

MONADNOCK HUMANE SOCIETY, INC.
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
AND
INDEPENDENT AUDITOR'S REPORT



TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-16



RUST & COMPANY CPAs
certified public accountants | business advisors

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Monadnock Humane Society, Inc. (a New Hampshire non-profit corporation), 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 Monadnock Humane Society, 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 Monadnock Humane Society, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, a prior period adjustment was made to the financial statements for the year ended June 30, 2021. Subsequent to the issuance, the Organization retrospectively applied for the Employer Retention Credit for wages paid in the year then ended. The event resulted in a material change to the financial statements. Our opinion is not modified with respect to this matter.

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 Monadnock Humane Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

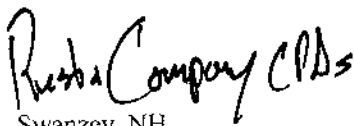
Auditor's Responsibilities for the Audit of the Financial Statements

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 Monadnock Humane Society, 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 Monadnock Humane Society, 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.


Swanzey, NH

October 17, 2022

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 434,084	\$ 194,609
Accounts receivable, net of allowance for doubtful accounts	16,296	1,430
Government grants receivable	381,802	253,516
Prepaid expenses	24,665	16,244
Inventory	3,770	2,492
Total current assets	860,617	468,291
Securities	3,748,425	3,472,679
Construction in progress	8,252	8,252
Property and equipment, at cost, net of accumulated depreciation	1,464,220	1,422,979
Security deposits	-	175
TOTAL ASSETS	\$ 6,081,514	\$ 5,372,376
LIABILITIES		
Accounts payable	\$ 92,198	\$ 71,207
Accrued payroll and related liabilities	45,365	46,160
Deferred revenue	40,795	16,050
Total current liabilities	178,358	133,417
TOTAL LIABILITIES	178,358	133,417
NET ASSETS		
Without donor restrictions	5,275,230	4,490,008
With donor restrictions	627,926	748,951
TOTAL NET ASSETS	5,903,156	5,238,959
TOTAL LIABILITIES AND NET ASSETS	\$ 6,081,514	\$ 5,372,376

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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>			<u>2021</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Program services revenue	\$ 297,852	\$ -	\$ 297,852	\$ 260,029
Boarding and daycare revenue	285,825	-	285,825	213,128
Training center	176,146	-	176,146	143,416
Retail store revenue	9,667	-	9,667	10,556
Contributions	1,711,112	60,768	1,771,880	858,696
Government grants	128,286	-	128,286	415,516
Fundraising	194,620	-	194,620	179,540
Noncash contributions	2,813	-	2,813	4,000
Rental income	14,648	-	14,648	15,809
Loss on disposal of assets	(8,360)	-	(8,360)	-
Miscellaneous revenue	4,301	-	4,301	2,616
Interest and dividends	55,857	9,983	65,840	41,600
Realized gain (loss) on investments	(35,827)	(305)	(36,132)	461,131
Unrealized gain (loss) on investments	(455,481)	(105,511)	(560,992)	27,526
	<u>2,381,459</u>	<u>(35,065)</u>	<u>2,346,394</u>	<u>2,633,563</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>85,960</u>	<u>(85,960)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>2,467,419</u>	<u>(121,025)</u>	<u>2,346,394</u>	<u>2,633,563</u>
EXPENSES				
Program services	1,295,452	-	1,295,452	1,103,490
Management and general	107,717	-	107,717	129,666
Development/fundraising	279,028	-	279,028	223,893
Total expenses	<u>1,682,197</u>	<u>-</u>	<u>1,682,197</u>	<u>1,457,049</u>
CHANGE IN NET ASSETS	785,222	(121,025)	664,197	1,176,514
NET ASSETS, beginning of year	<u>4,490,008</u>	<u>748,951</u>	<u>5,238,959</u>	<u>4,062,445</u>
NET ASSETS, end of year	<u>\$ 5,275,230</u>	<u>\$ 627,926</u>	<u>\$ 5,903,156</u>	<u>\$ 5,238,959</u>

See accompanying notes and independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services				Management and General	Development/ Fundraising	Total
	Services/ Programs	Boarding/ Daycare	Training Center	Programs Total			
Salaries and wages	\$ 459,816	\$ 191,352	\$ 91,392	\$ 742,560	\$ 59,024	\$ 150,416	\$ 952,000
Employee benefits	28,967	12,055	5,757	46,779	3,718	9,476	59,973
Retirement expense	4,889	2,035	972	7,896	628	1,599	10,123
Payroll taxes	38,316	15,945	7,616	61,877	4,919	12,534	79,330
Depreciation	72,305	18,048	18,048	108,401	1,121	2,578	112,100
Program supplies and expenses	66,620	17,082	1,708	85,410	-	-	85,410
Utilities	33,367	8,329	8,329	50,025	517	1,190	51,732
Cost of retail goods sold	5,279	-	-	5,279	-	-	5,279
Repairs and maintenance	32,751	8,175	8,175	49,101	508	1,168	50,777
Fundraising	-	-	-	-	-	19,102	19,102
Insurance	8,307	2,074	2,074	12,455	128	296	12,879
Investment fees	-	-	-	-	-	17,750	17,750
Professional fees	9,157	9,157	9,157	27,471	36,631	27,472	91,574
Bank charges	-	-	-	-	-	22,311	22,311
Advertising	2,933	978	652	4,563	-	1,955	6,518
Telephone	4,470	745	373	5,588	372	1,490	7,450
Office supplies and expense	1,042	1,042	1,042	3,126	1,044	6,254	10,424
Vehicle expense	6,570	-	-	6,570	-	-	6,570
Veterinary care	63,749	-	-	63,749	-	-	63,749
Fees and licenses	1,163	-	-	1,163	-	-	1,163
Leased equipment	367	367	367	1,101	366	2,200	3,667
Postage	206	206	206	618	206	1,237	2,061
Professional development	10,785	-	-	10,785	-	-	10,785
Membership expense	729	187	19	935	-	-	935
Miscellaneous expense	-	-	-	-	(1,465)	-	(1,465)
	<u>\$ 851,788</u>	<u>\$ 287,777</u>	<u>\$ 155,887</u>	<u>\$ 1,295,452</u>	<u>\$ 107,717</u>	<u>\$ 279,028</u>	<u>\$ 1,682,197</u>

See accompanying notes and independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Management and General	Development/ Fundraising	Total
	Services/ Programs	Boarding/ Daycare	Training Center	Programs Total			
Salaries and wages	\$ 373,874	\$ 137,918	\$ 83,084	\$ 594,876	\$ 99,700	\$ 136,256	\$ 830,832
Employee benefits	17,784	6,560	3,953	28,297	4,743	6,481	39,521
Payroll taxes	31,971	11,794	7,103	50,868	8,526	11,652	71,046
Depreciation	61,129	8,632	20,305	90,066	2,033	2,033	94,132
Program supplies and expenses	52,589	13,484	1,349	67,422	-	-	67,422
Utilities	35,874	5,066	11,916	52,856	1,193	1,193	55,242
Cost of retail goods sold	8,343	-	-	8,343	-	-	8,343
Repairs and maintenance	28,894	4,080	9,597	42,571	961	961	44,493
Bad debts	(220)	230	-	10	-	-	10
Fundraising	-	-	-	-	-	16,518	16,518
Insurance	8,151	1,151	2,708	12,010	271	271	12,552
Investment fees	-	-	-	-	-	11,277	11,277
Professional fees	47,289	9,458	4,733	61,480	9,458	14,191	85,129
Bank charges	-	-	-	-	-	12,098	12,098
Advertising	1,667	615	370	2,652	445	607	3,704
Telephone	4,307	718	359	5,384	718	1,077	7,179
Office supplies and expense	947	947	947	2,841	947	5,680	9,468
Vehicle expense	5,633	-	-	5,633	-	-	5,633
Veterinary care	65,323	-	-	65,323	-	-	65,323
Fees and licenses	994	-	-	994	-	-	994
Leased equipment	369	369	369	1,107	369	2,216	3,692
Postage	229	229	229	687	229	1,374	2,290
Professional development	7,547	-	-	7,547	-	-	7,547
Property tax	240	33	80	353	8	8	369
Membership expense	1,693	434	43	2,170	-	-	2,170
Miscellaneous expense	-	-	-	-	65	-	65
	<u>\$ 754,627</u>	<u>\$ 201,718</u>	<u>\$ 147,145</u>	<u>\$ 1,103,490</u>	<u>\$ 129,666</u>	<u>\$ 223,893</u>	<u>\$ 1,457,049</u>

See accompanying notes and independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 664,197	\$ 1,176,514
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	112,100	94,132
Realized (gain) loss on investments	36,132	(461,131)
Unrealized (gain) loss on investments	560,992	(27,526)
Proceeds from Government grants	-	(162,000)
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance for doubtful accounts	(14,866)	89,252
Government grant receivable	(128,286)	(253,516)
Prepaid expenses	(8,421)	(771)
Inventory	(1,278)	1,829
Construction in progress	-	(33,500)
Security deposits	175	8,586
Accounts payable	20,991	34,324
Accrued payroll and related liabilities	(795)	4,137
Deferred revenue	24,745	11,050
Net cash provided by operating activities	<u>1,265,686</u>	<u>481,380</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from investments	155,500	150,000
Purchase of investments	(1,028,370)	(1,235,536)
Purchase of property and equipment	(161,701)	(330,898)
Loss on disposed assets	8,360	-
Net cash used for investing activities	<u>(1,026,211)</u>	<u>(1,416,434)</u>
NET INCREASE (DECREASE) IN CASH	239,475	(935,054)
CASH AND CASH EQUIVALENTS, beginning of year	<u>194,609</u>	<u>1,129,663</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 434,084</u>	<u>\$ 194,609</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, 2022 AND 2021

I. 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 donor 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 Changes in Net Assets, 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 or be retained and invested permanently by the Organization.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 \$434,084 and \$194,609 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, 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 method.

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.

	Years
Buildings and building improvements	39
Land improvements	10-15
Furniture and fixtures	7
Equipment and vehicles	5

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Performance obligations are satisfied as the service is rendered and payment terms are due upon receipt with no obligations for returns or refunds.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or the nature of any donor stipulations. Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Expenses are reported as decreases in net assets without donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor-restrictions, depending on the nature of the restriction. Expirations of donor restrictions on net assets (i.e, the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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 \$2,813 and \$4,000 for the years ended June 30, 2022 and 2021, respectively.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Development/Fundraising Expenses

Total development/fundraising expenses were \$279,028 and \$223,893 for the years ended June 30, 2022 and 2021, respectively.

Advertising Expenses

The Organization's policy is to expense advertising in the period incurred. Total advertising expense was \$6,518 and \$3,704 for the years ended June 30, 2022 and 2021, respectively.

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.

2. CASH AND CASH EQUIVALENTS

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

	2022	2021
Bank demand deposits	\$ 121,713	\$ 152,613
Money market funds	312,371	41,996
Total cash and cash equivalents	\$ 434,084	\$ 194,609

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.

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

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

3. FAIR VALUE MEASUREMENT (continued)

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 at June 30:

	<u>2022</u>		<u>2021</u>	
	Fair Value	Level 1 inputs	Fair Value	Level 1 inputs
Mutual funds	\$ 1,363,619	\$ 1,363,619	\$ 3,470,165	\$ 3,470,165
Common stocks	2,384,806	2,384,806	2,514	2,514
Total	<u>\$ 3,748,425</u>	<u>\$ 3,748,425</u>	<u>\$ 3,472,679</u>	<u>\$ 3,472,679</u>

Investment return is summarized as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 65,840	\$ 41,600
Realized gains (losses)	(36,132)	461,131
Unrealized gains (losses)	(560,992)	27,526
Investment expenses	(17,750)	-
Net investment return	<u>\$ (549,034)</u>	<u>\$ 530,257</u>

4. PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 118,032	\$ 118,032
Building and improvements	3,276,473	3,261,928
Furniture and equipment	957,418	864,092
	<u>4,351,923</u>	<u>4,244,052</u>
Less: accumulated depreciation	(2,887,703)	(2,821,073)
	<u>\$ 1,464,220</u>	<u>\$ 1,422,979</u>

Depreciation expense was \$112,100 and \$94,132 for the years ended June 30, 2022 and 2021, respectively.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

5. NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to purpose restrictions:	2022	2021
10K eyes	\$ 9,952	\$ -
Boarding daycare	1,869	581
Jazzeubell Fund	18,607	21,763
Madden Fund	8,785	12,575
Thank you	5	547
Training center	-	1,068
Total net assets subject to purpose restrictions	\$ 39,218	\$ 36,534
Donor designated endowments held in perpetuity:		
Donor endowment for benefit of operations	\$ 516,723	\$ 634,227
Bell Scholarship Endowment Fund	36,912	45,107
Wratchford Family Anti-Cruelty Endowment Fund	35,073	33,083
Total net assets subject to donor designated endowment	\$ 588,708	\$ 712,417
Total net assets with donor restrictions	\$ 627,926	\$ 748,951

6. 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.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

6. ENDOWMENT FUND (continued)

Board-Designated Endowment

The Board of Directors of the Organization shall retain sufficient reserved funds in a separate Quasi Endowment Account to cover a minimum of 75% of the past year's annual operating expense budget for fiscal emergencies, such as an extraordinary and unavoidable expense (e.g major equipment failure) or catastrophic event.

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.

Distributions from the Wratford Family Anti-Cruelty Endowment Fund may be appropriated, at the board's discretion and in accordance with its policies and donor instruction, an amount up to the annual net investment return of the fund, or if deemed necessary up to 20% of the donor's annual balance, for the purpose of donor specified anti-cruelty spending initiatives.

Distributions from the Bell Scholarship Endowment Fund may be appropriated, at the board's discretion and in accordance with its policies and donor instruction, an amount up to the annual net investment return of the fund, or if deemed necessary any amount of fund principal, for the purpose of donor specified scholarship awards.

Distributions from the Board-Designated Endowment Fund may be appropriated, at the board's discretion and in accordance with the Board's approved Endowment Policy, a minimum amount of 75% of actual expenses for the last fiscal year, for the purpose of the operation budget.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

6. ENDOWMENT FUND (continued)

Endowment net asset composition by type of fund at June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
June 30, 2022			
Original donor-restricted gifts in perpetuity	\$ -	\$ 226,350	\$ 226,350
Accumulated investment gains	-	362,358	362,358
Board-designated endowment funds	871,070	-	871,070
	<u>\$ 871,070</u>	<u>\$ 588,708</u>	<u>\$ 1,459,778</u>

Endowment net asset composition by type of fund at June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
June 30, 2021			
Original donor-restricted gifts in perpetuity	\$ -	\$ 226,350	\$ 226,350
Accumulated investment gains	-	486,067	486,067
Board-designated endowment funds	-	-	-
	<u>\$ -</u>	<u>\$ 712,417</u>	<u>\$ 712,417</u>

Changes in endowment net assets for the years ended June 30, 2022 and 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
June 30, 2022			
Endowment net assets, beginning of year	\$ -	\$ 712,417	\$ 712,417
Subsequent gifts to endowment	986,127	4,928	991,055
Investment return, net:	(115,057)	(97,562)	(212,619)
Assets released from restrictions	-	(31,075)	(31,075)
Endowment net assets, end of year	<u>\$ 871,070</u>	<u>\$ 588,708</u>	<u>\$ 1,459,778</u>

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
June 30, 2021			
Endowment net assets, beginning of year	\$ -	\$ 642,042	\$ 642,042
Subsequent gifts to endowment	-	8,209	8,209
Investment return, net:	-	125,130	125,130
Assets released from restrictions	-	(62,964)	(62,964)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 712,417</u>	<u>\$ 712,417</u>

7. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalent balances in two financial institutions. The Organization's cash and cash equivalents exceeded federally insured limits by \$123,450 and \$0 for the years ended June 30, 2022 and 2021, respectively.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

8. RETIREMENT PLAN

The Organization has adopted a Simple Retirement Account Program which provides a matching provision from the Organization on employee contributions up to 2% of the employee's compensation. Match contributions at June 30, 2022 totaled \$10,123.

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.

	2022	2021
Cash and cash equivalents and restricted cash	\$ 434,084	\$ 194,609
Accounts receivable, net collected in less than one year	16,296	1,430
Securities available for sale	3,748,425	3,472,679
 Total financial assets, excluding noncurrent receivables	 4,198,805	 3,668,718
 Contractual or donor-imposed restrictions:		
Other donor restrictions	(627,926)	(748,951)
Add back: amounts available for donor-specified expenditures in following year, including investment in capital assets	39,218	36,534
 Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	 \$ 3,610,097	 \$ 2,956,301

10. PRIOR PERIOD ADJUSTMENT

Subsequent to the original issuance of the financial statements for the year ended June 30, 2021, it was determined that the Organization was eligible for the Employee Retention Credit (ERC) for quarters ending March 31 and June 30, 2021. The net effect of this event resulted in an increase in government grant receivable and government grant revenue by \$253,516.

Government grant receivables reported before the application of the prior period adjustment were \$0 for the year ended June 30, 2021. Government grant revenues reported before the application of the prior period adjustment were \$162,000 for the year ended June 30, 2021.

11. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 17, 2022, which is the date the financial statements were available to be issued. The Organization received notification in May 2022 of a bequest in the amount of \$1,000,000. The bequest will be recognized on the date of probate approval.

See independent auditor's report.