

BLUE RIDGE HUMANE SOCIETY, INC.

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019



CERTIFIED PUBLIC ACCOUNTANTS

Blue Ridge Humane Society, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Blue Ridge Humane Society, Inc.
Hendersonville, NC

We have audited the accompanying financial statements of Blue Ridge Humane Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses, and, flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Ridge Humane Society, Inc. as of December 31, 2019, 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.

Carliss + Salaman, PLLC

Asheville, North Carolina
October 12, 2020

Blue Ridge Humane Society

Statement of Financial Position

As of December 31, 2019

Assets

Current Assets

Cash and Cash Equivalents	\$	2,222,935
Accounts Receivable		13,884
Inventory		57,635
Total Current Assets		<u>2,294,454</u>

Long-Term Assets

Property and Equipment, Net		<u>2,330,937</u>
Total Long-Term Assets		<u>2,330,937</u>

Total Assets

\$ 4,625,391

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$	39,676
Accrued Vacation		11,604
Accrued Wages		24,185
Total Current Liabilities		<u>75,465</u>

Net Assets

Without Donor Restrictions		4,054,466
With Donor Restrictions		495,460
Total Net Assets		<u>4,549,926</u>

Total Liabilities and Net Assets

\$ 4,625,391

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

Blue Ridge Humane Society, Inc.

Statement of Activities

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 460,034	\$ 203,691	\$ 663,725
Foundation Grants	110,386	24,036	134,422
Spay and Neuter Incentive Program	121,055	-	121,055
Adoption Fees	79,097	-	79,097
Community Programs	7,808	-	7,808
Special Events	80,742	-	80,742
Thrift Store	786,950	-	786,950
In-Kind Contributions	11,979	-	11,979
Interest Income	8,797	6,851	15,648
Net Assets Released from Restrictions	71,348	(71,348)	-
Total Support and Revenue	1,738,196	163,230	1,901,426
Expenses			
Program Services	1,480,965	-	1,480,965
Management and General	131,013	-	131,013
Fundraising	164,150	-	164,150
Total Expenses	1,776,128	-	1,776,128
Change in Net Assets	(37,932)	163,230	125,298
Net Assets, Beginning of Year	4,092,398	332,230	4,424,628
Net Assets, End of Year	\$ 4,054,466	\$ 495,460	\$ 4,549,926

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

Blue Ridge Humane Society, Inc.

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Personnel				
Salaries and Wages	\$ 789,912	\$ 49,091	\$ 53,553	\$ 892,556
Payroll Taxes	61,621	3,830	4,177	69,628
Employee Benefits	71,639	4,452	4,858	80,949
Retirement	14,935	928	1,013	16,876
Subtotal Personnel	<u>938,107</u>	<u>58,301</u>	<u>63,601</u>	<u>1,060,009</u>
Program Operations				
Adoption Center Expense	45,322	-	-	45,322
Community Programs	36,840	-	-	36,840
Spay and Neuter Program	109,645	-	-	109,645
Veterinary Services	72,645	-	-	72,645
Thrift Store Retail Supplies	4,227	-	-	4,227
Bank Fees	25,808	-	1,644	27,452
Dues and Subscriptions	1,955	197	369	2,521
Event Expense	-	-	36,018	36,018
Insurance	25,153	1,483	2,973	29,609
Miscellaneous Expense	1,815	47	86	1,948
Office and Computer Supplies	23,674	1,302	2,851	27,827
Printing and Postage	-	165	1,716	1,881
Professional Fees	-	39,016	-	39,016
Professional Development	12,192	-	1,340	13,532
Public Relations and Marketing	7,533	19,076	33,431	60,040
Rent and Storage	20,994	1,632	3,060	25,686
Repairs and Maintenance	27,970	-	-	27,970
Telephone	5,196	345	670	6,211
Travel	8,076	373	698	9,147
Utilities	29,897	-	1,166	31,063
Vehicle Expenses	9,936	-	-	9,936
Volunteer Program	2,744	-	-	2,744
Subtotal Expenses	<u>1,409,729</u>	<u>121,937</u>	<u>149,623</u>	<u>1,681,289</u>
Depreciation	63,802	6,629	12,429	82,860
In-Kind Donations Utilized	7,434	2,447	2,098	11,979
Total Expenses	<u>\$ 1,480,965</u>	<u>\$ 131,013</u>	<u>\$ 164,150</u>	<u>\$ 1,776,128</u>

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

Blue Ridge Humane Society, Inc.

Statement of Cash Flows

Year Ended December 31, 2019

Cash Flows from Operating Activities

Change in Net Assets	\$	125,298
Adjustments to reconcile change in net assets to net cash provided or used by operating activities:		
Depreciation		82,860
(Increase)/Decrease in Operating Assets		
Accounts Receivable		(3,886)
Prepaid Expenses		4,869
Increase/(Decrease) in Operating Liabilities		
Accounts Payable		(2,325)
Payroll Taxes Payable		(12,057)
Accrued Vacation		11,604
Accrued Wages		24,185
Net Cash Provided by Operating Activities		<u>230,548</u>

Cash Flows from Investing Activities

Proceeds from Property Sold		500,000
Property and Equipment Purchases		<u>(77,402)</u>
Net Cash Provided by Investing Activities		<u>422,598</u>
Net Change in Cash and Cash Equivalents		653,146
Cash and Cash Equivalents, Beginning of Year		<u>1,569,789</u>
Cash and Cash Equivalents, End of Year	\$	<u>2,222,935</u>

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

Blue Ridge Humane Society, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2019

1. Description of the Organization, Corporate and Tax-Exempt Status

The Blue Ridge Humane Society, Inc., (the Society) is an animal welfare organization dedicated to ensuring the highest quality of life for animals in Henderson County and our neighboring communities. BRHS cares for pets awaiting adoption at the Adoption Center; offers low-cost vaccine clinics, animal education programs, pet training classes, and youth education and projects; coordinates community pet food assistance, emergency vet assistance, and the Spay Neuter Incentive Program (SNIP), which is a collaboration with Henderson County, the City of Hendersonville, and the Henderson County Animal Services Center.

Blue Ridge Humane Society, Inc. was established in 1950 as a nonprofit corporation under the laws of the State of North Carolina. It qualifies for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue code. In addition, it qualifies as a publicly supported organization under Section 509(a)(1).

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require an organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial assets that potentially subject the organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Fair Value Measurements

In accordance with U.S. GAAP, Blue Ridge Humane Society, Inc. follows “Fair Value Measurements.” This standard establishes a single definition of fair value and a framework for measuring fair value in financial statements under U.S. GAAP. Fair value is defined as “the price that would be received to sell an asset in an orderly transaction between market participants at an agreed upon measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market.” The organization does not have any financial assets that it carries at fair value on a recurring basis.

Inventory

Inventory consists of program-related merchandise donated to the thrift store and is valued at fair value when received.

Property and Equipment

Property and equipment purchases are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The capitalization threshold is \$500 per item.

Revenue and Revenue Recognition

Revenue is recognized when earned by delivering services. Program services fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to net assets without donor restrictions and are reported on the statement of activities as “Net Assets Released from Restrictions.”

In-Kind Contributions

The organization recognizes contributed goods and the use of facilities at estimated fair value on the date of receipt. Contributed services are recognized in the financial statements if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When recognized, contributed services are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses that are attributable to more than one program or supporting function, require managements allocation on a reasonable basis that is consistently applied. The primary allocation basis used by management for personnel expenses and applicable overhead expenses is estimated based on employee time and effort.

Income Taxes/Uncertain Tax Positions

Blue Ridge Humane Society, Inc. is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to an organization's tax-exempt purpose may be subject to taxation as unrelated business income. Blue Ridge Humane Society, Inc. had no income from unrelated business activities during the 2019 fiscal year and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). Blue Ridge Humane Society, Inc. believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

New Accounting Pronouncements

The organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the organization's financial reporting.

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, as well as other disclosures. The standard is effective for annual reporting periods beginning after December 15, 2018. The organization has adopted the new standard for calendar year 2019 with modified prospective application. Accordingly, the summarized prior period comparative statements for 2018 have not been adjusted. Impacts to the 2018 financial statements from the revenue recognition standards are not considered significant and not required to be adjusted during the transition period.

3. Liquidity and Availability

The organization's liquidity management plan is to invest cash in excess of daily requirements in a money market account. Occasionally, the Board may designate a portion of operating surplus to a reserve account.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

<u>As of December 31:</u>	<u>2019</u>
Financial Assets at year end:	
Cash and Cash Equivalents	\$ 2,222,935
Accounts Receivable	13,884
Total Financial Assets	<u>2,236,819</u>
Less amounts not available to be used in one year:	
Net Assets With Donor Restrictions	<u>495,460</u>
Total not available to be used in one year	<u>495,460</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,741,359</u>

Blue Ridge Humane Society's goal is generally to maintain financial assets to meet a minimum of 180 days of operating expenses (approximately \$800,000).

4. Cash and Cash Equivalents

Cash and cash equivalents balances were as follows as of December 31, 2019:

Checking Accounts	\$ 372,704
Savings Accounts	480,230
Money Market Account	1,368,441
PayPal	1,060
Petty Cash	500
Total Cash and Cash Equivalents	<u>\$ 2,222,935</u>

As of December 31, 2019, the organization had exceeded the FDIC limit by \$112,223. Management believes the Society is not exposed to any significant credit risk on its cash balances.

5. Property and Equipment

Property and equipment consist of the following as of December 31, 2019:

Buildings	\$ 1,277,768
Construction in Progress	3,000
Furniture and Equipment	97,511
Furniture and Equipment - Thrift Store	33,473
Improvements and Renovations	612,533
Land	1,018,700
Vehicles	117,803
Less: Accumulated Depreciation	(829,851)
Total Property and Equipment, Net	<u>\$ 2,330,937</u>

Depreciation expense was \$82,860 for the year ended December 31, 2019.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of December 31, 2019:

Pet Trust	328,288
Spay/Neuter	2,534
New Building	158,629
Time Restricted	6,009
Total Net Assets with Donor Restrictions	<u>\$ 495,460</u>

7. Thrift Store

As of December 31, 2019, the thrift store's sales totaled \$786,950. Inventory held for sale was \$57,635 as of December 31, 2019.

8. Retirement Plan

Upon completion of one year of full-time employment, all eligible employees have the option to participate in the BRHS retirement plan. The existing program is a Simple IRA plan with 3% employer match contribution. BRHS has the right to terminate or change plans at any point due to funding. The amount contributed to the plan by the organization for the year ended December 31, 2019 was \$16,876.

9. Advertising

Program advertising consists of expenses to raise awareness about the Society's programs and mission. Expenses were \$18,355 for the year ended December 31, 2019.

10. Volunteers

BRHS makes extensive use of volunteers to carry out its programs. For the year ended December 31, 2019, volunteers contributed 21,696 hours, with a total value of \$551,729 based on a rate of \$25.43 per hour, a rate provided annually by the organization Independent Sector. The services contributed by volunteers did not meet the requirements of U.S. GAAP for recognition in income.

11. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of the geographical area in which the organization operates. During the peak of the pandemic, the thrift store closed entirely for two months. While it is unknown how long these conditions will last and what the complete financial effect will be to the organization, to date, the organization is expecting an effect on operations for the remainder of 2020.

Subsequent events have been evaluated through October 12, 2020, which is the date the financial statements were available to be issued.