

BLUE RIDGE HUMANE SOCIETY, INC.

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021



CORLISS &
SOLOMON
PLLC

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

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related disclosures to the financial statements.

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, 2021, 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 audit 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 Blue Ridge Humane Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Blue Ridge 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, including omissions, 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 Blue Ridge 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 Blue Ridge 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

We have previously audited Blue Ridge Humane Society, Inc.'s 2020 financial statements, and our report dated September 7, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Solomon, PLLC

Asheville, North Carolina
July 29, 2022

Blue Ridge Humane Society, Inc.

Statement of Financial Position

As of December 31, 2021

(With summarized comparative totals as of December 31, 2020)

	2021	2020
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 3,212,597	\$ 2,731,197
Accounts Receivable	12,884	19,104
Inventory	52,354	34,871
Prepaid Expenses	4,177	-
Total Current Assets	<u>3,282,012</u>	<u>2,785,172</u>
<u>Long-Term Assets</u>		
Property and Equipment, Net	<u>2,290,010</u>	<u>2,287,184</u>
Total Long-Term Assets	<u>2,290,010</u>	<u>2,287,184</u>
Total Assets	<u>\$ 5,572,022</u>	<u>\$ 5,072,356</u>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 31,783	\$ 28,147
Accrued Vacation	9,837	9,575
Accrued Wages	40,505	31,595
Total Current Liabilities	<u>82,125</u>	<u>69,317</u>
<u>Net Assets</u>		
Without Donor Restrictions	4,972,509	4,515,862
With Donor Restrictions	517,388	487,177
Total Net Assets	<u>5,489,897</u>	<u>5,003,039</u>
Total Liabilities and Net Assets	<u>\$ 5,572,022</u>	<u>\$ 5,072,356</u>

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

Blue Ridge Humane Society, Inc.

Statement of Activities

Year Ended December 31, 2021

(With summarized comparative totals for the prior year)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Support and Revenue				
Contributions	\$ 974,062	\$ 114,343	\$ 1,088,405	\$ 1,208,151
Grants	230,350	145,669	376,019	225,503
Spay and Neuter Incentive Program	27,420	-	27,420	23,298
Adoption Fees	45,538	-	45,538	18,229
Community Programs	453	-	453	3,854
Special Events	114,470	-	114,470	76,249
Thrift Store	648,243	-	648,243	395,500
In-Kind Contributions	22,087	-	22,087	20,627
Other Income	3,792	-	3,792	4,770
Interest Income	1,710	419	2,129	4,548
Net Assets Released from Restrictions	230,220	(230,220)	-	-
Total Support and Revenue	2,298,345	30,211	2,328,556	1,980,729
Expenses				
Program Services	1,540,422	-	1,540,422	1,220,539
Management and General	123,202	-	123,202	144,521
Fundraising	178,074	-	178,074	162,556
Total Expenses	1,841,698	-	1,841,698	1,527,616
Change in Net Assets	456,647	30,211	486,858	453,113
Net Assets, Beginning of Year	4,515,862	487,177	5,003,039	4,549,926
Net Assets, End of Year	\$ 4,972,509	\$ 517,388	\$ 5,489,897	\$ 5,003,039

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

Blue Ridge Humane Society, Inc.

Statement of Functional Expenses

Year Ended December 31, 2021

(With summarized comparative totals for the prior year)

	Program Services	Management and General	Fundraising	Total 2021	Total 2020
Personnel					
Salaries and Wages	\$ 870,347	\$ 59,808	\$ 69,776	\$ 999,931	\$ 834,109
Payroll Taxes	69,739	4,810	5,611	80,160	67,456
Health Insurance	88,804	6,124	7,145	102,073	93,110
Retirement	13,090	903	1,053	15,046	14,911
Subtotal Personnel	<u>1,041,980</u>	<u>71,645</u>	<u>83,585</u>	<u>1,197,210</u>	<u>1,009,586</u>
Program Operations					
Adoption Center Expense	50,426	-	-	50,426	44,479
Community Programs	53,139	760	1,775	55,674	20,229
Spay and Neuter Program	102,236	-	-	102,236	44,683
Veterinary Services	62,050	3,909	-	65,959	55,708
Thrift Store Retail Supplies	5,006	-	-	5,006	2,938
Bank Fees	18,150	3,083	7,779	29,012	21,911
Dues and Subscriptions	922	878	395	2,195	2,013
Event Expense	-	-	7,562	7,562	883
Insurance	7,568	353	54	7,975	27,120
Miscellaneous Expense	272	35	1,453	1,760	2,214
Office and Computer Supplies	13,038	7,479	6,237	26,754	26,121
Printing and Postage	6,016	1,473	29,943	37,432	38,471
Professional Fees	7,775	3,482	5,488	16,745	22,403
Professional Development	8,909	905	1,523	11,337	5,211
Public Relations and Marketing	251	9,107	943	10,301	16,279
Rent and Storage	11,507	8,220	7,672	27,399	28,245
Repairs and Maintenance	30,090	-	-	30,090	20,071
Telephone and Internet	4,908	628	172	5,708	-
Travel and Vehicle	12,897	-	-	12,897	9,819
Utilities	26,773	3,425	935	31,133	29,186
Volunteer Program	3,617	-	-	3,617	252
Subtotal Expenses	<u>1,467,530</u>	<u>115,382</u>	<u>155,516</u>	<u>1,738,428</u>	<u>1,427,822</u>
Depreciation	62,511	6,495	12,177	81,183	79,167
In-Kind Donations Utilized	10,381	1,325	10,381	22,087	20,627
Total Expenses	<u>\$ 1,540,422</u>	<u>\$ 123,202</u>	<u>\$ 178,074</u>	<u>\$ 1,841,698</u>	<u>\$ 1,527,616</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, 2021

(With summarized comparative totals for the prior year)

<u>Cash Flows from Operating Activities</u>	<u>2021</u>	<u>2020</u>
Change in Net Assets	\$ 486,858	\$ 453,113
Adjustments to reconcile change in net assets to net cash provided or used by operating activities:		
Depreciation	81,183	79,167
Loss on Property Disposals	-	2,367
PPP Grant Revenue Recognized	(186,155)	-
(Increase)/Decrease in Operating Assets		
Accounts Receivable	6,220	(5,220)
Inventory	(17,483)	22,764
Prepaid Expenses	(4,177)	-
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	3,636	(4,119)
Accrued Vacation	262	(2,029)
Accrued Wages	8,910	-
Net Cash Provided by Operating Activities	<u>379,254</u>	<u>546,043</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from Property Sold	-	4,700
Construction in Process	(35,085)	-
Property and Equipment Purchases	(48,924)	(42,481)
Net Cash Used by Investing Activities	<u>(84,009)</u>	<u>(37,781)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from PPP Loan	186,155	-
Net Cash Provided by Financing Activities	<u>186,155</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	481,400	508,262
Cash and Cash Equivalents, Beginning of Year	<u>2,731,197</u>	<u>2,222,935</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,212,597</u>	<u>\$ 2,731,197</u>

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

Blue Ridge Humane Society, Inc.
Disclosures to the Financial Statements
For the Year Ended December 31, 2021

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

Blue Ridge Humane Society, Inc., (BRHS) 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 Accounting

The financial statements have been prepared on an accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations.

Financial Statement Presentation

The classification of the organization's net assets, and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets – without donor restrictions and with donor restrictions – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – Includes net assets that are not subject to donor-imposed restrictions and that may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization's management and board of directors.

Net Assets With Donor Restrictions - Includes net assets that are subject to restrictions imposed by donors or grantors. Some donor and grantor restrictions are temporary in nature, such as those with a specified purpose or a timeframe for expenditure established by the donor or grantor. Other donor-imposed restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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

Fair value is the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certain valuation techniques are used to measure fair value. There are three broad levels as follows:

Level 1 – (the highest level) inputs are based on quoted prices in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date. For example, securities traded in an active market are valued using Level 1 inputs.

Level 2 – inputs are observable inputs other than quoted prices, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term.

Level 3 – inputs are unobservable inputs for the asset or liability, meaning the inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability, including inputs related to risk, which have been developed based on the best information available in the circumstances.

Inventory

Inventory consists of donated items to the thrift store and is valued at fair value when received.

Accounts Receivable

Accounts receivable represent uncollected amounts for program services carried out on a fee-for-service basis. An allowance for doubtful accounts is established for amounts deemed uncollectible, if needed.

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 organization has adopted a capitalization threshold of \$5,000 per item. Expenses for repairs and maintenance that do not improve or extend the life of an asset are expensed as incurred.

Revenue Recognition

In accordance with U.S. GAAP, the organization follows ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which 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. BRHS has several sources of revenue that are accounted for as exchange transactions under the new standard. These include adoption fees, thrift store sales of donated items, and fundraising events revenue.

Adoption fees are recognized in full in the month the adoption services are performed. These agreements have a single performance obligation, which is met upon the client's receiving the adopted pet. Similarly, thrift store sales revenue is recognized at the time of sale, when ownership, risks, and rewards have been transferred to the customer. Fundraising events revenue is recognized in an amount equal to the fair value of direct benefits to donors, with excess amounts recognized as contributions when the event takes place.

Contributions and Grants

Contributions and grants are recognized in support: (1) when the organization receives cash, securities or other assets from a donor or grantor, (2) when a donor conveys a promise to make a donation in the future, on an unconditional basis, and (3) when a grantor awards a grant to be paid in the future, on an unconditional basis. Contributions and grants with conditions, such as performance requirements, are not recognized until the conditions on which they depend have been substantially met.

In-Kind Contributions

The organization recognizes contributed goods and the use of facilities at estimated fair value on the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. When recognized, contributed services are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the 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

BRHS 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. BRHS had no income from unrelated business activities during the 2021 fiscal year and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The organization 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.

Summarized Comparative Data

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the organization's audited financial statements for the year ended December 31, 2020, from which the summarized information was derived. Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

3. Liquidity and Availability

Part of 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 (see following page):

<u>As of December 31:</u>	<u>2021</u>	<u>2020</u>
Financial Assets at year end:		
Cash and Cash Equivalents	\$ 3,212,597	\$ 2,731,197
Accounts Receivable	12,884	19,104
Total Financial Assets	<u>3,225,481</u>	<u>2,750,301</u>
Less amounts not available to be used in one year:		
Net Assets With Donor Restrictions	517,388	487,177
Total not available to be used in one year	<u>517,388</u>	<u>487,177</u>
Financial assets available to meet general expenditures over the following year	<u>\$ 2,708,093</u>	<u>\$ 2,263,124</u>

4. ***Cash and Cash Equivalents***

Cash and cash equivalents balances were as follows:

<u>As of December 31</u>	<u>2021</u>	<u>2020</u>
Checking Accounts	\$ 387,126	\$ 331,158
Savings Accounts	483,344	482,090
Money Market Account	2,341,474	1,917,463
PayPal	253	236
Petty Cash	400	250
Total Cash and Cash Equivalents	<u>\$ 3,212,597</u>	<u>\$ 2,731,197</u>

During the year, the organization's cash balances with one financial institution usually exceed the \$250,000 FDIC coverage amount. Management monitors its cash balances and does not believe the organization is exposed to any significant credit risk on these balances.

5. ***Receivables***

Accounts Receivable totaling \$12,884 and \$19,104 for December 31, 2021, and 2020, 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>2021</u>	<u>2020</u>
Buildings	\$ 1,277,768	\$ 1,277,768
Construction in Progress	38,085	3,000
Furniture and Equipment	51,444	51,444
Furniture and Equipment - Thrift Store	19,214	19,214
Improvements and Renovations	584,071	584,071
Land	1,018,700	1,018,700
Vehicles	174,220	125,296
Less: Accumulated Depreciation	<u>(873,492)</u>	<u>(792,309)</u>
Total Property and Equipment, Net	<u>\$ 2,290,010</u>	<u>\$ 2,287,184</u>

Depreciation expense was \$81,183 and \$79,167 for the years ended December 31, 2021, and 2020, respectively.

7. PPP Loan

On February 15, 2021, BRHS received a Paycheck Protection Program (PPP) loan in the amount of \$186,155. The loan was forgivable when the organization met certain criteria and was recognized as income as those conditions were met. BRHS recognized \$186,155 as grant revenue in 2021. On September 23, 2021, BRHS received confirmation from the Small Business Administration that they granted forgiveness for the entire PPP loan balance.

8. Net Assets With Donor Restrictions

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

<u>As of December 31</u>	<u>2021</u>	<u>2020</u>
Pet Trust	323,228	325,492
Spay/Neuter	2,540	2,538
New Building	191,620	159,147
Total Net Assets with Donor Restrictions	<u>\$ 517,388</u>	<u>\$ 487,177</u>

9. Thrift Store

As of December 31, 2021 and 2020, thrift store sales totaled \$648,243 and \$395,500, respectively. Inventory, consisting of donated items held for sale was \$52,354 and \$34,781 as of December 31, 2021 and 2020, respectively.

10. 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 amounts contributed to the plan by the organization for the years ended December 31, 2021 and 2020 was \$15,046 and \$14,911, respectively.

11. Advertising

Program advertising consists of expenses to raise awareness about the Society's programs and mission. Expenses were \$9,107 and \$1,436 for the year ended December 31, 2021 and 2020, respectively.

12. Volunteers

BRHS makes extensive use of volunteers to carry out its programs. For the year ended December 31, 2021, volunteers contributed 146,203 hours, with a total value of \$1,169,625 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.

13. 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 2022.

14. Subsequent Events

Subsequent events have been evaluated through July 29, 2022, which is the date the financial statements were available to be issued.