

**KANAWHA-CHARLESTON  
HUMANE ASSOCIATION, INC.**

**AUDITED FINANCIAL STATEMENTS**

June 30, 2021 and 2020

# **KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

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Financial Statements

Years Ended June 30, 2021 and 2020

## **TABLE OF CONTENTS**

	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expense	5 – 6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 18
REPORTS REQUIRED BY FEDERAL REGULATION:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 – 20
Schedule of Findings and Questions Costs	21



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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Kanawha-Charleston Humane Association, Inc.  
Charleston, West Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Kanawha-Charleston Humane Association, Inc. (the Association), which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

### **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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 judgment, 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 the Association as of June 30, 2021 and 2020, and the changes in its net assets, functional expenses and its cash flows for the years then ended, in accordance with account principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2022 on our consideration of Kanawha-Charleston Humane Association, Inc.'s internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kanawha-Charleston Humane Association, Inc.'s internal control over financial reporting compliance.

*Gray, Griffith & Mays, a.c.*

January 19, 2022  
Charleston, West Virginia

**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 543,032	\$ 588,162
Accounts receivable	169,538	6,600
Prepaid and other current assets	<u>3,480</u>	<u>5,220</u>
Total current assets	716,050	599,982
Investments, at fair value	546,403	465,933
Property and equipment, net	1,005,911	1,044,410
Other assets	<u>531</u>	<u>272</u>
Total assets	<u>\$ 2,268,895</u>	<u>\$ 2,110,597</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Current maturities of long-term debt	\$ 13,865	\$ 132,035
Deferred revenue	34,021	34,018
Paycheck Protection Program advance	-	73,073
Accounts payable	55,833	34,405
Accrued payroll and payroll taxes	<u>56,560</u>	<u>85,937</u>
Total current liabilities	160,279	359,468
Long-term debt, net of current maturities	<u>9,723</u>	<u>24,007</u>
Total liabilities	<u>170,002</u>	<u>383,475</u>
Net assets:		
Without donor restriction	1,816,449	1,478,316
With donor restriction	<u>282,444</u>	<u>248,806</u>
Total net assets	<u>2,098,893</u>	<u>1,727,122</u>
Total liabilities and net assets	<u>\$ 2,268,895</u>	<u>\$ 2,110,597</u>

See Notes to Financial Statements.

## KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Revenue and other support:			
Adoption fees	\$ 399,076	\$ -	\$ 399,076
Fix Charleston income	274,352	-	274,352
Boarding fees	21,928	-	21,928
Public contributions	555,812	-	555,812
Grants	266,700	-	266,700
Local government fees	226,176	-	226,176
Bequests and willed contributions	44,125	-	44,125
Fundraising	13,130	-	13,130
Paycheck Protection Program	73,070	-	73,070
Employee Retention Credit	162,937	-	162,937
Miscellaneous sales	1,736	-	1,736
Investment income	63,366	33,638	97,004
Total revenue and other support	<u>2,102,408</u>	<u>33,638</u>	<u>2,136,046</u>
Expenses:			
Program services	1,475,494	-	1,475,494
Management and general	265,585	-	265,585
Fundraising	23,196	-	23,196
Total expenses	<u>1,764,275</u>	<u>-</u>	<u>1,764,275</u>
Change in net assets	338,133	33,638	371,771
Net assets, beginning	<u>1,478,316</u>	<u>248,806</u>	<u>1,727,122</u>
Net assets, ending	<u>\$ 1,816,449</u>	<u>\$ 282,444</u>	<u>\$ 2,098,893</u>

See Notes to Financial Statements.

	2020		
	Without Donor	With Donor Restriction	Total
Revenue and other support:			
Adoption fees	\$ 362,403	\$ -	\$ 362,403
Fix Charleston income	456,153	-	456,153
Boarding fees	19,940	-	19,940
Public contributions	451,875	-	451,875
Grants	266,038	-	266,038
Local government fees	221,084	-	221,084
Bequests and willed contributions	154,451	-	154,451
Fundraising	44,202	-	44,202
Miscellaneous sales	191,627	-	191,627
In-Kind revenue	9,988	-	9,988
Net assets released from restriction	9,883	7,110	16,993
Total revenue and other support	<u>2,187,644</u>	<u>7,110</u>	<u>2,194,754</u>
Expenses:			
Program services	1,676,214	-	1,676,214
Management and general	285,290	-	285,290
Fundraising	26,543	-	26,543
Total expenses	<u>1,988,047</u>	<u>-</u>	<u>1,988,047</u>
Change in net assets	199,597	7,110	206,707
Net assets, beginning	<u>1,278,719</u>	<u>241,696</u>	<u>1,520,415</u>
Net assets, ending	<u>\$ 1,478,316</u>	<u>\$ 248,806</u>	<u>\$ 1,727,122</u>

**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Personnel costs	\$1,076,575	\$ 82,474	\$ 6,545	\$1,165,594
Clinic expenses	211,021	-	-	211,021
Animal care - food and supplies	7,860	-	-	7,860
Office supplies and expense	3,264	18,390	108	21,762
Repairs and maintenance	1,353	885	-	2,238
Insurance	31,904	36,030	-	67,934
Utilities	34,276	42,835	-	77,111
Advertising	1,841	5,828	2,188	9,857
Professional fees	18,560	27,841	-	46,401
Depreciation	55,963	30,134	-	86,097
Dues and subscriptions	1,529	583	6	2,118
Miscellaneous	28,592	10,910	105	39,607
Interest expense	2,756	-	-	2,756
Training	-	1,887	-	1,887
License and permits	-	727	-	727
Investment management fees	-	7,061	-	7,061
Fundraising cost - direct	-	-	14,244	14,244
 Total expenses	 <u>\$1,475,494</u>	 <u>\$ 265,585</u>	 <u>\$ 23,196</u>	 <u>\$ 1,764,275</u>

See Notes to Financial Statements.



**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 1,210,478	\$ 92,732	\$ 7,359	\$1,310,569
Clinic expenses	270,696	-	-	270,696
Animal care - food and supplies	9,752	-	-	9,752
Office supplies and expense	3,084	17,371	102	20,557
Repairs and maintenance	9,227	6,037	-	15,264
Insurance	27,979	31,597	-	59,576
Utilities	34,425	43,022	-	77,447
Advertising	4,667	14,776	5,546	24,989
Professional fees	18,411	27,617	-	46,028
Depreciation	58,390	31,441	-	89,831
Dues and subscriptions	1,823	696	7	2,526
Miscellaneous	20,486	7,817	75	28,378
Interest expense	6,796	-	-	6,796
Training	-	5,248	-	5,248
Travel	-	-	-	-
License and permits	-	326	-	326
Investment management fees	-	6,610	-	6,610
Fundraising cost - direct	-	-	13,454	13,454
 Total expenses	 <u>\$ 1,676,214</u>	 <u>\$ 285,290</u>	 <u>\$ 26,543</u>	 <u>\$ 1,988,047</u>

See Notes to Financial Statements.

**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Change in net assets	\$ 371,771	\$ 206,707
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	86,097	89,831
Realized and unrealized (gain) loss on investments	(83,530)	(5,238)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(162,938)	1,403
Prepaid expenses	1,740	10,384
Other assets	(259)	-
Increase (decrease) in:		
Accounts payable	21,428	(12,639)
Accrued payroll and payroll taxes	(29,377)	(6,124)
Paycheck Protection Program advance	(73,070)	73,073
Net cash provided by operating activities	<u>131,862</u>	<u>357,397</u>
Cash flows from investing activities:		
Proceeds from sale of investments	251,935	166,786
Purchase of marketable securities	(248,875)	(119,224)
Purchase of equipment	(47,598)	(17,583)
Net cash provided by (used in) investing activities	<u>(44,538)</u>	<u>29,979</u>
Cash flows from financing activities:		
Payments on long-term obligations	(132,454)	(29,054)
Net (decrease) increase in cash and cash equivalents	(45,130)	358,322
Cash and cash equivalents, beginning of year	<u>588,162</u>	<u>229,840</u>
Cash and cash equivalents, end of year	<u>\$ 543,032</u>	<u>\$ 588,162</u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW  
INFORMATION:**

Cash payments for interest	<u>\$ 2,756</u>	<u>\$ 6,796</u>
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See Notes to Financial Statements.

# KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

### 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

The Kanawha-Charleston Humane Association, Inc. (Association) is a nonprofit corporation organized to promote humane treatment of animals; humane animal population control; and care for injured, homeless, strayed and lost animals. The Association's facilities are used as the primary animal control shelter for Kanawha County and its municipalities.

#### Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

#### Basis of Presentation

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

*Without donor restriction* – Resources available for use in general operations and not subject to donor (or certain grantor) imposed restrictions.

*With donor restriction* – Resources 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 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.

#### Cash and Cash Equivalents

For purposes of financial statement presentation, cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and are so near to maturity that they present an insignificant risk of change in value because of fluctuations in interest rates. Cash and cash equivalents consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Checking account	\$ 531,937	\$ 585,112
Money market accounts	<u>11,095</u>	<u>3,050</u>
Total	<u>\$ 543,032</u>	<u>\$ 588,162</u>

## **KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

### NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

#### Donated Assets

Marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated assets 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 net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

#### Donated Services

No amounts have been reflected in the financial statements for donated services. The Association generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Association at its facilities, but these services do not meet the criteria for recognition as contributed services.

#### Revenue Recognition

##### *Revenue from Exchange Transactions*

The Association recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Association records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending June 30, 2021 and 2020:

##### *Program Service Fees*

Adoption fees – The Association recognizes revenue from adoption services when it satisfies the performance obligation. The performance obligation is delivery of the service, and the customer obtains control of the animal. The transaction price is set by the Association based on the current adoption rates. The services are transferred at a point in time and no transaction price allocation is required.

Clinic revenue – The Association recognizes revenue from services such as clinical animal health services when it satisfies the performance obligation. The performance obligation is delivery of the service to the customer. The transaction price is set by the Association and is a fixed fee based on the current service rates. The services are transferred at a point in time and no transaction price allocation is required.

**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

*Contract Revenue*

The Association contracts with local municipalities to provide emergency help for stray animals, aid law enforcement in incidents that involve animals, and to investigate reports of animal cruelty, abuse, and neglect. The Association views the package of services offered with the contract as one performance obligation and as such allocates the transaction price proportionally throughout the year. The contracts are negotiated on an annual basis for a fixed annual fee, paid in monthly installments. Accordingly, the transaction price is allocated monthly.

*Grant Revenue from Exchange Transactions*

Grant revenue from exchange transactions is recognized when the related costs are incurred. Grant and donations that are qualified as contributions with imposed restrictions are recognized as increases in net assets with donor restrictions unless the restrictions are met in the same reporting period the money is received, in which case the grants are accounted for as increases to net assets without donor restrictions.

*Fundraising Event Revenue*

The Association conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event—the exchange component, and a portion represents a contribution to the Association. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Association. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Association, are recorded as costs of direct donor benefits in the statements of activities and changes in net assets. The performance obligation is delivery of the event. The event fee is set by the Association. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligations. Accordingly, the Association separately presents in the notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Association in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Association follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

*Contribution Revenue*

The Association recognizes non-exchange grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized until the conditions on which they depend have been met.

**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Estimates

Management uses estimates and assumptions in preparing financial statements. 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. Actual results could differ from those estimates.

Promises to give

Unconditional promises to give are stated at net realizable value. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Bequests Receivable and Revenue Recognition

The Association may be named as a beneficiary in certain bequests. Management analyzes the terms of the bequest at such time that the Association is notified by the Executor. Bequest revenue and the related receivable are recorded if all conditions have been met and the amount can be reasonably estimated. Bequests receivable are stated at estimated net realizable value. There were no bequests receivable as of June 30, 2021 or 2020.

Income Taxes

The association is a nonprofit organization and is exempt from Federal and West Virginia state income tax under Internal Revenue Code Section 501(c)(3). Consequently, no provision for Federal or state income taxes has been made in the accompanying financial statements. The Association's Department of the Treasury information returns are subject to examination, generally for three years after the filing date.

Property and Equipment

Property and equipment are stated at cost. Major expenditures and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are charged to operations when incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. Depreciation is computed using the straight-line method with estimated useful lives that range from three to forty years.

**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on an estimate by management given their knowledge and experience. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association.

New or Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07). The objective of ASU 2020-07 is to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The effective date for this pronouncement is for fiscal years beginning after June 15, 2021. Early adoption of this pronouncement is permitted. Management is currently evaluating the impact this pronouncement will have on the Association's financial statements and has elected not to early implement this pronouncement at this time.

**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 balance sheet date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 543,032	\$ 588,162
Accounts receivable	169,538	6,600
Prepaid and other current assets	<u>3,480</u>	<u>5,220</u>
	<u>\$ 716,050</u>	<u>\$ 599,982</u>

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

**3 – PROPERTY AND EQUIPMENT**

Detail of property and equipment is as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 217,367	\$ 217,367
Building	1,071,718	1,071,718
Machinery and equipment	477,809	430,342
Improvements	403,925	403,925
Furniture and fixtures	<u>207,474</u>	<u>207,345</u>
	2,378,293	2,330,697
Less: accumulated depreciation	<u>(1,372,382)</u>	<u>(1,286,287)</u>
Property and equipment, net	<u>\$ 1,005,911</u>	<u>\$ 1,044,410</u>

**4 – RELATIONS WITH COUNTY AND CITY GOVERNMENTS (Continued)**

The Kanawha County Commission pays a portion of the salaries and related payroll costs for certain individuals staffing the Association's animal shelter. The amounts included in the accompanying financial statements relative to these employee costs were obtained from information provided by the county for the year ended June 30, 2021 and 2020.

The county and municipalities also provide vehicles used to transport animals to the shelter. Kanawha County and the City of Charleston provide for repair and operating costs for vehicles provided.

The City of Charleston, along with certain other municipalities in Kanawha County, contribute funds to the Association. The contributions are one-year appropriations generally paid monthly or quarterly.

**5 – INVESTMENTS**

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended.

	<u>2021</u>		
	<u>Without Donor</u>	<u>With Donor Restriction</u>	<u>Total</u>
Interest and dividend income	\$ 13,474	\$ -	\$ 13,474
Net realized and unrealized gain/(loss)	<u>49,892</u>	<u>33,638</u>	<u>83,530</u>
Total investment return	<u>\$ 63,366</u>	<u>\$ 33,638</u>	<u>\$ 97,004</u>



**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

**6 – FAIR VALUE MEASUREMENTS**

FASB ASC 820 provides the framework for measuring fair value. That 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). All investments at June 30, 2021 and 2020 are level 1 and 2.

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

Level 2: Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable for the asset, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

*Common stock:* Valued at the closing price reported on the New York Stock Exchange.

*Fixed Income:* Valued at the quoted net asset value of shares held at year end.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association 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, within the fair value hierarchy, the Association's fair value measurements at June 30, 2021 and 2020.

**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

**6 – FAIR VALUE MEASUREMENTS (CONTINUED)**

		June 30, 2021			
		Assets at Fair Value			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Assets:					
Equities		\$ 322,334	\$ -	\$ -	\$ 322,334
Fixed Income		-	224,069	-	224,069
		<u>\$ 322,334</u>	<u>\$ 224,069</u>	<u>\$ -</u>	<u>\$ 546,403</u>
		June 30, 2020			
		Assets at Fair Value			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Assets:					
Equities		\$ 358,460	\$ -	\$ -	\$ 358,460
Fixed Income		-	107,473	-	107,473
		<u>\$ 358,460</u>	<u>\$ 107,473</u>	<u>\$ -</u>	<u>\$ 465,933</u>

**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

**7 – LONG-TERM DEBT**

The Association's long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
SBA Disaster Loan, due in monthly installments of \$924 including interest at 2.935% with the final payment due 8/27/23.	\$ 20,368	\$ 30,587
BB&T Promissory Note, due in monthly installments of \$1,541 including interest at 4.250% starting 11/27/17 with the final payment made 10/27/20.	-	115,455
BB&T Promissory Note, due in monthly installments of \$546 included interest at 4.290% starting 2/12/18 with the final payment due 1/12/22.	<u>3,220</u>	<u>10,000</u>
	23,588	156,042
Less current maturities	<u>13,865</u>	<u>132,035</u>
Long-term debt, net of current maturities	<u>\$ 9,723</u>	<u>\$ 24,007</u>

Future scheduled maturities of long-term debt are as follows:

<u>Years ending June 30</u>	
2022	13,865
2023	<u>9,723</u>
	<u>\$ 23,588</u>

**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

**8 – CHARITABLE TRUST SPLIT-INTEREST AGREEMENT**

During 2004, a donor, in his will, named the Association as half beneficiary to a trust established in his name. Under the terms of the trust, the Association is to receive half of the interest earned on the investments on at least a quarterly basis for 21 years following his death. At the end of the 21-year term the Association will receive half of the trust corpus. The Association's half interest in the trust corpus at the date was established and recorded as temporarily restricted income in the statement of activities, and the corresponding value of the Association's interest in the trust has been recorded as a temporarily restricted asset. Interest income on the investment is recorded as income without donor restrictions. Increase or decrease in the value of the trust is recorded as investment income with donor restrictions.

**9 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions		
held for a specific purpose	\$ 24,940	\$ 24,940
Charitable trust split interest agreement		
held in time restriction	<u>257,504</u>	<u>223,866</u>
	<u>\$ 282,444</u>	<u>\$ 248,806</u>

**10 – CARES ACT FUNDING AND COVID-19**

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of the Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The full extent of the impact of the outbreak on the Association's financial performance will depend on certain developments, including the duration and spread of the outbreak.

In response to economic uncertainty associated with the Coronavirus (COVID-19) pandemic, the Association has applied for or has taken advantage of temporary programs designed to provide economic relief to small businesses including provisions of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) which was signed into law on March 27, 2020.

**Paycheck Protection Program**

In May 2020, the Association executed closing documents on a forgivable loan under the Paycheck's Protection Program (PPP), a program established as part of the CARES Act designed to assist certain employers with payroll and other expenses. Under this program, unsecured loans are available that are forgivable for amounts related to

**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.**

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

**10 – CARES ACT FUNDING AND COVID-19 (Continued)**

certain payroll, mortgage, rent, utilities, employee benefits and state and local employer tax expenses for a period of twenty-four (24) weeks after the loan is received. Forgiveness provisions are also based on how employers utilize the funds for these designated expenses and maintaining or quickly rehiring employees and wage and salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. If not forgiven, the PPP loan has a maturity of 2 years, an interest rate of 1% and loan payments are deferred for the first six months of the loan term. The Association successfully applied for the loan through a Small Business Association (SBA) approved lender totaling approximately \$264,700 and the advance from the lender was received on May 7, 2020.

The Association received forgiveness of the PPP loan during the year ended June 30, 2021 and has chosen to analogize the guidance in FASB ASC 958-605, which addresses accounting for contributions received by not-for-profit entities. Accordingly, the Association has recorded the PPP loan as a conditional contribution in accordance with FASB ASC 958-605. Under this model, management has recorded the cash inflow from the PPP loan as a refundable advance. The Association reduces the refundable advance and recognizes the contribution once the conditions of release have been substantially met.

Details of the PPP refundable advance and balance at June 30, 2021 and 2020 are as follows:

	2020	2021
Refundable advance	\$ 264,700	\$ 73,070
Revenue recognized	<u>(191,627)</u>	<u>(73,070)</u>
	<u>\$ 73,073</u>	<u>\$ -</u>

**Employee Retention Credit**

Under the CARES Act, an Employee Retention Credit provides credits for payroll taxes. The Association received Employee Retention Credits for a total of \$162,937. Employee Retention Credits are fully refundable, and although the Association has not received forgiveness, it is expected to be received.

**11 –SUBSEQUENT EVENTS**

The Association's management has evaluated events and transactions occurring after June 30, 2021 through the date of the Auditor's Report, which is the date the financial statements were available to be issued. No significant events were noted requiring adjustment to or disclosure in the Financial Statements.

## **SUPPLEMENTARY INFORMATION**



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENTAL AUDITING STANDARDS**

To the Board of Directors  
Kanawha-Charleston Humane Association, Inc.  
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kanawha-Charleston Humane Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Kanawha-Charleston Humane Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kanawha-Charleston Humane Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance.

**Internal Control over Financial Reporting (Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Kanawha-Charleston Humane Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gray, Griffith & Mays, a.c.*

January 19, 2022  
Charleston, West Virginia



**KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.****SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Years Ended June 30, 2021

**Financial Statements: June 30, 2020**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

\* Material weakness(es) identified?

Yes \_\_\_\_\_ No  X \* Significant deficiencies identified that are not  
considered to be material weakness(es)?Yes \_\_\_\_\_ No  X Noncompliance material to financial statements  
noted?Yes \_\_\_\_\_ No  X **SECTION II - FINANCIAL STATEMENT FINDINGS**

No findings for the year ended June 30, 2021.