

MONADNOCK HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

AND

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Monadnock Humane Society, Inc.

We have audited the accompanying financial statements of Monadnock Humane Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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 audit 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 judgement, 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 entity'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 entity'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 Monadnock Humane Society, Inc. as of June 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.

Rust + Company CPAs

Swanzey, NH

December 23, 2020, Except for Note 10 as to which the date is March 25, 2021

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,129,663	\$ 256,474
Accounts receivable, net	90,682	3,853
Securities - available for sale	1,898,486	1,820,859
Prepaid expenses	15,473	22,024
Inventory	4,321	4,995
Total current assets	3,138,625	2,108,205
Construction in progress	8,252	8,252
Property and equipment, at cost, net of accumulated depreciation	1,152,713	1,130,890
Security deposits	8,761	-
TOTAL ASSETS	\$ 4,308,351	\$ 3,247,347
LIABILITIES		
Accounts payable	\$ 36,883	\$ 42,506
Accrued payroll and related liabilities	42,023	29,476
Deferred revenue	5,000	1,200
Current portion of long-term debt	121,500	-
Total current liabilities	205,406	73,182
Long-term debt	40,500	-
TOTAL LIABILITIES	245,906	73,182
NET ASSETS		
Without donor restrictions	3,400,579	2,564,624
With donor restrictions	661,866	609,541
TOTAL NET ASSETS	4,062,445	3,174,165
TOTAL LIABILITIES AND NET ASSETS	\$ 4,308,351	\$ 3,247,347

See accompanying notes and independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>			<u>2019</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Program services revenue	\$ 210,899	\$ -	\$ 210,899	\$ 208,818
Boarding and daycare revenue	208,362	-	208,362	247,773
Training center	113,316	-	113,316	147,991
Retail store revenue	13,580	-	13,580	13,892
Contributions	1,364,559	163,728	1,528,287	512,346
Fundraising	177,706	-	177,706	167,161
Rental income	10,024	-	10,024	11,897
Noncash contributions	8,147	-	8,147	68,076
Miscellaneous revenue	1,816	-	1,816	2,511
Interest and dividends	29,267	8,465	37,732	34,943
Realized gains on investments	34,463	674	35,137	48,361
Unrealized gains on investments	(45,222)	31,984	(13,238)	20,998
	<u>2,126,917</u>	<u>204,851</u>	<u>2,331,768</u>	<u>1,484,767</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>152,526</u>	<u>(152,526)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>2,279,443</u>	<u>52,325</u>	<u>2,331,768</u>	<u>1,484,767</u>
EXPENSES				
Program services	1,110,367	-	1,110,367	1,102,350
Management and general	126,111	-	126,111	120,609
Development/fundraising	207,010	-	207,010	218,395
Total expenses	<u>1,443,488</u>	<u>-</u>	<u>1,443,488</u>	<u>1,441,354</u>
CHANGE IN NET ASSETS	835,955	52,325	888,280	43,413
NET ASSETS, beginning of year	<u>2,564,624</u>	<u>609,541</u>	<u>3,174,165</u>	<u>3,130,752</u>
NET ASSETS, end of year	<u>\$ 3,400,579</u>	<u>\$ 661,866</u>	<u>\$ 4,062,445</u>	<u>\$ 3,174,165</u>

See accompanying notes and independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Management and General	Development/ Fundraising	Total
	Services/ Programs	Boarding/ Daycare	Training Center	Programs Total			
Salaries and wages	\$ 366,015	\$ 135,019	\$ 81,337	\$ 582,371	\$ 97,604	\$ 133,392	\$ 813,367
Employee benefits	15,462	5,704	3,436	24,602	4,123	5,635	34,360
Payroll taxes	27,945	10,309	6,210	44,464	7,452	10,184	62,100
Depreciation	83,133	11,739	27,613	122,485	2,765	2,765	128,015
Program supplies and expenses	52,654	13,501	1,350	67,505	-	-	67,505
Utilities	42,994	6,071	14,281	63,346	1,430	1,430	66,206
Cost of retail goods sold	8,539	-	-	8,539	-	-	8,539
Repairs and maintenance	26,578	3,753	8,828	39,159	884	884	40,927
Bad debts	2,223	230	-	2,453	-	-	2,453
Fundraising	-	-	-	-	-	14,590	14,590
Insurance	8,245	1,164	2,739	12,148	274	274	12,696
Professional fees	47,768	9,553	4,781	62,102	9,553	14,335	85,990
Bank charges	-	-	-	-	-	11,415	11,415
Advertising	1,953	721	434	3,108	521	712	4,341
Telephone	4,133	689	344	5,166	689	1,033	6,888
Office supplies and expense	946	946	946	2,838	946	5,675	9,459
Vehicle expense	4,682	-	-	4,682	-	-	4,682
Veterinary care	51,943	-	-	51,943	-	-	51,943
Fees and licenses	404	-	-	404	-	-	404
Leased equipment	467	467	467	1,401	467	2,805	4,673
Postage	313	313	313	939	313	1,881	3,133
Professional development	10,712	-	-	10,712	-	-	10,712
Miscellaneous Expense	-	-	-	-	(910)	-	(910)
	<u>\$ 757,109</u>	<u>\$ 200,179</u>	<u>\$ 153,079</u>	<u>\$ 1,110,367</u>	<u>\$ 126,111</u>	<u>\$ 207,010</u>	<u>\$ 1,443,488</u>

See accompanying notes and independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>				<u>Management and General</u>	<u>Development/ Fundraising</u>	<u>Total</u>
	<u>Services/ Programs</u>	<u>Boarding/ Daycare</u>	<u>Training Center</u>	<u>Programs Total</u>			
Salaries and wages	\$ 344,913	\$ 127,235	\$ 76,647	\$ 548,795	\$ 91,977	\$ 125,702	\$ 766,474
Employee benefits	21,039	7,761	4,675	33,475	5,610	7,668	46,753
Payroll taxes	26,717	9,856	5,937	42,510	7,125	9,737	59,372
Depreciation	80,243	11,331	26,653	118,227	2,669	2,669	123,565
Program supplies and expenses	64,247	16,474	1,647	82,368	-	-	82,368
Utilities	42,671	6,026	14,173	62,870	1,419	1,419	65,708
Cost of retail goods sold	11,700	-	-	11,700	-	-	11,700
Repairs and maintenance	27,282	3,852	9,062	40,196	907	907	42,010
Fundraising	-	-	-	-	-	34,369	34,369
Insurance	8,416	1,188	2,795	12,399	280	280	12,959
Professional fees	44,024	8,805	4,406	57,235	8,805	13,211	79,251
Bank charges	-	-	-	-	-	12,736	12,736
Advertising	2,313	853	514	3,680	617	843	5,140
Telephone	3,353	559	279	4,191	559	838	5,588
Office supplies and expense	383	383	383	1,149	383	2,299	3,831
Vehicle expense	5,655	-	-	5,655	-	-	5,655
Veterinary care	60,134	-	-	60,134	-	-	60,134
Fees and licenses	1,106	-	-	1,106	-	-	1,106
Leased equipment	556	556	556	1,668	556	3,338	5,562
Postage	221	221	221	663	221	1,328	2,212
Property tax	178	25	59	262	6	6	274
Professional development	14,067	-	-	14,067	-	-	14,067
Membership expense	-	-	-	-	-	1,045	1,045
Miscellaneous	-	-	-	-	(525)	-	(525)
	<u>\$ 759,218</u>	<u>\$ 195,125</u>	<u>\$ 148,007</u>	<u>\$ 1,102,350</u>	<u>\$ 120,609</u>	<u>\$ 218,395</u>	<u>\$ 1,441,354</u>

See accompanying notes and independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 888,280	\$ 43,413
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	128,015	123,565
Realized gains on investments	(35,137)	(48,361)
Unrealized gains on investments	13,238	(20,998)
Changes in operating assets and liabilities:		
Accounts receivable, net	(86,829)	2,146
Prepaid expenses	6,551	(181)
Inventory	674	(342)
Construction in progress	-	(7,202)
Security deposits	(8,761)	-
Accounts payable	(5,623)	(22,971)
Accrued payroll and related liabilities	12,547	2,101
Deferred revenue	3,800	(8,838)
Net cash provided by operating activities	<u>916,755</u>	<u>62,332</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from investments	(150,000)	(185,000)
Purchases of investments	94,272	(177,529)
Purchase of property and equipment	(149,838)	(34,262)
Net cash used for investing activities	<u>(205,566)</u>	<u>(396,791)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	<u>162,000</u>	-
Net cash provided by financing activities	<u>162,000</u>	-
NET INCREASE (DECREASE) IN CASH	873,189	(334,459)
CASH AND CASH EQUIVALENTS, beginning of year	<u>256,474</u>	<u>590,933</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,129,663</u>	<u>\$ 256,474</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Monadnock Humane Society, Inc. (the Organization) is a New Hampshire not-for-profit corporation. Its primary purpose is to strengthen the animal human bond by promoting and providing for the well being of animals through humane education, providing shelter, and facilitating adoption for lost, abused or abandoned animals. The Organization operates an animal shelter, retail pet supply store, training programs and boarding and daycare services. Major sources of revenue are program fees and contributions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Under this basis, revenues, other than contributions, and expenses are reported when incurred, without regard to the date of receipt or payment of cash. Contributions are reported in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*.

Basis of Presentation

The accompanying financial statements have been prepared under the guidance of the Financial Accounting Standards Board *Accounting Standards Codification ("FASB ASC")*.

FASB ASC 958-605 requires the Organization to distinguish between contributions that increase net assets with donor restrictions and net assets without restrictions. It also requires recognition of contributed services that meet certain criteria at fair values. Additionally, under the guidance of FASB ASC 958-905, unconditional promises to give that are expected to be paid in less than one year are measured at net realizable value (settlement value). Conditional promises to give, which depend on the occurrence of a specific future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met.

FASB ASC 958-205 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a Statement of Financial Position, a Statement of Activities, and a Statement of Cash Flows.

The two classes of net assets, based on the absence or existence of donor-imposed restrictions, are defined as follows:

Net assets without donor restrictions - not subject to donor-imposed restrictions, or the donor-imposed restrictions have expired.

Net assets with donor restrictions - subject to donor-imposed stipulations that may be fulfilled by actions of the Organization or become unrestricted by the passage of time.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

Expenses consist of costs related to program services, management and general, and development/fundraising functions. These costs have been summarized on a functional basis in the Statement of Functional Expenses without donor restrictions. Costs are directly charged to the functions they benefit. Costs incurred in connection with specific events are deferred until the event is completed. Occupancy related expenses are allocated to each function based on the square footage of the department's area. Salaries and wages are allocated to each function based on the department they work in.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment. The Organization's cash and cash equivalents were \$1,129,663 and \$256,474 for the years ended June 30, 2020 and 2019, respectively.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Interest is not accrued on past due accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debts and a credit to accounts receivable. At June 30, 2020 and 2019, management did not feel that an allowance for doubtful accounts was required.

Inventory

Inventory consists of retail pet supplies and is stated at the lower of cost or market, using the first-in, first-out costing

Property and Equipment

Expenditures for acquisitions, renewals and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. It is the Organization's policy to capitalize property and equipment over \$1,000 with an estimated useful life of at least one year. Lesser amounts are expensed. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resulting gain or loss is recognized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost. The Organization charges to expenses annual amounts of depreciation which allocate the cost of fixed assets over their estimated useful lives using the straight-line method.

	<u>Years</u>
Buildings and building improvements	39
Land improvements	15
Furniture and fixtures	7
Equipment and vehicles	5

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, no income tax liability has been recorded in the financial statements. All information returns of the Organization are open to examination by taxing authorities, subject to the statute of limitations rules. Management does not believe the results of examinations, if any, will significantly affect the amounts previously reported.

Investments

The Organization accounts for investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets.

Deferred Revenue

Deferred revenue consists of payments received in the fiscal year for programs to be held in the following year.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on when they depend have been substantially met or the donor has explicitly released the restriction.

Revenue With and Without Donor Restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donated Services

Contributed assets for use by the Organization are recorded at their estimated fair value at the date of the contribution. Contributed services are reflected in the financial statements if and when they create or enhance non-financial assets or require specialized skills, which if not provided by donation, would have to be purchased by the Organization. Contributed services for plowing and HVAC services were \$8,147 and \$3,036 for the years ended June 30, 2020 and 2019, respectively.

Development/Fundraising Expenses

Total fundraising expenses were \$207,010 and \$218,395 for the years ended June 30, 2020 and 2019, respectively.

Advertising Expenses

The Organization's policy is to expense advertising in the period incurred. Total advertising expense was \$4,341 and \$5,140 for the years ended June 30, 2020 and 2019, respectively.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

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

New Accounting Pronouncement

Effective July 1, 2019, the Organization adopted the Accounting Standards update No. 2018-08 Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. The standard requires an entity determine whether or not a contribution is conditional on the basis of whether or not the underlying agreement includes (1) a "barrier" that must be overcome, and (2) either a right of return of the assets transferred or a right of release of the donor's obligation to transfer the asset. The presence of both of these elements would represent a condition for the contribution. There are no significant changes to the financial statements as a result of the adoption.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Bank demand deposits	\$ 380,535	\$ 156,474
Money market funds	<u>749,128</u>	<u>100,000</u>
Total cash and cash equivalents	<u>\$ 1,129,663</u>	<u>\$ 256,474</u>

The money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other U.S. government agency.

3. FAIR VALUE MEASUREMENT

FASB ASC 820 establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

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

Level 2 - Inputs to the valuation methodology include; quoted prices of similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for that asset or liability, inputs that are derived principally from or corroborated for the asset or liability, or if the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

3. FAIR VALUE MEASUREMENT (continued)

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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 table sets forth, by level, the fair value hierarchy of the Organization's financial assets as of June 30:

	2020		2019	
	<u>Fair Value</u>	<u>Level 1 inputs</u>	<u>Fair Value</u>	<u>Level 1 inputs</u>
Mutual funds	\$ 1,895,972	\$ 1,895,972	\$ 1,818,345	\$ 1,818,345
Common stocks	<u>2,514</u>	<u>2,514</u>	<u>2,514</u>	<u>2,514</u>
Total	<u>\$ 1,898,486</u>	<u>\$ 1,898,486</u>	<u>\$ 1,820,859</u>	<u>\$ 1,820,859</u>

Investment return is summarized as follows:

	2020	2019
Interest and dividends	\$ 37,732	\$ 34,943
Realized gains	35,137	48,361
Unrealized gains	(13,238)	20,998
Net investment return	<u>\$ 59,631</u>	<u>\$ 104,302</u>

4. PROPERTY AND EQUIPMENT

The cost and accumulated depreciation of property and equipment at June 30:

	2020	2019
Land and improvements	\$ 118,032	\$ 95,632
Building and improvements	3,063,912	3,060,223
Furniture and equipment	<u>697,710</u>	<u>573,963</u>
	3,879,654	3,729,818
Less: accumulated depreciation	<u>(2,726,941)</u>	<u>(2,598,928)</u>
	<u>\$ 1,152,713</u>	<u>\$ 1,130,890</u>

Depreciation expense was \$128,015 and \$123,565 for the years ended June 30, 2020 and 2019, respectively.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	2020	2019
Paycheck Protection Program Loan payable to Mascoma Savings Bank, unsecured, interest payable at 1.00% through payoff in April 2022. Borrower may apply for forgiveness of the loan, it is reasonable to expect all except 25% or \$40,500, plus accrued interest to date of forgiveness, will be forgiven.	\$ 162,000	\$ -
Less current portion	121,500	-
Total long-term debt	\$ 40,500	\$ -

Maturities for long-term debt in subsequent fiscal years from June 30, 2020 are as follows:

2021	\$ 121,500
2022	40,500
	\$ 162,000

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes or periods at June 30:

	2020	2019
Subject to purpose restrictions:		
Animal cruelty	\$ 24,756	\$ -
Animal safety net	9,804	9,804
ATV	5,000	5,000
Bell scholarship for qualified veterinary student tuition	36,316	35,326
Biomass	4,430	-
Jazzeubell Fund	22,115	10,750
Madden Fund	8,532	15,180
Training Center	2,235	3,734
Total net assets subject to purpose restrictions	\$ 113,188	\$ 79,794
Donor designated endowment		
Fitch Fund	\$ 29,796	\$ 29,697
Belcher Conway Fund	28,563	28,469
O. Miriam Bednar Fund	68,666	68,439
Marjorie S.E. Derby Fund	421,653	403,142
Total net assets subject to donor designated endowment	\$ 548,678	\$ 529,747
Total net assets with donor restrictions	\$ 661,866	\$ 609,541

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

7. ENDOWMENT FUND

Donor-Designated Endowments

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

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Actual returns in any given year may vary from this amount.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are required to be restored from either net assets with donor restrictions or net assets without donor restrictions, depending on donor stipulations. These deficiencies result from unfavorable market fluctuations that occur causing the original donor restricted contributions, plus accumulated investment earnings that, in accordance with donor stipulations, are required to be added to the original contribution, to fall below the accumulated balances. Donor stipulations for donor restricted funds require the reclassification of realized and unrealized earnings to net assets with donor restrictions. Based on donor stipulations, there are no donor restricted funds in deficit.

Spending Policy

The Organization has a policy of appropriating for distribution each year 5% or less, at the board's discretion, of its endowment fund's average fair value of the prior 12 quarters though the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
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7. ENDOWMENT FUND (continued)

Endowment net asset composition by type of fund as of June 30, 2020 were as follows:

	Restricted for timing
Donor-restricted funds	\$ 548,678
	\$ 548,678

Changes in endowment net assets as of June 30, 2020 was as follows:

	Restricted for timing
Endowment net assets, beginning of year	\$ 529,747
Investment return:	
Interest and dividends	8,465
Realized gains	674
Unrealized gains	31,984
Assets released from restrictions	(22,192)
Endowment net assets, end of year	\$ 548,678

8. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalent balances in two financial institutions. At June 30, 2020 and 2019, the Organization's cash and cash equivalents exceeded federally insured limits by \$130,335 and \$0, respectively.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
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9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use within one year of the Statement of Financial Position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Organization or Board approves that action.

	2020	2019
Cash and cash equivalents and restricted cash	\$ 1,129,663	\$ 256,474
Accounts receivable, net collected in less than one year	90,682	3,853
Securities available for sale	1,898,486	1,820,859
 Total financial assets, excluding noncurrent receivables	 3,118,831	 2,081,186
 Contractual or donor-imposed restrictions:		
Other donor restrictions	(661,866)	(609,541)
Add back: amounts available for donor-specified expenditures in following year, including investment in capital assets	113,188	79,794
 Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	 \$ 2,570,153	 \$ 1,551,439

10. PRIOR PERIOD ADJUSTMENT

Subsequent to the original issuance of the financial statements, it was determined that a bequest in the amount of \$162,432 received in 1987 from the Estate of Marjorie S.E. Derby, originally classified as without restriction, should be reclassified as a restricted fund. A present value calculation as of December 31, 2020 was accepted by the State of New Hampshire Charitable Trust Unit on March 25, 2021 as \$424,264. From this present value calculation, it was estimated that restricted balances at June 30, 2020 and 2019 should be reclassified from unrestricted net assets in the amount of \$421,653 and \$403,142, respectively.

Unrestricted net assets reported before the application of the prior period adjustment were \$3,822,232 and \$2,967,766 for the years ended June 30, 2020 and 2019, respectively. Restricted net assets reported before the application of the prior period adjustment were \$240,213 and \$206,399 for the years ended June 30, 2020 and 2019, respectively.

11. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 23, 2020, which is the date the financial statements were available to be issued. As of December 23, 2020, no subsequent events have occurred since June 30, 2020. As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which are likely to have a negative impact on results of the operations. The potential impact is unknown at this time.

See independent auditor's report.