

**MONTGOMERY COUNTY HUMANE
SOCIETY, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
TABLE OF CONTENTS
JUNE 30, 2022 AND 2021

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7 - 15



702 King Farm Blvd.
Suite 610
Rockville, MD 20850
301.917.3040
YHBcpa.com

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Montgomery County Humane Society, Inc.

Opinion

We have audited the accompanying financial statements of Montgomery County Humane Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Montgomery County Humane Society, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montgomery County Humane Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Montgomery County Humane Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 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.

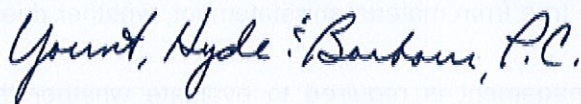
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Montgomery County Humane Society, Inc.'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 Montgomery County Humane Society, Inc.'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.

Report on Summarized Comparative Information

The audited financial statements of the Montgomery County Humane Society, Inc. as of June 30, 2021 were audited by other auditors that expressed an unqualified audit opinion on those audited financial statements in their report dated January 4, 2022. In their opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Yount, Hyde and Barbour, P.C.

Rockville, Maryland
December 16, 2022

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u> <u>(RESTATED)</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 755,481	\$ 807,477
Investments (Note 11)	4,437,050	4,384,260
Accounts and contributions receivable	37,646	46,812
Inventory - thrift store	51,870	46,483
Prepaid expenses	11,119	10,177
Assets restricted to investment in land, buildings, furniture and equipment (Note 2)	3,080,726	3,067,044
Deposits	<u>10,390</u>	<u>10,390</u>
Total current assets	<u>8,384,282</u>	<u>8,372,643</u>
TOTAL ASSETS	<u><u>\$ 8,384,282</u></u>	<u><u>\$ 8,372,643</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 21,366	\$ 15,695
Accrued expenses	75,889	70,675
Lease obligation liability	<u>44,490</u>	<u>10,401</u>
Total current liabilities	<u>141,745</u>	<u>96,771</u>
NET ASSETS		
Without donor restrictions (Note 4)	8,177,486	8,220,053
With donor restrictions (Note 12)	<u>65,051</u>	<u>55,819</u>
Total net assets	<u>8,242,537</u>	<u>8,275,872</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,384,282</u></u>	<u><u>\$ 8,372,643</u></u>

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

MONTGOMERY COUNTY HUMANE SOCIETY, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022 NET ASSETS WITHOUT DONOR RESTRICTIONS	2022 NET ASSETS WITH DONOR RESTRICTIONS	2022 TOTAL	2021 TOTAL
SUPPORT AND REVENUE				
Contributions & grants	\$ 1,319,426	\$ 214,227	\$ 1,533,653	\$ 1,433,357
Grant - PPP	-	-	-	54,044
Contributions - in-kind	20	-	20	10
Contributions income - thrift store (net of expenses of \$450,817)	51,208	-	51,208	73,737
Special events	22,189	-	22,189	42,143
Program service fees	201,675	-	201,675	125,253
Investment (loss) income, net	(699,032)	-	(699,032)	809,083
Miscellaneous	3,015	-	3,015	15,171
United Way / CFC	51,528	-	51,528	49,288
Gain on sale of fixed asset	58,295	-	58,295	500
Net assets released from restrictions	204,995	(204,995)	-	-
Total support and revenue	<u>1,213,319</u>	<u>9,232</u>	<u>1,222,551</u>	<u>2,602,586</u>
EXPENSES				
Program services				
Society	929,666	-	929,666	775,720
Aspin Hill	84,261	-	84,261	87,010
Total program services	<u>1,013,927</u>	<u>-</u>	<u>1,013,927</u>	<u>862,730</u>
Supporting services				
Management and general	51,351	-	51,351	73,835
Fundraising	190,608	-	190,608	183,948
Total supporting services	<u>241,959</u>	<u>-</u>	<u>241,959</u>	<u>257,783</u>
Total expenses	<u>1,255,886</u>	<u>-</u>	<u>1,255,886</u>	<u>1,120,513</u>
CHANGE IN NET ASSETS	(42,567)	9,232	(33,335)	1,482,073
NET ASSETS - BEGINNING	<u>8,220,053</u>	<u>55,819</u>	<u>8,275,872</u>	<u>6,793,799</u>
NET ASSETS - ENDING	<u>\$ 8,177,486</u>	<u>\$ 65,051</u>	<u>\$ 8,242,537</u>	<u>\$ 8,275,872</u>

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

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022						2021	
	SOCIETY	ASPIN HILL	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND-RAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES	TOTAL EXPENSES
Advertising and marketing	\$ 2,284	\$ -	\$ 2,284	\$ -	\$ -	\$ -	\$ 2,284	\$ 2,417
Animal care and treatment	63,109	910	64,019	-	-	-	64,019	45,992
Auto and truck expense	8,267	-	8,267	-	-	-	8,267	11,607
Communications	9,816	-	9,816	-	-	-	9,816	10,220
Depreciation	51,465	8,791	60,256	1,874	-	1,874	62,130	60,121
Employee benefits	7,880	863	8,743	381	2,040	2,421	11,164	27,141
Fund drive	-	-	-	-	3,395	3,395	3,395	4,790
Insurance	19,953	1,823	21,776	-	7	7	21,783	17,927
Merchandise	-	-	-	-	325	325	325	175
Office supply and expense	27,608	-	27,608	3,005	15,032	18,037	45,645	32,889
Other taxes	2,126	5,316	7,442	-	-	-	7,442	7,308
Payroll taxes	52,993	2,780	55,773	761	7,519	8,280	64,053	55,148
Permits and repairs	27,459	26,197	53,656	-	-	-	53,656	39,443
Postage and shipping	6	-	6	-	20,015	20,015	20,021	19,986
Printing	-	-	-	-	41,980	41,980	41,980	35,995
Professional fees/legal	-	-	-	35,697	-	35,697	35,697	60,006
Utilities	27,577	478	28,055	-	-	-	28,055	20,873
Salaries	626,729	37,103	663,832	9,633	100,295	109,928	773,760	665,621
Web costs	2,394	-	2,394	-	-	-	2,394	2,854
TOTAL EXPENSES	\$ 929,666	\$ 84,261	\$ 1,013,927	\$ 51,351	\$ 190,608	\$ 241,959	\$ 1,255,886	\$ 1,120,513

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

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (33,335)	\$ 1,482,073
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	62,130	60,121
Realized (gain) / loss on investments	7,823	(97,298)
Unrealized (gain) / loss on investments	747,451	(667,011)
(Gain) / loss on sale of assets	(58,295)	(500)
Forgiveness of Cares Act/PPP Loan	-	(61,219)
(Increase) decrease in assets:		
Accounts and contributions receivable	9,166	(3,466)
Inventory	(5,387)	(16,367)
Prepaid expenses	(942)	2,324
Increase (decrease) in liabilities:		
Accounts payable	5,671	(25,896)
Accrued expenses	5,214	3,550
Deferred income	-	(17,800)
Lease liability	<u>34,089</u>	<u>(15,334)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>773,585</u>	<u>643,177</u>
NET CASH FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(75,812)	(24,357)
Purchase of investments	(1,032,229)	(1,318,572)
Contribution of investments	(6,912)	(715)
Proceeds from sale of assets	58,295	-
Sale of investments	<u>231,077</u>	<u>922,090</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(825,581)</u>	<u>(421,554)</u>
NET (DECREASE) INCREASE IN CASH	(51,996)	221,623
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>807,477</u>	<u>585,854</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 755,481</u>	<u>\$ 807,477</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Expense	<u>-</u>	<u>-</u>

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

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2021, from which the summarized information was derived. In addition, some account groupings have been changed to conform to the current year presentation.

Revenue recognition

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.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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

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.

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 \$1,000 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 are 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.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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

Inventory is stated at the lower of cost or net realizable value. All thrift store inventory is comprised of donated merchandise. The value at June 30, 2022 is based upon the subsequent month sales. Throughout the year, donated inventory items are valued upon sale.

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, 2022 consisted of:

Land	\$ 1,890,952
Buildings	1,409,184
Furniture and equipment	205,532
Vehicles	31,757
Leasehold and capital improvements	<u>388,201</u>
	3,925,626
Less: accumulated depreciation	<u>(844,900)</u>
Assets restricted in investment in land, building, furniture and equipment	<u><u>\$ 3,080,726</u></u>

Depreciation of furniture and equipment for the year ended June 30, 2022 was \$62,130.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 - INVESTMENTS

The Society's investments at June 30, 2022 are recorded at fair market value and consist of the following:

	Adjusted Basis	Fair Market Value	Realized Gain/ (Loss)	Unrealized Gain/ (Loss)
Equities	\$ 3,310	\$ 3,310	\$ -	\$ -
Equity funds	3,678,466	4,433,740	(7,823)	(747,451)
Total	<u>\$ 3,681,776</u>	<u>\$ 4,437,050</u>	<u>\$ (7,823)</u>	<u>\$ (747,451)</u>

NOTE 4 - NET ASSETS RELEASED FROM RESTRICTIONS

The Society's net assets without donor restrictions for the year ended June 30, 2022 are as follows:

Undesignated \$ 8,177,486

Total Net Assets without Donor Restrictions \$ 8,177,486

NOTE 5 - LEASE COMMITMENTS

The Society conducts its operations from facilities that are leased under a non-cancellable lease from an unrelated third party, expiring in October 2028. The lease includes a free rent provision, an 3%-4% escalation in annual rent, and a proportionate share of common area maintenance costs. In accordance with accounting principles generally accepted in the United States of America, the Organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months in the lease term. The difference between rent expense recorded and the amount paid is charged to lease obligation liability. The lease obligation liability balance as of June 30, 2022 was \$44,490.

The minimum future rental payments under the above lease is as follows:

<u>Year ending June 30,</u>	
2023	\$ 145,459
2024	149,823
2025	154,317
2026	159,986
2027	166,385
Thereafter	<u>231,470</u>
Total	<u>\$ 1,007,440</u>

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 - LEASE COMMITMENTS (CONTINUED)

Total rent charged to the thrift store for the year ended June 30, 2022 was \$191,833.

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.

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. The Society 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.

THRIFT STORE - The thrift 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, 2022, The Society received 86% of its income from contributions, and 14% 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, 2022, none of The Society's cash balances exceeded federally insured limits.

NOTE 9 - INCOME TAXES

The Society is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code as a publicly supported organization. However, the Society is subject to tax on net income derived from any such unrelated business

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 - INCOME TAXES (CONTINUED)

activities as provided for under the current tax law. To date, the Society has not engaged in any such activities.

The Society follows the provisions of FASB ASC 740-10-25, Accounting for Uncertainty in Income Taxes, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Society's income tax returns. The Society's income tax filings are subject to audit by various taxing authorities within the three year open audit periods of 2018-2020. For the year ended June 30, 2022, the Society has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

NOTE 10 - 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. In November 2020, the Maryland Department of Transportation contacted the Society regarding acquiring rights to a portion of the property for bridge construction. The property was sold for \$57,745, with all funds received during fiscal year ending June 30, 2022. The sale was recorded on the books as a gain on sale with zero basis.

NOTE 11 - FAIR VALUE MEASUREMENTS

The Society follows FASB ASC 820-10 for a single definition and framework for measuring fair value and expanded disclosures resulting in increased consistency and comparability in fair value measurements. At June 30, 2022, there were no items being carried at fair value on a recurring basis under FASB ASC 820-10. Items carried at fair value on a non-recurring basis generally consist of assets held for sale. The Society also uses fair value concepts to test various long-lived assets for impairment.

FASB ASC 820-10 requires that fair value be determined by providing a fair value hierarchy consisting of three levels, generally ranging from the most objective determination of fair value to the most subjective. The levels vary depending on the objectivity of the information used in valuation techniques to determine fair value. These levels are referred to as categories of input into those techniques. The three general valuation levels that may be used to measure fair value are as described below:

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society's 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 prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair market value. They are the most subjective, are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

The following table sets forth, by level, within the fair value hierarchy, the Society's assets, liabilities, and fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Equities	\$ 3,310	\$ -	\$ -	\$ 3,310
Equity funds	<u>4,433,740</u>	<u>-</u>	<u>-</u>	<u>4,433,740</u>
	<u>\$ 4,437,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,437,050</u>

Investments in marketable securities may be exposed to various risks such as interest rate, market, and credit risks and it is at least reasonably possible that the fair value of securities can significantly decline.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

Interest and dividends	\$ 90,021
Realized losses	(7,823)
Unrealized losses	<u>(747,451)</u>
	(665,253)
Less: investment expense	<u>33,779</u>
Net return on investments	<u><u>\$ (699,032)</u></u>

All assets have been valued using market approach. There have been no changes in valuation techniques and related inputs.

The carrying values of cash, trade assets and trade liabilities, such as accounts receivable, and accounts payable and accrued expenses approximates fair value due to the relatively short maturity of these instruments.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include donor restricted funds which are only available for specific program activities or general support designated for future years. Net assets with donor restrictions at June 30, 2022 are as follows:

	Balance 6/30/2021	Additions	Released	Balance 6/30/2022
Aspin Hill	\$ 55,819	\$ 15,497	\$ 6,265	\$ 65,051
S/N Clinic	-	178,730	178,730	-
Society - General Programs	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total	<u>\$ 55,819</u>	<u>\$ 214,227</u>	<u>\$ 204,995</u>	<u>\$ 65,051</u>

NOTE 13 - RESTATEMENT OF FINANCIAL STATEMENT

Management discovered an error to the 2021 financials after they issued on January 4, 2022. Management inaccurately reported all net assets as net assets without donor restrictions. The 2021 summarized financial statements have been restated to reflect this error. On the statement of financial position, net assets with donor restrictions increased by \$55,819 with a corresponding decrease to net assets without donor restrictions.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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	\$ 755,481
Investments	4,437,050
Accounts receivable	<u>37,646</u>
Financial assets, at year-end	5,230,177
Less: donor restricted funds	<u>(65,051)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 5,165,126</u>

The Society is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Society must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As a part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the society invests cash in excess of daily requirements in short-term investments.

NOTE 15 - 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 December 16, 2022, the date the financial statements were available to be issued, that there are no subsequent events requiring disclosure that have not been properly disclosed.

