



# **ASHEVILLE HUMANE SOCIETY, INC.**

Asheville, North Carolina

Financial Statements

Years Ended June 30, 2019 and 2018

**ASHEVILLE HUMANE SOCIETY, INC.**

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**ASHEVILLE HUMANE SOCIETY, INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Asheville Humane Society, Inc.

We have audited the accompanying financial statements of Asheville Humane Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

To the Board of Directors  
Asheville Humane Society, Inc.  
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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Asheville Humane Society, Inc. as of June 30, 2019 and 2018, 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.

*CARTER, P.C.*

Asheville, North Carolina  
December 4, 2019

**ASHEVILLE HUMANE SOCIETY, INC.**

Statements of Financial Position  
June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 512,421	\$ 691,342
Designated	250,394	200,085
Short-term investments	254,871	252,008
Accounts receivable	11,128	11,816
Promises to give, current portion	-	5,650
Grants receivable, current portion	40,000	40,000
Prepaid expenses	39,868	39,672
Inventories	<u>2,752</u>	<u>6,593</u>
Total current assets	1,111,434	1,247,166
Promises to give, net of current portion	-	5,000
Grants receivable, net of current portion	-	40,000
Beneficial interest in endowment funds	46,904	45,917
Property and equipment, net	<u>2,553,711</u>	<u>2,674,149</u>
Total assets	<u>\$ 3,712,049</u>	<u>\$ 4,012,232</u>
 <b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of obligation under capital lease	\$ 6,058	\$ 5,749
Accounts payable	20,638	32,392
Accrued liabilities	48,262	38,428
Accrued compensated absences	<u>38,268</u>	<u>32,770</u>
Total current liabilities	113,226	109,339
Obligation under capital lease, net of current portion	<u>6,379</u>	<u>12,434</u>
Total liabilities	<u>119,605</u>	<u>121,773</u>
Net assets:		
Without donor restrictions	3,088,423	3,261,783
With donor restrictions	<u>504,021</u>	<u>628,676</u>
Total net assets	<u>3,592,444</u>	<u>3,890,459</u>
Total liabilities and net assets	<u>\$ 3,712,049</u>	<u>\$ 4,012,232</u>

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

**ASHEVILLE HUMANE SOCIETY, INC.**

Statement of Activities  
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and other support</b>			
Contributions and grants	\$ 1,366,289	\$ 260,127	\$ 1,626,416
Local government contract revenue	948,000	-	948,000
Special events	182,258	-	182,258
Program service revenue	158,255	-	158,255
In-kind contributions	255,935	-	255,935
Sales	34,258	-	34,258
Other income	592	-	592
Interest income	4,364	-	4,364
Net assets released from restrictions	<u>384,782</u>	<u>(384,782)</u>	<u>-</u>
Total revenues and other support	<u>3,334,733</u>	<u>(124,655)</u>	<u>3,210,078</u>
<b>Expenses</b>			
Program services	2,907,227	-	2,907,227
Supporting services	<u>601,711</u>	<u>-</u>	<u>601,711</u>
Total expenses	<u>3,508,938</u>	<u>-</u>	<u>3,508,938</u>
Decrease in net assets before investment activity	<u>(174,205)</u>	<u>(124,655)</u>	<u>(298,860)</u>
<b>Investment activity</b>			
Net gains on beneficial interest in endowment funds	<u>845</u>	<u>-</u>	<u>845</u>
Decrease in net assets	(173,360)	(124,655)	(298,015)
Net assets at beginning of year	<u>3,261,783</u>	<u>628,676</u>	<u>3,890,459</u>
Net assets at end of year	<u>\$ 3,088,423</u>	<u>\$ 504,021</u>	<u>\$ 3,592,444</u>

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

**ASHEVILLE HUMANE SOCIETY, INC.**

Statement of Activities  
Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and other support</b>			
Contributions and grants	\$ 1,151,553	\$ 408,067	\$ 1,559,620
Local government contract revenue	948,000	-	948,000
Special events	198,590	-	198,590
Program service revenue	205,606	-	205,606
In-kind contributions	293,192	-	293,192
Sales	40,749	-	40,749
Other income	361	-	361
Interest income	2,137	-	2,137
Net assets released from restrictions	<u>286,612</u>	<u>(286,612)</u>	<u>-</u>
Total revenues and other support	<u>3,126,800</u>	<u>121,455</u>	<u>3,248,255</u>
<b>Expenses</b>			
Program services	2,634,153	-	2,634,153
Supporting services	<u>652,871</u>	<u>-</u>	<u>652,871</u>
Total expenses	<u>3,287,024</u>	<u>-</u>	<u>3,287,024</u>
Increase (decrease) in net assets before investment activity	<u>(160,224)</u>	<u>121,455</u>	<u>(38,769)</u>
<b>Investment activity</b>			
Net gains (losses) on beneficial interest in endowment funds	<u>(42)</u>	<u>2,573</u>	<u>2,531</u>
Increase (decrease) in net assets	(160,266)	124,028	(36,238)
Net assets at beginning of year	<u>3,422,049</u>	<u>504,648</u>	<u>3,926,697</u>
Net assets at end of year	<u>\$ 3,261,783</u>	<u>\$ 628,676</u>	<u>\$ 3,890,459</u>

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



**ASHEVILLE HUMANE SOCIETY, INC.**

Statement of Functional Expenses  
Year Ended June 30, 2019

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Supporting Services	
Salaries and wages	\$ 1,493,773	\$ 26,869	\$ 239,929	\$ 266,798	\$ 1,760,571
Payroll taxes	114,112	932	17,861	18,793	132,905
Other benefits	168,820	6,070	34,979	41,049	209,869
Total personnel costs	1,776,705	33,871	292,769	326,640	2,103,345
Program costs:					
Food for animals	113,425	-	-	-	113,425
Veterinary services	284,057	-	-	-	284,057
Medical/program supplies	264,186	-	-	-	264,186
Spay/neuter surgery	34,286	-	-	-	34,286
Advertising	18,275	2,099	11,261	13,360	31,635
Bank/credit card charges	13,003	975	7,503	8,478	21,481
Computer/information services	11,810	1,728	37,949	39,677	51,487
Cost of sales	28,209	544	-	544	28,753
Depreciation	111,755	14,003	6,002	20,005	131,760
Dues/licenses/permits	1,959	907	455	1,362	3,321
Event expenses	266	-	54,982	54,982	55,248
Insurance	42,805	2,783	1,719	4,502	47,307
Meals and entertainment	2,942	1,183	1,377	2,560	5,502
Miscellaneous	11,055	218	641	859	11,914
Occupancy costs	80,868	391	708	1,099	81,967
Office supplies	3,981	9,613	1,199	10,812	14,793
Printing/production/postage	653	1,162	84,362	85,524	86,177
Professional services	66,478	14,962	-	14,962	81,440
Seminars and education	8,836	3,117	4,626	7,743	16,579
Staff/donor appreciation	2,876	1,206	-	1,206	4,082
Telephone/communications	13,098	215	3,376	3,591	16,689
Travel mileage	7,120	798	2,968	3,766	10,886
Vehicle expenses	8,579	-	39	39	8,618
Total expenses	\$ 2,907,227	\$ 89,775	\$ 511,936	\$ 601,711	\$ 3,508,938

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

**ASHEVILLE HUMANE SOCIETY, INC.**

Statement of Functional Expenses  
Year Ended June 30, 2018

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Supporting Services	
Salaries and wages	\$ 1,266,889	\$ 42,007	\$ 246,496	\$ 288,503	\$ 1,555,392
Payroll taxes	99,490	2,541	18,700	21,241	120,731
Other benefits	162,111	3,745	33,436	37,181	199,292
Total personnel costs	1,528,490	48,293	298,632	346,925	1,875,415
Program costs:					
Food for animals	93,902	-	-	-	93,902
Veterinary services	361,037	-	-	-	361,037
Medical/program supplies	244,972	-	-	-	244,972
Spay/neuter surgery	42,182	-	-	-	42,182
Other	4,214	-	-	-	4,214
Advertising	23,073	1,725	14,318	16,043	39,116
Bank/credit card charges	6,699	795	14,240	15,035	21,734
Computer/information services	21,140	1,293	37,244	38,537	59,677
Cost of sales	23,831	-	-	-	23,831
Depreciation	111,587	15,014	10,009	25,023	136,610
Dues/licenses/permits	745	1,026	315	1,341	2,086
Event expenses	2,583	-	58,646	58,646	61,229
Insurance	34,115	2,215	4,501	6,716	40,831
Meals and entertainment	3,218	148	28	176	3,394
Miscellaneous	5,620	392	1,705	2,097	7,717
Occupancy costs	61,860	762	954	1,716	63,576
Office supplies	4,221	2,989	1,502	4,491	8,712
Printing/production/postage	3,186	702	109,045	109,747	112,933
Professional services	18,985	15,491	1,788	17,279	36,264
Seminars and education	4,329	375	3,270	3,645	7,974
Staff/donor appreciation	1,508	1,019	72	1,091	2,599
Telephone/communications	13,967	215	3,930	4,145	18,112
Travel mileage	5,449	175	43	218	5,667
Vehicle expenses	13,240	-	-	-	13,240
Total expenses	\$ 2,634,153	\$ 92,629	\$ 560,242	\$ 652,871	\$ 3,287,024

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

**ASHEVILLE HUMANE SOCIETY, INC.**

Statements of Cash Flows  
Years Ended June 30, 2019 and 2018

	2019	2018
<b>Cash flows from operating activities</b>		
Decrease in net assets	\$ (298,015)	\$ (36,238)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	131,760	136,610
Net gains on beneficial interest in endowment funds	(845)	(2,531)
Receipt of donated stock	(62,408)	(7,439)
Gain on reduction of capital lease obligation	(5,746)	(4,933)
Changes in working capital - sources (uses)		
Accounts receivable	688	(3,815)
Promises to give	10,650	44,595
Grants receivable	40,000	(80,000)
Prepaid expenses	(196)	(19,138)
Inventories	3,841	2,853
Accounts payable	(11,754)	(4,817)
Accrued liabilities	9,834	7,342
Accrued compensated absences	5,498	(1,934)
Net cash provided (used) by operating activities	(176,693)	30,555
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	62,408	7,439
Change in beneficial interest in endowment funds	(142)	(110)
Purchase of property and equipment	(11,322)	(9,471)
Purchase of short-term investments	(2,863)	(1,006)
Net cash provided (used) by investing activities	48,081	(3,148)
<b>Cash flows from financing activities</b>		
Repayment of capital lease obligation	-	(526)
Increase (decrease) in cash and equivalents	(128,612)	26,881
Cash and equivalents at beginning of year	891,427	864,546
Cash and cash equivalents at end of year	\$ 762,815	\$ 891,427

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

## ASHEVILLE HUMANE SOCIETY, INC.

Notes to Financial Statements  
June 30, 2019 and 2018

### **Note 1 - Summary of Significant Accounting Policies**

#### Organization

Asheville Humane Society, Inc. (the Organization) is a non-profit corporation organized under the laws of the State of North Carolina. The organization is dedicated to promoting compassionate treatment of animals in Buncombe County and the Asheville, North Carolina community through education, sheltering, and adoption. Formed in 1984 as Buncombe County Friends for Animals, the organization operated as the governing body for the County Pet Adoption Center and Animal Shelter, previously operated by the County. The Organization has operated the Shelter since 1990. In 2010, the Organization, in partnership with Buncombe County, opened the Animal Care Campus. The Campus comprises two facilities: Asheville Humane Society Adoption and Education Center and the Buncombe County Animal Shelter. The two facilities operate side by side in a public-private partnership working collaboratively to eradicate animal homelessness.

#### Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization has also been classified as a publicly-supported charitable organization and is exempt from state taxes under North Carolina General Statute 105-130.11(a).

#### Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization 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 Organization's management and Board of Directors.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Basis of Presentation (continued)

- *Net assets with donor restrictions:* Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions and grants and promises to give. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions. The Organization has adopted a policy to classify donor restricted support as without donor restrictions to the extent that restrictions were met in the reporting period the support was recognized.

### 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 Organization's ongoing program services. Non-operating activities are earnings, including gains and losses, on investments and beneficial interest in endowment funds. These activities are considered to be more unusual or nonrecurring in nature.

### Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 from those estimates.

### Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than beneficial interest in endowment funds and obligations under capital lease, approximates fair value due to the relatively short-term nature of the financial instruments.

Fair value of beneficial interest in endowment funds is discussed in Note 8.

Amounts recognized for obligations under capital lease approximate fair value due to the market rate of interest charged to outstanding balances.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Designated cash consists of cash held for operating and capital reserves which is to be used as directed by the Board of Directors.

### Short-term Investments

Short-term investments consist of certificates of deposit with initial maturities exceeding three months.

### Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. 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 more than one year are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Management has determined that these amounts are fully collectible; therefore, no allowance for uncollectible promises to give has been established.

### Grants Receivable

Grants receivable consist of amounts awarded by supporting entities but not yet received as of year-end. An allowance for doubtful accounts has not been established as management believes all amounts are collectible.

### Inventories

Inventories consist of pet supplies sold in retail operations. All inventories are valued at lower of cost or net realizable value as determined by the first-in first-out method.

### Beneficial Interest in Endowment Funds

The Beneficial Interest in Endowment Funds is recorded at fair market value. The Organization created the Asheville Humane Society Adoption Center Fund with the Community Foundation of Western North Carolina, Inc. (the Foundation) specifically for major expenses (over \$5,000) for the preservation and maintenance of the Adoption Center. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from sales are reflected in the statements of activities.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

### Fair Value Measurements and Disclosures

The Organization applies the U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted market prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities within the hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Organization's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy.

### Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. The Organization has adopted an accounting practice to capitalize all property and equipment with a cost greater than \$2,500. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from three to thirty-nine years.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Donated Property and Equipment

Donations of property and equipment are recorded as contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

### Donated Assets

Donated marketable securities are recorded as contributions at their estimated fair value at the date of donation.

Donated materials and supplies are reflected as in-kind contributions at their estimated fair value at the date of donation. For the years ended June 30, 2019 and 2018, the Organization received in-kind materials, supplies, and advertising in the amount of \$113,094 and \$117,392, respectively.

### Donated Services

Donated services are recognized as contributions 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 Organization. The Organization received \$142,841 and \$175,800 in donated veterinary services during the years ended June 30, 2019 and 2018, respectively. Volunteers also provided a variety of tasks that assist the Organization with specific objectives throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

### Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2019 and 2018, amounts charged to expense were \$31,635 and \$39,116, respectively.

### Functional Allocation of Expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain categories of expenses are attributable to programs and support. Expenses for food for animals, veterinary services, medical supplies, and spay/neuter surgeries are directly related to program services. All other expenses are allocated based on estimates of time and effort.



## **Note 1 - Summary of Significant Accounting Policies (continued)**

### New Accounting Pronouncement

During the year ended June 30, 2019, the Organization adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type and information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily and permanently restricted net assets are now combined and reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 3).

The accompanying information from the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14.

### Recently Issued Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The standard is effective for financial statements for years beginning after December 15, 2018. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require lessees to recognize a lease liability and right-of-use asset for most leases, including operating leases. The standard will be effective for annual periods beginning after December 15, 2020. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is intended to clarify and improve the guidance about the distinction between contributions and exchange transactions and determine whether a contribution is conditional. This ASU will be effective for annual periods beginning after December 15, 2018. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

## Note 2 - Net Assets

Net assets are described as follows:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions:		
Undesignated	\$ 296,755	\$ 405,732
Investment in property and equipment	2,541,274	2,655,966
Board designated:		
Operating reserves	200,394	150,085
Capital reserves	<u>50,000</u>	<u>50,000</u>
Total board designated	<u>250,394</u>	<u>200,085</u>
Net assets without donor restrictions	<u>3,088,423</u>	<u>3,261,783</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Animal food	1,726	2,000
Animal supplies	8,169	-
ASPCA - other	1,916	2,816
Behavior program	500	500
Board expenses	308	752
Building maintenance	175,599	177,695
Civicore project - database	-	2,750
Community pets	67,994	103,352
Disaster relief	2,411	2,412
Endowment - AHS Adoption Center Fund	11,903	10,917
Foster program	1,710	5,000
Grooming supplies and equipment	3,015	6,026
June B. Davis fund	-	8,333
Life savings program	119,587	120,000
Lilly Grace	-	19,795
Medical assistance vouchers	-	7,500
Safety net	57,821	58,987
Spay/neuter	1,491	14,018
Spay/neuter - low cost	-	2,350
Temporary boarding and pet deposits	-	5,637
Transport	-	17,081
Wellness Clinic - Community solutions	14,871	20,755
Subject to expenditure when a specified event occurs		
Promises to give, net of current portion	-	5,000
Not subject to spending policy or appropriation:		
Investment in perpetuity - endowments	<u>35,000</u>	<u>35,000</u>
Net assets with donor restrictions	<u>504,021</u>	<u>628,676</u>
<u>Total net assets</u>	<u>\$ 3,592,444</u>	<u>\$ 3,890,459</u>

### **Note 3 - Liquidity and Availability of Financial Assets**

The Organization receives significant contributions and grants restricted by donors or grantors, and these funds are ongoing, major, and central to its operations. As a result, the Organization considers these contributions and grants to be available to meet cash needs for general expenditures.

The Organization manages liquidity and reserves utilizing three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Monitoring expenses closely

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization invests cash in excess of daily requirements in insured cash sweep accounts and money market funds.

The Organization maintains a line of credit with maximum borrowings of \$100,000 to meet short-term working capital needs if necessary.

Board designated operating and capital reserves are available, if necessary, for expenditure by appropriation by the Board.

The following reflects the liquidity and availability of the Organization's financial assets:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and equivalents	\$ 762,815	\$ 891,427
Short-term investments	254,871	252,008
Accounts receivable	11,128	11,816
Promises to give	-	10,650
Grants receivable	40,000	80,000
Beneficial interest in endowment funds	46,904	45,917
Total financial assets	<u>1,115,718</u>	<u>1,291,818</u>
Amounts not available for general expenditure:		
Board designated reserves	(250,394)	(200,085)
Total net assets with donor restrictions	(504,021)	(628,676)
Add back: promises to give, current portion	-	5,650
Add back: grants receivable, current portion	40,000	40,000
Total amounts not available for general expenditure	<u>(714,415)</u>	<u>(783,111)</u>
Net financial assets available to meet cash needs <u>for general expenditures within one year</u>	<u>\$ 401,303</u>	<u>\$ 508,707</u>

#### **Note 4 - Accounts Receivable**

Accounts receivable are described as follows:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Customer receivables	\$ 2,479	\$ 2,171
Employee advance	546	115
Sales tax receivable	<u>8,103</u>	<u>9,530</u>
<u>Accounts receivable</u>	<u>\$ 11,128</u>	<u>\$ 11,816</u>

#### **Note 5 - Promises to Give**

Promises to give represent pledges for the Thrive! Together Campaign. Unconditional promises to give consist of the following:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ -	\$ 5,650
One to five years	<u>-</u>	<u>5,000</u>
<u>Promises to give</u>	<u>\$ -</u>	<u>\$ 10,650</u>

#### **Note 6 - Grants Receivable**

Grants receivable are expected to be collected as follows:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 40,000	\$ 40,000
One to five years	<u>-</u>	<u>40,000</u>
<u>Grants receivable</u>	<u>\$ 40,000</u>	<u>\$ 80,000</u>

#### **Note 7 - Beneficial Interest in Endowment Funds**

The beneficial interest in endowment funds is managed by the Community Foundation of Western North Carolina (Foundation). The fund agreement grants variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify any condition or restriction on the distributions of funds if, in its sole judgment (without the approval of any trustee, custodian, or agent), such condition or restriction becomes in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by the Foundation. The Organization's beneficial interest in endowment funds is presented in the financial statements in the aggregate at fair value. These funds are invested in an allocated investment pool at the Foundation.

### **Note 8 - Fair Value Measurements**

The fair value of each financial instrument described below was measured using the framework for measuring fair value described in Note 1.

Short-term investments are certificates for deposit that can be liquidated and used for operations. The assets are considered Level 1 inputs.

The beneficial interest in endowment funds is reported at fair value based on information provided by the Foundation. Due to the nature of the assets the Organization owns, the instrument is valued using Level 3 inputs.

<u>Year Ended June 30</u>	<u>2019</u>	<u>2018</u>
Level 3 inputs, beginning of year	\$ 45,917	\$ 43,276
Investment income	453	451
Net appreciation	845	2,531
Fees	<u>(311)</u>	<u>(341)</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 46,904</u>	<u>\$ 45,917</u>

### **Note 9 - Property and Equipment**

Property and equipment consists of the following:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Buildings	\$ 2,945,788	\$ 2,935,471
Land	186,000	186,000
Furniture and fixtures	268,720	268,720
Vehicles	139,162	139,162
Computers and equipment	<u>75,721</u>	<u>77,234</u>
	3,615,391	3,606,587
Less, accumulated depreciation	<u>1,061,680</u>	<u>932,438</u>
<u>Property and equipment</u>	<u>\$ 2,553,711</u>	<u>\$ 2,674,149</u>

Depreciation expense for the years ended June 30, 2019 and 2018, was \$131,760 and \$136,610, respectively.

### **Note 10 - Line of Credit**

The organization maintains a \$100,000 unsecured line of credit with a local bank to be used for operational needs. The line renews annually in January and the interest rate is the bank's prime rate plus 0.50%. The terms require monthly interest payments. As of June 30, 2019 and 2018, there was no balance outstanding on this line of credit.

### **Note 11 - In-kind Contributions**

In-kind contributions are summarized as follows:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Animal food and supplies	\$ 90,245	\$ 76,294
Veterinary services	142,841	175,800
General supplies	4,269	1,363
Advertising	6,980	11,316
Food	-	319
Fundraisers	<u>11,600</u>	<u>28,100</u>
<u>In-kind contributions</u>	<u>\$ 255,935</u>	<u>\$ 293,192</u>

### **Note 12 - Lease Commitments**

The Organization leases office equipment under operating leases. The leases require various monthly payment amounts and expire through 2022. Rent expense for the years ended June 30, 2019 and 2018, was \$8,148 and \$4,319, respectively. Future minimum payments under all operating leases are as follows:

<u>Years Ending June 30</u>	
2020	\$ 6,987
2021	6,327
2022	5,800
2023	-
2024	<u>-</u>
<u>Total minimum lease payments</u>	<u>\$ 19,114</u>

### **Note 13 - Obligation Under Capital Lease**

A description of the capital lease is as follows:

<u>At June 30</u>	<u>2019</u>	<u>2018</u>
Capital lease obligation on equipment at 5.2% interest, with a cost of \$33,744, less accumulated depreciation of \$27,558	\$ 12,437	\$ 18,183
Less, current portion of capital lease obligation	<u>6,058</u>	<u>5,749</u>
<u>Obligation under capital lease, net of current portion</u>	<u>\$ 6,379</u>	<u>\$ 12,434</u>

**Note 13 - Obligation Under Capital Lease (continued)**

Scheduled payments on capital lease obligation for the next five years are as follows:

<u>Years Ending June 30</u>	
2020	\$ 6,563
2021	6,560
2022	-
2023	-
2024	-
	<hr/>
	13,123
Less, amounts representing interest	<hr/>
	(686)
	<hr/>
Present value of minimum lease payments	\$ 12,437

**Note 14 - Retirement Plan**

The Organization maintains a SIMPLE IRA plan for eligible employees. During the years ended June 30, 2019 and 2018, the Organization contributed \$27,395 and \$22,720, respectively, to the plan.

**Note 15 - Uninsured Cash Balances**

The Organization maintains its cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured cash balances at June 30, 2019 and 2018, were \$286,828 and \$372,374, respectively.

**Note 16 - Summary Disclosure of Significant Contingencies**

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any year since inception.

Revenues

The Organization maintains a contract with Buncombe County to provide shelter services. The Organization received approximately 30% and 29% of total revenues and other support from this source for the years ended June 30, 2019 and 2018, respectively.

### **Note 17 - Related Party Transactions**

During the years ended June 30, 2019 and 2018, the Organization received contributions from members of the Board of Directors and employees totaling \$45,549 and \$28,756, respectively.

### **Note 18 - Income Taxes**

#### Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax provision taken and, as such, does not have any uncertain tax positions material to the financial statements.

#### Open Tax Years

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the tax years ended June 30, 2018, 2017, 2016 are subject to examination by the IRS, generally for three years after they were filed.

### **Note 19 - Subsequent Events**

Management has evaluated subsequent events through December 4, 2019, the date on which the financial statements were available to be issued.

Effective October 1, 2019, the Organization signed a lease agreement for office space. Terms of the lease require monthly payments of \$8,330 through September 2020, then monthly payments of \$9,000 from October 2020 through September 2021.