the respective assets are charged against earnings.

Depreciation is provided under the straight-line method over estimated useful lives as follows:

Office furniture and equipment	3 – 10 years
Vehicles	5 – 10 years
Building and building improvements	7 – 30 years

Depreciation expense totaled \$6,598 for the year ended December 31, 2020.

FRANKLIN COUNTY HUMANE SOCIETY OF MISSOURI

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. The two classes of net assets are described in more detail as follows:

1. ***Net Assets without Donor Restrictions*** represent those net assets whose use is not restricted by donors. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Net assets without donor restrictions were \$907,778 at December 31, 2020.
2. ***Net Assets with Donor Restrictions*** represent those net assets whose use has been limited by donor-imposed restrictions, related to time or purpose uses of the contribution. Upon satisfaction of time or purpose restrictions, these donor restricted net assets are reclassified to net assets without donor restrictions. The Organization had no net assets with donor restrictions at December 31, 2020.

Revenue Recognition

Certain donations and grants are recognized as revenue in the period they are received. Conditional grants or promise, which depend upon specific future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. Grants are recognized as revenue to the extent that expenses have been incurred under the terms of the respective grant agreements. As of December 31, 2020 there were no conditions grants or donations.

Functional Allocation of Expenses

The costs of providing various programs and other activities of the Organization have been summarized on a functional basis in the Statement of Functional Expenses – Modified Cash Basis. The three classifications of expenses are program expenses, management and general expenses, and fundraising expenses. Management and general expenses and fundraising expenses are considered support services. Expenses are charged to program services or support services based on the actual costs incurred by the program or support service, as well as management's best estimate of time spent and the benefit derived by each functional expense activity. Management and general expenses also include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$3,520 for the year ended December 31, 2020.

FRANKLIN COUNTY HUMANE SOCIETY OF MISSOURI

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code, and therefore, has made no provision for income taxes in the accompanying financial statements. There was no unrelated business income for the year ended December 31, 2020.

The Organization files informational returns in the U.S. federal jurisdiction. The Organization is no longer subject to examination by U.S. federal tax authorities for years ended prior to December 31, 2017.

Subsequent Event

The Organization has evaluated subsequent events through July 31, 2022, the date on which financial statements were available to be issued.

Note 2 – Concentration of Credit Risk

The Organization, on occasion, maintains cash deposits with reputable financial institutions that exceed the amount insured by the Federal Deposit Insurance Corporation (“FDIC”), which is \$250,000 per depositor per institution. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash.

Note 3 – Investments

The Organization’s investments, which consist of marketable securities with readily determinable fair values, are presented in the financial statements at fair value based on quoted prices in active markets (all Level 1 measurements). An analysis of the investments held at December 31, 2020 is as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Mutual funds	\$ 764,082	\$ 689,671	\$ (74,411)

Investment return for the year ended December 31, 2020 is summarized as follows:

Interest and dividend income	\$ 19,734
Unrealized loss on investments, net	(32,435)
Total investment return	\$ (12,701)

FRANKLIN COUNTY HUMANE SOCIETY OF MISSOURI

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2020

Note 4 – Liquidity

At December 31, 2020, the Organization has \$857,707 of net liquid assets available to meet needs for general expenditures all consisting of cash and cash equivalents of \$169,036, and investments of \$689,671. None of the financial assets are subject to donor or contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the Organization in the next 12 months.

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for meeting general expenditures, liabilities and other obligations that come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including mutual funds. In general, the Organization maintains sufficient financial assets on hand to meet 60 days of normal operating expenses.

Note 5 – COVID-19

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Organization's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, potential shortages of personnel, potential shortages of supplies, delays, loss of, or reduction to, contributions. Management believes the Organization is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available for issuance.

NOTE 12 – Paycheck Protection Program

On April 8, 2020, the Company received loan proceeds in the amount of \$50,800 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), provides 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 eight week or twenty-four week coverage periods as long as the borrower uses the loan proceeds for eligible purposes.

As of December 31, 2020, the Company had submitted the application for forgiveness to its bank. As of May 2, 2021, the entire amount of the loan has been forgiven and is included in Other Income (Expense) on the Statements of Revenues, Expenses and Changes in Net Assets.