

MONTGOMERY COUNTY HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

MONTGOMERY COUNTY HUMANE SOCIETY, INC.

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MONTGOMERY COUNTY HUMANE SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 585,854	\$ 462,751
Investments	3,222,255	2,934,849
Accounts and Contributions Receivable	43,345	43,985
Inventory - Thrift Shop	30,116	55,121
Prepaid Expenses	12,501	11,703
Assets restricted to investment in land, buildings, furniture and equipment (Note 2)	3,102,808	3,067,485
Deposit	10,390	10,390
<u>TOTAL ASSETS</u>	<u>\$ 7,007,269</u>	<u>\$ 6,586,284</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 41,591	\$ 29,919
Accrued Expenses	67,125	48,376
Deferred Revenue - Dog Walk	17,800	-
Deferred Revenue - PPP	61,219	-
Lease Obligation Liability	25,735	36,865
<u>TOTAL LIABILITIES</u>	<u>213,470</u>	<u>115,160</u>
<u>NET ASSETS</u>		
Without donor restrictions (Note 4)	6,739,278	6,446,124
With donor restrictions	54,521	25,000
Total Net Assets	6,793,799	6,471,124
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 7,007,269</u>	<u>\$ 6,586,284</u>

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020 NET ASSETS WITHOUT DONOR RESTRICTIONS	2020 NET ASSETS WITH DONOR RESTRICTIONS	2020 TOTAL	2019 TOTAL
<u>SUPPORT AND REVENUE</u>				
Contributions & Grants	\$ 949,664	\$ 197,226	\$ 1,146,890	\$ 985,446
Grant - PPP	144,018	10,000	154,018	-
Contributions - In-kind	6,250	-	6,250	6,655
Contributions (Loss) - Wagging Tails (Net of Expenses of \$562,407)	(66,979)	-	(66,979)	141,400
Special Events	20,868	-	20,868	86,507
Program Service Fees	70,595	-	70,595	80,862
Investment Income	54,619	-	54,619	210,840
Miscellaneous	2,730	-	2,730	6,953
United Way / CFC	45,987	-	45,987	46,387
Gain on Sale of Fixed Asset	-	-	-	925
Net Assets Released from Restrictions: Restrictions Satisfied by Payments	177,705	(177,705)	-	-
TOTAL SUPPORT AND REVENUE	\$ 1,405,457	\$ 29,521	\$ 1,434,978	\$ 1,565,975
<u>EXPENSES</u>				
Program Services:				
Society	\$ 756,188	\$ -	\$ 756,188	\$ 780,581
Aspin Hill	78,966	-	78,966	83,311
Total Program Services	835,154	-	835,154	863,892
Supporting Services:				
Management and General	92,094	\$ -	92,094	87,636
Fundraising	185,055	-	185,055	250,231
Total Supporting Services	277,149	-	277,149	337,867
TOTAL EXPENSES	\$ 1,112,303	\$ -	\$ 1,112,303	\$ 1,201,759
CHANGE IN NET ASSETS	\$ 293,154	\$ 29,521	\$ 322,675	\$ 364,216
NET ASSETS - BEGINNING	\$ 6,446,124	\$ 25,000	\$ 6,471,124	\$ 6,106,908
NET ASSETS - ENDING	\$ 6,739,278	\$ 54,521	\$ 6,793,799	\$ 6,471,124

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (Decrease) in Net Assets	\$ 322,675	\$ 364,216
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	\$ 60,157	\$ 54,660
Realized (Gain) / Loss on Investments	(10,913)	(4,627)
Unrealized (Gain) / Loss on Investments	45,471	(105,980)
(Gain) / Loss on disposal of equipment	-	275
(Increase)/Decrease in Accounts and Contributions Receivable	640	7,746
(Increase)/Decrease in Inventory	25,005	1,175
(Increase)/Decrease in Prepaid Expenses	(798)	396
(Increase)/Decrease in Deposits	-	72,741
Increase/(Decrease) in Accounts Payable	11,672	(13,983)
Increase/(Decrease) in Accrued Expenses	18,749	(3,269)
Increase/(Decrease) in Deferred Income	17,800	(4,250)
Increase/(Decrease) in Lease Liability	(11,130)	(7,045)
Total Adjustments	\$ 156,653	(\$ 2,161)
Net Cash Provided by / (Used in) Operating Activities	\$ 479,328	\$ 362,055
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Fixed Assets	(\$ 95,480)	(\$ 196,227)
Purchase of Investments	(779,526)	(458,252)
Contribution of Investments	(1,707)	(72,604)
Sale of Investments	459,269	242,703
Net Cash Provided by / (Used in) Investing Activities	(\$ 417,445)	(\$ 484,380)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Loans Received	\$ 205,237	(\$ -)
Forgiveness of Cares Act/PPP Loan	(144,018)	-
Net Cash Provided by / (Used in) Financing Activities	\$ 61,219	(\$ -)
<u>NET INCREASE (DECREASE) IN CASH</u>	\$ 123,103	(\$ 122,325)
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	\$ 462,751	\$ 585,076
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	\$ 585,854	\$ 462,751
<u>INTEREST EXPENSE</u>	\$ -	\$ -

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020						2019	
	SOCIETY	ASPIN HILL	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES	TOTAL EXPENSES
Advertising and Marketing	\$ 3,226	\$ -	\$ 3,226	\$ -	\$ 692	\$ 692	\$ 3,918	\$ 7,961
Animal Care & Treatment	43,833	-	43,833	-	-	-	43,833	65,145
Auto and Truck Expense	10,662	-	10,662	-	-	-	10,662	15,794
Communications	9,959	-	9,959	-	-	-	9,959	9,877
Depreciation	51,142	8,791	59,933	224	-	224	60,157	54,660
Employee Benefits	18,146	2,454	20,600	621	4,084	4,705	25,305	14,404
Fund Drive	-	-	-	-	6,901	6,901	6,901	74,104
Other Taxes	2,027	5,268	7,296	-	-	-	7,296	7,217
Insurance	14,469	1,548	16,017	37	6	43	16,060	16,109
Merchandise	-	-	-	-	275	275	275	1,035
Office Supply & Expense	17,276	-	17,276	23,302	11,025	34,326	51,602	59,738
Payroll	502,733	43,232	545,964	12,500	101,742	114,242	660,207	640,495
Payroll Taxes	40,255	3,332	43,587	981	7,752	8,734	52,320	52,838
Permits and Repairs	19,667	13,950	33,617	-	-	-	33,617	44,086
Postage and Shipping	33	-	33	268	19,993	20,260	20,293	20,079
Printing	-	-	-	-	26,825	26,825	26,825	-
Professional Fees/Legal	-	-	-	54,162	-	54,162	54,162	92,253
Utilities	22,635	390	23,025	-	-	-	23,025	25,964
Website	126	-	126	-	5,760	5,760	5,886	-
TOTAL EXPENSES	\$ 756,188	\$ 78,966	\$ 835,154	\$ 92,094	\$ 185,055	\$ 277,149	\$ 1,112,303	\$ 1,201,759

The accompanying notes are an integral part of these financial statements

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND FINANCIAL POLICIES

ORGANIZATION:

The Montgomery County Humane Society, Inc. (the Society) was incorporated in 1958 to serve the community with animal welfare services. Its mission is "Ending animal homelessness through education, outreach and adoption, while saving lives and supporting the bond between pets and their families."

BASIS OF PRESENTATION:

Financial statement presentation complies with FASB ASC 958-205. Under FASB ASC 958-205, the Society is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. In addition, the Society is required to present a statement of cash flows.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2019, from which the summarized information was derived. In addition, some account groupings have been changed to conform to the current year presentation.

CONTRIBUTIONS AND GRANTS:

Contributions, grants and other revenues are recognized when earned. Contributions and grants without donor restrictions are reported as revenue in the year in which payments are received and/or unconditional promises are made. The Society reports gifts of cash and other assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the accompanying statement of activities as net assets released from restrictions. Contributions and grants with donor restrictions whose restrictions are met in the same reporting period are reported as contributions or grants without donor restrictions in the accompanying statement of activities.

Noncash contributions which have a readily determinable market value or which are intended for internal use by the Society (such as equipment or supplies) are recorded as revenue based upon their market value at the date of donation. Noncash contributions, which do not have a readily determinable market value or are not intended for internal use by the Society (such as clothing and furniture donations to be sold at the thrift store) are not recorded as revenue until a reliable estimate of fair value is determined or they are converted to cash.

CLASSIFICATION OF NET ASSETS:

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- With Donor Restrictions: Net assets subject to donor-imposed stipulations that specifically restrict funds for use of various purposes or time periods.
- Without Donor Restrictions: Net assets not subject to donor-imposed stipulations are available for support of the Society's operations.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND FINANCIAL POLICIES
(CONTINUED)

CASH AND CASH EQUIVALENTS:

The Society considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

INVESTMENTS:

The Society carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities and changes in net assets.

PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost. Items costing less than \$500 are charged to expense when acquired. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to forty years. Leasehold and capital improvements are amortized over the life of the asset. The costs of maintenance and repairs are recorded as expenses as incurred.

INCOME TAXES:

The Society is a not-for-profit organization as defined under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Society is not a private foundation.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include, but not limited to, depreciation, office and occupancy costs, salaries, and benefits. All of these shared costs are allocated based on salary percentages. Salary percentages are determined on the basis of estimates of time and effort.

THRIFT STORE INVENTORY

Inventories are stated at the lower of cost or net realizable value. All thrift store inventory is comprised of donated merchandise. The value at June 30, 2020 is based upon the subsequent month sales. Throughout the year, donated inventory items are valued upon sale.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - ASSETS RESTRICTED TO INVESTMENT IN LAND, BUILDING, FURNITURE AND EQUIPMENT

Assets restricted to investment in land, building, furniture and equipment at June 30, 2020 consisted of:

Land	\$ 1,890,952
Buildings	1,373,571
Furniture and Equipment	166,181
Vehicles	38,999
Leasehold and Capital Improvements	364,250
Less: Accumulated Depreciation	(731,145)
Assets restricted to investment in land, building, furniture and equipment	<u>\$ 3,102,808</u>

Depreciation of furniture and equipment for the year ended June 30, 2020 was \$60,157.

NOTE 3 - INVESTMENTS

The Society's investments at June 30, 2020 are recorded at fair market value and consist of the following:

	<u>Adjusted Basis</u>	<u>Fair Market Value</u>	<u>Realized Gain/ (Loss)</u>	<u>Unrealized Gain/ (Loss)</u>
Equities	\$ 2,616	\$ 1,858	\$ -	(\$ 758)
Equity Funds	<u>3,265,110</u>	<u>3,220,397</u>	<u>10,913</u>	<u>(44,713)</u>
Total	<u>\$ 3,267,726</u>	<u>\$ 3,222,255</u>	<u>\$ 10,913</u>	<u>(\$ 45,471)</u>

NOTE 4 - NET ASSETS RELEASED FROM RESTRICTIONS

The Society's net assets without donor restrictions for the year ended June 30, 2020 are as follows:

Undesignated	\$ <u>6,739,278</u>
Total Net Assets without Donor Restrictions	\$ <u>6,739,278</u>

The Society's net assets with donor restrictions for the year ended June 30, 2020 are as follows:

Aspin Hill Project	\$ 28,261
Mobile Clinic	16,260
MC PPP	<u>10,000</u>
Total Net Assets with Donor Restrictions	\$ <u>54,521</u>

NOTE 5 - LEASE COMMITMENTS

At June 30, 2020, the Society was obligated under one lease agreement. The minimum rental payments over the life of the lease are as follows:

For the year ended June 30, 2021	144,389
For the period ended January 31, 2022	<u>85,683</u>
Total	\$ <u>230,072</u>

Total rent charged to operations for the year ended June 30, 2020 was \$ 195,026.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - DESCRIPTION OF PROGRAM SERVICES

The following program services are included in the accompanying financial statements:

SOCIETY - The Society's programs provide services for more than one million Montgomery County residents and their pets. These programs are funded through fundraising events, individual donations, grants and program revenue. The services provided to animals and the Society's patrons include: Animal rescues from public shelters; veterinary and preventive care; spay and neuter; socialization and enrichment; pet adoptions and adoption counseling; volunteer recruitment, training, and coordination; humane education for children, teens and adults; and community outreach programs. A new program added in the current year is the mobile clinic.

ASPIN HILL - The Aspin Hill Memorial Park is a historic property that was gifted to MCHS in the fiscal year ended June 30, 2007. It is believed to be the second-oldest pet cemetery in the United States. MCHS currently continues to operate the cemetery and provides limited interment services. In the future, the Society plans to rehabilitate and use the 7.79 acre parcel for animal rescue, care and adoption; humane education classes; a base for community outreach and other animal welfare programs and Society offices, in addition to operating the pet cemetery. The use of the Aspin Hill property is restricted by covenants.

WAGGING TAILS - The Wagging Tails Thrifts and Gifts store was founded for the sole purpose of supporting the Society's many life-saving programs. All revenues generated from the store are shown as net of expenses on the statement of activities.

NOTE 7 - CONCENTRATION

For the fiscal year ended June 30, 2020, The Society received 83% of its income from contributions, and 17% from other sources.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Society maintains several bank accounts. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2020, one of The Society's cash balances exceeded federally insured limits by \$149,708.

NOTE 9 – DONATED SERVICES

The fair value of donated services included in the financial statements for the year ended June 30, 2020, are as follows:

Professional Services	\$ <u>6,250</u>
Total Donated Services	\$ <u><u>6,250</u></u>

NOTE 10 – INCOME TAXES

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, Income Taxes, that provides guidance for reporting uncertainty in income taxes. For the year fiscal year ended June 30, 2020, the Society has documented its consideration of FASB ASC 740-10 and determined that there are no material uncertain tax positions qualifying for either recognition or disclosure in the financial statements.

The Society's federal Exempt Organization Tax Returns (Form 990) for 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they are filed.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 – CONTINGENCY

The Society and another similar, yet unrelated not-for-profit organization were originally deeded 181 acres of land in Urbana, Maryland as joint custodians in 1989. All of the land was eventually sold, with the exception of a small parcel of wetlands property on which a billboard is now standing. On the Society's books, the sale was recorded as a sale of the entire parcel. There is no deed in existence for the remaining land; both organizations are working with local engineers to have a boundary survey done on the parcel in an attempt to commence legal proceedings toward a confirmatory deed, which would allow the organizations to eventually sell the property, which is the goal of both entities. Given the nature of the property, the legal restrictions on it, and the lack of a saleable deed, the value of the property is unknown and is not being carried on the books of the Society.

NOTE 12 – FAIR VALUE MEASUREMENTS

The Society adopted FASB ASC 820-10 (formerly SFAS No. 157, Fair Value Measurements) as amended. FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under FASB ASC 820-10 as the exchange price that would be received for an asset or paid to transfer a liability ("an exit price") in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under FASB ASC 820-10 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The Society has time deposit financial instruments that must be measured under the new fair value standard. The Society currently does not have notes receivable, nonfinancial assets, or nonfinancial liabilities that are required to be measured at fair value on a recurring basis. The Society's financial assets are measured using inputs from the Level 1 fair value hierarchy as described as follows:

Level 1:

Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date.

The fair values of the Society's investments on a recurring basis at June 30, 2020 are as follows:

	Market Fair Market Value	Quoted Price in Active Markets for Identical Assets (Level 1)
Equities	\$ 1,858	\$ 1,858
Equity Funds	3,220,397	3,220,397
Total Investments	\$ <u>3,222,255</u>	\$ <u>3,222,255</u>

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the statement of financial position date through the date the financial statements are available to be issued. Management has performed an evaluation as of November 5, 2020, the date the financial statements were available to be issued, that there are no subsequent events requiring disclosure that have not been properly disclosed.

NOTE 14 – LIQUIDITY

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

Cash and cash equivalents	\$ 585,854
Investments	3,222,255
Accounts Receivable	<u>43,345</u>
Financial assets, at year-end	3,851,454
Less: Donor restricted funds	(<u>54,521</u>)
Financial assets available to meet cash needs for general expenditure within one year	\$ <u>3,796,933</u>

NOTE 15 – CONDITIONAL CONTRIBUTIONS - PPP

During the year, the Society received two loans through federal and local programs, the Small Business Administration's Paycheck Protection Program (PPP) and the Montgomery County Economic Fund, totaling \$205,237. The loans are forgivable if the Society meets certain criteria in the expenditure of the loan proceeds. As allowed under FASB ASC 958-605, these forgivable loans are treated as conditional contributions to the Society. As of June 30, 2020, the Society had expended \$144,108 of the loan proceeds, all of which meet the criteria for those proceeds to be forgiven. These expended proceeds have been included as grant revenue - PPP on the statement of activities. The unexpended proceeds of \$61,219 remain as deferred revenue.