

VANDEBURGH HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(With Independent Accountant's Review Report Thereon)

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INDEPENDENT AUDITOR’S REPORT

Board of Directors
Vanderburgh Humane Society, Inc.

We have reviewed the accompanying financial statements of Vanderburgh Humane Society, Inc. (an Indiana 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 notes to the financial statements. A review includes primarily applying analytical procedures to management’s financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant’s Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Vanderburgh Humane Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Basis for Qualified Conclusion

As disclosed in Note 3 to the financial statements, the Organization has excluded certain beneficial interests in assets held by others in the financial statements due to its inability to obtain fair value information. Accounting principles generally accepted in the United States of America require that such beneficial interests in assets held by others be recorded at fair value at the date of notification of existence. Quantification of the effects on the financial statements of the preceding practice is not practicable.

Qualified Conclusion

Based on our review, except for effect of the matter described in the Basis for Qualified Conclusion paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2020 financial statements were audited by us, and we expressed a qualified opinion on them in our report dated October 15, 2021, due to excluding certain beneficial interests in assets held by others in the financial statements because of the inability to obtain fair value information. We have not performed any auditing procedures since that date.

Riney Hancock CPA3 PSC

Evansville, Indiana
November 15, 2022

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 (Reviewed) and 2020 (Audited)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 253,667	\$ 136,892
Contributions receivable	933,909	105,822
Other current assets	61,352	46,434
Total current assets	1,248,928	289,148
Property and equipment, net	2,053,316	2,198,183
Other assets:		
Beneficial interests in assets held by others	637,957	556,491
Cash surrender value of life insurance	76,958	73,761
Total other assets	714,915	630,252
Total assets	\$ 4,017,159	\$ 3,117,583
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 33,879	\$ 39,364
Accounts payable	25,934	41,024
Accrued expenses	74,049	53,431
Total current liabilities	133,862	133,819
Long-term debt	415,881	480,378
Total liabilities	549,743	614,197
Net assets:		
Without donor restrictions	2,829,459	1,946,895
With donor restrictions	637,957	556,491
Total net assets	3,467,416	2,503,386
Total liabilities and net assets	\$ 4,017,159	\$ 3,117,583

See Notes to Financial Statements.

VANDEBURGH HUMANE SOCIETY, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions	\$ 1,668,451	\$ -	\$ 1,668,451	\$ 740,085	\$ -	\$ 740,085
PPP loan forgiven	188,349	-	188,349	179,000	-	179,000
Adoption and surrender fees	343,578	-	343,578	199,452	-	199,452
Spay/neuter clinic fees	403,285	-	403,285	343,995	-	343,995
Thrift shop	172,781	-	172,781	107,470	-	107,470
River Kitty Cat Café:						
Lounge fees	67,460	-	67,460	43,666	-	43,666
Food and beverage sales	97,578	-	97,578	66,578	-	66,578
Cost of goods sold	(41,465)	-	(41,465)	(29,075)	-	(29,075)
Net sales	56,113	-	56,113	37,503	-	37,503
Merchandise:						
Sales	80,372	-	80,372	30,997	-	30,997
Cost of goods sold	(46,029)	-	(46,029)	(10,396)	-	(10,396)
Net sales	34,343	-	34,343	20,601	-	20,601
Special events:						
Special events revenue	93,194	-	93,194	75,816	-	75,816
Cost of direct benefits to donors	(26,212)	-	(26,212)	(11,461)	-	(11,461)
Net special event revenue	66,982	-	66,982	64,355	-	64,355
Change in value of beneficial interest in assets held by others	-	92,083	92,083	-	23,014	23,014
Investment income	31,678	-	31,678	16,815	-	16,815
Other	14,061	-	14,061	7,548	-	7,548
Net assets released from restrictions	10,617	(10,617)	-	60,003	(60,003)	-
Total revenues and support	3,057,698	81,466	3,139,164	1,820,493	(36,989)	1,783,504
Expenses:						
Program services:						
Adoption/shelter	1,109,963	-	1,109,963	879,892	-	879,892
Spay/neuter & medical clinic	498,874	-	498,874	468,660	-	468,660
River Kitty Café	198,008	-	198,008	131,523	-	131,523
Education and other	82,733	-	82,733	53,699	-	53,699
Total program services	1,889,578	-	1,889,578	1,533,774	-	1,533,774
Supporting services:						
General and administrative	148,796	-	148,796	99,346	-	99,346
Fundraising	136,760	-	136,760	157,546	-	157,546
Total supporting services	285,556	-	285,556	256,892	-	256,892
Total expenses	2,175,134	-	2,175,134	1,790,666	-	1,790,666
Change in net assets	882,564	81,466	964,030	29,827	(36,989)	(7,162)
Net assets, beginning of year	1,946,895	556,491	2,503,386	1,917,068	593,480	2,510,548
Net assets, end of year	\$ 2,829,459	\$ 637,957	\$ 3,467,416	\$ 1,946,895	\$ 556,491	\$ 2,503,386

See Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

	2021							
	Program Services					Supporting Services		
	Adoption/ Shelter	Spay/Neuter & Medical Clinic	River Kitty Cat Café	Education & Other	Total	General & Admin.	Fund- raising	Total
Salaries	\$ 510,882	\$ 270,522	\$ 102,742	\$ 58,440	\$ 942,586	\$ 78,904	\$ 44,784	\$ 1,066,274
Employee benefits	45,352	24,015	9,121	5,187	83,675	7,004	3,976	94,655
Payroll taxes	36,390	19,269	7,318	4,164	67,141	5,620	3,190	75,951
Animal supplies	29,146	-	-	-	29,146	-	-	29,146
Medical & vet	140,490	138,344	-	-	278,834	-	-	278,834
Advertising	-	50	231	-	281	3,249	-	3,530
Bank charges	5,746	6,745	5,445	-	17,936	-	-	17,936
Depreciation	115,049	13,249	3,776	3,239	135,313	3,238	6,316	144,867
Direct mail	-	-	-	-	-	-	56,621	56,621
Insurance	32,994	3,775	-	981	37,750	993	993	39,736
Interest	16,737	-	2,239	99	19,075	640	-	19,715
Maintenance	62,815	7,187	3,745	1,869	75,616	1,843	1,843	79,302
Miscellaneous	1,142	1,568	756	-	3,466	3,391	-	6,857
Office	-	-	-	-	-	7,970	5,265	13,235
Professional fees	-	-	1,048	-	1,048	20,082	-	21,130
Rent	-	-	41,376	-	41,376	5,208	-	46,584
Software & subscriptions	8,767	2,506	1,235	3,507	16,015	5,260	10,788	32,063
Supplies	9,385	1,074	9,201	279	19,939	2,410	-	22,349
Travel & education	3,090	46	-	2,232	5,368	-	-	5,368
Utilities	91,978	10,524	9,775	2,736	115,013	2,984	2,984	120,981
	<u>\$ 1,109,963</u>	<u>\$ 498,874</u>	<u>\$ 198,008</u>	<u>\$ 82,733</u>	<u>\$ 1,889,578</u>	<u>\$ 148,796</u>	<u>\$ 136,760</u>	<u>\$ 2,175,134</u>
	2020							
	Program Services					Supporting Services		
	Adoption/ Shelter	Spay/Neuter & Medical Clinic	River Kitty Cat Café	Education & Other	Total	General & Admin.	Fund- raising	Total
Salaries	\$ 381,681	\$ 246,317	\$ 76,188	\$ 35,505	\$ 739,691	\$ 50,606	\$ 53,136	\$ 843,433
Employee benefits	43,498	28,071	8,683	4,046	84,298	5,767	6,056	96,121
Payroll taxes	27,873	17,988	5,564	2,593	54,018	3,696	3,880	61,594
Animal supplies	55,267	14,290	135	-	33,041	-	-	33,041
Medical & vet	59,522	113,896	-	-	210,069	-	-	210,069
Advertising	-	-	102	-	102	3,230	1,738	5,070
Bank charges	2,741	8,584	4,123	-	15,448	555	-	16,003
Depreciation	99,126	13,292	3,776	3,250	119,444	3,250	6,327	129,021
Direct mail	-	-	-	-	-	-	63,994	63,994
Insurance	34,654	3,965	2,048	1,031	41,698	1,043	1,043	43,784
Interest	20,222	-	2,473	-	22,695	4,156	-	26,851
Maintenance	55,827	6,388	2,064	1,660	65,939	1,681	1,681	69,301
Miscellaneous	901	1,000	853	-	2,754	4	171	2,929
Office	-	-	2	-	2	8,606	4,585	13,193
Professional fees	-	-	-	-	-	6,481	-	6,481
Rent	-	-	14,176	-	14,176	5,581	-	19,757
Software & subscriptions	4,904	814	-	1,020	6,738	526	6,537	13,801
Supplies	5,806	4,248	4,468	542	15,064	1,583	5,817	22,464
Travel & education	2,153	-	-	1,502	3,655	-	-	3,655
Utilities	85,717	9,807	6,868	2,550	104,942	2,581	2,581	110,104
	<u>\$ 879,892</u>	<u>\$ 468,660</u>	<u>\$ 131,523</u>	<u>\$ 53,699</u>	<u>\$ 1,533,774</u>	<u>\$ 99,346</u>	<u>\$ 157,546</u>	<u>\$ 1,790,666</u>

See Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 964,030	\$ (7,162)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	145,794	129,949
Change in beneficial interests in assets held by others	(92,083)	(23,014)
Increase in cash surrender value of life insurance	(3,197)	(3,065)
Decrease (increase) in assets:		
Contributions receivable	(828,087)	(93,899)
Prepaid expenses	(14,918)	(10,094)
Increase (decrease) in liabilities:		
Accounts payable	(15,090)	(1,530)
Accrued expenses	20,618	21,623
	177,067	12,808
Cash flows from investing activities:		
Principal payments received from remainder trust	10,617	11,212
Purchases of property and equipment	-	(47,711)
	10,617	(36,499)
Cash flows from financing activities:		
Proceeds from long-term debt	-	150,000
Repayments on long-term debt	(70,909)	(54,348)
	(70,909)	95,652
Net increase in cash and cash equivalents	116,775	71,961
Cash and cash equivalents, beginning of year	136,892	64,931
Cash and cash equivalents, end of year	\$ 253,667	\$ 136,892
Supplemental disclosure of cash flow information:		
Interest paid	\$ 19,866	\$ 23,525

See Notes to Financial Statements.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

1. **Organization and Summary of Significant Accounting Policies**

Nature of Organization

Vanderburgh Humane Society, Inc. is a not-for-profit organization that was founded in 1957 to provide protection for homeless animals, intervention for animals in abusive environments, and community education to encourage prevention of animal abuse and pet overpopulation in Vanderburgh County, Indiana and the surrounding areas. The Organization serves as a surrender and adoption agency for unwanted pets. The Organization also operates a low-cost spay & neuter clinic, which has prevented hundreds of thousands of unwanted litters, further contributing to the greater number of lives saved, and provides medical services to animals. The Organization operates River Kitty Cat Café in downtown Evansville, Indiana. In addition to selling food and beverages, the café maintains a lounge that displays cats available for adoption and allows the public to interact with these cats through various activities.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid investments with an original maturity of less than 90 days to be cash equivalents. Cash and highly liquid financial instruments restricted to long-term purposes are excluded from this definition. Cash that has donor-imposed restrictions limiting its use to long-term purposes is reported as restricted cash in the financial statements. The Organization had no restricted cash at December 31, 2021 and 2020.

Contributions Receivable

Contributions receivable consist of unconditional promises to give, including bequests, which are recognized as revenues in the period received. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Management utilizes the allowance method of accounting for uncollectible accounts. The allowance is based on historical collection experience and changes in current economic conditions in the area. Management believes all contributions receivable will be collected in full, therefore no allowance has been recorded.

Beneficial Interest in Assets Held by Others

Beneficial interests in assets held by others are carried at fair market value, if determinable. Assets donated with explicit restrictions regarding their use are reported as restricted support until such restrictions expire. Absent donor stipulations, contributions of beneficial interests in assets held by others are recorded as unrestricted support.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

1. **Organization and Summary of Significant Accounting Policies, Continued**

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Acquisitions of property and equipment in excess of \$500 and with estimated useful lives in excess of one year are capitalized.

Donated property and equipment are recorded as contributions at their estimated values at the date of receipt. If donors stipulate a time period during which the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Net Assets

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

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. All contributions are considered available for the Organization's general programs unless specifically restricted by the donor.

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) 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 restricted revenue when received and released from restrictions when the assets are placed in service.

Revenue and Revenue Recognition

Program service revenues, which include adoption fees, clinic service fees, and sales of medical supplies and merchandise, are recognized as earned when the service is provided or when supplies or merchandise are delivered, and payment is due at that time. The Organization also operates a retail thrift store and a café. Revenue from these sales is recognized at the point of sale. Sales taxes collected from customers are excluded from revenue. The Organization recognizes special event revenue equal to the fair value of the direct benefits to donors and contribution revenue for the difference when the event takes place.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

1. **Organization and Summary of Significant Accounting Policies, Continued**

Contributions

Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Amounts received prior to incurring qualifying expenditures or conditions are reported as deferred revenue in the statement of financial position.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year ended December 31, 2021 and 2020.

Advertising

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing various services and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, benefits, payroll taxes and office expenses have been allocated based on time and effort. Occupancy, insurance, interest, and depreciation expenses have been allocated based on square footage of building.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

1. Organization and Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date were as follows at December 31:

	<u>2021</u>	<u>2020</u>
Cash	\$ 253,667	\$ 136,892
Contributions receivable	933,909	105,822
Distributions from beneficial interest in assets held by others	2,984	2,862
Other current assets	29,644	9,423
Cash surrender value of life insurance	<u>76,958</u>	<u>73,761</u>
	<u>\$ 1,297,162</u>	<u>\$ 328,760</u>

As part of the Organization'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 Organization invests cash in excess of daily requirements in short-term investments, including money market accounts and certificates of deposit.

3. Beneficial Interests in Assets Held by Others

Beneficial Interest in Remainder Trust

The Organization is a beneficiary of a charitable remainder trust, the assets of which are held by a local bank. The Organization has the irrevocable right to receive one seventh of the distributable net income until termination of the trust in June 2025, at which time the Organization will receive 15% of principal, without restrictions. The fair market value of this interest was \$583,774 and \$506,172 at December 31, 2021 and 2020, respectively. A gain of \$88,219 and \$20,250 were included in the change in net assets with donor restrictions for the years ended December 31, 2021 and 2020, respectively.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

3. Beneficial Interests in Assets Held by Others, Continued

Beneficial Interest in Remainder Trust, Continued

This trust is a private foundation under the IRS tax code. As a result, a minimum of 5% of the trust's fair market value is required to be distributed to the charitable beneficiaries annually, and a principal distributions of \$10,617 and \$11,212 were made to the Organization during the years ended December 31, 2021 and 2020, respectively.

Beneficial Interest in Perpetual Trust

The Organization is a beneficiary of a perpetual trust, the assets of which are held by a local bank. The Organization has the irrevocable right to receive one fifty-eighth of the distributable net income in perpetuity, without restrictions. The fair market value of this interest was \$54,183 and \$50,319 at December 31, 2021 and 2020, respectively. A gain of \$- and \$- were included in the change in net assets with donor restrictions for the years ended December 31, 2021 and 2020, respectively.

Other Estates and Charitable Remainder Trusts

The Organization is also a beneficiary of various other estates and charitable remainder trusts. Due to the difficulty the Organization has encountered in obtaining current fair value information, the Organization has not been able to reasonably value and record its interest in all of these trusts and estates, as required by U. S. generally accepted accounting principles.

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 315,279	\$ 315,279
Buildings and improvements	3,905,449	3,905,449
Equipment	147,169	199,287
Vehicles	<u>75,985</u>	<u>75,985</u>
Total cost	4,443,882	4,511,000
Less accumulated depreciation	<u>(2,390,566)</u>	<u>(2,312,817)</u>
Property and equipment, net	<u>\$ 2,053,316</u>	<u>\$ 2,198,183</u>

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

5. Fair Value Measurements

Fair value of assets measured on a recurring basis was as follows:

	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>December 31, 2021:</u>			
Beneficial interests in assets held by others	\$ 583,774	\$ 54,183	\$ 637,957
Cash surrender value of life insurance	76,958	-	76,958
	\$ 660,732	\$ 54,183	\$ 714,915
 <u>December 31, 2020:</u>			
Beneficial interests in assets held by others	\$ 506,172	\$ 50,319	\$ 556,491
Cash surrender value of life insurance	73,761	-	73,761
	\$ 579,933	\$ 50,319	\$ 630,252

Fair value for the cash surrender value of life insurance is determined by the amount that could be realized under the insurance contract and is considered a Level 2 input.

Fair value of the beneficial interest in a remainder trust is measured using the fair value of the assets held in the trust as reported by the trustee as of December 31, 2021 and 2020, which approximates the present value of the expected future cash flows, discounted at 2.5%, and is considered a Level 2 input.

Fair value of the beneficial interest in a perpetual trust is measured using the fair value of the assets held in the trust as reported by the trustee as of December 31, 2021 and 2020. The Organization considers the measurement of this trust to be a Level 3 input because even though that measurement is based on unadjusted fair values of the trust assets, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

6. Long-Term Debt

Long-term debt consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Note payable to bank, 4.65% interest, \$3,764 monthly through June 2023, when remaining balance is due, secured by all real estate	\$ 301,778	\$ 332,141
Note payable to bank, 5.50% interest, \$919 monthly through November 2024, when remaining balance is due, secured by all real estate	-	40,545
Note payable to Small Business Administration, 2.75% interest, \$641 beginning in May 2021, then monthly through May 2050, secured by all tangible and intangible personal property, fully guaranteed by the Federal Government	<u>150,000</u>	<u>150,000</u>
Long-term debt	451,778	522,686
Less deferred loan fees	<u>(2,018)</u>	<u>(2,944)</u>
Long-term debt, net of deferred loan fees	449,760	519,742
Less current maturities	<u>(33,879)</u>	<u>(39,364)</u>
Long-term debt, net of current portion	<u>\$ 415,881</u>	<u>\$ 480,378</u>

The Organization reports amortization of deferred loan fees as interest expense.

Scheduled long-term debt maturities are as follows for the years ended December 31:

2022	\$ 33,879
2023	273,641
2024	3,772
2025	3,877
2026	3,985
Thereafter	<u>132,624</u>
	<u>\$ 451,778</u>

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

7. Leases

The Organization leases equipment and facilities under cancelable and noncancelable operating lease agreements, which expire at various dates through June 2026. Total rent expense was \$46,584 and \$44,957 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease payments are as follows for the years ended December 31:

2022		\$	42,531	
2023			42,531	
2024			1,155	
2025			1,115	
2026			481	
			87,853	
		\$	87,853	

The Organization subleases part of the leased facilities on a month-to-month basis. Total rents received were \$10,500 and \$25,200 for the years ended December 31, 2021 and 2020, respectively.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows at December 31:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
Beneficial interest in remainder trust	\$ 583,774	\$ 506,172
Assets to be maintained in perpetuity:		
Beneficial interest in perpetual trust	54,183	50,319
	\$ 637,957	\$ 556,491

Net assets released from donor restrictions were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Building improvements and repairs	\$ -	\$ 48,791
Distributions of principal:		
Beneficial interest in remainder trust	10,617	11,212
	\$ 10,617	\$ 60,003

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

8. Net Assets with Donor Restrictions, Continued

The Board had restricted \$5,217 at December 31, 2020 to be used for animal spays and neuters or animal medical emergencies. The Organization had no board restricted funds at December 31, 2021.

9. Payroll Protection Program (PPP) Loan

In April 2020, the Organization qualified and received a loan in the amount of \$179,000 pursuant to the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrued interest at 1%. The Organization received loan forgiveness in November 2020, for the full amount of this loan. The Organization accounted for the PPP Loan in accordance with FASB ASC 958-605 as contribution revenue for the year ended December 31, 2020.

In January 2021, the Organization qualified and received a second PPP loan in the amount of \$188,349. The loan accrued interest at 1%. The Organization received loan forgiveness in February 2022, for the full amount of this loan. The Organization accounted for the PPP Loan in accordance with FASB ASC 958-605 as contribution revenue for the year ended December 31, 2021.

10. Income Taxes

The Organization is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The income derived from thrift shop sales are exempt from unrelated business income tax because substantially all sales consist of merchandise that the Organization received as contributions. The Organization believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

11. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of cash on deposit at financial institutions and contributions receivable. Cash in banks may, at times, exceed federal deposit insurance limits. The Organization attempts to minimize this risk by using high-credit quality financial institutions. Contributions receivable are periodically reviewed by management for their collectability and an allowance for doubtful accounts is established, as deemed necessary.

During the year ended December 31, 2021, the Organization was notified of a bequest that accounted for 28% of total revenue. The entire amount was reported as a contribution receivable at December 31, 2021. As of the audit report date, 68% of this receivable has been received.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2021 (Reviewed) and 2020 (Audited)

12. Recently Issued Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments and a right-to-use asset representing its right to use the underlying asset for the lease term for all leases with a lease term of more than 12 months. The amendments of this ASU are effective for reporting periods beginning after December 15, 2021.

Management is currently assessing the impact the adoption of this ASU will have on its financial statements.

13. Subsequent Events

The Organization has evaluated subsequent events through November 15, 2022, the date the financial statements were available to be issued.