

DANVILLE AREA HUMANE SOCIETY, INC.

FINANCIAL REPORT

JUNE 30, 2023

DANVILLE AREA HUMANE SOCIETY, INC.

EXECUTIVE DIRECTOR

Paulette Dean

OFFICERS

President – Kathleen Contratto

First Vice President – Jefferson Smith, D. V. M.

Second Vice President – Aaron Stainback

Secretary – Ann Evans

Treasurer – Lindsay Gilbert

BOARD OF DIRECTORS

Bernard Baker
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Danville Area Humane Society, Inc.
Danville, Virginia

We have audited the accompanying financial statements of Danville Area Humane Society, Inc. (a nonprofit organization) 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 Danville Area 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Danville Area 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 these 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 Danville Area 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objective 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 auditors' 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, misrepresentation, or the override of internal controls. 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 Danville Area 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 Danville Area 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.

Other Matter

As discussed in Note 12 to the financial statements, Danville Area Humane Society, Inc. has complied with the requirements of the agreement with the City of Danville, Virginia whereby all funds provided by the City of Danville have been disbursed for expenses incurred in operating the animal shelter.

Harris Harvey Neal & Co. LLP

Danville, Virginia
January 10, 2024

DANVILLE AREA HUMANE SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

See Independent Auditors' Report

ASSETS	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 727,328	\$ 501,442
Accounts receivable	18,737	-
Inventories	5,860	3,869
Prepaid expenses	3,135	3,043
	<u>755,060</u>	<u>508,354</u>
Total current assets		
	<u>755,060</u>	<u>508,354</u>
BENEFICIAL INTEREST IN CHARITABLE TRUST HELD BY OTHERS		
	<u>398,675</u>	<u>414,983</u>
PROPERTY AND EQUIPMENT		
Building and runs	1,106,616	1,079,766
Equipment	61,640	60,667
Vehicle	68,132	67,050
Computer software	283	283
	<u>1,236,671</u>	<u>1,207,766</u>
Less accumulated depreciation	<u>508,711</u>	<u>476,934</u>
	<u>727,960</u>	<u>730,832</u>
	<u>\$ 1,881,695</u>	<u>\$ 1,654,169</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 10,117	\$ 11,318
Accrued expenses:		
Salaries	8,591	9,296
Payroll taxes	3,817	3,877
Spay, neuter, and rabies expenses	12,506	12,823
	<u>35,031</u>	<u>37,314</u>
Total current liabilities		
	<u>35,031</u>	<u>37,314</u>
NET ASSETS		
Without donor restrictions, undesignated	1,220,194	1,024,231
With donor restrictions	626,470	592,624
	<u>1,846,664</u>	<u>1,616,855</u>
	<u>\$ 1,881,695</u>	<u>\$ 1,654,169</u>

See Notes to Financial Statements

DANVILLE AREA HUMANE SOCIETY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2023

See Independent Auditors' Report

	Without Donor Restrictions		With Donor Restrictions		Total
	Society Fund	Shelter Fund	Society Fund	Shelter Fund	
Support and Revenue:					
Adoption fees	\$ -	\$ 12,067	\$ -	\$ -	\$ 12,067
Other program services	-	3,055	-	-	3,055
City allotment	-	249,850	-	-	249,850
Membership dues	2,075	-	-	-	2,075
Contributions	324,174	16,580	52,048	-	392,802
Grants received	63,500	-	52,000	-	115,500
Fundraising revenue	480	-	-	-	480
Interest income	478	8	-	-	486
Split-interest trust income	20,000	-	-	-	20,000
Net decrease in value of trust beneficial interest	-	-	(16,308)	-	(16,308)
Transfers in satisfaction of restrictions	53,894	-	(53,894)	-	-
	<u>464,601</u>	<u>281,560</u>	<u>33,846</u>	<u>-</u>	<u>780,007</u>
Gross special events revenue	9,443	-	-	-	9,443
Less cost of direct benefit to donors	(10,959)	-	-	-	(10,959)
Net special events revenue	<u>(1,516)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,516)</u>
Product sales	5,370	-	-	-	5,370
Less cost of products sold	(3,492)	-	-	-	(3,492)
Net product sales	<u>1,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,878</u>
Total support and revenue	<u>464,963</u>	<u>281,560</u>	<u>33,846</u>	<u>-</u>	<u>780,369</u>
Expenses:					
Program services	124,252	323,659	-	-	447,911
Supporting services:					
Management and general	35,290	67,359	-	-	102,649
Fundraising	-	-	-	-	-
Total expenses	<u>159,542</u>	<u>391,018</u>	<u>-</u>	<u>-</u>	<u>550,560</u>
Increase (decrease) in net assets	<u>305,421</u>	<u>(109,458)</u>	<u>33,846</u>	<u>-</u>	<u>229,809</u>
Net assets (deficit), beginning of year	<u>1,789,726</u>	<u>(765,495)</u>	<u>592,624</u>	<u>-</u>	<u>1,616,855</u>
Net assets (deficit), end of year	<u>\$ 2,095,147</u>	<u>\$ (874,953)</u>	<u>\$ 626,470</u>	<u>\$ -</u>	<u>\$ 1,846,664</u>

See Notes to Financial Statements

DANVILLE AREA HUMANE SOCIETY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2022

See Independent Auditors' Report

	Without Donor Restrictions		With Donor Restrictions		Total
	Society Fund	Shelter Fund	Society Fund	Shelter Fund	
Support and Revenue:					
Adoption fees	\$ -	\$ 15,216	\$ -	\$ -	\$ 15,216
Other program services	-	5,026	-	-	5,026
City allotment	-	198,642	-	-	198,642
Membership dues	480	-	-	-	480
Contributions	227,643	7,338	99,342	-	334,323
Grants received	75,152	-	-	-	75,152
Fundraising revenue	1,270	-	-	-	1,270
Interest income	44	1	-	-	45
Split-interest trust income	16,000	-	-	-	16,000
Net decrease in value					
of trust beneficial interest	-	-	(41,547)	-	(41,547)
(Loss) on disposal of assets	-	(530)	-	-	(530)
Transfers in satisfaction					
of restrictions	101,623	-	(101,623)	-	-
	<u>422,212</u>	<u>225,693</u>	<u>(43,828)</u>	<u>-</u>	<u>604,077</u>
Gross special events revenue	11,750	-	-	-	11,750
Less cost of direct benefit					
to donors	(7,583)	-	-	-	(7,583)
Net special events revenue	4,167	-	-	-	4,167
Product sales	9,050	-	-	-	9,050
Less cost of products sold	(4,341)	-	-	-	(4,341)
Net product sales	4,709	-	-	-	4,709
Total support and revenue	<u>431,088</u>	<u>225,693</u>	<u>(43,828)</u>	<u>-</u>	<u>612,953</u>
Expenses:					
Program services	127,278	270,095	-	-	397,373
Supporting services:					
Management and general	35,166	61,796	-	-	96,962
Fundraising	5,334	-	-	-	5,334
Total expenses	<u>167,778</u>	<u>331,891</u>	<u>-</u>	<u>-</u>	<u>499,669</u>
Increase (decrease) in net assets	<u>263,310</u>	<u>(106,198)</u>	<u>(43,828)</u>	<u>-</u>	<u>113,284</u>
Net assets (deficit), beginning of year	<u>1,526,416</u>	<u>(659,297)</u>	<u>636,452</u>	<u>-</u>	<u>1,503,571</u>
Net assets (deficit), end of year	<u>\$ 1,789,726</u>	<u>\$ (765,495)</u>	<u>\$ 592,624</u>	<u>\$ -</u>	<u>\$1,616,855</u>

See Notes to Financial Statements

DANVILLE AREA HUMANE SOCIETY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

See Independent Auditors' Report

	<u>Program Services</u>		<u>Management and General</u>		<u>Fundraising</u>	<u>Total Expenses</u>
	<u>Society</u>	<u>Shelter</u>	<u>Society</u>	<u>Shelter</u>		
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		
Wages	\$ 24,902	\$ 138,530	\$ 24,903	\$ 34,632	\$ -	\$ 222,967
Payroll taxes	1,669	11,266	1,669	2,817	-	17,421
Insurance:						
Health and life	212	16,674	212	4,169	-	21,267
Other	2,756	3,242	2,757	810	-	9,565
Vehicle expense	177	495	88	247	-	1,007
Utilities	-	18,945	-	997	-	19,942
Repairs and maintenance	-	9,318	-	-	-	9,318
Legal and accounting	5,000	-	-	21,910	-	26,910
Telephone	1,695	3,694	424	924	-	6,737
Postage	-	1,395	-	349	-	1,744
Printing	-	1,072	-	268	-	1,340
Advertising and program	2,232	3,078	-	-	-	5,310
Office supplies	-	-	2,033	198	-	2,231
Dues and subscriptions	-	-	1,507	-	-	1,507
Animal rescue/cruelty investigations	6,328	-	-	-	-	6,328
Veterinarian services	-	30,858	-	-	-	30,858
Food and food supplies	-	31,856	-	-	-	31,856
Kennel supplies and janitorial	-	51,515	-	-	-	51,515
Spay and neuter clinic	45,177	-	-	-	-	45,177
Product cost of goods sold	-	-	-	-	3,492	3,492
Fundraising expenses	-	-	-	-	10,959	10,959
Depreciation	32,290	1,475	1,245	-	-	35,010
Travel and meals	1,589	-	397	-	-	1,986
Interest expense	-	116	-	6	-	122
Miscellaneous	225	130	55	32	-	442
Total expenses by function	124,252	323,659	35,290	67,359	14,451	565,011
Less included in support and revenue:						
Cost of product sales	-	-	-	-	(3,492)	(3,492)
Cost of direct benefits to donors	-	-	-	-	(10,959)	(10,959)
	-	-	-	-	(14,451)	(14,451)
Total expenses as presented on Statement of Activities and Changes in Net Assets	<u>\$ 124,252</u>	<u>\$ 323,659</u>	<u>\$ 35,290</u>	<u>\$ 67,359</u>	<u>\$ -</u>	<u>\$ 550,560</u>

See Notes to Financial Statements

DANVILLE AREA HUMANE SOCIETY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

See Independent Auditors' Report

	Program Services		Management and General		Fundraising	Total Expenses
	Society	Shelter	Society	Shelter		
	Fund	Fund	Fund	Fund		
Wages	\$ 24,299	\$ 115,592	\$ 24,300	\$ 28,898	\$ -	\$ 193,089
Payroll taxes	2,546	7,799	2,546	1,950	-	14,841
Insurance:						
Health and life	100	15,099	100	3,775	-	19,074
Other	2,756	3,281	2,757	820	-	9,614
Vehicle expense	327	691	164	346	-	1,528
Utilities	-	16,347	-	860	-	17,207
Repairs and maintenance	-	5,046	-	-	-	5,046
Legal and accounting	1,060	-	980	23,675	-	25,715
Telephone	1,340	3,192	335	798	-	5,665
Postage	-	996	-	249	-	1,245
Printing	-	598	-	149	-	747
Advertising and program	1,654	3,771	-	-	-	5,425
Office supplies	-	-	1,326	102	-	1,428
License fees	200	-	-	-	-	200
Dues and subscriptions	-	-	455	-	-	455
Animal rescue/cruelty investigations	7,180	-	-	-	-	7,180
Veterinarian services	-	17,460	-	-	-	17,460
Food and food supplies	-	25,342	-	-	-	25,342
Kennel supplies and janitorial	-	51,941	-	-	-	51,941
Spay and neuter clinic	53,644	-	-	-	-	53,644
Product cost of goods sold	-	-	-	-	4,341	4,341
Fundraising expenses	-	-	-	-	12,917	12,917
Depreciation	30,560	1,328	1,801	-	-	33,689
Travel and meals	404	-	101	-	-	505
Interest expense	-	1,173	-	62	-	1,235
Miscellaneous	1,208	439	301	112	-	2,060
Total expenses by function	127,278	270,095	35,166	61,796	17,258	511,593
Less included in support and revenue:						
Cost of product sales	-	-	-	-	(4,341)	(4,341)
Cost of direct benefits to donors	-	-	-	-	(7,583)	(7,583)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,924)</u>	<u>(11,924)</u>
Total expenses as presented on Statement of Activities and Changes in Net Assets	<u>\$ 127,278</u>	<u>\$ 270,095</u>	<u>\$ 35,166</u>	<u>\$ 61,796</u>	<u>\$ 5,334</u>	<u>\$ 499,669</u>

See Notes to Financial Statements

DANVILLE AREA HUMANE SOCIETY, INC.

STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2023 and 2022
 See Independent Auditors' Report

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 229,809	\$ 113,284
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	35,010	33,689
Loss on disposal of equipment	-	530
Decrease in beneficial interest in perpetual trust	16,308	41,547
Change in operating assets and liabilities:		
(Increase) decrease in assets:		
Unconditional restricted promises to give	-	50,000
Accounts receivable	(18,737)	-
Inventories	(1,991)	2,015
Prepaid expenses	(92)	361
Increase (decrease) in liabilities:		
Accounts payable	(1,201)	2,654
Accrued expenses	(1,082)	5,482
Net cash provided by operating activities	<u>258,024</u>	<u>249,562</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(32,138)</u>	<u>(1,417)</u>
Net cash (used in) investing activities	<u>(32,138)</u>	<u>(1,417)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	<u>-</u>	<u>(50,000)</u>
Net cash (used in) financing activities	<u>-</u>	<u>(50,000)</u>
Increase in cash and cash equivalents	225,886	198,145
Cash and cash equivalents:		
Beginning	<u>501,442</u>	<u>303,297</u>
Ending	<u>\$ 727,328</u>	<u>\$ 501,442</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 122</u>	<u>\$ 1,345</u>

See Notes to Financial Statements

DANVILLE AREA HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Reporting Entity and Significant Accounting Policies

Nature of reporting entity:

The Danville Area Humane Society, Inc. is a nonprofit corporation organized under the laws of the Commonwealth of Virginia for the purpose of promoting the welfare and humane treatment of all animals. The Society seeks to prevent cruelty to animals and promote kindness and respect for all forms of life. It hopes to provide for the rescue and temporary maintenance of lost, strayed, or abandoned animals. To this end, the Society also provides educational programs to distribute the principles of humaneness.

A summary of the Society's significant accounting policies follows:

Basis of accounting:

The financial statements of the Society have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources or items be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

DANVILLE AREA HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Reporting Entity and Significant Accounting Policies (Continued)

Promises to give:

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give that are expected to be collected or paid within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Contributions:

The Society accounts for contributions in accordance with the recommendations of authoritative United States accounting and reporting standards under which the Society is required to record contributions received as with donor restrictions or without donor restrictions, depending on the existence or nature of any donor-imposed restrictions.

All donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. When the restriction expires in the same year the contribution is received, it is the policy of the Society to report the contribution as support without donor restrictions.

Contributed services and in-kind contributions:

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Society records donated professional services at the respective fair values of the services received.

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. Accordingly, actual results could differ from those estimates.

DANVILLE AREA HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Reporting Entity and Significant Accounting Policies (Continued)

Cash and cash equivalents:

For purposes of reporting cash flows, the Society includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and certificates of deposit with original maturities of 90 days or less as cash and cash equivalents on the accompanying statements of financial position. Certificates of deposit with original maturities greater than 90 days are considered to be short-term investments. There were no certificates of deposit held at June 30, 2023 or 2022.

Inventory:

Inventory is stated at the lower of cost or market (first-in, first-out) and consists of tee shirts and other pet related gift shop items held for resale.

Property and equipment:

Property and equipment acquisitions are recorded at cost or fair value when received. Depreciation is provided over the useful life of each class of depreciable assets and is computed using the straight-line method. It is the Society's policy to capitalize property and equipment over \$500. Lesser amounts are expensed.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Society reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

DANVILLE AREA HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Reporting Entity and Significant Accounting Policies (Continued)

Advertising costs:

The Society expenses advertising costs as incurred.

Income taxes:

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. The organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. Management has determined that the organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Financial instruments and credit risk:

The Society manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investment in money market mutual funds. To date, the Society has not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statement of Financial Position, consist of cash and cash equivalents in the amount of \$727,328.

DANVILLE AREA HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Beneficial Interest in Perpetual Charitable Trust

The Society is the beneficiary of a fifty percent interest in the Sam S. Pruitt and Frances J. Pruitt Perpetual Charitable Trust. The assets of the trust are held and administered by an independent trustee. Under the terms of the trust, the Society has the irrevocable right to receive fifty percent of the income earned on trust assets in perpetuity. The fair value of the beneficial interest in the trust was recognized as an asset and as a contribution with donor restrictions at the date the trust was established. The Society's estimate of fair value at each reporting date is based on fair value information received from the trustee. Trust assets consist of, but are not limited to, cash, equity, and debt securities. The assets are not subject to control or direction by the Society. Net realized and unrealized gains (losses) related to the beneficial interest are reported as changes in net assets with donor restrictions. The fair value of the beneficial interest at June 30, 2023 and 2022, respectively, was \$398,675 and \$ 414,983.

Note 4. Fair Value Measurements

As of June 30, 2023, fair value measurements for assets reported at fair value on a recurring basis were determined based on:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in perpetual trust	\$ 398,675	\$ -	\$ -	\$ 398,675

As of June 30, 2022, fair value measurements for assets reported at fair value on a recurring basis were determined based on:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in perpetual trust	\$ 414,983	\$ -	\$ -	\$ 414,983

DANVILLE AREA HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Fair Value Measurements (Continued)

Fair value for the beneficial interest in the perpetual trust is measured using the fair value of the assets held in the trust reported by the trustee as of June 30, 2023 and 2022, respectively. In accordance with the terms of the charitable perpetual trust agreement, the trustee makes annual distributions equal to net realized income on trust investments annually or in more frequent installments as is convenient. The Society considers the measurement of its beneficial interest in the perpetual charitable trust to be a Level 3 measurement within the fair value measurement hierarchy because, even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Society will never receive those assets or have the ability to direct the trustee to redeem them.

Following is the reconciliation of activity in 2023 and 2022 for assets measured at fair value based on significant unobservable (non-market) information:

Beneficial interest in perpetual trust:

June 30, 2021	\$ 456,530
Net realized and unrealized gain on beneficial interest	<u>(41,547)</u>
June 30, 2022	414,983
Net realized and unrealized loss on beneficial interest	<u>(16,308)</u>
June 30, 2023	<u>\$ 398,675</u>

Note 7. Land, Buildings, and Equipment

A summary of property and equipment at June 30, 2023, follows:

	<u>Society Fund</u>	<u>Shelter Fund</u>	<u>Total</u>
Building and runs	\$ 1,106,616	\$ -	\$ 1,106,616
Equipment	23,756	37,884	61,640
Vehicles	68,132	-	68,132
Computer software	<u>-</u>	<u>283</u>	<u>283</u>
	1,198,504	38,167	1,236,671
Less accumulated depreciation	<u>475,516</u>	<u>33,195</u>	<u>508,711</u>
	<u>\$ 722,988</u>	<u>\$ 4,972</u>	<u>\$ 727,960</u>

DANVILLE AREA HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7. Land, Buildings, and Equipment (Continued)

A summary of property and equipment at June 30, 2022, follows:

	<u>Society Fund</u>	<u>Shelter Fund</u>	<u>Total</u>
Building and runs	\$ 1,079,766	\$ -	\$ 1,079,766
Equipment	23,060	37,607	60,667
Vehicles	67,050	-	67,050
Computer software	<u>-</u>	<u>283</u>	<u>283</u>
	1,169,876	37,890	1,207,766
Less accumulated depreciation	<u>444,337</u>	<u>32,597</u>	<u>476,934</u>
	<u>\$ 725,539</u>	<u>\$ 5,293</u>	<u>\$ 730,832</u>

Depreciation expenses totaled \$35,010 and \$33,689 for the years ended June 30, 2023 and 2022, respectively.

Note 8. Accrued Spay, Neuter, and Rabies Expenses

The accrual for spay, neuter, and rabies expenses consists of amounts accrued and/or due to veterinarians for rabies inoculation and for sterilization of adopted animals. The amount of the liability was \$12,506 and \$12,823 at June 30, 2023 and 2022, respectively.

DANVILLE AREA HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022 were available for the following purposes:

	<u>2023</u>	<u>2022</u>
Spay and neuter program grant	\$ 95,498	\$90,674
Shelter generator grant	52,000	-
Vehicle grant	4,002	4,002
Smith Scholarship Fund	50	550
Small critter	938	938
Older adoptable pets	2,240	2,240
Cruelty	3,505	3,505
Bonnie Jones Fund	10,640	10,640
John & Elizabeth Hall Rescue Fund	18,000	18,000
April Hyler Hogan Fund	14,493	19,212
Puppy Transfer Program	9,950	12,250
Cat Fund	100	100
Chewie Louie Fund	300	300
Reward Fund	425	425
Mary Dean Fund	1,660	1,660
Keller Pit Bull Buddy Fund	595	595
Katie's Fund	3,839	2,990
Rescue equipment	284	284
Foster Fund	1,200	1,200
Critter Camp	3,818	3,818
Dog lots	4,258	4,258
Beneficial interest in perpetual charitable trust	<u>398,675</u>	<u>414,983</u>
Total net assets with donor restrictions	<u>\$626,470</u>	<u>\$592,624</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by occurrence of the passage of time, or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

Satisfaction of purpose restrictions:

	<u>2023</u>	<u>2022</u>
Katie's Fund	\$ 1,198	\$ -
Vet Emergency Care	500	400
Puppy Transfer Program	2,300	250
April Hyler Hogan Fund	4,719	-
Spay and Neuter	45,177	53,644
Shelter Expansion	-	47,329
	<u>\$ 53,894</u>	<u>\$ 101,623</u>

DANVILLE AREA HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 10. Concentrations

The Society's market is concentrated in the Danville, Virginia geographical area. Grants in the amounts of \$112,000 and \$120,000 were provided by one major contributor, the E. Stuart James Grant Charitable Trust, during each of the years ended June 30, 2023 and 2022, respectively. The Society received \$249,850 and \$198,642 from the City of Danville, Virginia for the years ended June 30, 2023 and 2022, respectively. The Society received \$194,641 and \$108,591 as beneficiary of various estates during the years ended June 30, 2023 and 2022, respectively. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near term.

Note 11. Donated Professional Services and Materials

The following donated professional services and items were received during the year ended June 30, 2023:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Legal services	\$ -	\$ 5,000	\$ -	\$ 5,000
Food	14,400	-	-	14,400
Yard sale items	-	-	5,000	5,000
	<u>\$ 14,400</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 24,400</u>

The following donated professional services and items were received during the year ended June 30, 2022:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Legal services	\$ -	\$ 2,000	\$ -	\$ 2,000
Food	14,000	-	-	14,000
Yard sale items	-	-	4,500	4,500
	<u>\$ 14,000</u>	<u>\$ 2,000</u>	<u>\$ 4,500</u>	<u>\$ 20,500</u>

Note 12. Compliance with Grant Agreement

The Society received \$249,850 and \$198,642 from the City of Danville, Virginia for the years ended June 30, 2023 and 2022, respectively, and is in compliance with the requirements of the agreement with the City of Danville whereby all funds provided have been disbursed for expenses incurred in operating the animal shelter.

Note 13. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, payroll taxes, travel, interest expense, telephone, postage, printing, and miscellaneous, which are allocated on the basis of estimates of time and effort. Occupancy and building depreciation are allocated based on square footage.

DANVILLE AREA HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 14. Concentration of Credit Risk

At June 30, 2023, cash consisted of deposits in checking and savings accounts. The Organization maintains accounts at American National Bank & Trust Company, which is insured by the Federal Deposit Insurance Corporation (FDIC), for up to \$250,000 in cash. Cash on deposit at American National Bank & Trust Company exceeded the federally insured limits of \$250,000 by \$476,554 at June 30, 2023.

Note 15. Subsequent Events

Management has evaluated subsequent events through January 10, 2024, the date which the financial statements were available for issue.