

BLUE RIDGE HUMANE SOCIETY, INC.

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020



CORLISS &
SOLOMON
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Blue Ridge Humane Society, Inc.

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SOLOMON
PLLC

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, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related financial statement disclosures.

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Blue Ridge Humane Society's 2019 financial statements, and our report dated October 12, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Salaman, PLLC

Asheville, North Carolina
September 7, 2021

Blue Ridge Humane Society

Statement of Financial Position

As of December 31, 2020

(With summarized comparative totals as of December 31, 2019)

	2020	2019
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 2,731,197	\$ 2,222,935
Accounts Receivable	19,104	13,884
Inventory	34,871	57,635
Total Current Assets	<u>2,785,172</u>	<u>\$ 2,294,454</u>
<u>Long-Term Assets</u>		
Property and Equipment, Net	<u>2,287,184</u>	<u>2,330,937</u>
Total Long-Term Assets	<u>2,287,184</u>	<u>2,330,937</u>
Total Assets	<u>\$ 5,072,356</u>	<u>\$ 4,625,391</u>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 28,147	\$ 39,676
Accrued Vacation	9,575	11,604
Accrued Wages	31,595	24,185
Total Current Liabilities	<u>69,317</u>	<u>75,465</u>
<u>Net Assets</u>		
Without Donor Restrictions	4,515,862	4,054,466
With Donor Restrictions	487,177	495,460
Total Net Assets	<u>5,003,039</u>	<u>4,549,926</u>
Total Liabilities and Net Assets	<u>\$ 5,072,356</u>	<u>\$ 4,625,391</u>

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

Blue Ridge Humane Society, Inc.

Statement of Activities

Year Ended December 31, 2020

(With summarized comparative totals for the prior year)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
<u>Support and Revenue</u>				
Contributions	\$ 1,176,137	\$ 32,014	\$ 1,208,151	\$ 663,725
Grants	225,503	-	225,503	134,422
Spay and Neuter Incentive Program	23,298	-	23,298	121,055
Adoption Fees	18,229	-	18,229	79,097
Community Programs	3,854	-	3,854	7,808
Special Events	76,249	-	76,249	80,742
Thrift Store	395,500	-	395,500	786,950
In-Kind Contributions	20,627	-	20,627	11,979
Other Income	4,770	-	4,770	-
Interest Income	3,902	646	4,548	15,648
Net Assets Released from Restrictions	40,943	(40,943)	-	-
Total Support and Revenue	1,989,012	(8,283)	1,980,729	1,901,426
<u>Expenses</u>				
Program Services	1,220,539	-	1,220,539	1,480,965
Management and General	144,521	-	144,521	131,013
Fundraising	162,556	-	162,556	164,150
Total Expenses	1,527,616	-	1,527,616	1,776,128
Change in Net Assets	461,396	(8,283)	453,113	125,298
Net Assets, Beginning of Year	4,054,466	495,460	4,549,926	4,424,628
Net Assets, End of Year	\$ 4,515,862	\$ 487,177	\$ 5,003,039	\$ 4,549,926

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

Blue Ridge Humane Society, Inc.

Statement of Functional Expenses

Year Ended December 31, 2020

(With summarized comparative totals for the prior year)

	Program Services	Management and General	Fundraising	Total 2020	Total 2019
Personnel					
Salaries and Wages	\$ 708,993	\$ 83,411	\$ 41,705	\$ 834,109	\$ 892,556
Payroll Taxes	50,592	4,047	12,817	67,456	69,628
Employee Benefits	73,557	11,173	8,380	93,110	80,949
Retirement	10,139	2,982	1,790	14,911	16,876
Subtotal Personnel	<u>843,281</u>	<u>101,613</u>	<u>64,692</u>	<u>1,009,586</u>	<u>1,060,009</u>
Program Operations					
Adoption Center Expense	44,479	-	-	44,479	45,322
Community Programs	17,216	3,013	-	20,229	36,840
Spay and Neuter Program	44,683	-	-	44,683	109,645
Veterinary Services	55,708	-	-	55,708	72,645
Thrift Store Retail Supplies	2,938	-	-	2,938	4,227
Bank Fees	12,703	2,823	6,385	21,911	27,452
Dues and Subscriptions	845	805	363	2,013	2,521
Event Expense	221	18	644	883	36,018
Insurance	22,062	2,727	2,331	27,120	29,609
Miscellaneous Expense	651	1,563	-	2,214	1,948
Office and Computer Supplies	12,341	8,210	5,570	26,121	27,827
Printing and Postage	9,527	560	28,384	38,471	1,881
Professional Fees	11,426	2,912	8,065	22,403	39,016
Professional Development	3,504	1,022	685	5,211	13,532
Public Relations and Marketing	1,436	-	14,843	16,279	60,040
Rent and Storage	11,863	8,474	7,908	28,245	25,686
Repairs and Maintenance	20,071	-	-	20,071	27,970
Telephone	-	-	-	-	6,211
Travel and Vehicle	9,578	-	241	9,819	19,083
Utilities	25,100	3,210	876	29,186	31,063
Volunteer Program	252	-	-	252	2,744
Subtotal Expenses	<u>1,149,885</u>	<u>136,950</u>	<u>140,987</u>	<u>1,427,822</u>	<u>1,681,289</u>
Depreciation	60,959	6,333	11,875	79,167	82,860
In-Kind Donations Utilized	9,695	1,238	9,694	20,627	11,979
Total Expenses	<u>\$ 1,220,539</u>	<u>\$ 144,521</u>	<u>\$ 162,556</u>	<u>\$ 1,527,616</u>	<u>\$ 1,776,128</u>

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

Blue Ridge Humane Society, Inc.

Statement of Cash Flows

Year Ended December 31, 2020

(With summarized comparative totals for the prior year)

<u>Cash Flows from Operating Activities</u>	<u>2020</u>	<u>2019</u>
Change in Net Assets	\$ 453,113	\$ 125,298
Adjustments to reconcile change in net assets to net cash provided or used by operating activities:		
Depreciation	79,167	82,860
Loss on Property Disposals	2,367	-
(Increase)/Decrease in Operating Assets		
Accounts Receivable	(5,220)	(3,886)
Prepaid Expenses	-	4,869
Inventory	22,764	-
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(11,529)	(2,325)
Payroll Taxes Payable	-	(12,057)
Accrued Vacation	(2,029)	11,604
Accrued Wages	7,410	24,185
Net Cash Provided by Operating Activities	<u>546,043</u>	<u>230,548</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from Property Sold	4,700	500,000
Property and Equipment Purchases	(42,481)	(77,402)
Net Cash Provided/(Used) by Investing Activities	<u>(37,781)</u>	<u>422,598</u>
Net Change in Cash and Cash Equivalents	508,262	653,146
Cash and Cash Equivalents, Beginning of Year	<u>2,222,935</u>	<u>1,569,789</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,731,197</u>	<u>\$ 2,222,935</u>

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

Blue Ridge Humane Society, Inc.
Financial Statement Disclosures
For the Year Ended December 31, 2020

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. 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. 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 \$5,000 per item.

Support and Revenue Recognition

Revenue is recognized when earned. 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 are recognized when cash, securities or other assets, and unconditional promises to give, or notification or beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 2020 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.

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 statement of financial position date, are comprised of the following:

<u>As of December 31:</u>	<u>2020</u>	<u>2019</u>
Financial Assets at year end:		
Cash and Cash Equivalents	\$ 2,731,197	\$ 2,222,935
Accounts Receivable	19,104	13,884
Total Financial Assets	<u>2,750,301</u>	<u>2,236,819</u>
Less amounts not available to be used in one year:		
Net Assets With Donor Restrictions	487,177	495,460
Total not available to be used in one year	<u>487,177</u>	<u>495,460</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 2,263,124</u>	<u>\$ 1,741,359</u>

4. Cash and Cash Equivalents

Cash and cash equivalents balances were as follows:

<u>As of December 31</u>	<u>2020</u>	<u>2019</u>
Checking Accounts	\$ 331,158	\$ 372,704
Savings Accounts	482,090	480,230
Money Market Account	1,917,463	1,368,441
PayPal	236	1,060
Petty Cash	250	500
Total Cash and Cash Equivalents	<u>\$ 2,731,197</u>	<u>\$ 2,222,935</u>

As of December 31, 2020, the organization had exceeded the FDIC limit by \$96,830. Management believes the organization is not exposed to any significant credit risk on its cash balances.

5. Receivables

Accounts Receivable totaling \$19,104 and \$13,884 for December 31, 2020 and 2019, respectively, are considered fully collectible and are expected to be received within one year. No allowance for doubtful accounts considered necessary.

6. Property and Equipment

Property and equipment consist of the following:

<u>As of December 31</u>	<u>2020</u>	<u>2019</u>
Buildings	\$ 1,277,768	\$ 1,277,768
Construction in Progress	3,000	3,000
Furniture and Equipment	51,444	97,511
Furniture and Equipment - Thrift Store	19,214	33,473
Improvements and Renovations	584,071	612,533
Land	1,018,700	1,018,700
Vehicles	125,296	117,803
Less: Accumulated Depreciation	(792,309)	(829,851)
Total Property and Equipment, Net	<u>\$ 2,287,184</u>	<u>\$ 2,330,937</u>

Depreciation expense was \$79,167 and \$82,860 for the years ended December 31, 2020 and 2019, respectively.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

<u>As of December 31</u>	<u>2020</u>	<u>2019</u>
Pet Trust	325,492	328,288
Spay/Neuter	2,538	2,534
New Building	159,147	158,629
Time Restricted	-	6,009
Total Net Assets with Donor Restrictions	<u>\$ 487,177</u>	<u>\$ 495,460</u>

8. Thrift Store

As of December 31, 2020 and 2019, the thrift store's sales totaled \$395,500 and \$786,950, respectively. Inventory, consisting of donated items held for sale was \$34,781 and \$57,635 as of December 31, 2020 and 2019, respectively.

9. 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 years ended December 31, 2020 and 2019 was \$14,911 and \$16,876, respectively.

10. Advertising

Program advertising consists of expenses to raise awareness about the Society's programs and mission. Expenses were \$1,436 and \$18,355 for the year ended December 31, 2020 and 2019, respectively.

11. Volunteers

BRHS makes extensive use of volunteers to carry out its programs. For the year ended December 31, 2020, volunteers contributed 26,698 hours, with a total value of \$726,128 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.

12. Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the effects of the global situation on the organization's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial conditions, or liquidity for the fiscal year 2021.

13. Subsequent Events

Subsequent events have been evaluated through September 7, 2021, which is the date the financial statements were available to be issued.