

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

AUDITED FINANCIAL STATEMENTS

June 30, 2020 and 2019

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

Financial Statements
Years Ended June 30, 2020 and 2019

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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, 2020 and 2019, 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 auditors 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, 2020 and 2019, 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 26, 2021 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.

February 4, 2021
Charleston, West Virginia

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 588,162	\$ 229,840
Accounts receivable	6,600	8,003
Prepaid and other current assets	<u>5,220</u>	<u>15,604</u>
Total current assets	599,982	253,447
Investments, at fair value	465,933	508,257
Property and equipment, net	1,044,410	1,116,658
Other assets	<u>272</u>	<u>272</u>
Total assets	<u>\$ 2,110,597</u>	<u>\$ 1,878,634</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current maturities of long-term debt	\$ 132,035	\$ 29,280
Deferred revenue	34,018	34,018
Paycheck Protection Program advance	73,073	-
Accounts payable	34,405	47,044
Accrued payroll and payroll taxes	<u>85,937</u>	<u>92,061</u>
Total current liabilities	359,468	202,403
Long-term debt, net of current maturities	<u>24,007</u>	<u>155,816</u>
Total liabilities	<u>383,475</u>	<u>358,219</u>
Net assets:		
Without donor restriction	1,478,316	1,278,719
With donor restriction	<u>248,806</u>	<u>241,696</u>
Total net assets	<u>1,727,122</u>	<u>1,520,415</u>
Total liabilities and net assets	<u>\$ 2,110,597</u>	<u>\$ 1,878,634</u>

See Notes to Financial Statements.

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restriction	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
Paycheck Protection Program	191,627	-	191,627
Miscellaneous sales	9,988	-	9,988
Investment income	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>

See Notes to Financial Statements.

	2019		
	Without Donor	With Donor Restriction	Total
Revenue and other support:			
Adoption fees	\$ 231,849	\$ -	\$ 231,849
Fix Charleston income	408,575	-	408,575
Boarding fees	6,276	-	6,276
Public contributions	461,359	-	461,359
Grants	335,600	-	335,600
Local government fees	243,796	-	243,796
Bequests and willed contributions	146,592	-	146,592
Fundraising	18,835	-	18,835
Miscellaneous sales	6,610	-	6,610
In-Kind revenue	8,026	-	8,026
Investment income	21,093	7,750	28,843
Net assets released from restriction	<u>28,322</u>	<u>(28,322)</u>	<u>-</u>
Total revenue and other support	<u>1,916,933</u>	<u>(20,572)</u>	<u>1,896,361</u>
Expenses:			
Program services	1,679,690	-	1,679,690
Management and general	291,614	-	291,614
Fundraising	<u>38,197</u>	<u>-</u>	<u>38,197</u>
Total expenses	<u>2,009,501</u>	<u>-</u>	<u>2,009,501</u>
Change in net assets	(92,568)	(20,572)	(113,140)
Net assets, beginning	<u>1,371,287</u>	<u>262,268</u>	<u>1,633,555</u>
Net assets, ending	<u>\$ 1,278,719</u>	<u>\$ 241,696</u>	<u>\$ 1,520,415</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
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.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 1,220,102	\$ 93,470	\$ 7,417	\$1,320,989
Clinic expenses	272,207	-	-	272,207
Animal care - food and supplies	8,065	-	-	8,065
Office supplies and expense	3,932	22,155	131	26,218
Repairs and maintenance	11,460	7,498	-	18,958
Insurance	28,733	32,448	-	61,181
Utilities	34,342	42,919	-	77,261
Advertising	1,636	5,179	1,944	8,759
Professional fees	17,106	25,658	-	42,764
Depreciation	60,425	32,537	-	92,962
Dues and subscriptions	1,707	651	6	2,364
Miscellaneous	12,899	4,922	47	17,868
Interest expense	7,076	-	-	7,076
Training	-	5,112	-	5,112
Travel	-	13,355	-	13,355
License and permits	-	2,302	-	2,302
Investment management fees	-	3,408	-	3,408
Fundraising cost - Direct	-	-	<u>28,652</u>	<u>28,652</u>
Total expenses	<u>\$ 1,679,690</u>	<u>\$ 291,614</u>	<u>\$ 38,197</u>	<u>\$2,009,501</u>

See Notes to Financial Statements.

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Change in net assets	\$ 206,707	\$ (113,141)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	89,831	92,962
Realized and unrealized (gain) loss on investments	(5,238)	(8,516)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	1,403	(8,003)
Prepaid Expenses	10,384	(12,124)
Other assets	-	(3,480)
Increase (decrease) in:		
Accounts payable	(12,639)	26,641
Accrued payroll and payroll taxes	(6,124)	(24,173)
Paycheck Protection Program advance	<u>73,073</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>357,397</u>	<u>(49,834)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	166,786	440,810
Purchase of marketable securities	(119,224)	(323,790)
Purchase of equipment	<u>(17,583)</u>	<u>-</u>
Net cash provided by investing activities	<u>29,979</u>	<u>117,020</u>
Cash flows from financing activities:		
Payments on long-term obligations	<u>(29,054)</u>	<u>(28,835)</u>
Net increase in cash and cash equivalents	358,322	38,351
Cash and cash equivalents, beginning of year	<u>229,840</u>	<u>191,489</u>
Cash and cash equivalents, end of year	<u>\$ 588,162</u>	<u>\$ 229,840</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash payments for interest	<u>\$ 6,796</u>	<u>\$ 7,076</u>
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See Notes to Financial Statements.

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Checking account	\$ 585,112	\$ 227,540
Money market accounts	<u>3,050</u>	<u>2,300</u>
Total	<u>\$ 588,162</u>	<u>\$ 229,840</u>

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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.

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, 2020 or 2019.

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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 is 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.

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.

Change in Accounting Principle

As of July 1, 2019, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), 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. Results for reporting the years ending June 30, 2020 and 2019 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets of previously issued financial statements.

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 588,162	\$ 229,840
Accounts receivable	6,600	8,003
Prepaid and other current assets	<u>5,220</u>	<u>15,604</u>
	<u>\$ 599,982</u>	<u>\$ 253,447</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.

3 – PROPERTY AND EQUIPMENT

Detail of property and equipment is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 217,367	\$ 217,367
Building	1,071,718	1,071,718
Machinery and equipment	430,342	415,551
Improvements	403,925	403,925
Furniture and fixtures	<u>207,345</u>	<u>204,552</u>
	2,330,697	2,313,113
Less: accumulated depreciation	<u>(1,286,287)</u>	<u>(1,196,455)</u>
Property and equipment, net	<u>\$ 1,044,410</u>	<u>\$ 1,116,658</u>

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

4 – RELATIONS WITH COUNTY AND CITY GOVERNMENTS

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, 2020 and 2019.

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.

	2020		
	Without Donor	With Donor Restriction	Total
Interest and dividend income	\$ 11,755	\$ -	\$ 11,755
Net realized and unrealized gain/(loss)	<u>(1,872)</u>	<u>7,110</u>	<u>5,238</u>
Total investment return	<u>\$ 9,883</u>	<u>\$ 7,110</u>	<u>\$ 16,993</u>
	2019		
	Without Donor	With Donor Restriction	Total
Interest and dividend income	\$ 20,327	\$ -	\$ 20,327
Net realized and unrealized gain	<u>766</u>	<u>7,750</u>	<u>8,516</u>
Total investment return	<u>\$ 21,093</u>	<u>\$ 7,750</u>	<u>\$ 28,843</u>

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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, 2020 and 2019 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, 2020 and 2019.

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.

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

The following table sets forth by level, within the fair value hierarchy, the Association's fair value measurements at June 30, 2020 and 2019.

		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>
		June 30, 2019			
		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		\$ 404,313	\$ -	\$ -	\$ 404,313
Fixed Income		-	103,944	-	103,944
		<u>\$ 404,313</u>	<u>\$ 103,944</u>	<u>\$ -</u>	<u>\$ 508,257</u>

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

7 – LONG-TERM DEBT

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

	<u>2020</u>	<u>2019</u>
SBA Disaster Loan, due in monthly installments of \$924 including interest at 2.935% with the final payment due 8/27/23.	\$ 30,587	\$ 40,751
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	128,375
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>10,000</u>	<u>15,970</u>
	156,042	185,096
Less current maturities	<u>132,035</u>	<u>29,280</u>
Long-term debt, net of current maturities	<u>\$ 24,007</u>	<u>\$ 155,816</u>

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

<u>Years ending June 30</u>	
2021	\$ 132,035
2022	14,922
2023	<u>9,085</u>
	<u>\$ 156,042</u>

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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>2020</u>	<u>2019</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>223,866</u>	<u>216,756</u>
	<u>\$ 248,806</u>	<u>\$ 241,696</u>

10 – CARES ACT FUNDING AND COVID-19

During the year ended June 30, 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.

KANAWHA-CHARLESTON HUMANE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

Paycheck Protection Program

In May 2020, the Association executed closing documents on a forgivable loan under the Paycheck 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 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 expects to meet the PPP's eligibility criteria and management has concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven, 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, 2020 are as follows:

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

11 –SUBSEQUENT EVENTS

The Association's management has evaluated events and transactions occurring after June 30, 2020 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, 2020 and 2019, 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 26, 2021.

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.

February 4, 2021
Charleston, West Virginia

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

Years Ended June 30, 2020

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, 2020.