CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Ingham County Humane Society
dba Capital Area Humane Society

Financial Statements

December 31, 2021 and 2020

with Independent Auditors' Report

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CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ingham County Humane Society dba Capital Area Humane Society
Lansing, Michigan

Opinion

We have audited the accompanying financial statements of Ingham County Humane Society dba Capital Area Humane Society (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ingham County Humane Society dba Capital Area Humane Society as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ingham County Humane Society dba Capital Area Humane Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ingham County Humane Society dba Capital Area Humane Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 Ingham County Humane Society dba Capital Area Humane Society'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 Ingham County Humane Society dba Capital Area Humane Society'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.

Clark, Schaefer, Hackett & Co.

East Lansing, Michigan
May 31, 2022

		2021	2020
Assets:			
Current assets:			
Cash and cash equivalents	$	2,692,367	2,363,594
Certificates of deposit		55,848	55,680
Accounts receivable		3,202	1,600
Promises to give		251,113	128,400
Prepaid expenses		13,691	18,922
Inventory		83,568	72,842
		3,099,789	2,641,038
Long-term assets:			
Promises to give		73,500	135,515
Property and equipment, net of depreciation		2,523,335	2,644,314
Construction in progress		547,159	50,305
Investments		1,568,477	1,346,497
Beneficial interest in assets held at Capital Region Community Foundation		440,753	398,262
		5,153,224	4,574,893
	$	8,253,013	7,215,931
Liabilities and net assets:			
Current liabilities:			
Accrued payroll	$	86,546	87,803
Accounts payable		52,682	49,385
Paycheck Protection Program loan		335,370	335,372
		474,598	472,560
Net assets:			
Without donor restrictions		6,544,794	5,477,543
With donor restrictions		1,233,621	1,265,828
		7,778,415	6,743,371
	$	8,253,013	7,215,931

See accompanying notes to the financial statements.

Ingham County Humane Society dba Capital Area Humane Society
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Shelter:			
Donations	$ 548,031	39,702	587,733
Donations, capital campaign	-	478,231	478,231
Memorials, bequests, and trusts	819,233	-	819,233
Grants	55,882	15,500	71,382
Paycheck Protection Program loan forgiveness	335,372	-	335,372
Non-cash donations	6,720	-	6,720
Shelter operations	517,909	-	517,909
Clinic income	7,789	-	7,789
Merchandise of sales, net of expenses	16,093	-	16,093
Fundraising income	674,269	-	674,269
Investment return, net	131,935	42,491	174,426
Humane education	67,202	-	67,202
Miscellaneous	4,750	-	4,750
	3,185,185	575,924	3,761,109
Clinic:			
Donations	1,759	11,001	12,760
Grants	-	29,000	29,000
Clinic income	459,576	-	459,576
	461,335	40,001	501,336
Net assets released from restrictions	648,132	(648,132)	-
	4,294,652	(32,207)	4,262,445
Expenses:			
Program:			
Shelter	2,172,731	-	2,172,731
Clinic	485,611	-	485,611
Management and general	223,083	-	223,083
Fundraising	345,976	-	345,976
	3,227,401	-	3,227,401
Change in net assets	1,067,251	(32,207)	1,035,044
Net assets at beginning of year	5,477,543	1,265,828	6,743,371
Net assets at end of year	$ 6,544,794	1,233,621	7,778,415

See accompanying notes to the financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions:			
Donations	$ 523,663	83,873	607,536
Donations, capital campaign	-	79,240	79,240
Memorials, bequests, and trusts	1,148,874	-	1,148,874
Grants	40,829	17,790	58,619
Non-cash donations	5,405	-	5,405
Shelter operations	473,392	-	473,392
Clinic income	4,769	-	4,769
Merchandise of sales, net of expenses	19,114	-	19,114
Fundraising income	572,336	-	572,336
Investment return, net	158,213	25,876	184,089
Humane education	94,220	-	94,220
Miscellaneous	4,806	-	4,806
	3,045,621	206,779	3,252,400
Clinic:			
Donations	375	25,467	25,842
Grants	-	52,750	52,750
Clinic income	359,918	-	359,918
	360,293	78,217	438,510
Net assets released from restrictions	157,832	(157,832)	-
	3,563,746	127,164	3,690,910
Expenses:			
Program services:			
Shelter	1,906,175	-	1,906,175
Clinic	475,902	-	475,902
Management and general	183,951	-	183,951
Fundraising	278,563	-	278,563
	2,844,591	-	2,844,591
Change in net assets	719,155	127,164	846,319
Net assets at beginning of year	4,758,388	1,138,664	5,897,052
Net assets at end of year	$ 5,477,543	1,265,828	6,743,371

See accompanying notes to the financial statements.

	Program Services					
	Shelter	Clinic	Management and General	Fundraising	Total	Percent of Total
Wages	$ 1,220,790	221,082	143,373	111,474	1,696,719	52.15 %
Payroll taxes	100,391	18,181	11,790	9,167	139,529	4.29
Retirement plan	11,771	3,410	1,170	910	17,261	0.53
Employee benefits	60,558	8,621	6,022	4,681	79,882	2.46
Professional development	9,143	179	-	-	9,322	0.29
Animal care/clinic	337,211	130,671	-	-	467,882	14.38
Merchandise cost of goods sold	26,320	-	-	-	26,320	0.81
Printing/office expense	69,654	12,392	1,422	185,059	268,527	8.25
Building supplies	24,077	-	760	507	25,344	0.78
Rent	-	38,638	-	-	38,638	1.19
Telephone	8,423	7,753	266	177	16,619	0.51
Utilities	61,525	9,550	1,943	1,295	74,313	2.28
Repairs and maintenance	27,196	16,522	859	573	45,150	1.39
General insurance	35,976	-	1,136	757	37,869	1.16
Dues and subscriptions	-	-	632	555	1,187	0.04
Depreciation and amortization	169,924	6,501	5,366	3,577	185,368	5.70
Volunteer expenses	6,829	-	-	-	6,829	0.21
Professional fees	-	-	6,000	-	6,000	0.18
Advertising	-	10	-	16,912	16,922	0.52
Humane education	19,149	-	-	-	19,149	0.59
Miscellaneous	-	1,278	33,715	-	34,993	1.08
Travel	10,114	-	8,629	-	18,743	0.58
Contractual services	-	10,823	-	2,725	13,548	0.42
Miscellaneous fundraising	-	-	-	7,607	7,607	0.22
	2,199,051	485,611	223,083	345,976	3,253,721	100.00 %
Less expenses included with revenues on the statement of activities						
Merchandise cost of goods sold	(26,320)	-	-	-	(26,320)	
Total expenses included on the statement of activities	$ 2,172,731	485,611	223,083	345,976	3,227,401	

	Program Services					
	Shelter	Clinic	Management and General	Fundraising	Total	Percent of Total
Wages	$ 1,076,112	194,882	126,381	98,263	1,495,638	52.27 %
Payroll taxes	86,577	15,678	10,168	7,906	120,329	4.21
Retirement plan	9,427	3,600	937	729	14,693	0.51
Employee benefits	34,823	21,512	3,463	2,691	62,489	2.18
Professional development	3,238	-	-	-	3,238	0.11
Animal care/clinic	288,889	120,662	-	-	409,551	14.31
Merchandise cost of goods sold	16,546	-	-	-	16,546	0.58
Printing/office expense	83,339	6,388	1,701	156,197	247,625	8.65
Building supplies	22,000	-	695	463	23,158	0.81
Rent	-	39,078	-	-	39,078	1.37
Telephone	8,579	6,899	271	181	15,930	0.56
Utilities	54,723	7,882	1,728	1,152	65,485	2.29
Repairs and maintenance	29,490	15,806	931	621	46,848	1.64
General insurance	28,052	-	886	591	29,529	1.03
Dues and subscriptions	1,189	-	694	-	1,883	0.07
Depreciation and amortization	159,315	15,186	5,031	3,354	182,886	6.39
Volunteer expenses	5,187	-	-	-	5,187	0.18
Professional fees	-	-	5,900	-	5,900	0.21
Advertising	-	-	-	2,341	2,341	0.08
Humane education	8,276	-	-	-	8,276	0.29
Miscellaneous	-	1,379	18,497	-	19,876	0.69
Travel	6,959	-	6,668	49	13,676	0.48
Contractual services	-	26,950	-	-	26,950	0.94
Miscellaneous fundraising	-	-	-	4,025	4,025	0.14
	1,922,721	475,902	183,951	278,563	2,861,137	100.00 %
Less expenses included with revenues on the statement of activities						
Merchandise cost of goods sold	(16,546)	-	-	-	(16,546)	
Total expenses included on the statement of activities	$ 1,906,175	475,902	183,951	278,563	2,844,591	

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 1,035,044	846,319
Adjustments to reconcile change in net assets to net cash from by operating activities:		
Depreciation and amortization	185,368	182,886
Change in allowance for uncollectible promises to give	3,693	(4,771)
Change in discounts on promises to give	-	(7,434)
Contribution of stocks	(121,224)	-
Net gains on investments	(105,176)	(146,411)
Paycheck Protection Program loan forgiveness	(335,372)	-
Change in beneficial interest in assets held at Capital Region Community Foundation	(56,330)	(39,602)
(Increase) decrease in assets		
Accounts receivable	(1,602)	8,875
Promises to give	(64,391)	131,368
Inventory	(10,726)	1,850
Prepaid expenses	5,231	(7,801)
Increase (decrease) in liabilities		
Accounts payable	(203)	12,024
Accrued payroll	(1,257)	27,616
Net cash from operating activities	533,055	1,004,919
Cash flows from investing activities:		
Purchase of property and equipment	(60,889)	(15,070)
Construction in progress	(496,854)	(30,733)
Change in certificates of deposit	(168)	(742)
Proceeds from sale of investments	291,022	258,009
Purchase of investments	(286,602)	(257,157)
Withdraws from beneficial interest in assets held at Capital Region Community Foundation	13,839	13,726
Net cash from investing activities	(539,652)	(31,967)
Cash flows from financing activities:		
Paycheck protection program loan	335,370	335,372
Change in cash and cash equivalents	328,773	1,308,324
Cash and cash equivalents, January 1	2,363,594	1,055,270
Cash and cash equivalents, December 31	$ 2,692,367	2,363,594
Noncash investing and financing activities:		
Purchase of property and equipment in accounts payable	$ 3,500	-
Contribution of stocks	$ 121,224	-

See accompanying notes to the financial statements.

1. SUMMARY OF ACCOUNTING POLICIES:

Nature of the organization
Ingham County Humane Society dba Capital Area Humane Society (the "Organization"), is a community-supported agency committed to assuring responsible care for and respectful treatment of domestic animals in the greater Lansing, Michigan area. The Organization operates a shelter, provides adoption programs, advocates spaying and neutering of pets, and promotes animal welfare.

Basis of accounting
The financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification.

Use of estimates
Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used in preparing the financial statements.

Cash equivalents
The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts receivable
Accounts receivable are stated at their net realizable value. Any amount determined to be uncollectible is charged against the allowance for doubtful accounts at the time that determination is made. Management has not assessed an allowance against accounts receivable at December 31, 2021 and 2020.

Promises to give
Unconditional promises to give are recorded at net realizable value when the promise is made and requires the Organization to distinguish between contributions based upon donor imposed restrictions. Unconditional promises to give due in more than one year were not discounted as management believes the amount to be insignificant. The Organization has elected to set up an allowance for uncollectible accounts that approximates 5.5% of outstanding balances.

Inventory
Inventory is stated at cost and consists primarily of animal care supplies.

Property and equipment
Property and equipment are stated at cost. The Organization capitalizes assets costing over $1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets, which range from three to thirty-nine years. The balance of construction in progress at December 31, 2021 was $547,159.

Investments
Investments are stated at fair value. Investments are classified as long-term on the statements of financial position as there is no immediate need for these funds and it is the Organization's intention to grow its investment portfolio to provide for future projects and endeavors. Net investment return is included in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses. Certificates of Deposit are recorded at cost.

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 grantor restrictions.

Net assets with donor restrictions – Net assets subject to donor (or grantor) imposed restrictions. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished.

Revenue recognition
Revenue is recognized when earned. Program service fees, payments under cost-reimbursable contracts, fees and payments received in advance are deferred to the period the related services are performed or expenditures are incurred. Gifts and contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend have been met.

Clinic and shelter income are based on the satisfaction of the performance obligations at a point in time. The performance obligations related to the clinic and shelter income is the completion of the shelter or clinic services. Upon completion of the services, the Organization records revenue. There are no significant financing components, warranties, or variable considerations.

Donated services
The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional allocation of expenses
The costs of providing program and other activities have been reported in the statements of activities. The statements of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Organization. Allocated expenses primarily consist of payroll and related expenses and general expenses based on salary and wage analysis and management's estimated use of resources using allocated salary and wages as the driving factor.

Credit risk
The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and promises to give. The Organization follows a policy of placing its cash and cash equivalents with various major financial institutions. Although such cash balances may exceed the federally insured limits at certain times during the year and at year-end, they are in the opinion of management, subject to minimal risk. Credit risk associated with promises to give is considered to be limited due to high historical collection rates. As of December 31, 2021, 93% of the promises to give balance is concentrated among three individuals. As of December 31, 2020, 79% of the promises to give balance is concentrated among three individuals.

Advertising costs
The Organization's policy is to expense advertising costs as incurred.

Date of management's review
Subsequent events have been evaluated through May 31, 2022, which is the date the financial statements were available to be issued.

2. PROMISES TO GIVE:

Unconditional promises to give primarily consist of amounts for the use of renovating the building. There are also $10,000 and $9,000 of unconditional promises to give without any donor restrictions as of December 31, 2021 and 2020, respectively.

Unconditional promises to give consist of the following:

	2021	2020
Unconditional promises to give	$ 343,509	279,118
Less: allowance for uncollectible accounts	(18,896)	(15,203)
Net unconditional promises to give	$ 324,613	263,915
Amounts due in		
One year or less	$ 251,113	128,400
One to five years	69,500	130,515
More than five years	4,000	5,000
	$ 324,613	263,915

3. PROPERTY AND EQUIPMENT:

Major classes of property and equipment are as follows:

	2021	2020
Shelter	$ 3,613,973	3,613,973
Land	119,040	119,040
Equipment	668,406	604,017
Off-site clinic leasehold improvements	194,582	194,582
Off-site clinic equipment	84,904	84,904
	4,680,905	4,616,516
Accumulated depreciation and amortization	(2,157,570)	(1,972,202)
Net property and equipment	$ 2,523,335	2,644,314

4. FAIR VALUE MEASUREMENTS:

Fair Value Measurements in accordance with GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes that inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets of liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2021 and 2020.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The Capital Region Community Foundation (CRCF) acts under an arrangement as a depository for gifts, conveyances, and other transfers intended to assist the Organization in achieving its goals and purposes.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present by level, within the fair value hierarchy, the Organization investment assets at fair value, as of December 31, 2021 and 2020. As required by GAAP, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

	Fair Value of Measurements at Reporting Date Using:			
	Level 1	Level 2	Level 3	Total
December 31, 2021				
Investments				
Mutual funds				
Equity	$ 747,562	-	-	747,562
Fixed income	820,915	-	-	820,915
Total investments valued on a recurring basis	$ 1,568,477	-	-	1,568,477
Beneficial interest in assets held at Capital Area Community Foundation	$ -	-	440,753	440,753
December 31, 2020				
Investments				
Mutual funds				
Equity	$ 652,592	-	-	652,592
Fixed income	693,905	-	-	693,905
Total investments valued on a recurring basis	$ 1,346,497	-	-	1,346,497
Beneficial interest in assets held at Capital Area Community Foundation	$ -	-	398,262	398,262

The following schedule summarizes investment return, net as presented in the statements of activities for the years ending December 31, 2021 and 2020.

	2021	2020
Interest, dividend, and capital gain distributions, net of expenses	$ 51,926	45,568
Realized gain on investment	73,000	36,388
Unrealized gain (loss) on investment	(6,830)	62,531
Net gain (loss) in beneficial interest in assets held at Capital Region Community Foundation	56,330	39,602
Total investment return, net	$ 174,426	184,089

5. ENDOWMENT FUNDS:

The Organization's endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restrictions that are perpetual in nature (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment income from the donor-restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor stipulated purpose within the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the distributions with acceptable levels of risk. Actual returns in any given year may vary from this amount. Endowment assets are maintained with the Capital Region Community Foundation and are invested in a well diversified asset mix, which includes mutual funds, stocks and bonds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of appropriating for distributions in support of general operating costs and programming of Capital Area Humane Society while growing the funds if possible. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment fund which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a rate which will enable these distributions. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment assets as of December 31, 2021 are as follows:

	With Donor Restrictions		
	Accumulated Gains and Contributions	Original Gift in Perpetuity by Donor	Total
Endowment assets, beginning of year	$ 155,206	243,056	398,262
Investment income	13,055	-	13,055
Net appreciation	46,642	-	46,642
Appropriated for expenditure	(13,839)	-	(13,839)
Administrative fees	(3,367)	-	(3,367)
Endowment assets, end of year	$ 197,697	243,056	440,753

Changes in endowment assets as of December 31, 2020 are as follows:

	With Donor Restrictions		
	Accumulated Gains and Contributions	Original Gift in Perpetuity by Donor	Total
Endowment assets, beginning of year	$ 129,330	243,056	372,386
Investment income	8,132	-	8,132
Net appreciation	34,829	-	34,829
Appropriated for expenditure	(13,725)	-	(13,725)
Administrative fees	(3,360)	-	(3,360)
Endowment assets, end of year	$ 155,206	243,056	398,262

6. DEFINED CONTRIBUTION PLAN:

The Organization has a defined contribution plan (the Plan) covering all employees with at least one year of service, who agree to make contributions to the Plan. The Organization matches 50% of participants' contributions to the Plan up to 3% of the individual participant's compensation. In addition, the Organization may elect to contribute an additional discretionary matching contribution in any Plan year. Total expense, net of forfeitures and plan fees for the years ending December 31, 2021 and 2020 was $17,261 and $14,693, respectively.

7. DONOR RESTRICTED NET ASSETS:

Donor restricted net assets are available for the following purposes:

	Balance 1/1/2021	Revenues	Released from Restrictions	Balance 12/31/2021
Equipment	$ -	15,000	-	15,000
Adoptions	-	500	500	-
Low income spay/neuter assistance	15,880	20,250	11,509	24,621
Special care	104,456	39,702	100,494	43,664
Cat benches	146	-	146	-
Foster program	353	-	-	353
Community cats program	13,509	19,751	21,062	12,198
PJ Pups	1,000	-	1,000	-
Capital campaign	732,222	478,231	513,421	697,032
	867,566	573,434	648,132	792,868
Beneficial interest in assets held at Capital Region Community Foundation	155,206	42,491	-	197,697
Perpetually restricted assets held at Capital Region Community Foundation	243,056	-	-	243,056
	$ 1,265,828	615,925	648,132	1,233,621

	Balance 1/1/2020	Revenues	Released from Restrictions	Balance 12/31/2020
Wellness program	$ 9,691	34,000	43,691	-
Adoptions	-	13,200	13,200	-
Low income spay/neuter assistance	2,566	21,190	7,876	15,880
Special care	61,057	83,873	40,474	104,456
Cat benches	146	-	-	146
Foster program	353	-	-	353
Community cats program	8,750	24,217	19,458	13,509
Conference travel stipends	-	1,000	1,000	-
PJ Pups	-	1,000	-	1,000
Behavior	-	900	900	-
Covid-19 relief vaccine	-	500	500	-
Capital campaign	683,715	79,240	30,733	732,222
	766,278	259,120	157,832	867,566
Beneficial interest in assets held at Capital Region Community Foundation	129,330	25,876	-	155,206
Perpetually restricted assets held at Capital Region Community Foundation	243,056	-	-	243,056
	$ 1,138,664	284,996	157,832	1,265,828

8. LEASES:

The Organization entered into a 66-month operating lease on September 1, 2010 for an offsite clinic location with three options to extend the lease for successive additional 5 year terms. The Organization entered into the first extension in February 2016. The Organization entered into the second extension in February 2021. The Organization has the option to purchase the premises at any time during the lease for $250,000 cash adjusted (upward only) to compensate for any loss in the purchasing power of the USA dollar since September 1, 2010. Lease expense for the years ended December 31, 2021 and 2020 was $38,638 and $39,078, respectively. The Organization also entered into a 63-month operating lease on August 10, 2018 for a postage meter and a 60-month operating lease on September 18, 2020 for a copier.

Future minimum lease payments in excess of one year are as follows:

Year ending	Amount
December 31, 2022	$ 35,229
December 31, 2023	35,068
December 31, 2024	34,260
December 31, 2025	33,045
December 31, 2026	4,900
	$ 142,502

9. INCOME TAX STATUS:

The Organization is exempt under Section (501) (c)(3) of the Internal Revenue Code. Taxes are recorded and paid on business income that is not substantially related to the Organization exempt purposes. The Organization is not classified as a private foundation by the Internal Revenue Service.

Professional standards prescribe a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2021.

10. LIQUIDITY AND AVAILABILITY:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures. The following reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

		2021	2020
Cash and cash equivalents	$	2,692,367	2,363,594
Certificates of deposit		55,848	55,680
Accounts receivable		3,202	1,600
Promises to give due within one year		251,113	128,400
Investments		1,568,477	1,346,497
		4,571,007	3,895,771
Less donor restricted net assets		(792,868)	(867,566)
Financial assets available to meet cash needs for general expenditure within one year	$	3,778,139	3,028,205

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Organization is substantially supported by contribution revenue. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those requirements. Therefore, certain financial assets may not be available for general expenditure within one year. The Organization structures 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 certificates of deposit and mutual funds.

11. RECENT PRONOUNCEMENTS:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending December 31, 2022.

In September 2020, the FASB Issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets*. The standard requires separate disclosure of non-financial contributed assets on the statement of activities and enhanced disclosures including the Organization's policy for valuation and monetization of contributed non-financial assets, any donor-restrictions attached to the assets. This standard will be effective for the Organization's year ending December 31, 2022.

Management is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

12. PAYCHECK PROTECTION PROGRAM:

During 2020, the Organization received the first round of the Paycheck Protection Program (PPP) loan for $335,372 with a maturity date of April 13, 2022, with a 1% interest rate. Under the terms of the loan, all or a portion of the borrowings may be forgiven in accordance with program requirements, including applicable provisions of the Coronavirus Aid, Relief and Economic Security Act. The loan is recorded as a liability in accordance with the debt model and will be reclassified as revenue when forgiven. During 2021, the Organization received notification that the first round of the PPP loan was forgiven in full. Therefore, this amount is recorded as revenue on the statement of activities.

During 2021, the Organization received the second round of the Paycheck Protection Program loan for $335,370 with maturity date of January 29, 2026, with a 1% interest rate. Under the terms of the loan, all or a portion of the borrowings may be forgiven in accordance with program requirements, including applicable provisions of the Coronavirus Aid, Relief and Economic Security Act. The loan is recorded as a liability in accordance with the debt model and will be reclassified as revenue on the statement of activities when forgiven. Subsequent to year end, the organization received notification that their PPP loan was forgiven in full.

13. RISKS AND UNCERTANTIES:

During 2020 and continuing through the issuance of these financial statements, an outbreak of a novel strain of coronavirus (COVID-19) has disrupted operations and has impacted support and revenues of the Organization. Federal, state, and local governments have imposed orders restricting operations throughout the year and have also signed into legislation several bills aimed to provide COVID-19 pandemic relief to organizations and businesses across the United States.

Future impact of the COVID-19 pandemic on the Organization, its employees, and supporters cannot be predicted, and the extent to which the COVID-19 pandemic may impact the Organization's financial condition or results of activities is uncertain at this time. The pandemic may have an impact on overall support and revenues; however, the members of the Board and the administrative leadership team believe that the Organization has sufficient financial resources to meet obligations in the year ending December 31, 2022.