



**ATLANTA, GEORGIA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2020 AND 2019**

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**INDEX TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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**Jones and Kolb**  
Certified Public Accountants  
Atlanta, Georgia

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Atlanta Humane Society and Society for  
Prevention of Cruelty to Animals, Inc.  
Atlanta, Georgia

We have audited the accompanying financial statements of Atlanta Humane Society and Society for Prevention of Cruelty to Animals, Inc. (the "Society"), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlanta Humane Society and Society for Prevention of Cruelty to Animals, Inc. as of September 30, 2020 and 2019, 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.

*Jones and Kolb*

April 14, 2021

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2020 AND 2019**

	<b><u>ASSETS</u></b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,948,556	\$ 419,136
Marketable securities	21,476,308	13,340,589
Promises to give, net	386,831	175,962
Other current assets	424,805	362,010
	<u>24,236,500</u>	<u>14,297,697</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>14,184,645</u>	<u>15,407,434</u>
<b>OTHER ASSETS</b>		
Long-term promises to give, net	926,587	23,635
Beneficial interests in perpetual trusts	4,019,413	3,989,713
Marketable securities - permanently restricted	2,025,432	2,018,713
	<u>6,971,432</u>	<u>6,032,061</u>
<b>Total assets</b>	<u>\$ 45,392,577</u>	<u>\$ 35,737,192</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,299,924	\$ 859,154
Line of credit	-	1,934,952
	<u>1,299,924</u>	<u>2,794,106</u>
<b>NET ASSETS</b>		
Without donor restrictions	34,476,645	25,976,890
With donor restrictions	9,616,008	6,966,196
	<u>44,092,653</u>	<u>32,943,086</u>
<b>Total liabilities and net assets</b>	<u>\$ 45,392,577</u>	<u>\$ 35,737,192</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.  
STATEMENT OF ACTIVITIES AND NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>			
Support and revenues			
Program service revenues			
Shelter Services	\$ 1,363,499	\$ -	\$ 1,363,499
Veterinary Center	524,751	-	524,751
Total program service revenues	1,888,250	-	1,888,250
Contributions	8,507,691	542,713	9,050,404
Capital campaign contributions	-	2,245,890	2,245,890
Special events (net of direct expenses of \$39,718)	249,004	-	249,004
Investment spending allocation	1,160,000	-	1,160,000
Net assets released from restrictions	440,068	(440,068)	-
Total support and revenues	12,245,013	2,348,535	14,593,548
Expenses			
Program service expenses			
Shelter Services	7,237,950	-	7,237,950
Community and Education Services	1,491,822	-	1,491,822
Veterinary Center	725,863	-	725,863
Total program service expenses	9,455,635	-	9,455,635
Administrative and general expenses	1,101,952	-	1,101,952
Fundraising expenses	2,159,210	-	2,159,210
Total functional expenses	12,716,797	-	12,716,797
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	(471,784)	2,348,535	1,876,751
<b>NON-OPERATING ACTIVITIES</b>			
Net realized and unrealized loss on marketable securities and beneficial interests in perpetual trusts	904,324	209,086	1,113,410
Investment income, net	460,823	92,191	553,014
Gain on sale of fixed assets	8,802,091	-	8,802,091
Interest expense	(13,860)	-	(13,860)
Loss on uncollectible pledge	(21,839)	-	(21,839)
Investment spending allocation	(1,160,000)	-	(1,160,000)
<b>CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>	8,971,539	301,277	9,272,816
<b>CHANGE IN NET ASSETS</b>	8,499,755	2,649,812	11,149,567
<b>NET ASSETS, Beginning of year</b>	25,976,890	6,966,196	32,943,086
<b>NET ASSETS, End of year</b>	\$ 34,476,645	\$ 9,616,008	\$ 44,092,653

The accompanying notes to financial statements  
are an integral part of this statement.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.  
STATEMENT OF ACTIVITIES AND NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>			
Support and revenues			
Program service revenues			
Shelter Services	\$ 2,342,669	\$ -	\$ 2,342,669
Veterinary Center	681,204	-	681,204
	<u>3,023,873</u>	<u>-</u>	<u>3,023,873</u>
Contributions	6,794,561	254,564	7,049,125
Special events (net of direct expenses of \$178,907)	463,018	-	463,018
Investment spending allocation	1,150,000	-	1,150,000
Net assets released from restrictions	267,218	(267,218)	-
	<u>11,698,670</u>	<u>(12,654)</u>	<u>11,686,016</u>
Expenses			
Program service expenses			
Shelter Services	7,011,421	-	7,011,421
Community and Education Services	1,605,533	-	1,605,533
Veterinary Center	862,627	-	862,627
	<u>9,479,581</u>	<u>-</u>	<u>9,479,581</u>
Administrative and general expenses	1,033,199	-	1,033,199
Fundraising expenses	1,955,265	-	1,955,265
	<u>12,468,045</u>	<u>-</u>	<u>12,468,045</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<u>(769,375)</u>	<u>(12,654)</u>	<u>(782,029)</u>
<b>NON-OPERATING ACTIVITIES</b>			
Net realized and unrealized gain on marketable securities and beneficial interests in perpetual trusts	(335,076)	(183,463)	(518,539)
Investment income, net	705,141	103,096	808,237
Loss on disposal of fixed assets	(81,470)	-	(81,470)
Interest expense	(93,680)	-	(93,680)
Investment spending allocation	(1,150,000)	-	(1,150,000)
<b>CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES</b>	<u>(955,085)</u>	<u>(80,367)</u>	<u>(1,035,452)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,724,460)</u>	<u>(93,021)</u>	<u>(1,817,481)</u>
<b>NET ASSETS, Beginning of year</b>	<u>27,701,350</u>	<u>7,059,217</u>	<u>34,760,567</u>
<b>NET ASSETS, End of year</b>	<u>\$ 25,976,890</u>	<u>\$ 6,966,196</u>	<u>\$ 32,943,086</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<b>Shelter Services</b>	<b>Community and Education Services</b>	<b>Veterinary Center</b>	<b>Total Program Services</b>	<b>Administrative and General Expenses</b>	<b>Fundraising Expenses</b>	<b>Total Expenses</b>
Salaries and related benefits	\$ 3,758,742	\$ 1,189,483	\$ 412,261	\$ 5,360,486	\$ 872,276	\$ 934,671	\$ 7,167,433
Media and public awareness	153,366	185,112	139	338,617	962	988,311	1,327,890
Occupancy	950,505	5,183	28,239	983,927	17,470	8,488	1,009,885
Animal medical supplies and services	677,299	-	188,580	865,879	-	-	865,879
Animal care supplies	781,583	-	449	782,032	479	27	782,538
Information technology	128,743	23,193	20,108	172,044	51,784	90,108	313,936
Bank and merchant service fees	21,419	-	13,294	34,713	49,989	68,288	152,990
Professional services	30,000	51,689	-	81,689	30,273	75	112,037
Insurance	95,335	3,967	4,612	103,914	5,177	2,202	111,293
Office supplies	24,212	3,927	1,550	29,689	9,559	35,738	74,986
Cost of goods sold	50,903	-	-	50,903	-	-	50,903
Employee professional development	20,935	6,250	1,561	28,746	13,530	7,146	49,422
Miscellaneous expenses	16,198	7,161	141	23,500	17,037	2,839	43,376
Travel	24,166	9,954	70	34,190	5,696	2,227	42,113
Repairs and maintenance	32,542	26	1,265	33,833	-	297	34,130
<b>Total expenses before depreciation</b>	<b>6,765,948</b>	<b>1,485,945</b>	<b>672,269</b>	<b>8,924,162</b>	<b>1,074,232</b>	<b>2,140,417</b>	<b>12,138,811</b>
Depreciation	472,002	5,877	53,594	531,473	27,720	18,793	577,986
<b>Total expenses</b>	<b>\$ 7,237,950</b>	<b>\$ 1,491,822</b>	<b>\$ 725,863</b>	<b>\$ 9,455,635</b>	<b>\$ 1,101,952</b>	<b>\$ 2,159,210</b>	<b>\$ 12,716,797</b>

The accompanying notes to financial statements  
are an integral part of this statement.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Shelter Services</b>	<b>Community and Education Services</b>	<b>Veterinary Center</b>	<b>Total Program Services</b>	<b>Administrative and General Expenses</b>	<b>Fundraising Expenses</b>	<b>Total Expenses</b>
Salaries and related benefits	\$ 3,440,809	\$ 1,041,830	\$ 470,028	\$ 4,952,667	\$ 805,819	\$ 794,644	\$ 6,553,130
Media and public awareness	133,445	453,382	-	586,827	7,228	883,857	1,477,912
Occupancy	875,979	4,419	35,730	916,128	12,803	6,896	935,827
Animal medical supplies and services	878,273	-	204,122	1,082,395	750	-	1,083,145
Animal care supplies	598,073	394	969	599,436	101	85	599,622
Information technology	135,632	13,842	17,341	166,815	46,737	77,286	290,838
Bank and merchant service fees	39,258	-	17,867	57,125	37,146	76,625	170,896
Professional services	39,315	43,795	7,299	90,409	43,886	10,472	144,767
Insurance	78,117	3,153	3,575	84,845	3,565	1,929	90,339
Office supplies	24,653	2,620	3,318	30,591	7,377	44,291	82,259
Cost of goods sold	126,434	-	-	126,434	-	-	126,434
Employee professional development	50,581	9,464	5,458	65,503	23,736	10,888	100,127
Miscellaneous expenses	14,515	2,529	1,189	18,233	9,524	22,891	50,648
Travel	41,848	27,048	-	68,896	6,717	4,608	80,221
Repairs and maintenance	27,208	63	1,424	28,695	1,240	-	29,935
<b>Total expenses before depreciation</b>	<b>6,504,140</b>	<b>1,602,539</b>	<b>768,320</b>	<b>8,874,999</b>	<b>1,006,629</b>	<b>1,934,472</b>	<b>11,816,100</b>
Depreciation	507,281	2,994	94,307	604,582	26,570	20,793	651,945
<b>Total expenses</b>	<b>\$ 7,011,421</b>	<b>\$ 1,605,533</b>	<b>\$ 862,627</b>	<b>\$ 9,479,581</b>	<b>\$ 1,033,199</b>	<b>\$ 1,955,265</b>	<b>\$ 12,468,045</b>

The accompanying notes to financial statements  
are an integral part of this statement.



**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 11,149,567	\$ (1,817,481)
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:</b>		
Capital campaign contributions	(2,245,890)	-
Contribution for perpetual endowment	(6,719)	-
Contributions of marketable securities	(1,172,211)	(46,003)
Depreciation	577,986	651,945
Loss on uncollectible pledges	21,839	-
Realized and unrealized (gains) losses on marketable securities	(1,083,710)	365,072
Change in fair value of beneficial interests in perpetual trusts	(29,700)	153,467
(Gain) loss on disposal of fixed assets	(8,802,091)	81,470
(Increase) decrease in promises to give, net	24,642	(18,738)
(Increase) decrease in other current assets	(62,795)	(25,720)
Increase (decrease) in accounts payable and accrued expenses	440,770	27,140
Total adjustments	<u>(12,337,879)</u>	<u>1,188,633</u>
Net cash and cash equivalents used in operating activities	<u>(1,188,312)</u>	<u>(628,848)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the purchase of property and equipment	(2,265,909)	(4,300,277)
Proceeds from disposals of property and equipment	11,712,803	75,528
Purchases of marketable securities	(13,843,108)	(829,425)
Proceeds from sales of marketable securities	<u>7,963,310</u>	<u>8,232,839</u>
Net cash and cash equivalents provided by investing activities	<u>3,567,096</u>	<u>3,178,665</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital campaign contributions	1,085,588	5,000
Net payments on line of credit	<u>(1,934,952)</u>	<u>(2,480,000)</u>
Net cash and cash equivalents used in financing activities	<u>(849,364)</u>	<u>(2,475,000)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,529,420	74,817
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>419,136</u>	<u>344,319</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 1,948,556</u>	<u>\$ 419,136</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. The Atlanta Humane Society and Society for Prevention of Cruelty to Animals, Inc. (the "Society"), is a not-for-profit organization that promotes the humane treatment of animals. The principal services performed by the Society are housing, alteration and adoption of homeless animals, public veterinary services including high volume spay and neuter surgeries and community outreach programs. Services are funded through contributions, program service revenues and special events. The Society is exempt from income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986.

B. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. The Society classifies net assets, revenues, gains and losses 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 that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature; for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature; for example, stipulating that resources be maintained in perpetuity. The donors of these assets permit the Society to use all of the income earned on related investments for general or specific purposes. More specifically, items included in net assets with donor restrictions are gifts for which restrictions have not been met.

When restrictions expire (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 reported in the Statements of Activities and Net Assets as "net assets released from restrictions." The Society's policy is to record contributions received with restrictions and expended in the same period as contributions without donor restrictions.

Contributions that the donor requires to be used to acquire long-lived assets are reported as contributions with restrictions. Once the asset has been placed in service, the Society reflects the expiration of the donor-imposed restriction as net assets released from restrictions.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

D. The Society considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

E. At times, the Society's cash balances are in excess of the Federally insured limit. However, given the strength of the financial institutions where the deposits are held, management believes such excess deposits do not create any significant loss exposure. Management periodically reviews the financial viability of the financial institutions and does not anticipate nonperformance.

F. Marketable securities and beneficial interests in perpetual trusts are recorded at fair value net of all fees, paid or accrued. Marketable securities include investments in equity and fixed income funds. Realized and unrealized gains and losses on marketable securities are computed using the specific identification method. Beneficial interests in perpetual trusts include only the Society's proportional share of the perpetual trusts.

G. Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are initially recorded at fair value, estimated by discounting them to their present value of estimated future cash flows at a risk-adjusted rate. The discount rates are computed using risk-free interest rates applicable to the years in which the promises were received, which were 1.75% to 2.00% for the year ended September 30, 2020. Amortization of the discounts, if any, is included in contributions in the accompanying Statements of Activities and Net Assets.

H. Trade accounts receivable, which are included in other current assets in the accompanying Statements of Financial Position, are recorded at the amounts of cash estimated as realizable. The Society provides reserves for uncollectible accounts when specific accounts are deemed uncollectible. Trade accounts receivable balances are considered delinquent based upon how recently payments have been received. At September 30, 2020 and 2019, the Society considered all trade accounts receivable collectible.

I. The Society capitalizes property and equipment over \$1,000 with expected useful lives greater than one year. Purchased property and equipment are capitalized at cost and depreciated on the straight-line basis over the estimated useful lives of the assets, ranging from three to forty years. Donated assets are capitalized at the fair market value of the asset on the date of contribution. Additions and replacements are charged to property accounts, while repairs and maintenance are charged to expense as incurred.

J. The majority of the Society's revenues are from contributions, program service and special events. Contributions are recognized as revenue when cash, securities or other assets, or an unconditional promise to give is received. Program service revenues are accounted for as exchange transactions and are recognized as revenue when the services such as an adoption or a veterinary visit is completed. Special events ticket sales and sponsorship are recognized as revenue when the event takes place. Amounts received prior to the event are recorded as deferred revenue in the Statements of Financial Position.

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

K. Donated materials and services are reflected as contributions in the accompanying statements at their estimated value at date of receipt. During the years ended September 30, 2020 and 2019, the Society recorded donated materials and services totaling \$915,093 and \$705,856, respectively. Unpaid volunteers have made significant contributions of time to the Society. The value of this contributed time is not reflected in the accompanying statements since it does not create or enhance non-financial assets or require specialized skills.

L. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and general office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimated time and effort.

M. Subsequent events have been evaluated by management through April 14, 2021, the date these financial statements were available to be issued.

**2. LIQUIDITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following as of September 30:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Financial assets:		
Cash and cash equivalents	\$ 1,948,556	\$ 419,136
Pledges and other receivables, net	1,328,893	216,307
Investment securities	<u>27,521,153</u>	<u>19,349,015</u>
Total financial assets, at year end	30,798,602	19,984,458
Less amounts unavailable for general expenditure:		
Long term promises to give, net	(926,587)	(23,635)
Donor restrictions for specified purposes	(2,644,576)	(957,770)
Donor restrictions for perpetual purposes	<u>(6,044,845)</u>	<u>(6,008,426)</u>
Total financial assets available for general expenditure	<u><u>\$ 21,182,594</u></u>	<u><u>\$ 12,994,627</u></u>

The Society has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Society has a \$5,000,000 line of credit that can be drawn upon if needed (see Note 6).

**ATLANTA HUMANE SOCIETY AND SOCIETY FOR  
PREVENTION OF CRUELTY TO ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**3. PROMISES TO GIVE**

Promises to give are due as follows at September 30:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 386,831	\$ 175,962
Receivable in one to five years	<u>994,500</u>	<u>23,635</u>
Total promises to give	1,381,331	199,597
Reserve for uncollectible accounts	(21,964)	-
Discount to present value	<u>(45,949)</u>	<u>-</u>
Promises to give, net	<u>\$ 1,313,418</u>	<u>\$ 199,597</u>

Promises to give consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Capital campaign pledges	\$ 1,160,302	\$ -
Other	<u>153,116</u>	<u>199,597</u>
Promises to give, net	<u>\$ 1,313,418</u>	<u>\$ 199,597</u>

**4. FAIR VALUE MEASUREMENTS**

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 within the hierarchy states that valuations are based on observable inputs other than Level 1 prices, such as quoted market prices for similar assets, quoted market prices in inactive markets and other inputs that may be corroborated by observable market data. Level 3 within the hierarchy states that valuations are based upon unobservable inputs. At September 30, 2020 and 2019, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are marketable securities and beneficial interests in perpetual trusts.

Equity, fixed income and money market funds are valued at the closing price reported on the active market on which the individual securities are traded. Beneficial interests in perpetual trusts are valued utilizing net asset valuation of the underlying funds, which value securities and other financial instruments on a mark-to-market basis of accounting.

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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, while 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 a different fair value measurement at the reporting date.

The following presents by level, within the fair value hierarchy, the Society's marketable securities and beneficial interests in perpetual trusts at fair value at September 30:

<b>Description</b>	<b>2020</b>		
	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
Marketable securities			
Equity funds	\$ 10,121,812	\$ -	\$ 10,121,812
Fixed income funds	5,387,304	-	5,387,304
Money market funds	7,992,624	-	7,992,624
Total marketable securities	23,501,740	-	23,501,740
Beneficial interests in perpetual trusts	-	4,019,413	4,019,413
Total	<u>\$ 23,501,740</u>	<u>\$ 4,019,413</u>	<u>\$ 27,521,153</u>
<b>Description</b>	<b>2019</b>		
<b>Description</b>	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
Marketable securities			
Equity funds	\$ 9,891,175	\$ -	\$ 9,891,175
Fixed income funds	5,467,091	-	5,467,091
Money market funds	1,036	-	1,036
Total marketable securities	15,359,302	-	15,359,302
Beneficial interests in perpetual trusts	-	3,989,713	3,989,713
Total	<u>\$ 15,359,302</u>	<u>\$ 3,989,713</u>	<u>\$ 19,349,015</u>

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The table below sets forth a summary of changes in the fair value of the Society's Level 3 assets, which consist of beneficial interests in perpetual trusts, for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 3,989,713	\$ 4,143,180
Net realized and unrealized gain (loss)	<u>29,700</u>	<u>(153,467)</u>
Balance, end of year	<u>\$ 4,019,413</u>	<u>\$ 3,989,713</u>

**5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 7,714,650	\$ 15,330,926
Land	6,622,457	5,956,772
Furniture and equipment	1,287,168	1,168,561
Construction in progress	1,023,592	-
Information technology	696,394	645,172
Automotive equipment	527,044	560,055
Leasehold improvements	175,139	105,092
Land improvements	<u>118,949</u>	<u>293,408</u>
Total	18,165,393	24,059,986
Less accumulated depreciation	<u>(3,980,748)</u>	<u>(8,652,552)</u>
Property and equipment, net	<u>\$ 14,184,645</u>	<u>\$ 15,407,434</u>

During the year ended September 30, 2020, the Society sold the land and building located on Howell Mill Road in Atlanta, Georgia ("Howell Mill"). The Society also sold the land adjacent to Howell Mill that served as a parking lot for the property. The sales resulted in a gain on sale of fixed assets of approximately \$8.8 million for the year ended September 30, 2020.

As part of the sales agreement, the purchaser agreed to allow the Society to continue to use the building and land from the date of the closing through December 2022 while requiring the Society pay for all real estate taxes, insurance, utilities, building and ground maintenance and required operating repairs as needed during the occupancy period.

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As of the date of these financial statements, the Society is in the process of constructing a new building located on Perry Boulevard in Atlanta, Georgia ("Perry") which will replace the Howell Mill campus. Land and land improvement costs incurred were approximately \$4.8 million as of September 30, 2020. Subsequent to September 30, 2020, the Society entered into a contract for the construction of the Perry campus for approximately \$15.3 million with an estimated completion date of December 2021. The cost of the Perry campus will be funded by the proceeds from the sale of the Howell Mill campus and capital campaign contributions.

**6. LINE OF CREDIT**

The Society has a \$5,000,000 line of credit with a bank. The line of credit, which is collateralized by a portion of the Society's marketable securities, matures on September 25, 2024. Interest accrues on the outstanding balance at the one-month LIBOR plus 1.10% per annum, which was 2.085% at September 30, 2020. There was no balance drawn on this line of credit at September 30, 2020.

The Society previously had a \$5,000,000 line of credit with a bank. The line of credit, which was collateralized by a portion of the Society's marketable securities, matured on March 29, 2020. Interest accrued on the outstanding balance at the one-month LIBOR plus 0.85% per annum, which was 2.94% at September 30, 2019. The outstanding balance was \$1,934,952 at September 30, 2019. The outstanding balance was paid in full during the year ended September 30, 2020 prior to the maturity date.

**7. NET ASSETS**

Net assets were released from restrictions for the years ended September 30, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Cat housing	\$ 33,778	\$ 16,881
Cruelty investigation	100,000	100,000
Mansell Adoption Center	86,290	150,337
Veterinarian outreach	220,000	-
	<u>440,068</u>	<u>267,218</u>
Total net assets released from restrictions	<u>\$ 440,068</u>	<u>\$ 267,218</u>



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Net assets with donor restrictions are restricted for the following purposes or periods as follows at September 30:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Capital campaign	\$ 2,245,890	\$ -
Cat housing	-	33,777
Cruelty investigation	65,633	115,632
Dog fighting prevention	72,043	72,043
Medical supplies	15,992	-
Veterinarian outreach	470,000	220,000
	<u>2,869,558</u>	<u>441,452</u>
Undistributed endowment earnings, subject to appropriation:		
For use without restriction	378,498	318,931
Veterinary care for unowned animals	175,373	133,726
Mansell Adoption Center	84,820	11,771
Veterinarian extern	62,914	51,890
	<u>701,605</u>	<u>516,318</u>
Subject to endowment spending policy and appropriation:		
Beneficial interests in perpetual trusts	4,019,413	3,989,713
Endowment for Mansell Adoption Center	1,500,000	1,500,000
Endowment for veterinary care for unowned animals	242,498	242,498
Endowment without restrictions on income	231,578	224,859
Endowment for veterinarian extern	51,356	51,356
	<u>6,044,845</u>	<u>6,008,426</u>
	<u>\$ 9,616,008</u>	<u>\$ 6,966,196</u>

**8. PAYCHECK PROTECTION PROGRAM GRANT**

During the year ended September 30, 2020, the Society received a Paycheck Protection Program ("PPP") loan in the amount of \$1,100,355 from the Small Business Administration ("SBA"). The loan accrues interest at 1.0% per annum, with no required payments for ten months after funding of the loan. Subsequent to year-end, the entire loan was forgiven since the Society used the funds for its intended purposes; therefore, the Society has recorded the entire amount as contributions revenue in the Statement of Activities and Net Assets for the year ended September 30, 2020.

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**9. EMPLOYEE BENEFIT PLANS**

The Society sponsors a 401(k) plan for the benefit of its employees. The Society matches 100% of employee contributions up to six percent of the employee's salary. Employer contributions to the plan totaled \$165,748 and \$153,677 for the years ended September 30, 2020 and 2019, respectively.

Effective January 1, 2018, the Society sponsors a deferred compensation plan under Section 457(b) of the Internal Revenue Code ("IRC") to provide certain key employees with supplemental retirement benefits. Under the plan, key employees may elect to defer a portion of their compensation not to exceed the amount allowed by the IRC. The deferred contributions are deposited into an account that is owned by the Society until the assets are distributed to the employee in accordance with the plan document. The Society formerly sponsored a deferred compensation plan under IRC Section 457(f) that was frozen effective December 31, 2017.

At September 30, 2020 and 2019, the Society's liability under the 457(b) and 457(f) plans totaled \$167,878 and \$132,555, respectively. The amounts are included in other current assets and accounts payable and accrued expenses in the accompanying Statements of Financial Position.

**10. ENDOWMENT**

At September 30, 2020 and 2019, the Society's endowment consisted of four donor-restricted funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Board of Directors of the Society has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2006 ("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 the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is restricted until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Directors will appropriate funds from the endowment funds based on specific needs and budgeting requirements from year to year. UPMIFA does not apply to beneficial interests in perpetual trusts.

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In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Society and 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 appreciation of investments;
- (6) Other resources of the Society; and,
- (7) The investment policies of the Society.

The composition of and changes in endowment net assets are as follows:

	<b><u>Available for Expenditure</u></b>	<b><u>Perpetual in Nature</u></b>	<b><u>Total</u></b>
Balance at September 30, 2019	\$ 516,318	\$ 2,018,713	\$ 2,535,031
Contribution	-	6,719	6,719
Investment return:			
Investment income, net	92,191	-	92,191
Net realized and unrealized gain	179,386	-	179,386
Appropriated for expenditure	<u>(86,290)</u>	<u>-</u>	<u>(86,290)</u>
Balance at September 30, 2020	<u>\$ 701,605</u>	<u>\$ 2,025,432</u>	<u>\$ 2,727,037</u>
	<b><u>Available for Expenditure</u></b>	<b><u>Perpetual in Nature</u></b>	<b><u>Total</u></b>
Balance at September 30, 2018	\$ 593,554	\$ 2,018,713	\$ 2,612,267
Investment return:			
Investment income, net	103,096	-	103,096
Net realized and unrealized loss	(29,995)	-	(29,995)
Appropriated for expenditure	<u>(150,337)</u>	<u>-</u>	<u>(150,337)</u>
Balance at September 30, 2019	<u>\$ 516,318</u>	<u>\$ 2,018,713</u>	<u>\$ 2,535,031</u>

The Society has adopted investment and spending policies that provide support to operating and capital funding while not eroding the value of endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed common benchmarks for a balanced portfolio, while assuming a moderate level of risk.

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To satisfy its long-term rate-of-return objectives, the Society relies on a total return 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 investments to achieve its long-term return objectives within prudent risk constraints.

**11. SUPPLEMENTAL CASH FLOW DISCLOSURE**

Interest of \$13,860 and \$93,680 was paid during the years ended September 30, 2020 and 2019, respectively.

**12. CORONAVIRUS PANDEMIC**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") a pandemic, with the outbreak widespread across the world. The Society's Board and management are monitoring the impact of COVID-19 on its operations. The Society is also seeking ways to moderate operating expenses while remaining fully committed to continuing to provide services for animals. Since March of 2020, the Society has consolidated all services to the Howell Mill campus and will re-open other campuses as conditions improve.