

Lenawee Humane Society

Financial Statements and
Independent Auditors' Report

Years Ended December 31, 2021 and 2020

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WILLIS & JURASEK

CPAS AND CONSULTANTS

Independent Auditors' Report

To the Board of Directors
Lenawee Humane Society
Adrian, Michigan

Opinion

We have audited the accompanying financial statements of Lenawee Humane Society (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Lenawee Humane Society as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lenawee Humane Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that 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 Lenawee Humane Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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, including omissions, 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 Lenawee Humane Society'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 Lenawee Humane Society'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.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

February 9, 2022

Lenawee Humane Society
 Statements of Financial Position
 December 31, 2021 and 2020

| | 2021 | 2020 |
|--|--------------|------------|
| <u>Assets</u> | | |
| Current Assets: | | |
| Cash | \$ 306,995 | \$ 263,918 |
| Restricted cash | 94,606 | - |
| Accounts receivable | 14,045 | 5,830 |
| Pledges receivable, current | 243,200 | - |
| Inventory | 3,829 | 2,144 |
| Prepaid expenses | 979 | 405 |
| | 663,654 | 272,297 |
| Total current assets | | |
| | 276,907 | 229,772 |
| Property and Equipment, net | | |
| | 639,680 | - |
| Other Assets: | | |
| Pledges receivable, non-current | 430,189 | 403,287 |
| Investments | | |
| | 1,069,869 | 403,287 |
| Total other assets | | |
| | \$ 2,010,430 | \$ 905,356 |
| <u>Liabilities and Net Assets</u> | | |
| Current Liabilities: | | |
| Accounts payable | \$ 10,203 | \$ 11,845 |
| Accrued liabilities | 10,652 | 108 |
| | 20,855 | 11,953 |
| Total current liabilities | | |
| | 1,012,089 | 893,403 |
| Net Assets: | | |
| Without donor restrictions | 977,486 | - |
| With donor restrictions | | |
| | 1,989,575 | 893,403 |
| Total net assets | | |
| | \$ 2,010,430 | \$ 905,356 |
| Total liabilities and net assets | | |

See Notes to Financial Statements.

Lenawee Humane Society
 Statements of Activities
 Years Ended December 31, 2021 and 2020

| | 2021 | | | 2020 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Public Support and Revenues: | | | | | | |
| Contributions | \$ 561,834 | \$ 977,486 | \$ 1,539,320 | \$ 475,113 | \$ - | \$ 475,113 |
| Membership dues | - | - | - | 5,350 | - | 5,350 |
| Special events/fundraising | 257,153 | - | 257,153 | 241,017 | - | 241,017 |
| Grants | 14,000 | - | 14,000 | 42,246 | - | 42,246 |
| Shelter services | 100,107 | - | 100,107 | 140,619 | - | 140,619 |
| Clinic services | 160,375 | - | 160,375 | 138,472 | - | 138,472 |
| Merchandise | 5,121 | - | 5,121 | 9,348 | - | 9,348 |
| In-kind contributions | 26,810 | - | 26,810 | 38,215 | - | 38,215 |
| Other income | 2,684 | - | 2,684 | 528 | - | 528 |
| Net assets released from restrictions | - | - | - | 3,300 | (3,300) | - |
| Total public support and revenues | <u>1,128,084</u> | <u>977,486</u> | <u>2,105,570</u> | <u>1,094,208</u> | <u>(3,300)</u> | <u>1,090,908</u> |
| Functional Expenses: | | | | | | |
| Program services | 752,875 | - | 752,875 | 735,520 | - | 735,520 |
| Supporting services: | | | | | | |
| General and administrative | 31,483 | - | 31,483 | 21,475 | - | 21,475 |
| Fundraising | 252,035 | - | 252,035 | 189,451 | - | 189,451 |
| Total supporting services | <u>283,518</u> | <u>-</u> | <u>283,518</u> | <u>210,927</u> | <u>-</u> | <u>210,927</u> |
| Total functional expenses | <u>1,036,393</u> | <u>-</u> | <u>1,036,393</u> | <u>946,447</u> | <u>-</u> | <u>946,447</u> |
| Changes in Net Assets from Operations | <u>91,691</u> | <u>977,486</u> | <u>1,069,177</u> | <u>147,761</u> | <u>(3,300)</u> | <u>144,461</u> |
| Other Income (Expense): | | | | | | |
| Other income - PPP grant income | - | - | - | 181,473 | - | 181,473 |
| Dividends and interest, net of fees | 18,148 | - | 18,148 | 12,063 | - | 12,063 |
| Gain (loss) on sale of equipment | - | - | - | (1,914) | - | (1,914) |
| Gain (loss) on investments - realized | 19,794 | - | 19,794 | (3,050) | - | (3,050) |
| Gain (loss) on investments - unrealized | (10,947) | - | (10,947) | 14,593 | - | 14,593 |
| Total other income (expense) | <u>26,995</u> | <u>-</u> | <u>26,995</u> | <u>203,165</u> | <u>-</u> | <u>203,165</u> |
| Changes in Net Assets | <u>118,686</u> | <u>977,486</u> | <u>1,096,172</u> | <u>350,926</u> | <u>(3,300)</u> | <u>347,626</u> |
| Net Assets - Beginning of Year | <u>893,403</u> | <u>-</u> | <u>893,403</u> | <u>542,477</u> | <u>3,300</u> | <u>545,777</u> |
| Net Assets - End of Year | <u>\$ 1,012,089</u> | <u>\$ 977,486</u> | <u>\$ 1,989,575</u> | <u>\$ 893,403</u> | <u>\$ -</u> | <u>\$ 893,403</u> |

See Notes to Financial Statements.

Lenawee Humane Society
Statement of Functional Expenses
Year Ended December 31, 2021

| | Program Services | Supporting Services | | | 2021 Total Expenses |
|-------------------------------------|------------------|--------------------------|-------------|---------------|---------------------|
| | | General & Administrative | Fundraising | Total Support | |
| Expenses: | | | | | |
| Salaries | \$ 503,153 | \$ 22,276 | \$ 80,685 | \$ 102,961 | \$ 606,114 |
| Payroll taxes and employee benefits | 37,587 | 1,705 | 6,174 | 7,879 | 45,466 |
| Directors' liability insurance | - | 668 | - | 668 | 668 |
| Insurance | 7,617 | 346 | 1,251 | 1,597 | 9,214 |
| Repairs and maintenance | 6,402 | 290 | 1,052 | 1,342 | 7,744 |
| Advertising | 5,067 | 230 | 832 | 1,062 | 6,129 |
| Dues and subscriptions | 1,020 | 46 | 168 | 214 | 1,234 |
| Automobile expense | 3,061 | 139 | 503 | 642 | 3,703 |
| Meetings and conferences | 1,815 | 82 | 298 | 381 | 2,196 |
| Office expense | 13,451 | 610 | 2,210 | 2,820 | 16,271 |
| Equipment | 484 | 22 | 80 | 102 | 586 |
| Supplies | 33,348 | 1,513 | 5,478 | 6,991 | 40,339 |
| Postage | 7,528 | 341 | 1,237 | 1,578 | 9,106 |
| Professional fees | 12,963 | 588 | 51,894 | 52,482 | 65,445 |
| Shelter expense | 57,580 | - | - | - | 57,580 |
| Special events/fundraising | - | - | 61,529 | 61,529 | 61,529 |
| Merchandise expense | 2,594 | - | - | - | 2,594 |
| Telephone | 6,703 | 304 | 1,101 | 1,405 | 8,108 |
| Utilities | 20,720 | 940 | 3,404 | 4,343 | 25,063 |
| Depreciation | 19,571 | 888 | 3,215 | 4,103 | 23,674 |
| Bank charges | 7,909 | 359 | 1,299 | 1,658 | 9,567 |
| Bad debts | - | - | 29,000 | 29,000 | 29,000 |
| Payroll fees | 4,301 | 136 | 626 | 762 | 5,063 |
| Total expenses | \$ 752,875 | \$ 31,483 | \$ 252,035 | \$ 283,518 | \$ 1,036,393 |

See Notes to Financial Statements.

Lenawee Humane Society
Statement of Functional Expenses
Year Ended December 31, 2020

| | Program Services | Supporting Services | | | 2020 Total Expenses |
|--------------------------------|------------------|--------------------------|-------------|---------------|---------------------|
| | | General & Administrative | Fundraising | Total Support | |
| Expenses: | | | | | |
| Salaries | \$ 479,570 | \$ 14,744 | \$ 67,707 | \$ 82,451 | \$ 562,021 |
| Payroll taxes | 36,544 | 1,124 | 5,160 | 6,284 | 42,828 |
| Directors' liability insurance | - | 698 | - | 698 | 698 |
| Insurance | 8,973 | 276 | 1,267 | 1,543 | 10,516 |
| Repairs and maintenance | 4,710 | 145 | 665 | 810 | 5,520 |
| Advertising | 7,719 | 237 | 1,090 | 1,327 | 9,046 |
| Dues and subscriptions | 3,198 | 98 | 452 | 550 | 3,748 |
| Automobile expense | 416 | 13 | 59 | 71 | 487 |
| Meetings and conferences | 3,717 | 114 | 525 | 639 | 4,356 |
| Office expense | 14,970 | 460 | 2,114 | 2,574 | 17,544 |
| Equipment | 1,188 | 36 | 168 | 204 | 1,392 |
| Supplies | 40,078 | 1,231 | 5,660 | 6,890 | 46,968 |
| Postage | 8,975 | 276 | 1,267 | 1,543 | 10,518 |
| Professional fees | 5,717 | 176 | 50,572 | 50,748 | 56,465 |
| Shelter expense | 55,299 | - | - | - | 55,299 |
| Special events/fundraising | - | - | 44,243 | 44,243 | 44,243 |
| Merchandise expense | 4,234 | - | - | - | 4,234 |
| Telephone | 2,489 | 76 | 351 | 428 | 2,917 |
| Utilities | 24,155 | 742 | 3,411 | 4,153 | 28,308 |
| Depreciation | 21,210 | 651 | 2,995 | 3,647 | 24,857 |
| Bank charges | 7,923 | 243 | 1,119 | 1,362 | 9,285 |
| Payroll fees | 4,435 | 136 | 626 | 762 | 5,197 |
| Total expenses | \$ 735,520 | \$ 21,475 | \$ 189,451 | \$ 210,927 | \$ 946,447 |

See Notes to Financial Statements.

Lenawee Humane Society
 Statements of Cash Flows
 Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|--------------|------------|
| Cash Flows from Operating Activities: | | |
| Changes in net assets | \$ 1,096,172 | \$ 347,626 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 23,674 | 24,857 |
| Amortization | 48,000 | - |
| Allowance for doubtful accounts | 29,000 | - |
| In-kind contributions | (26,810) | (38,215) |
| In-kind expenses | 26,810 | 26,215 |
| In-kind capital assets | - | 12,000 |
| PPP grant forgiveness | - | (181,473) |
| (Gain) loss on investments - unrealized | 10,947 | (14,593) |
| (Gain) loss on sale of property and equipment | - | 1,914 |
| (Gain) loss on sale of investments | (19,794) | 3,050 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (8,215) | 5,131 |
| Pledges receivable | (959,880) | 3,300 |
| Inventory | (1,685) | 1,300 |
| Prepaid expenses | (574) | 5,261 |
| Accounts payable | (1,642) | (12,688) |
| Accrued liabilities | 10,544 | (24,884) |
| Net cash provided (used) by operating activities | 226,547 | 158,801 |
| Cash Flows From Investing Activities: | | |
| Purchase of property and equipment | (70,809) | (36,365) |
| Sale of investments | 148,157 | 47,719 |
| Purchase of investments | (166,212) | (209,623) |
| Net cash provided (used) by investing activities | (88,864) | (198,269) |
| Cash Flows From Financing Activities: | | |
| Proceeds from PPP loan | - | 181,473 |
| Net cash provided (used) by financing activities | - | 181,473 |
| Increase (Decrease) in Cash | 137,683 | 142,005 |
| Cash - Beginning of Year | 263,918 | 121,913 |
| Cash - End of Year | \$ 401,601 | \$ 263,918 |
| Cash Reported As: | | |
| Cash | \$ 306,995 | \$ 263,918 |
| Restricted cash | 94,606 | - |
| | \$ 401,601 | \$ 263,918 |

See Notes to Financial Statements.

Lenawee Humane Society
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Lenawee Humane Society (the "Society" or "LHS") is a non-profit organization incorporated in the State of Michigan in 1921 serving Lenawee County and the surrounding area.

The Society's mission is to save the lives of animals while enriching the lives of humans. The Society is dedicated to caring for unwanted animals and providing them with necessary medical treatment, food and shelter until permanent homes are found. The Society's major sources of revenue are contributions and program fees from adoptions and clinic services.

Basis of Accounting

The accompanying financial statements and information are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned, and expenditures are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the standards set by the Financial Accounting Standards Board (FASB). According to these professional standards, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified 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 Society. The Society's board may designate assets without restrictions for specific operational purposes from time to time.

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 Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a restriction expires, that is, when a stipulated time restriction ends or a 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Measure of Operations

The Statements of Activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Society's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Lenawee Humane Society
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Society accounts for contributions as required by the Not-For-Profit Topic of the Financial Accounting Standards Board Accounting Standards Codification. In accordance with this guidance, unconditional contributions are recognized when pledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

The Society recognizes revenue from program fees from merchandise sales, adoptions, and clinic services at the time of the sale, adoption, or service.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis either based on estimates of time and effort or a square footage calculation.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of cash and restricted cash, current receivables, inventory, prepaid expenses, accounts payable, and accrued liabilities approximates fair value because of the short maturities of these instruments. Financial instruments with a carrying value different from the fair value include long-term pledges receivable and investments.

The Society applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements (Note 4).

Long-term pledges receivable have been adjusted to fair market value by discounting the value based upon estimated future cash flows (see Note 2). Investments have been reported at fair value per market information available at year-end (see Note 4).

Cash

For purposes of the Statements of Cash Flows, cash includes demand deposits held at banks. As of December 31, 2021 and 2020, the Society held approximately \$137,900 and \$0 in excess of FDIC insured limits, respectively. Restricted cash consists of amounts donated for a specific purpose, namely, the Reina Day Fund and the capital campaign in progress.

Lenawee Humane Society
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Receivables

The Society's receivables consist primarily of contribution receivables (pledges, i.e. promises to give) and amounts due for services rendered. Pledges are recorded as revenues with donor restrictions in the year the pledge is received and released into net assets without donor restrictions as the pledge is paid unless restricted for a future specific use. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques. In subsequent years, amortization of the discount is included in contribution revenue. An allowance for uncollectible receivables, if any, is recorded as estimated based upon management's valuation of related historical data and current economic conditions. An allowance for doubtful accounts on pledges receivable of \$29,000 and \$0 has been recorded, at each reported year end, respectively. See Note 2.

Inventory

Inventory consists of Pawpourri Store items available for resale. Inventories are stated at the lower of cost (purchase price) or market, on a first-in, first-out basis.

Property and Equipment

Capital assets are recorded at cost if purchased or if donated, are recorded at their fair market value when received. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The Society has not adopted a policy for implying time restrictions on contributions of long-lived assets or related subsidies.

Depreciation of property and equipment is provided using the straight-line method at rates based on the following estimated useful lives:

| | <u>Years</u> |
|---------------------------|--------------|
| Land improvements | 10 |
| Building and improvements | 5 - 39 |
| Computers and equipment | 5 - 10 |
| Furniture and fixtures | 5 - 10 |
| Vehicles | 5 |

Investments

Investments are stated at fair market value for all debt and equity securities. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) of those investments, is presented in the Statements of Activities in accordance with donor restrictions. Investment income is presented net of investment fees. Donor-restricted investment income where restrictions are met in the same reporting period are reported as net assets without donor restrictions income.

Donated Goods and Services

During the reported periods, contributed goods and services meeting the requirements for recognition in the financial statements including animal supplies, food assistance, fundraising materials, and professional fees totaled \$26,810 and \$38,215, respectively. These donations were primarily for pet related items and fair market value was determined based upon retail value of same or similar items. No in-kind contributions were monetized for the reported years and this determination is made on a case by case basis.

Lenawee Humane Society
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Donated Goods and Services (Continued)

Also, volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. These services primarily related to the care of animals and the related programs. Volunteer hours were over 33,100 and 23,900 annually for the years ending December 31, 2021 and 2020, respectively.

Advertising

Lenawee Humane Society uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$6,129 and \$9,046 for the years ended December 31, 2021 and 2020, respectively.

Tax-Exempt Status/Uncertain Tax Positions

Lenawee Humane Society is an organization recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Professional standards require an analysis of uncertain tax positions for the purpose of determining whether benefits associated with those positions may be recognized for financial statement purposes. Based on this analysis, the Society has determined it has no material uncertain tax positions for which the associated benefits may not be recognized nor for which disclosure is required. Federal tax returns generally remain open for examination by the taxing authorities for a period of three years.

Reclassifications

Certain balances in the prior year financial statements may have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications, if any, do not impact changes in net assets.

Risks Related to the COVID Pandemic

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. Efforts to combat the virus have been complicated by viral variants and uneven access to and use of vaccines globally. There have been mandates from international, federal, state and local authorities requiring various measures in an attempt to contain the virus such as travel bans and restrictions, quarantines, and business closures. As a result, uncertainty continues to exist regarding business operations including potential supply chain disruptions, inflationary pressure, and availability of sufficient labor force. The related financial impact of these uncertainties on LHS cannot be estimated at this time. These factors and others that are currently unknown or considered immaterial, could materially and adversely affect the Society's operations, liquidity, financial position, and results of operations.

Subsequent Events

Management has evaluated subsequent events through the date of the accountants' report, the date the financial statements were available to be issued.

Lenawee Humane Society
Notes to Financial Statements

5. Long-Term Borrowing

Payroll Protection Program

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted, and a key piece of the CARES Act is the Payroll Protection Program (PPP). The program was created by the CARES Act to provide entities with cash flow assistance through federally guaranteed loans administered through the Small Business Administration (SBA). Generally, entities were eligible for loans up to 2.5 times their average monthly payroll costs for calendar 2019. Other significant terms of the loans received through the PPP include a fixed interest rate of 1%, maturity date of two years from date of agreement, first payment due six months from date of agreement (extended to ten months), and the ability to have a substantial portion of the principal and accrued interest forgiven. The debt was unsecured.

In April of 2020, the Society entered into an agreement with the Small Business Administration (SBA) through a local lender under the Payroll Protection Program (PPP). In accordance with FASB ASC 450-30, the Society has opted to recognize the PPP loan under the model for gain contingency recognition. Under this model, the cash received as a PPP forgivable loan was initially treated as a liability. The proceeds from the loan remained recorded as a liability until the grant proceeds were realizable, which was when the loan was forgiven (November, 2020). Accordingly, the grant proceeds have been reported as other income in the Statements of Activities for the year ended December 31, 2020.

6. Concentrations

For the year ended December 31, 2021, LHS had one major contributor that represented approximately 46% of total public support and revenues. This same contributor represented approximately 83% of gross pledge receivables at year end.

For the year ended December 31, 2020, LHS had two major contributor that represented approximately 25% of total public support and revenues. No contributions from major contributors were included in receivables at the end of 2020.

7. Restrictions on Net Assets

Net assets with donor restrictions at each reported year-end are restricted for the following purposes or periods:

| | 2021 | 2020 |
|---|------------|------|
| Subject to expenditure for specified purpose: | | |
| Reina Day Fund | \$ 24,075 | \$ - |
| Capital campaign | 70,531 | - |
| | 94,606 | - |
| Subject to the passage of time: | | |
| Pledges receivable | \$ 882,880 | \$ - |
| Total net assets with donor restrictions | \$ 977,486 | \$ - |

Lenawee Humane Society
Notes to Financial Statements

8. Capital Campaign Fundraising

LHS expended \$54,000 and \$49,500 in 2021 and 2020, respectively, for services provided by a professional fundraiser. The expense was incurred as the Society began a capital campaign to raise funds for a new facility.

9. Liquidity

LHS has \$234,454 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$215,601, receivables of \$14,045, inventory of \$3,829, and prepaid expenses of \$979. The inventory and prepaid expenses will be expended as used during the upcoming year. The receivables are subject to implied time restrictions but are expected to be collected within one year. \$429,200 of the current financial assets are subject to donor or other contractual restrictions that make the funds unavailable for general expenditures within one year of the balance sheet date.

As part of LHS' liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For increased income from its financial assets, LHS holds investments of approximately \$430,000. Although LHS does not intend to spend from the investments account other than for specific Board approved projects or per planned annual budgeting appropriations, amounts from its investments could be made available for expenditure if necessary.