

MONADNOCK HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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.

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, 2019 and 2018, 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, 2019 and 2018, 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
October 29, 2019

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 256,474	\$ 590,933
Accounts receivable, net	3,853	5,999
Securities - available for sale	1,820,859	1,388,971
Prepaid expenses	22,024	21,843
Inventory	4,995	4,653
Total current assets	2,108,205	2,012,399
Construction in progress	8,252	1,050
Property and equipment, at cost, net of accumulated depreciation	1,130,890	1,220,193
TOTAL ASSETS	\$ 3,247,347	\$ 3,232,592
LIABILITIES		
Accounts payable	\$ 42,506	\$ 65,477
Accrued payroll and related liabilities	29,476	27,375
Deferred revenue	1,200	10,038
Total current liabilities	73,182	102,890
NET ASSETS		
Without donor restrictions	2,967,766	2,954,550
With donor restrictions	206,399	176,202
TOTAL NET ASSETS	3,174,165	3,130,752
TOTAL LIABILITIES AND NET ASSETS	\$ 3,247,347	\$ 3,233,642

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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Program services revenue	\$ 208,818	\$ -	\$ 208,818	\$ 253,783
Boarding and daycare revenue	247,773	-	247,773	222,007
Training center	147,991	-	147,991	132,556
Retail store revenue	13,892	-	13,892	19,351
Contributions	483,510	28,836	512,346	896,362
Fundraising	167,161	-	167,161	218,442
Rental income	11,897	-	11,897	9,255
Noncash contributions	68,076	-	68,076	8,575
Miscellaneous revenue	2,511	-	2,511	1,348
Interest and dividends	34,943	-	34,943	22,374
Realized gains on investments	47,412	949	48,361	34,796
Unrealized gains on investments	20,586	412	20,998	20,400
TOTAL SUPPORT AND REVENUE	<u>1,454,570</u>	<u>30,197</u>	<u>1,484,767</u>	<u>1,839,249</u>
EXPENSES				
Program services	1,102,350	-	1,102,350	1,061,903
Management and general	120,609	-	120,609	120,239
Development/fundraising	218,395	-	218,395	237,864
Total expenses	<u>1,441,354</u>	<u>-</u>	<u>1,441,354</u>	<u>1,420,006</u>
CHANGE IN NET ASSETS	13,216	30,197	43,413	419,243
NET ASSETS, beginning of year	<u>2,954,550</u>	<u>176,202</u>	<u>3,130,752</u>	<u>2,711,509</u>
NET ASSETS, end of year	<u>\$ 2,967,766</u>	<u>\$ 206,399</u>	<u>\$ 3,174,165</u>	<u>\$ 3,130,752</u>

See accompanying notes and independent auditor's report.

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

	Program Services				Management and General	Development/ Fundraising	Total
	Services/ Programs	Boarding/ Daycare	Training Center	Programs Total			
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)
	\$ 759,218	\$ 195,125	\$ 148,007	\$ 1,102,350	\$ 120,609	\$ 218,395	\$ 1,441,354

See accompanying notes and independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services				Management and General	Development/ Fundraising	Total
	Services/ Programs	Boarding/ Daycare	Training Center	Programs Total			
Salaries and wages	\$ 333,526	\$ 123,034	\$ 74,117	\$ 530,677	\$ 88,940	\$ 121,552	\$ 741,169
Employee benefits	19,156	7,066	4,257	30,479	5,108	6,981	42,568
Payroll taxes	26,428	9,749	5,873	42,050	7,047	9,632	58,729
Depreciation	79,274	11,194	26,330	116,798	2,637	2,637	122,072
Program supplies and expenses	54,006	13,848	1,385	69,239	-	-	69,239
Utilities	43,520	6,145	14,455	64,120	1,448	1,448	67,016
Cost of retail goods sold	9,153	-	-	9,153	-	-	9,153
Repairs and maintenance	25,280	3,570	8,397	37,247	841	841	38,929
Fundraising	-	-	-	-	-	50,823	50,823
Insurance	11,022	1,556	3,661	16,239	367	367	16,973
Professional fees	52,409	10,482	5,246	68,137	10,482	15,727	94,346
Bank charges	-	-	-	-	-	14,240	14,240
Advertising	3,931	1,450	874	6,255	1,048	1,433	8,736
Telephone	4,099	683	342	5,124	683	1,025	6,832
Office supplies and expense	423	423	423	1,269	423	2,539	4,231
Vehicle expense	6,026	-	-	6,026	-	-	6,026
Veterinary care	45,036	-	-	45,036	-	-	45,036
Fees and licenses	275	-	-	275	-	-	275
Leased equipment	837	837	837	2,511	837	5,024	8,372
Postage	339	339	339	1,017	339	2,034	3,390
Property tax	205	29	68	302	7	7	316
Professional development	9,949	-	-	9,949	-	-	9,949
Membership expense	-	-	-	-	-	1,554	1,554
Miscellaneous	-	-	-	-	32	-	32
	<u>\$ 724,894</u>	<u>\$ 190,405</u>	<u>\$ 146,604</u>	<u>\$ 1,061,903</u>	<u>\$ 120,239</u>	<u>\$ 237,864</u>	<u>\$ 1,420,006</u>

See accompanying notes and independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 43,413	\$ 419,243
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation	123,565	122,072
Realized gains on investments	(48,361)	(34,796)
Unrealized gains on investments	(20,998)	(20,400)
Changes in operating assets and liabilities:		
Accounts receivable, net	2,146	8,314
Prepaid expenses	(181)	4,381
Inventory	(342)	(1,986)
Construction in progress	(7,202)	(1,050)
Accounts payable	(22,971)	44,759
Accrued payroll and related liabilities	2,101	(1,193)
Deferred revenue	(8,838)	7,388
	<u>62,332</u>	<u>546,732</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Contributions to)/distributions from investments	(185,000)	75,000
Purchases of investments	(177,529)	(236,715)
Purchase of property and equipment	(34,262)	(46,573)
Net cash used for investing activities	<u>(396,791)</u>	<u>(208,288)</u>
NET INCREASE/(DECREASE) IN CASH	(334,459)	338,444
CASH AND CASH EQUIVALENTS, beginning of year	<u>590,933</u>	<u>252,489</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 256,474</u>	<u>\$ 590,933</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, 2019 AND 2018

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, 2019 AND 2018

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 \$256,474 and \$590,933 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, 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	15
Furniture and fixtures	7
Equipment and vehicles	5

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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.

Revenues and Expenses

Revenues are reported as increases in net assets without donor restrictions unless the use of those assets is limited by donor-imposed restrictions. Expenses are reported as decrease in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law.

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 \$3,036 and \$8,575 for the years ended June 30, 2019 and 2018, respectively.

Development/Fundraising Expenses

Total fundraising expenses were \$218,395 and \$237,864 for the years ended June 30, 2019 and 2018, respectively.

Advertising Expenses

The Organization's policy is to expense advertising in the period incurred. Total advertising expense was \$5,140 and \$8,736 for the years ended June 30, 2019 and 2018, 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.

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncement

During the year ended June 30, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in the financial statements. Amounts previously reported as unrestricted net assets are now reported as assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 9).

2. CASH AND CASH EQUIVALENTS

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

	2019	2018
Bank demand deposits	\$ 156,474	\$ 512,907
Money market funds	100,000	78,026
Total cash and cash equivalents	\$ 256,474	\$ 590,933

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

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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:

	2019		2018	
	Fair Value	Level 1 inputs	Fair Value	Level 1 inputs
Mutual funds	\$ 1,818,345	\$ 1,818,345	\$ 1,264,114	\$ 1,264,114
Certificate of deposit	-	-	124,857	124,857
Common stocks	2,514	2,514	-	-
Total	\$ 1,820,859	\$ 1,820,859	\$ 1,388,971	\$ 1,388,971

Investment return is summarized as follows:

	2019	2018
Interest and dividends	\$ 34,943	\$ 22,374
Realized gains	48,361	34,796
Unrealized gains	20,998	20,400
Net investment return	\$ 104,302	\$ 77,570

4. 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, 2019 AND 2018

4. ENDOWMENT FUND (continued)

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 permanently restricted funds require the reclassification of realized and unrealized earnings to net assets with donor restrictions. Based on donor stipulations, there are no permanently 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.

The Organization has nine different funds established for a variety of purposes. These funds are restricted for purpose and restricted for timing, depending on the explicit direction of the donor. The funds include donor-restricted funds, specified in Note 6 below.

The Board-designated funds are maintained for general operations and other Board discretionary purposes.

All investment funds are held in a brokerage account.

Endowment net asset composition by type of fund as of June 30, 2019 were as follows:

	Without donor restrictions	Restricted for purpose	Restricted for timing	Total
Donor-restricted funds	\$ -	\$ 79,794	\$ 126,605	\$ 206,399
Board-designated funds	1,714,460	-	-	1,714,460
	<u>\$ 1,714,460</u>	<u>\$ 79,794</u>	<u>\$ 126,605</u>	<u>\$ 1,920,859</u>

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. ENDOWMENT FUND (continued)

Changes in endowment net assets as of June 30, 2019 was as follows:

	<u>Board- designated</u>	<u>Restricted for purpose</u>	<u>Restricted for timing</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,290,795	\$ 50,958	\$ 125,244	\$ 1,466,997
Support and revenue	320,724	40,043	-	360,767
Investment return:				
Interest and dividends	34,943	-	-	34,943
Realized gains	47,412	-	949	48,361
Unrealized gains	20,586	-	412	20,998
Assets released from restrictions	<u>-</u>	<u>(11,207)</u>	<u>-</u>	<u>(11,207)</u>
Endowment net assets, end of year	<u>\$ 1,714,460</u>	<u>\$ 79,794</u>	<u>\$ 126,605</u>	<u>\$ 1,920,859</u>

5. PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 95,632	\$ 95,632
Building and improvements	3,060,223	3,039,117
Furniture and equipment	573,963	560,806
	<u>3,729,818</u>	<u>3,695,555</u>
Less: accumulated depreciation	<u>(2,598,928)</u>	<u>(2,475,362)</u>
	<u>\$ 1,130,890</u>	<u>\$ 1,220,193</u>

Depreciation expense was \$123,565 and \$122,072 for the years ended June 30, 2019 and 2018, respectively.

6. 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>2019</u>	<u>2018</u>
Animal safety net	\$ 9,804	\$ 9,804
ATV	5,000	5,000
Bell scholarship for qualified veterinary student tuition	35,326	36,154
Jazzeubell Fund	10,750	-
Madden Fund	15,180	-
Training Center	<u>3,734</u>	<u>-</u>
Total net assets subject to purpose restrictions	<u>\$ 79,794</u>	<u>\$ 50,958</u>

See independent auditor's report.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

6. NET ASSETS WITH DONOR RESTRICTIONS (continued)

	<u>2019</u>	<u>2018</u>
Subject to timing restrictions:		
Fitch Fund	\$ 29,697	\$ 29,378
Belcher Conway Fund	28,469	28,163
O. Miriam Bednar Fund	<u>68,439</u>	<u>67,703</u>
Total net assets subject to timing restrictions	\$ <u>126,605</u>	\$ <u>125,244</u>
Total net assets with donor restrictions	<u>\$ 206,399</u>	<u>\$ 176,202</u>

7. INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for 2019 and 2018. The Organization files its forms 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2016.

8. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalent balances in two financial institutions. At June 30, 2019 and 2018, the Organization's cash and cash equivalents exceeded federally insured limits by \$0 and \$262,908, respectively.

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.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents and restricted cash	\$ 256,474	\$ 590,933
Accounts receivable, net collected in less than one year	3,853	5,999
Securities available for sale	<u>1,820,859</u>	<u>1,388,971</u>
Total financial assets, excluding noncurrent receivables	2,081,186	1,985,903
Contractual or donor-imposed restrictions:		
Other donor restrictions	(206,399)	(176,202)
Add back: amounts available for donor-specified expenditures in following year, including investment in capital assets	<u>79,794</u>	<u>50,958</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 1,954,581</u>	<u>\$ 1,860,659</u>

See independent auditor's report.

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NOTES TO FINANCIAL STATEMENTS
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10. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 29, 2019, which is the date the financial statements were available to be issued. As of October 29, 2019, no subsequent events have occurred since June 30, 2019.

See independent auditor's report.