

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

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Independent Auditors' Report

To the Board of Trustees
The Humane Society of Baltimore County, Inc.
Reisterstown, Maryland

Opinion

We have audited the accompanying financial statements of The Humane Society of Baltimore County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, 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 The Humane Society of Baltimore County, Inc. as of June 30, 2022 and 2021, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Humane Society of Baltimore County, Inc. 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 The Humane Society of Baltimore County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (continued)

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 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 The Humane Society of Baltimore County, 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 The Humane Society of Baltimore County, 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.

Weylich, Cronin & Serra, LLC

Hunt Valley, Maryland
March 14, 2023

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.Statements of Financial Position
June 30, 2022 and 2021ASSETS

CURRENT ASSETS:	2022	2021
Cash and cash equivalents	\$ 1,088,485	\$ 855,020
Investments	3,462,373	2,926,974
Inventory	- 0 -	13,729
Prepaid expenses	6,030	7,874
Total Current Assets	4,556,888	3,803,597
PROPERTY AND EQUIPMENT:		
Property and equipment, net	758,420	792,778
OTHER ASSETS:		
Beneficial interest in endowment fund	10,226	12,511
Beneficial interest in perpetual trust	5,586,553	5,118,118
Total Other Assets	5,596,779	5,130,629
TOTAL ASSETS	\$ 10,912,087	\$ 9,727,004

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 118,259	\$ 88,150
Current portion of lease payable	3,639	- 0 -
Total Current Liabilities	121,898	88,150
LONG TERM LIABILITES:		
Lease payable	14,366	- 0 -
Total Long Term Liabilities	14,366	- 0 -
Total Liabilities	136,264	88,150
NET ASSETS:		
Without donor restrictions	4,689,998	3,961,563
With donor restrictions	6,085,825	5,677,291
Total Net Assets	10,775,823	9,638,854
TOTAL LIABILITIES AND NET ASSETS	\$ 10,912,087	\$ 9,727,004

See accompanying notes to financial statements

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 775,674	\$ 46,958	\$ 822,632
Bequests	1,200,534	- 0 -	1,200,534
In-kind donations	64,980	- 0 -	64,980
Spay-neuter center and medical services	322,664	- 0 -	322,664
Cemetery	114,894	- 0 -	114,894
Adoption center	116,641	- 0 -	116,641
Special events, net of \$86,243 direct expenses	94,982	- 0 -	94,982
Investment income, net	22,054	(60,535)	(38,481)
Change in value of beneficial interest in endowment fund	- 0 -	(2,285)	(2,285)
Change in value of beneficial interest in trust fund	- 0 -	468,434	468,434
Other income	70	- 0 -	70
Released from restrictions	<u>44,038</u>	<u>(44,038)</u>	<u>- 0 -</u>
 Total Support and Revenue	 <u>2,756,531</u>	 <u>408,534</u>	 <u>3,165,065</u>
EXPENSES			
Program services - operations:			
Spay-neuter center, medical services	299,936	- 0 -	299,936
Cemetery	78,399	- 0 -	78,399
Adoption center	262,142	- 0 -	262,142
Additional programs	<u>22,807</u>	<u>- 0 -</u>	<u>22,807</u>
Total Operational Program services	<u>663,284</u>	<u>- 0 -</u>	<u>663,284</u>
Program Services - personnel:			
Spay-neuter center, medical services	457,637	- 0 -	457,637
Cemetery	77,359	- 0 -	77,359
Adoption center	<u>491,585</u>	<u>- 0 -</u>	<u>491,585</u>
Total Personnel Program Services	<u>1,026,581</u>	<u>- 0 -</u>	<u>1,026,581</u>
Total Program Services	<u>1,689,865</u>	<u>- 0 -</u>	<u>1,689,865</u>
Supporting services:			
Management and general	112,810	- 0 -	112,810
Fundraising	<u>225,421</u>	<u>- 0 -</u>	<u>225,421</u>
Total Supporting Services	<u>338,231</u>	<u>- 0 -</u>	<u>338,231</u>
 Total Expenses	 <u>2,028,096</u>	 <u>- 0 -</u>	 <u>2,028,096</u>
 CHANGE IN NET ASSETS	 728,435	 408,534	 1,136,969
 NET ASSETS AT BEGINNING OF YEAR	 <u>3,961,563</u>	 <u>5,677,291</u>	 <u>9,638,854</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 4,689,998</u>	 <u>\$ 6,085,825</u>	 <u>\$ 10,775,823</u>

See accompanying notes to financial statements

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 798,490	\$ 25,569	\$ 824,059
Bequests	365,664	- 0 -	365,664
In-kind donations	59,040	- 0 -	59,040
Spay-neuter center and medical services	280,788	- 0 -	280,788
Cemetery	82,678	- 0 -	82,678
Adoption center	107,776	- 0 -	107,776
Special events, net of \$7,037 direct expenses	60,947	- 0 -	60,947
Investment income, net	359,258	89,026	448,284
Change in value of beneficial interest in endowment fund	- 0 -	2,290	2,290
Change in value of beneficial investment in trust fund	- 0 -	443,127	443,127
Gain on sale of asset	500	- 0 -	500
Other income	217,093	- 0 -	217,093
Released from restrictions	5,000	(5,000)	- 0 -
	<u>2,337,234</u>	<u>555,012</u>	<u>2,892,246</u>
Total Support and Revenue			
EXPENSES			
Program services			
Spay-Neuter Center and Medical Services	290,137	- 0 -	290,137
Cemetery	46,031	- 0 -	46,031
Adoption Center	207,760	- 0 -	207,760
Additional Programs	7,661	- 0 -	7,661
Total Program Services	<u>551,589</u>	<u>- 0 -</u>	<u>551,589</u>
Program services - Personnel:			
Spay-Neuter Center and Medical Services	361,777	- 0 -	361,777
Cemetery	67,929	- 0 -	67,929
Adoption Center	459,356	- 0 -	459,356
	<u>889,062</u>	<u>- 0 -</u>	<u>889,062</u>
Total Program Services	<u>1,440,651</u>	<u>- 0 -</u>	<u>1,440,651</u>
Supporting Services:			
Management and general	98,644	- 0 -	98,644
Fundraising	232,988	- 0 -	232,988
Total Supporting Services	<u>331,632</u>	<u>- 0 -</u>	<u>331,632</u>
Total Expenses	<u>1,772,283</u>	<u>- 0 -</u>	<u>1,772,283</u>
CHANGE IN NET ASSETS	564,951	555,012	1,119,963
NET ASSETS AT BEGINNING OF YEAR	<u>3,396,612</u>	<u>5,122,279</u>	<u>8,518,891</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,961,563</u>	<u>\$ 5,677,291</u>	<u>\$ 9,638,854</u>

See accompanying notes to financial statements

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services				Supporting Services				Total
	Spay-Neuter Center and Medical Services	Cemetery	Adoption Center	Additional Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 391,049	\$ 65,196	\$ 415,434	\$ - 0 -	\$ 871,679	\$ 46,562	120,349	\$ 166,911	\$ 1,038,590
Employee Benefits	33,633	6,676	43,747	- 0 -	84,056	3,580	9,253	12,833	96,889
Payroll taxes	32,955	5,487	32,404	- 0 -	70,846	3,953	10,216	14,169	85,015
	<u>457,637</u>	<u>77,359</u>	<u>491,585</u>	<u>- 0 -</u>	<u>1,026,581</u>	<u>54,095</u>	<u>139,818</u>	<u>193,913</u>	<u>1,220,494</u>
Adoption Center Food and Supplies	9,655	277	67,519	580	78,031	- 0 -	- 0 -	- 0 -	78,031
Advertising	- 0 -	581	6,397	9,140	16,118	- 0 -	205	205	16,323
Cemetery Supplies	- 0 -	31,069	- 0 -	- 0 -	31,069	- 0 -	- 0 -	- 0 -	31,069
Contract Labor	45,059	2,949	54,954	8,452	111,414	2,360	590	2,950	114,364
Copier and Equipment	- 0 -	67	- 0 -	- 0 -	67	- 0 -	- 0 -	- 0 -	67
Credit Card Processing Fees	10,646	3,384	3,577	10	17,617	- 0 -	11,321	11,321	28,938
Direct Mailing	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	15,345	15,345	15,345
Dues and Subscriptions	370	- 0 -	- 0 -	- 0 -	370	300	- 0 -	300	670
Equipment Rental and Maintenance	5,649	912	6,278	- 0 -	12,839	678	1,591	2,269	15,108
Insurance	3,308	15,056	20,597	- 0 -	38,961	2,081	5,379	7,460	46,421
Lab Fees	9,168	- 0 -	- 0 -	- 0 -	9,168	- 0 -	- 0 -	- 0 -	9,168
Licenses and Permits	306	1	79	- 0 -	386	1	72	73	459
Medical Supplies and Labor	137,411	692	3,803	- 0 -	141,906	- 0 -	- 0 -	- 0 -	141,906
Miscellaneous	596	22	2,294	14	2,926	28,686	18,395	47,081	50,007
Office Supplies	1,750	1,309	2,356	- 0 -	5,415	675	805	1,480	6,895
Outside Computer Services	8,806	1,494	10,002	- 0 -	20,302	1,050	7,300	8,350	28,652
Postage and Delivery	10	10	- 0 -	1,733	1,753	27	9,742	9,769	11,522
Professional Fees	5,806	2,676	5,240	- 0 -	13,722	17,914	1,284	19,198	32,920
Repairs and Maintenance	725	3,881	9,358	- 0 -	13,964	315	- 0 -	315	14,279
Telephone	1,018	1,432	1,261	- 0 -	3,711	130	1,145	1,275	4,986
Training and Development	1,303	1,587	6,422	- 0 -	9,312	54	394	448	9,760
Utilities	26,499	2,368	16,107	- 0 -	44,974	434	1,123	1,557	46,531
Vehicle	- 0 -	1,026	1,571	- 0 -	2,597	- 0 -	- 0 -	- 0 -	2,597
Volunteer and Foster	27	8	2,533	1,116	3,684	- 0 -	- 0 -	- 0 -	3,684
Website	5,958	208	1,148	1,762	9,076	- 0 -	709	709	9,785
	<u>731,707</u>	<u>148,368</u>	<u>713,081</u>	<u>22,807</u>	<u>1,615,963</u>	<u>108,800</u>	<u>215,218</u>	<u>324,018</u>	<u>1,939,981</u>
Depreciation	25,866	7,390	40,646	- 0 -	73,902	3,948	10,203	14,151	88,053
Interest	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	62	- 0 -	62	62
Total Expenses	<u>\$ 757,573</u>	<u>\$ 155,758</u>	<u>\$ 753,727</u>	<u>\$ 22,807</u>	<u>\$ 1,689,865</u>	<u>\$ 112,810</u>	<u>\$ 225,421</u>	<u>\$ 338,231</u>	<u>\$ 2,028,096</u>

See accompanying notes to financial statements

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services				Supporting Services				Total
	Spay-Neuter Center and Medical Services	Cemetery	Adoption Center	Additional Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 316,118	\$ 58,025	\$ 376,959	\$ - 0 -	\$ 751,102	\$ 42,040	\$ 122,954	\$ 164,994	\$ 916,096
Employee Benefits	20,437	5,341	47,621	- 0 -	73,399	4,380	12,811	17,191	90,590
Payroll taxes	25,222	4,563	34,776	- 0 -	64,561	3,273	9,572	12,845	77,406
	<u>361,777</u>	<u>67,929</u>	<u>459,356</u>	<u>- 0 -</u>	<u>889,062</u>	<u>49,693</u>	<u>145,337</u>	<u>195,030</u>	<u>1,084,092</u>
Adoption Center Food and Supplies	8,251	189	64,500	2,546	75,486	- 0 -	- 0 -	- 0 -	75,486
Advertising	- 0 -	40	- 0 -	550	590	- 0 -	901	901	1,491
Bad Debts Expense	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	10,113	- 0 -	10,113	10,113
Cemetery Supplies	- 0 -	23,578	- 0 -	- 0 -	23,578	- 0 -	- 0 -	- 0 -	23,578
Contract Labor	50,489	3,774	42,297	336	96,896	1,696	640	2,336	99,232
Copier and Equipment	3,939	- 0 -	- 0 -	- 0 -	3,939	- 0 -	280	280	4,219
Credit Card Processing Fees	10,428	2,802	3,682	20	16,932	- 0 -	9,698	9,698	26,630
Direct Mailing	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	16,049	16,049	16,049
Dues and Subscriptions	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	545	- 0 -	545	545
Equipment Rental and Maintenance	7,371	717	5,134	- 0 -	13,222	564	1,651	2,215	15,437
Insurance	12,025	2,571	16,231	- 0 -	30,827	1,726	5,045	6,771	37,598
Lab Fees	6,540	- 0 -	- 0 -	- 0 -	6,540	- 0 -	- 0 -	- 0 -	6,540
Licenses and Permits	426	- 0 -	55	- 0 -	481	- 0 -	38	38	519
Medical Supplies and Labor	131,909	- 0 -	632	- 0 -	132,541	- 0 -	- 0 -	- 0 -	132,541
Miscellaneous	60	- 0 -	361	1,168	1,589	- 0 -	10,122	10,122	11,711
Office Supplies	998	817	1,812	19	3,646	611	2,598	3,209	6,855
Outside Computer Services	1,100	105	853	- 0 -	2,058	83	12,787	12,870	14,928
Postage and Delivery	- 0 -	202	- 0 -	- 0 -	202	- 0 -	11,746	11,746	11,948
Professional Fees	5,800	846	5,968	- 0 -	12,614	17,473	1,508	18,981	31,595
Repairs and Maintenance	2,007	1,055	11,235	- 0 -	14,297	- 0 -	275	275	14,572
Telephone	917	1,439	1,172	- 0 -	3,528	122	1,491	1,613	5,141
Training and Development	- 0 -	40	210	47	297	- 0 -	- 0 -	- 0 -	297
Utilities	21,078	2,047	11,357	- 0 -	34,482	386	1,571	1,957	36,439
Vehicle	- 0 -	504	287	- 0 -	791	- 0 -	- 0 -	- 0 -	791
Volunteer and Foster	- 0 -	266	74	1,038	1,378	- 0 -	- 0 -	- 0 -	1,378
Website	4,733	358	1,779	1,937	8,807	- 0 -	6,909	6,909	15,716
	<u>629,848</u>	<u>109,279</u>	<u>626,995</u>	<u>7,661</u>	<u>1,373,783</u>	<u>83,012</u>	<u>228,646</u>	<u>311,658</u>	<u>1,685,441</u>
Depreciation	22,066	4,681	40,121	- 0 -	66,868	15,632	4,342	19,974	86,842
Total Expenses	<u>\$ 651,914</u>	<u>\$ 113,960</u>	<u>\$ 667,116</u>	<u>\$ 7,661</u>	<u>\$ 1,440,651</u>	<u>\$ 98,644</u>	<u>\$ 232,988</u>	<u>\$ 331,632</u>	<u>\$ 1,772,283</u>

See accompanying notes to financial statements

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,136,969	\$ 1,119,963
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provisions for bad debt	- 0 -	10,113
Forgiveness of PPP loan	- 0 -	(182,283)
Depreciation	88,053	86,842
Endowment contributions - stock	(30,174)	(7,070)
Net unrealized (gain) loss on investments	73,669	(168,532)
Net realized (gain) loss on investments	217,742	(42,011)
Change in value of beneficial interest in endowment fund	1,743	(2,807)
Change in value of beneficial interest in trust fund	(664,222)	(623,854)
Gain on disposal of property	- 0 -	(500)
(Increase) decrease in current assets:		
Accounts receivable	- 0 -	2,930
Prepaid expenses	1,844	2,942
Inventory	13,729	(13,729)
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	30,109	13,022
Deferred revenue/Refundable advance	- 0 -	(33,120)
Net cash provided by operating activities	<u>869,462</u>	<u>161,906</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(35,413)	(38,924)
Proceeds from sales property and equipment	- 0 -	500
Purchase of investments	(1,479,164)	(1,313,592)
Proceeds from sales of investment	878,919	1,386,293
Net cash provided by (used in) investing activities	<u>(635,658)</u>	<u>34,277</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on capital lease	(339)	- 0 -
Proceeds from PPP loan	- 0 -	182,283
Net cash provided by (used in) financing activities	<u>(339)</u>	<u>182,283</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	233,465	378,466
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>855,020</u>	<u>476,554</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,088,485</u></u>	<u><u>\$ 855,020</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 62	\$ - 0 -
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Gifts received in stock contributions	\$ 30,174	\$ 7,070
Equipment acquired through capital lease	\$ 18,282	\$ - 0 -
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:		
Forgiveness of debt obligation - PPP loan	\$ - 0 -	\$ 182,283
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Non-cash inkind income and expenses	\$ 64,980	\$ 59,040

See accompanying notes to financial statements

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements June 30, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies

Nature of Organization - The Humane Society of Baltimore County, Inc. (the Society) was founded in 1927 as a Maryland non-profit organization, which exists to provide a temporary home, safe refuge and care for unwanted and homeless animals. The Society works to place each animal in a loving, permanent home and strives to end euthanasia of healthy, adoptable animals. The Society works through public education to provide an effective means for the prevention of cruelty to animals throughout Baltimore County. The Society operates an animal shelter, a spay/neuter center, a pet cemetery, and a wildlife sanctuary. In addition to the earned income derived from those activities, the Society is dependent on donations from individuals, corporations, and foundations, and income from fundraising events to support animal care operations.

Basis of Accounting - The accompanying financial statements are presented in accordance with the accrual basis of accounting and, accordingly, reflect receivables, payables, and other assets and liabilities. As such, the Society recognizes revenue when earned and expenditures when incurred.

Financial Statement Presentation – The Society is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent the portion of net assets that is not subject to donor-imposed restrictions. Such net assets are available for use at the discretion of management and/or the Board of Directors for general operating purposes. The Board of Directors may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions represent the portion of net assets that is subject to donor-imposed restrictions. Such restrictions may specify a purpose for which, or time in which, resources can be used. Some net assets with donor restrictions include stipulations that assets provided be maintained permanently (perpetual in nature) while permitting the Society to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 reporting period. Accordingly, actual results could differ from those estimates.

Reclassification - Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform to the current period presentation.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements June 30, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents – For financial reporting purposes, cash and cash equivalents includes amounts invested in short-term investments with original maturities of three months or less.

Investments – Investments are reported at their fair value in the statements of financial position and consist of mutual funds, stocks and fixed income investments. Unrealized and realized gains and losses are included in the statements of activities and changes in net assets as a change in net assets without donor restrictions, unless their use is restricted by explicit donor-imposed stipulations or by law. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Bequests Receivable – From time to time, the Society may be the recipient of a bequest. The Society records a receivable for bequests from estates in the period when assets are available for distribution and amounts to be contributed to the Society are known, determinable and deemed unconditional. The Society had no bequests receivable as of June 30, 2022 and 2021.

Accounts Receivable – Accounts receivable are uncollateralized obligations that do not accrue interest. Accounts receivables are stated at the invoice amount. The Society provides an allowance for doubtful accounts, as needed, for amounts deemed uncollectible. The allowance is based on historical experience and management's analysis of specific accounts receivable. The Society had no accounts receivable as of June 30, 2022 and 2021.

Inventory – The Society accepts contributions of pet supplies utilized in its programs. These contributed items are recorded at their fair value at the date of receipt and are reflected as inventory in the statement of financial position. Inventories are utilized on a first-in, first-out (FIFO) basis.

Property and Equipment - Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Society reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Expenditures for maintenance and repairs are charged against operations as expended. Renewals and betterments that materially extend the life of the assets are capitalized. The Society's policy is to capitalize all property expenditures and renewals and betterments greater than \$500 with a useful life of a year or more. The cost or fair value of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method.

The following represents the estimated useful lives:

	<u>Years</u>
Leasehold Improvements	30
Furniture and Equipment	10-20
Computer Equipment	5
Vehicle	5

Beneficial Interest in Perpetual Trust and Endowment Fund – The Society maintains a balance at the Baltimore Community Foundation, Inc. (BCF) which is reported as beneficial interest in endowment fund in the statements of financial position (See Note 4). The Elsie Seeger Barton Trust (the Trust) was formed for the benefit of the Society (See Note 5).

The beneficial interest in perpetual trust and endowment fund represents resources neither in the possession nor under the control of the Society, but held and administered by an outside fiscal agent, with the Society deriving income from such funds as beneficiary. Beneficiaries of a perpetual trust or endowment fund held by an unrelated party record, as a contribution and an asset, the present value of the estimated future cash receipts to be received. The amount reported on the statement of financial position represents the fair value of the portfolio of underlying assets of the Trust or Fund which approximates the estimated cash flows. Increases and decreases in the fair value are recorded as a change in value in beneficial interest in perpetual trust or endowment fund in the statement of activities and changes in net assets.

Paycheck Protection Program – The Society followed Financial Accounting Standards Board Topic 958-605, Revenue Recognition for Not-for-Profit Entities in accounting for its Paycheck Protection Program (PPP) Loan. The loan was effectively accounted for as a conditional grant which, due to a measurable performance or other barrier and a right of return, was not recognized until the conditions on which it depends have been substantially met (see Note 6).

Compensated Absences – The Society accrues vacation pay when earned.

Revenue Recognition – Contributions including bequests and grants are recognized when the donor makes a promise to give to the Society that is, in substance, unconditional. These amounts are recorded at fair value at the date of the contribution. All contributions are considered available for the Society's general programs unless specifically restricted by donors. Amounts received that are restricted for future periods or specific purposes by donors are reported as restricted support and increase net assets with donor restrictions.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies (continued)

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions and grants that are restricted by donors are recorded as revenue without donor restrictions if the restriction is satisfied in the same year as the contribution is received.

The Society provides various services such as spay-neuter and other veterinary, cemetery and adoption services to the general public. Fees are considered to be available for unrestricted use and are recognized as income at the time of service (the performance period) which is typically a single point in time.

Special Events – The Society operates several special events. Revenue related to these events is generally received in the same period the event takes place. Therefore, revenue is recognized in the period it is received. The performance obligation is satisfied on the date of the event.

The Society benefits from several different revenue streams. The disaggregation of revenue for the years ended June 30, 2022 and 2021 are included in the chart below:

Revenue Type	Timing of Revenue Recognition	2022	2021
Contributions and grants	Upon receipt	\$ 822,632	824,059
Bequests	Upon receipt	1,200,534	365,664
In-kind donations	Upon receipt	64,980	59,040
Spay-neuter center and medical services	Point in time	322,664	280,788
Cemetery	Point in time	114,894	82,678
Adoption center	Point in time	116,641	107,776
Special events, net of direct expenses	Date of event	94,982	60,947
Investment income, net	Period earned	(38,481)	448,284
Change in value of beneficial interest in endowment fund	Period earned	(2,285)	2,290
Change in value of beneficial interest in perpetual trust	Period earned	468,434	443,127
Gain on disposal of property	Point in time	- 0 -	500
Other income	As expenditures incurred	70	217,093
		\$ 3,165,065	\$ 2,892,246

In-Kind Support – Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been recognized in the statement of activities and changes in net assets relating to professional services because the criteria for recognition under generally accepted accounting principles have not been satisfied. The Society receives contributions of animal supplies and food for its programs. In-kind support is recognized in the statement of activities and changes in net assets for contributed supplies and food (see Note 7).

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements June 30, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses – Expenses are presented by both function and natural classification in the statement of functional expenses. Expenses that are directly identifiable with a particular function are charged to the program or supporting service benefited. Other expenses may benefit more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Payroll expenses are allocated according to specific job duties per employee/contractor. Indirect expenses are allocated based on the percentages of direct costs for each category of expense to total direct costs.

Income Taxes - The Society is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as an organization, other than a private foundation, as described in Section 509(a). The Society is no longer subject to U.S. federal or state income tax examination by tax authorities for years before 2019.

Advertising Costs - The Society expenses advertising production costs as incurred, and advertising communication costs the first time the advertising takes place. Marketing and advertising expenses were \$16,323 and \$1,491 for the year ended June 30, 2022 and 2021.

New Accounting Pronouncement - In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements with the exception of increased disclosure.

2. Investments and Fair Value Measurements

The fair value measurement accounting literature establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1); Level 3 inputs are unobservable and have the lowest priority. The Society uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Society measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The Society's policy is to recognize transfers between levels in the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2022 and 2021 there were no transfer between levels in the fair value hierarchy.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and their classification in the valuation hierarchy.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements June 30, 2022 and 2021

2. Investments and Fair Value Measurements (continued)

Level 1 Fair Value Measurements

Investment in Mutual Funds

Mutual funds listed or traded on a national market or exchange are generally valued at publicly quoted prices. The Society's investments in mutual funds consist of domestic and foreign equity debt instruments with diversified investment strategies.

Investment in Equity Securities

Equity securities listed or traded on a national market or exchange are valued at publicly quoted prices. The Society's investments in equity securities consist of common stocks in a variety of sectors and publicly traded Real Estate Investment Trusts (REIT).

Level 2 Fair Value Measurements

Fixed Income Investments

Fixed income investments may include asset-backed securities (ABS), mortgage-backed securities (MBS), or collateralized mortgage obligations (CMO) which are valued based on average life.

Level 3 Fair Value Measurements

Beneficial Interest in Perpetual Trust

Fair value is determined based on the fair value of the underlying assets of the Trust reported by the trustee as of June 30, 2022 and 2021 which approximates the estimated cash flows to the Society.

Beneficial Interest in Endowment Funds

Fair value is determined based on the fair value of the underlying assets of the Fund reported by the BCF as of June 30, 2022 and 2022 which approximates the estimated cash flows to the Society.

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 Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The fair value and cost of the Society's investments as of June 30, 2022 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Mutual funds	\$ 325,671	\$ 338,599	12,928
Equity securities	725,225	718,563	(6,662)
Fixed income investments	<u>2,492,230</u>	<u>2,405,211</u>	<u>(87,019)</u>
Total investments	<u>\$ 3,543,126</u>	<u>\$ 3,462,373</u>	<u>\$ (80,753)</u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. Investments and Fair Value Measurements (continued)

The fair value and cost of the Society's investments as of June 30, 2021 are as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	\$ 84,125	\$ 95,649	\$ 11,524
Equity securities	675,416	867,480	192,064
Fixed income investments	2,030,444	1,963,845	(66,599)
Total investments	\$ 2,789,985	\$ 2,926,974	\$ 136,989

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2022:

	June 30, 2022			Total
	Fair value Measurements at the end of the reporting period using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Mutual funds	\$ 338,599	\$ - 0 -	\$ - 0 -	\$ 338,599
Equity securities	718,563	- 0 -	- 0 -	718,563
Fixed income investments	- 0 -	2,405,211	- 0 -	2,405,211
Beneficial interest in endowment fund	- 0 -	- 0 -	10,226	10,226
Beneficial interest in perpetual trust	- 0 -	- 0 -	5,586,553	5,586,553
Total fair value	\$ 1,057,162	\$ 2,405,211	\$ 5,596,779	\$ 9,059,152

The following table presents assets measured at fair value by classification within the fair value hierarchy as June 30, 2021:

	June 30, 2021			Total
	Fair value Measurements at the end of the reporting period using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Mutual funds	\$ 95,649	\$ - 0 -	\$ - 0 -	\$ 95,649
Equity securities	867,480	- 0 -	- 0 -	867,480
Fixed income investments	- 0 -	1,963,845	- 0 -	1,963,845
Beneficial interest in endowment fund	- 0 -	- 0 -	12,511	12,511
Beneficial interest in perpetual trust	- 0 -	- 0 -	5,118,118	5,118,118
Total fair value	\$ 963,129	\$ 1,963,845	\$ 5,130,629	\$ 8,057,603

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. Investments and Fair Value Measurements (continued)

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended June 30, 2022:

	Beneficial interest in	
	Endowment Fund	Perpetual Trust
Balance at beginning of year	\$ 12,511	\$ 5,118,118
Net investment return	(1,743)	664,222
Distributions	(542)	(195,787)
Balance at end of year	<u>\$ 10,226</u>	<u>\$ 5,586,553</u>

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended June 30, 2021:

	Beneficial interest in	
	Endowment Fund	Perpetual Trust
Balance at beginning of year	\$ 10,221	\$ 4,674,991
Net investment return	2,807	623,854
Distributions	(517)	(180,727)
Balance at end of year	<u>\$ 12,511</u>	<u>\$ 5,118,118</u>

The following schedule summarizes the investment return and its classification in the statements of activities as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 60,729	\$ 13,916	\$ 74,645
Investment fees	(14,852)	(3,192)	(18,044)
Net realized gain (loss)	(81,868)	8,199	(73,669)
Net unrealized losses	(138,284)	(79,458)	(217,742)
Distribution from endowment fund	542	- 0 -	542
Distribution from perpetual trust	195,787	- 0 -	195,787
Total return on investments	<u>\$ 22,054</u>	<u>\$ (60,535)</u>	<u>\$ (38,481)</u>

The following schedule summarizes the investment return and its classification in the statements of activities as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 62,408	\$ 9,053	\$ 71,461
Investment fees	(12,065)	(2,899)	(14,964)
Net realized gain	12,234	29,777	42,011
Net unrealized gains	115,437	53,095	168,532
Distribution from endowment fund	517	- 0 -	517
Distribution from perpetual trust	180,727	- 0 -	180,727
Total return on investments	<u>\$ 359,258</u>	<u>\$ 89,026</u>	<u>\$ 448,284</u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements June 30, 2022 and 2021

3. Property and Equipment

Property and equipment consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Leasehold Improvements	\$ 1,543,279	\$ 1,513,945
Furniture and Equipment	331,845	308,084
Computer Equipment	28,584	27,984
Website	12,138	12,138
Vehicles	59,869	59,869
	<u>1,975,715</u>	<u>1,922,020</u>
less: accumulated depreciation	<u>(1,217,295)</u>	<u>(1,129,242)</u>
Property and Equipment, net	<u>\$ 758,420</u>	<u>\$ 792,778</u>

Depreciation expense for the years ended June 30, 2022 and 2021 were respectively \$88,053 and \$86,842.

4. Beneficial Interest in Endowment Fund

The Society maintains a balance at the Baltimore Community Foundation, Inc. (BCF) which is reported as beneficial interest in endowment fund in the statements of financial position. The agreement with the BCF stipulates that the principal portion of the fund will be held in perpetuity and that an amount of the net annual income earned by the fund, as determined under the BCF's spending policy, will be distributed to the Society for as long as the Society is in existence. If for any reason the Society ceases operation, the agreement with BCF provides that this income will be used for a similar purpose.

The fair value of the Fund held by BCF at June 30, 2022 and 2021 were \$10,226 and \$12,511. The Fund made distributions of \$542 and \$517 during the year ended June 30, 2022 and 2021 which have been reflected as investment income in the statements of activities and changes in net assets.

5. Interest in Perpetual Trust

The Elsie Seeger Barton Trust (the Trust) was formed for the benefit of the Society. Assets of the trust include an investment portfolio under the control of Wilmington Trust and the facilities and grounds used by the Society. Under the terms of the Trust, the Society receives annual cash distributions from the Trust's portfolio and utilizes a portion of the land and buildings held in the Trust free of charge.

The Trust stipulates that the Society use the income distributed from the Trust to maintain the facilities and grounds used by the Society, and in the programs of spaying and neutering cats and dogs whose owners cannot afford the cost of doing the same. During the years ended June 30, 2022 and 2021, the Society received \$195,787 and \$180,727 respectively in distributions from the Trust which have been reflected as investment income in the statement of activities and changes in net assets.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements June 30, 2022 and 2021

5. Interest in Perpetual Trust (continued)

The facilities and grounds utilized by the Society include an office building, dog kennel, and adoption center. The Society utilizes approximately 15 acres of the total 365 acres of land maintained by the Trust. The unused acres consist mostly of a wildlife sanctuary. In addition, the Trust is responsible for major improvements to the facilities and grounds. Any improvements incurred by the Society are capitalized in accordance with the Society's property and equipment policy. The value of the land and property maintained by the Trust for the years ended June 30, 2022 and 2021 was \$1,394,000.

6. Refundable Advances

In April 2020, the Society applied for and received a \$201,000 loan under the Payroll Protection Program (PPP). The PPP loan is for a term of two years and bears interest at a fixed rate of 1% per annum. Payments on this loan were deferred until the date the SBA remits the borrower's loan forgiveness amount to the lender, or until 10 months after the 24-week eligibility period if the borrower never requests forgiveness. During the year ended June 30, 2021, the Society expended and recognized the utilization of the remaining funds at that time in the amount of \$33,120. The Society applied for and received full forgiveness of the initial PPP loan in April 2021.

In January 2021, the Society received funds from the second round of PPP loans of \$182,283. The Society incurred eligible expenses for the entire balance of \$182,283 as of June 30, 2021. The Society had applied and received full forgiveness of second PPP loan in November 2021.

For the years ended June 30, 2022 and 2021, the Society recognized \$0- and \$215,403 of eligible expenses in other income as a result of this program.

7. Donated Items

Included in in-kind revenues and functional expenses is the estimated fair value of certain donated supplies and food. The value of donated supplies and food received by the Society for the year ended June 30, 2022 and 2021 were respectively \$64,980 and \$59,040 based on retail costs. Donated items are typically utilized in the Society's programs except those from special events are monetized. Donated supplies that are not utilized by year end are recorded as inventory.

8. Commitments

The Society entered into an operating lease for a copier effective, May 2017. The lease calls for minimum monthly payments of \$457 for 60 months and expired in June 2022. Expenses related to the contract and reported as equipment rental and maintenance in the statements of functional expenses were \$7,105 and \$6,244 and for the years ended June 30, 2022 and 2021.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

8. Commitments (continued)

The Society entered into a new lease for a copier effective June 2022 meeting the criteria for capital lease treatment. The lease calls for minimum monthly payments of \$339 for 60 months. The cost of the equipment capitalized under the lease was \$18,282. For the year ended June 30, 2022, depreciation expenses was \$305 and accumulated depreciation was \$305.

Future minimum lease payments for all capital leases are as follow:

Year ending June 30,	2023	\$	4,068
	2024		4,068
	2025		4,068
	2026		4,068
	2027		3,729
Total minimum lease payments			<u>20,001</u>
Less: amount representing interest			<u>(1,996)</u>
Present value of net minimum lease payments		\$	<u>18,005</u>
Current portion		\$	3,639
Long term portion			14,366
Lease payable		\$	<u>18,005</u>

The Society entered into an operating lease for a postage machine effective, June 2018. The lease calls for minimum monthly payments of \$63 for 63 months. Expenses related to the contract and reported as equipment rental and maintenance in the statements of functional expenses were \$864 and \$564 for the year ended June 30, 2022 and 2021.

The future minimum payments for the commitments disclosed above are as follows for the years ending June 30:

2023	\$	756
2024		189
	\$	<u>945</u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

9. Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2022 and 2021 consist of:

	<u>2022</u>	<u>2021</u>
Purpose restrictions available for spending:		
Feral Cats	\$ - 0 -	\$ 2,679
Spay/Neuter and Medical	150	32,317
Sammy's Cat Necessities	19,242	11,651
	<u>19,392</u>	<u>46,647</u>
Endowment funds held in perpetuity:		
Roy Sachs Animal Care Endowment Fund	64,464	34,290
Burl Endowment Fund	277,811	277,811
	<u>342,275</u>	<u>312,101</u>
Earnings on endowments subject to Society spending policy and appropriation:		
Roy Sachs Animal Care Endowment Fund	33,002	32,826
Burl Endowment Fund	94,377	155,088
	<u>127,379</u>	<u>187,914</u>
Funds Held by Third Party Trustee:		
Beneficial interest in endowment fund	10,226	12,511
Beneficial interest in Barton Trust	5,586,553	5,118,118
	<u>5,596,779</u>	<u>5,130,629</u>
	<u>\$ 6,085,825</u>	<u>\$ 5,677,291</u>

Net assets with donor restrictions were released during the year ended June 30, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Time Restricted:		
Bequests Receivable	\$ - 0 -	\$ 5,000
Purpose Restricted:		
Feral Cats	2,679	- 0 -
Sammy's Cat Necessities	9,042	- 0 -
Spay/Neuter & Medical	32,317	- 0 -
	<u>\$ 44,038</u>	<u>\$ 5,000</u>

10. Endowments

Endowments consist of two donor-restricted funds established to further the mission of the Society.

Roy Sachs Animal Care Endowment Fund (Sachs Fund) - The Sachs Fund was established in May 2002 to benefit the Society's operating mission with an initial gift of \$12,395. The original gift, and all subsequent gifts to the Sachs Fund are restricted in perpetuity by the donor. Income earned on the principal may be appropriated to support the general mission of the Society.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements June 30, 2022 and 2021

10. Endowments (Continued)

Burl Endowment Fund (Burl Fund) - In May 2014, an endowment fund was established as directed by the Burl estate. Total distributions from the estate to be held in perpetuity total \$277,811. Under the direction of the decedent's estate, the Society can draw 5% of the accumulating investment return on the initial asset per year to be used in operations.

Interpretation of Relevant Law

The Board of Directors 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 Society classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the application of investments, (6) other resources of the Society, and (7) the investment policies of the organization.

Investment Return Objectives and Risk Parameters

The Society 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 endowments while seeking to maintain the purchasing power of the 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 annual distribution with acceptable levels of risk. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide adequate liquidity, maximize returns on all funds invested and achieve a consistent inflation-protected rate of return. The current investment objective is to attain an average annual total return of at least 6% over rolling five-year periods. Actual returns in any given year may vary. 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.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Society relies on a total strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based and other investments to achieve its long-term return objectives within prudent risk constraints.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

10. Endowments (Continued)

Spending Policy

The Board of Directors has adopted a spending policy calculated as 5% of the Endowment Fund for the five previous fiscal year ends. Expenditures from the donor-restricted endowment fund are released from restriction in accordance with donor stipulations or as appropriated by the Board of Directors. In establishing this policy, the Society considered the long-term expected return on its endowment investments. Accordingly, over the long-term, the Board of Directors expects the current spending policy to allow its endowment to retain the original fair value of the gift. There were no appropriations for distribution from the Endowment Funds as of June 30, 2022 and 2021.

Endowment Fund Deficiencies

The Society considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Society has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. There were no such deficiencies as of June 30, 2022 and 2021.

The endowment's net asset composition for the year ended June 30,

Donor-Restricted Endowment Funds	2022	2021
Original gifts	\$ 342,275	\$ 312,101
Accumulated gains	127,379	187,914
	\$ 469,654	\$ 500,015

For the year ended June 30, 2022 and 2021, the total amount of donor restricted contributions to be maintained in perpetuity totaled \$30,174 and \$7,070.

Changes in Endowment net assets for the fiscal year ended June 30, 2021:

Endowment net assets June 30, 2020	\$ 403,919
Contributions	7,070
Net investment return	89,026
Amount appropriated for expenditure	- 0 -
Endowment net assets June 30, 2021	\$ 500,015

Changes in Endowment net assets for the fiscal year ended June 30, 2022:

Endowment net assets June 30, 2021	\$ 500,015
Contributions	30,174
Net investment return	(60,535)
Amount appropriated for expenditure	- 0 -
Endowment net assets June 30, 2022	\$ 469,654

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements June 30, 2022 and 2021

11. Liquidity and Availability of Financial Assets

The following reflects the Society's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2022</u>	<u>2021</u>
Financial assets at year end	\$ 10,147,637	\$ 8,926,352
Less those unavailable for general expenditures within one year, due to:		
Restricted by donors with a purpose or time restrictions	<u>6,085,825</u>	<u>5,677,291</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,061,812</u>	<u>\$ 3,249,061</u>

The Society maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of the Society's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds and mutual funds.

12. Concentrations of Credit and Market Risk

In the ordinary course of business, the Society's cash and cash equivalents balances and investment balances may exceed the FDIC and SIPC insurance limits. The Society and its investment manager continually review credit concentrations as part of its asset and liability management.

The Society may invest in various types of marketable securities. Marketable securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, it is possible that changes in the values of these securities may occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

13. Contingency

In March 2020, significant mitigation efforts began taking effect in the United States in an attempt to curtail the spread of the coronavirus (COVID-19) pandemic. Such efforts included travel restrictions, business disruptions, and event cancellations. Capital markets have seen significant volatility in the wake of the pandemic and significant economic disruptions occurred across the country. In response, the Society has altered its operation and interactions with donors and the general public. Management cannot reasonably estimate the related financial impact and duration of the situation at this time. However, management believes it has sufficient cash and investment reserves to sustain operation in the event of continued disruption. Management intends to monitor the situation on an ongoing basis and to continue efforts to reduce its impact on the Society's operation and financial resources.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.

Notes to Financial Statements
June 30, 2022 and 2021

14. Subsequent Events

In September 2022, the Society became aware of two claims. The Society's insurance carrier is managing the claims and at this time, the Society does not believe any additional liability will be incurred by the Society.

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through March 14, 2023, the date the financial statements were available to be issued.