

MONADNOCK HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

AND

INDEPENDENT AUDITOR'S REPORT

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

Rust & Company CPAs

Swanzey, NH
October 27, 2023

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 520,380	\$ 434,084
Accounts receivable, net of allowance for doubtful accounts	2,639	16,296
Government grants receivable	-	381,802
Prepaid expenses	19,159	24,665
Inventory	5,360	3,770
Total current assets	547,538	860,617
Investments	5,630,018	3,748,425
Construction in progress	8,252	8,252
Property and equipment, at cost, net of accumulated depreciation	1,410,685	1,464,220
TOTAL ASSETS	\$ 7,596,493	\$ 6,081,514
LIABILITIES		
Accounts payable	\$ 89,757	\$ 92,198
Accrued payroll and related liabilities	66,890	45,365
Deferred revenue	46,943	40,795
Total current liabilities	203,590	178,358
TOTAL LIABILITIES	203,590	178,358
NET ASSETS		
Without donor restrictions	6,751,622	5,275,230
With donor restrictions	641,281	627,926
TOTAL NET ASSETS	7,392,903	5,903,156
TOTAL LIABILITIES AND NET ASSETS	\$ 7,596,493	\$ 6,081,514

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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Revenue				
Program services revenue	\$ 368,319	\$ -	\$ 368,319	\$ 297,852
Boarding and daycare revenue	279,704	-	279,704	285,825
Training center	206,904	-	206,904	176,146
Retail store revenue	9,455	-	9,455	9,667
Total revenue from operations	<u>864,382</u>	<u>-</u>	<u>864,382</u>	<u>769,490</u>
Support				
Contributions	1,657,811	45,457	1,703,268	1,771,880
Government grants	-	-	-	128,286
Fundraising	269,201	-	269,201	194,620
Noncash contributions	-	-	-	2,813
Total support	<u>1,927,012</u>	<u>45,457</u>	<u>1,972,469</u>	<u>2,097,599</u>
Rental income	15,844	-	15,844	14,648
Loss on disposal of assets	-	-	-	(8,360)
Miscellaneous revenue	16,798	-	16,798	4,301
Investment income, net of fees	475,085	67,125	542,210	(549,034)
	<u>3,299,121</u>	<u>112,582</u>	<u>3,411,703</u>	<u>2,328,644</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>99,227</u>	<u>(99,227)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,398,348</u>	<u>13,355</u>	<u>3,411,703</u>	<u>2,328,644</u>
EXPENSES				
Program services	1,468,240	-	1,468,240	1,295,452
Management and general	120,640	-	120,640	107,717
Development/fundraising	333,076	-	333,076	261,278
Total expenses	<u>1,921,956</u>	<u>-</u>	<u>1,921,956</u>	<u>1,664,447</u>
CHANGE IN NET ASSETS	1,476,392	13,355	1,489,747	664,197
NET ASSETS, beginning of year	<u>5,275,230</u>	<u>627,926</u>	<u>5,903,156</u>	<u>5,238,959</u>
NET ASSETS, end of year	<u>\$ 6,751,622</u>	<u>\$ 641,281</u>	<u>\$ 7,392,903</u>	<u>\$ 5,903,156</u>

See accompanying notes and independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services				Management and General	Development/ Fundraising	Total
	Services/ Programs	Boarding/ Daycare	Training Center	Programs Total			
Salaries and wages	\$ 516,968	\$ 215,136	\$ 102,751	\$ 834,855	\$ 66,360	\$ 169,112	\$ 1,070,327
Employee benefits	33,347	13,877	6,628	53,852	4,281	10,908	69,041
Retirement expense	10,777	4,485	2,142	17,404	1,383	3,525	22,312
Payroll taxes	39,637	16,495	7,878	64,010	5,088	12,966	82,064
Depreciation	82,456	20,582	20,582	123,620	1,278	2,940	127,838
Program supplies and expenses	88,117	22,594	2,259	112,970	-	-	112,970
Utilities	33,452	8,350	8,350	50,152	519	1,193	51,864
Bad Debt	302	-	-	302	-	-	302
Cost of retail goods sold	9,937	-	-	9,937	-	-	9,937
Repairs and maintenance	36,651	9,149	9,149	54,949	568	1,307	56,824
Fundraising	-	-	-	-	-	59,508	59,508
Insurance	8,522	2,127	2,127	12,776	132	304	13,212
Professional fees	10,047	10,047	10,047	30,141	40,188	30,141	100,470
Bank charges	-	-	-	-	-	27,698	27,698
Advertising	1,912	637	425	2,974	-	1,275	4,249
Telephone	4,580	763	382	5,725	382	1,527	7,634
Office supplies and expense	1,168	1,168	1,168	3,504	1,168	7,011	11,683
Vehicle expense	8,574	-	-	8,574	-	-	8,574
Veterinary care	69,652	-	-	69,652	-	-	69,652
Fees and licenses	420	-	-	420	-	-	420
Leased equipment	418	418	418	1,254	418	2,509	4,181
Postage	192	192	192	576	192	1,152	1,920
Professional development	9,593	-	-	9,593	-	-	9,593
Membership expense	780	200	20	1,000	-	-	1,000
Miscellaneous expense	-	-	-	-	(1,317)	-	(1,317)
	<u>\$ 967,502</u>	<u>\$ 326,220</u>	<u>\$ 174,518</u>	<u>\$ 1,468,240</u>	<u>\$ 120,640</u>	<u>\$ 333,076</u>	<u>\$ 1,921,956</u>

See accompanying notes and independent auditor's report.

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

	<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	\$ 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
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>\$ 261,278</u>	<u>\$ 1,664,447</u>

See accompanying notes and independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,489,747	\$ 664,197
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	127,838	112,100
Realized loss on investments	77,403	36,132
Unrealized (gain) loss on investments	(542,210)	560,992
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance for doubtful accounts	13,657	(14,866)
Government grant receivable	381,802	(128,286)
Prepaid expenses	5,506	(8,421)
Inventory	(1,590)	(1,278)
Security deposits	-	175
Accounts payable	(2,441)	20,991
Accrued payroll and related liabilities	21,525	(795)
Deferred revenue	6,148	24,745
Net cash provided by operating activities	<u>1,577,385</u>	<u>1,265,686</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from investments	-	155,500
Purchase of investments	(1,416,786)	(1,028,370)
Purchase of property and equipment	(74,303)	(161,701)
Loss on disposed assets	-	8,360
Net cash used for investing activities	<u>(1,491,089)</u>	<u>(1,026,211)</u>
NET INCREASE IN CASH	86,296	239,475
CASH AND CASH EQUIVALENTS, beginning of year	<u>434,084</u>	<u>194,609</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 520,380</u>	<u>\$ 434,084</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, 2023 AND 2022

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 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, 2023 AND 2022

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 \$520,380 and \$434,084 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, 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.

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

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.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, and expenditures are incurred, respectively. Performance obligations are satisfied at the commencement of the service as it is rendered, and payment terms are due upon receipt. Adoption contract, and clinic deposits are nonrefundable. Training deposits are nonrefundable at the commencement of the service. Boarding deposits are refundable forty-eight hours prior to service. Daycare fees are nonrefundable. All nonrefundable deposits are subject to the discretion of management in the case of unforeseen circumstances.

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 \$0 and \$2,813 for the years ended June 30, 2023 and 2022, respectively.

Development/Fundraising Expenses

Total development/fundraising expenses were \$333,076 and \$261,278 for the years ended June 30, 2023 and 2022, respectively.

Advertising Expenses

The Organization's policy is to expense advertising in the period incurred. Total advertising expense was \$4,249 and \$6,518 for the years ended June 30, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Bank demand deposits	\$ 111,972	\$ 121,713
Money market funds	408,408	312,371
Total cash and cash equivalents	<u>\$ 520,380</u>	<u>\$ 434,084</u>

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

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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.

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>2023</u>		<u>2022</u>	
	<u>Fair Value</u>	<u>Level 1 inputs</u>	<u>Fair Value</u>	<u>Level 1 inputs</u>
Fixed income exchange traded funds	\$ 1,604,284	\$ 1,604,284	\$ 1,363,619	\$ 1,363,619
Domestic equity exchange traded funds	3,109,892	3,109,892	2,023,107	2,023,107
Foreign equity exchange traded funds	915,842	915,842	361,699	361,699
Total	<u>\$ 5,630,018</u>	<u>\$ 5,630,018</u>	<u>\$ 3,748,425</u>	<u>\$ 3,748,425</u>

Investment return is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 125,274	\$ 65,840
Realized losses	(77,403)	(36,132)
Unrealized gains (losses)	516,424	(560,992)
Investment expenses	(22,085)	(17,750)
Net investment return	<u>\$ 542,210</u>	<u>\$ (549,034)</u>

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

4. PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 118,032	\$ 118,032
Building and improvements	3,276,473	3,276,473
Furniture and equipment	1,031,721	957,418
	<u>4,426,226</u>	<u>4,351,923</u>
Less: accumulated depreciation	<u>(3,015,541)</u>	<u>(2,887,703)</u>
	<u>\$ 1,410,685</u>	<u>\$ 1,464,220</u>

Depreciation expense was \$127,838 and \$112,100 for the years ended June 30, 2023 and 2022, respectively.

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:	<u>2023</u>	<u>2022</u>
10K eyes	\$ 9,690	\$ 9,952
Boarding daycare	-	1,869
Jazzeubell Medical Fund for dogs	11,620	18,607
Madden Medical Fund for cats	2,246	8,785
Thank you, employee recognition	188	5
Total net assets subject to purpose restrictions	<u>\$ 23,744</u>	<u>\$ 39,218</u>

Donor designated endowments held in perpetuity:

Donor endowment for benefit of operations	\$ 550,062	\$ 516,723
Bell Scholarship Endowment Fund	35,799	36,912
Wratchford Family Anti-Cruelty Endowment Fund	31,676	35,073
Total net assets subject to donor designated endowment	<u>\$ 617,537</u>	<u>\$ 588,708</u>
Total net assets with donor restrictions	<u>\$ 641,281</u>	<u>\$ 627,926</u>

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

6. ENDOWMENT FUND

Donor-Designated Endowments

The Organization's endowment consists of various individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, 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.

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 accounting principles generally accepted in the United States of America, 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.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

6. ENDOWMENT FUND (continued)

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.

Endowment net asset composition by type of fund at June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
June 30, 2023			
Original donor-restricted gifts in perpetuity	\$ -	\$ 226,350	\$ 226,350
Accumulated investment gains	-	391,187	391,187
Board-designated endowment funds	967,704	-	967,704
	<u>\$ 967,704</u>	<u>\$ 617,537</u>	<u>\$ 1,585,241</u>

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>

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

6. ENDOWMENT FUND (continued)

Changes in endowment net assets for the years ended June 30, 2023 and 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
June 30, 2023			
Endowment net assets, beginning of year	\$ 871,070	\$ 588,708	\$ 1,459,778
Subsequent gifts to endowment	-	14,400	14,400
Investment return, net:	96,634	67,125	163,759
Assets released from restrictions	-	(52,696)	(52,696)
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, end of year	<u>\$ 967,704</u>	<u>\$ 617,537</u>	<u>\$ 1,585,241</u>
	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)
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, end of year	<u>\$ 871,070</u>	<u>\$ 588,708</u>	<u>\$ 1,459,778</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 \$0 and \$123,450 for the years ended June 30, 2023 and 2022, respectively.

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 totaled \$22,313 and \$10,123 for the years ended June 30, 2023 and 2022, respectively.

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MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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.

	2023	2022
Cash and cash equivalents and restricted cash	\$ 520,380	\$ 434,084
Accounts receivable, net collected in less than one year	2,639	16,296
Securities available for sale	5,630,018	3,748,425
 Total financial assets, excluding noncurrent receivables	 6,153,037	 4,198,805
 Contractual or donor-imposed restrictions:		
Other donor restrictions	(641,281)	(627,926)
Add back: amounts available for donor-specified expenditures in following year, including investment in capital assets	23,744	39,218
 Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	 \$ 5,535,500	 \$ 3,610,097

10. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 27, 2023, which is the date the financial statements were available to be issued. As of October 27, 2023, no subsequent events have occurred since June 30, 2023.

See independent auditor's report.