

**Geauga County Humane Society, Inc.
dba Rescue Village**

**Financial Statements
December 31, 2020 and 2019**

Geauga County Humane Society, Inc. dba Rescue Village

Financial Statements

December 31, 2020 and 2019

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Independent Auditor's Report

Boards of Trustees
Geauga County Humane Society, Inc. dba Rescue Village

We have audited the accompanying financial statements of Geauga County Humane Society, Inc. dba Rescue Village (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

Boards of Trustees
Geauga County Humane Society, Inc. dba Rescue Village

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Geauga County Humane Society, Inc. dba Rescue Village as of December 31, 2020 and 2019, 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.

Cimini & Panichi, Inc.

Cleveland, Ohio
October 18, 2021

Geauga County Humane Society, Inc. dba Rescue Village

Statements of Financial Position

December 31, 2020 and 2019

| | <u>Assets</u> | |
|--------------------------------------|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,122,076 | \$ 2,614,194 |
| Pledges and accounts receivable, net | - | 2,865 |
| Prepaid expenses | 3,033 | 17,399 |
| Total current assets | <u>2,125,109</u> | <u>2,634,458</u> |
| Property and equipment: | | |
| Land | 225,882 | 225,882 |
| Land improvements | 265,783 | 265,783 |
| Building | 4,667,770 | 4,667,770 |
| Furniture and fixtures | 202,410 | 202,410 |
| Equipment | 312,822 | 312,822 |
| Vehicles | 100,775 | 100,775 |
| | <u>5,775,442</u> | <u>5,775,442</u> |
| Less: accumulated depreciation | <u>(2,072,030)</u> | <u>(1,863,788)</u> |
| Property and equipment, net | 3,703,412 | 3,911,654 |
| Other assets: | | |
| Investments | <u>26,709</u> | <u>25,840</u> |
| Total other assets | <u>26,709</u> | <u>25,840</u> |
| | <u>\$ 5,855,230</u> | <u>\$ 6,571,952</u> |

The accompanying notes are an integral part of these financial statements

Geauga County Humane Society, Inc. dba Rescue Village

Statements of Financial Position (continued)

December 31, 2020 and 2019

| | <u>Liabilities and Net Assets</u> | |
|---------------------------------------|-----------------------------------|----------------------------|
| | <u>2020</u> | <u>2019</u> |
| Current liabilities: | | |
| Current portion of long term debt | \$ - | \$ 3,799 |
| Accounts payable | 13,949 | 77,406 |
| Accrued expenses | 119,178 | 70,866 |
| Deferred revenue | 6,500 | - |
| Total current liabilities | <u>139,627</u> | <u>152,071</u> |
| Net assets without donor restrictions | 5,703,800 | 6,419,881 |
| Net assets with donor restrictions | 11,803 | - |
| | <u>5,715,603</u> | <u>6,419,881</u> |
| | \$ <u><u>5,855,230</u></u> | \$ <u><u>6,571,952</u></u> |

The accompanying notes are an integral part of these financial statements

Geauga County Humane Society, Inc. dba Rescue Village

Statement of Activities

For the year ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| Public support and revenue: | | | |
| Public support: | | | |
| Donations and bequests | \$ 2,163,453 | \$ - | \$ 2,163,453 |
| Grant income | 88,336 | 115,000 | 203,336 |
| Special events | 53,790 | - | 53,790 |
| Membership dues | 65,133 | - | 65,133 |
| Paycheck Protection Program | 308,900 | - | 308,900 |
| Other | 40,337 | - | 40,337 |
| Total public support | 2,719,949 | 115,000 | 2,834,949 |
| Revenue: | | | |
| Program service fees | 198,538 | - | 198,538 |
| Total public support and revenue | 2,918,487 | 115,000 | 3,033,487 |
| Investment return | 25,108 | - | 25,108 |
| | 2,943,595 | 115,000 | 3,058,595 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | 115,000 | (115,000) | - |
| Expenses: | | | |
| Program services | 2,254,422 | - | 2,254,422 |
| Supporting services: | | | |
| Management and general | 159,489 | - | 159,489 |
| Fundraising | 338,962 | - | 338,962 |
| Total expenses | 2,752,873 | - | 2,752,873 |
| Change in net assets before transfer | 305,722 | - | 305,722 |
| Transfer to Rescue Village Foundation | (1,010,000) | - | (1,010,000) |
| Change in net assets | (704,278) | - | (704,278) |
| Net assets at beginning of year | 6,419,881 | - | 6,419,881 |
| Transfer of net assets | (11,803) | 11,803 | - |
| Net assets at end of year | \$ 5,703,800 | \$ 11,803 | \$ 5,715,603 |

The accompanying notes are an integral part of these financial statements

Geauga County Humane Society, Inc. dba Rescue Village

Statement of Activities

For the year ended December 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| Public support and revenue: | | | |
| Public support: | | | |
| Donations and bequests | \$ 3,686,316 | \$ - | \$ 3,686,316 |
| Grant income | 141,626 | - | 141,626 |
| Special events | 275,684 | - | 275,684 |
| Membership dues | 78,037 | - | 78,037 |
| Other | 1,466 | - | 1,466 |
| Total public support | 4,183,129 | - | 4,183,129 |
| Revenue: | | | |
| Program service fees | 323,993 | - | 323,993 |
| Total public support and revenue | 4,507,122 | - | 4,507,122 |
| Investment return | 24,528 | - | 24,528 |
| | 4,531,650 | - | 4,531,650 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | 257,207 | (257,207) | - |
| Expenses: | | | |
| Program services | 2,516,964 | - | 2,516,964 |
| Supporting services: | | | |
| Management and general | 211,701 | - | 211,701 |
| Fundraising | 457,732 | - | 457,732 |
| Total expenses | 3,186,397 | - | 3,186,397 |
| Change in net assets before transfer | 1,602,460 | (257,207) | 1,345,253 |
| Transfer to Rescue Village Foundation | (1,800,000) | - | (1,800,000) |
| Change in net assets | (197,540) | (257,207) | (454,747) |
| Net assets at beginning of year | 6,617,421 | 257,207 | 6,874,628 |
| Net assets at end of year | \$ 6,419,881 | \$ - | \$ 6,419,881 |

The accompanying notes are an integral part of these financial statements

Geauga County Humane Society, Inc. dba Rescue Village

Statement of Functional Expenses

For the year ended December 31, 2020

| | Program Services | Management and General | Fundraising | Total |
|-------------------------------------|---------------------|---------------------------|-------------|--------------|
| Salaries and wages | \$ 1,230,119 | \$ 35,908 | \$ 214,155 | \$ 1,480,182 |
| Payroll taxes | 97,696 | 14,755 | 14,161 | 126,612 |
| Employee benefits | 111,752 | 247 | 10,308 | 122,307 |
| Total salaries and related expenses | 1,439,567 | 50,910 | 238,624 | 1,729,101 |
| | | | | |
| Mail house | 78,748 | - | 58,170 | 136,918 |
| Postage | 41,413 | 1,432 | 1,888 | 44,733 |
| Rent and utilities | 43,439 | 7,666 | - | 51,105 |
| Repairs and maintenance | 63,712 | - | - | 63,712 |
| Telephone | 7,042 | - | 408 | 7,450 |
| Licenses and permits | 9,602 | - | - | 9,602 |
| Equipment rental and leases | 18,291 | 543 | 222 | 19,056 |
| Clothing and general store | 3,772 | - | - | 3,772 |
| Vehicle | 11,226 | 109 | 371 | 11,706 |
| Printing | 485 | - | 683 | 1,168 |
| Insurance | 19,032 | 3,541 | - | 22,573 |
| Dues and subscriptions | 32,459 | 20 | 9,280 | 41,759 |
| Depreciation | 177,006 | 31,236 | - | 208,242 |
| Advertising | 9,204 | - | 1,273 | 10,477 |
| Professional fees | 46,155 | 59,448 | - | 105,603 |
| Administrative expenses | 42,503 | 4,529 | 11,945 | 58,977 |
| Training and education | 2,201 | - | 838 | 3,039 |
| Veterinary | 18,148 | - | - | 18,148 |
| Drugs and medical supplies | 83,480 | - | - | 83,480 |
| Shelter supplies and expense | 46,225 | - | - | 46,225 |
| Photographs | 343 | - | 97 | 440 |
| Rubbish removal | 13,889 | - | - | 13,889 |
| Spay and neuter expense | 18,393 | - | - | 18,393 |
| Travel and entertainment | 1,481 | - | 1,156 | 2,637 |
| Bad debt expense | 355 | - | - | 355 |
| Special events | - | - | 13,811 | 13,811 |
| Software | 8,251 | 55 | 147 | 8,453 |
| Other expense | 17,968 | - | 49 | 18,017 |
| Interest expense | 32 | - | - | 32 |
| | | | | |
| Total expenses | \$ 2,254,422 | \$ 159,489 | \$ 338,962 | \$ 2,752,873 |

The accompanying notes are an integral part of these financial statements

Geauga County Humane Society, Inc. dba Rescue Village

Statement of Functional Expenses

For the year ended December 31, 2019

| | Program Services | Management and General | Fundraising | Total |
|-------------------------------------|---------------------|---------------------------|-------------|--------------|
| Salaries and wages | \$ 1,283,520 | \$ 97,397 | \$ 257,493 | \$ 1,638,410 |
| Payroll taxes | 109,533 | 12,751 | 19,151 | 141,435 |
| Employee benefits | 99,787 | - | 21,245 | 121,032 |
| Total salaries and related expenses | 1,492,840 | 110,148 | 297,889 | 1,900,877 |
| Mail house | 137,419 | - | - | 137,419 |
| Postage | 47,273 | 96 | 1,209 | 48,578 |
| Rent and utilities | 45,618 | 8,050 | - | 53,668 |
| Repairs and maintenance | 52,769 | - | - | 52,769 |
| Telephone | 6,003 | - | 845 | 6,848 |
| Licenses and permits | 14,338 | - | 40 | 14,378 |
| Equipment rental and leases | 17,737 | - | - | 17,737 |
| Clothing | 20,699 | - | - | 20,699 |
| Vehicle | 15,053 | - | 1,115 | 16,168 |
| Printing | 3,371 | - | 650 | 4,021 |
| Insurance | 13,706 | 3,758 | - | 17,464 |
| Dues and subscriptions | 17,167 | 425 | 21,407 | 38,999 |
| Depreciation | 179,185 | 31,621 | - | 210,806 |
| Advertising | 10,536 | - | 2,451 | 12,987 |
| Professional fees | 65,355 | 57,603 | 10,074 | 133,032 |
| Administrative expense | 52,747 | - | 25,154 | 77,901 |
| Training and education | 20,787 | - | 1,711 | 22,498 |
| Veterinary | 29,885 | - | - | 29,885 |
| Drugs and medical supplies | 132,227 | - | - | 132,227 |
| Shelter supplies and expense | 59,293 | - | - | 59,293 |
| Photographs | 126 | - | 257 | 383 |
| Rubbish removal | 15,631 | - | - | 15,631 |
| Spay and neuter expense | 36,180 | - | - | 36,180 |
| Travel | 6,411 | - | 1,876 | 8,287 |
| Bad debt expense | - | - | - | - |
| Special events | 11,735 | - | 92,812 | 104,547 |
| Other expense | 12,555 | - | 242 | 12,797 |
| Interest | 318 | - | - | 318 |
| Total expenses | \$ 2,516,964 | \$ 211,701 | \$ 457,732 | \$ 3,186,397 |

The accompanying notes are an integral part of these financial statements

Geauga County Humane Society, Inc. dba Rescue Village

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (704,278) | \$ (454,747) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation expense | 208,242 | 210,806 |
| Realized and unrealized (gain) loss on investments | (838) | 190 |
| Decrease (increase) in operating assets: | | |
| Receivables | 2,865 | 21,162 |
| Prepaid expenses | 14,366 | (2,046) |
| (Decrease) increase in operating liabilities: | | |
| Accounts payable | (63,457) | 47,002 |
| Accrued expenses | 48,312 | 2,989 |
| Deferred revenue | 6,500 | - |
| Net cash used by operating activities | <u>(488,288)</u> | <u>(174,644)</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | - | (68,792) |
| Purchases of and income retained in investments | <u>(31)</u> | <u>(861)</u> |
| Net cash used by investing activities | (31) | (69,653) |
| Cash flows from financing activities: | | |
| Principal payments on long term debt | <u>(3,799)</u> | <u>(6,398)</u> |
| Net cash used by financing activities | <u>(3,799)</u> | <u>(6,398)</u> |
| Net decrease in cash and cash equivalents | (492,118) | (250,695) |
| Cash and cash equivalents, beginning of year | <u>2,614,194</u> | <u>2,864,889</u> |
| Cash and cash equivalents, end of year | \$ <u><u>2,122,076</u></u> | \$ <u><u>2,614,194</u></u> |

Supplemental disclosures of cash flow information:

Cash paid during the year for:

| | | |
|----------|-------|--------|
| Interest | \$ 32 | \$ 318 |
|----------|-------|--------|

The accompanying notes are an integral part of these financial statements

Geauga County Humane Society, Inc. dba Rescue Village

Notes to Financial Statements

December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Geauga County Humane Society, Inc. dba Rescue Village (“Rescue Village” or the “Organization”) is located in Russell Township, Geauga County, Ohio. Rescue Village’s purpose is to shelter and find homes for sick, injured, abused, and abandoned domestic animals; to foster compassion for all living things through education; and to prevent cruelty by enforcing animal protection laws.

Rescue Village’s primary sources of revenue are from donations and bequests, program service fees (adoptions and memorials), and fundraising events.

Adopted Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that supersedes existing revenue recognition guidance. ASU 2014-09 provides a five-step model to determine when and how revenue is recognized. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2020-05 that deferred the effective date for Rescue Village until annual periods beginning after December 15, 2019. On January 1, 2020, Rescue Village adopted this standard. There was no impact on beginning net assets as a result of this adoption.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Rescue Village and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations, whether due to time or purpose.

Net Assets with Donor Restrictions – Net assets whose use has been limited to a specific time period or purpose. 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.

The Organization follows authoritative guidance issued by the FASB which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America (GAAP).

Geauga County Humane Society, Inc. dba Rescue Village

Notes to Financial Statements

December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The statements of functional expenses present expenses by functional and natural classification. Expenses directly attributable to program services and supporting services are reported as expenses of that functional area. Payroll expenses have been allocated between program and supporting services functions based on job roles. Other expenses have been allocated to functional areas based upon management's best estimate of the resources used in providing each service.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Rescue Village considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Rescue Village maintains its cash accounts at various financial institutions. The balances, at times, may exceed federally insured limits.

Contributions and Pledges Receivable

Unconditional pledges receivables are recognized as revenues in the period the promise is received. Conditional pledges receivables are recognized when the conditions on which they depend are substantially met. The pledges are stated at their fair market value. Pledges that are to be received over a period of years, if applicable, are discounted to fair value based on their respective payment terms and an appropriate discount rate as of the date the pledge is received.

The Organization uses the allowance method to record estimated uncollectible promises to give. The allowance is based upon prior years' experience and management's analysis of specific promises made.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in investment income in the period in which they occur.

Geauga County Humane Society, Inc. dba Rescue Village

Notes to Financial Statements

December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (continued)

Property and Equipment

Depreciation of property and equipment is provided by use of declining balance and straight-line methods over the estimated useful lives of the assets, which range from 2 to 40 years.

Assets having a useful life in excess of one year and with costs of \$1,000 or greater are capitalized. Major additions and improvements are capitalized while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets are expensed. Purchased property and equipment are stated at cost.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for 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.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2020 and 2019 totaled \$10,477 and \$12,987, respectively.

Contributed Services

The Organization recognizes contributions of services received when those services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation.

Income Taxes

Rescue Village is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes pursuant to Section 501(a) of the IRC. No provision for federal income taxes has been reported in the financial statements.

Rescue Village accounts for income taxes in accordance with the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. Rescue Village classifies interest and penalties related to income tax matters as management and general expense in the accompanying financial statements. As of December 31, 2020 and 2019, Rescue Village has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the years then ended.

Geauga County Humane Society, Inc. dba Rescue Village

Notes to Financial Statements

December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition

Rescue Village identifies a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Earned revenue sources include program service revenue and animal adoption.

Rescue Village enters into contracts that may include exchange components for resources received in conjunction with program services. The exchange component is recognized at a point-in-time. The point-in-time revenue is recognized when the animal is adopted, spay and neutered, or microchipped. As a practical expedient, Rescue Village may apply revenue recognition guidance to a portfolio of contracts with similar characteristics if Rescue Village reasonably expects the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. Rescue Village is taking the practical expedient approach with regard to the special event revenue, as all of the contracts are very similar.

Special event revenue includes sponsorships. Payment is obtained when a participant registers for an event. These revenues are a hybrid of contribution and exchange transaction. The contracts with sponsors include performance obligations related to name recognition and event entry. The exchange portion of the transaction is the fair value of benefits received by sponsor purchaser. The revenue allocated to the name recognition performance obligation qualifies for recognition over time, however, management has determined that the effect of recognizing such revenue at a point in time along with the revenue allocated to event entry results in no difference to revenue recognized. Amounts collected for events that occurred during 2020 were deemed to have been contributions as no significant benefits were provided to donors/sponsors.

Rescue Village had no contract assets or contract liabilities at December 31, 2020 and 2019.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. In addition, in November 2019, the FASB issued ASU 2019-10, *Financial Instruments-Credit Losses, Derivatives and Hedging, and Leases*, which delayed the effective date of ASU 2016-02 for Rescue Village to years beginning after December 15, 2020. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which further delayed the effective date of ASU 2016-02 to annual reporting periods beginning after December 15, 2021.

Geauga County Humane Society, Inc. dba Rescue Village

Notes to Financial Statements

December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which clarifies the presentation of contributed nonfinancial assets as a separate line item in the consolidated statement of activities. This ASU is effective for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022. Management is currently evaluating the impact of this ASU on its financial statements.

Management is currently evaluating the impact of this ASU on its financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject Rescue Village to concentrations of credit risk consist of cash and temporary investments, investment securities, and pledges receivable.

Rescue Village has investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Investments are managed by investment advisors who are overseen by the Investment Committee of the Boards of Trustees. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Trustees believe that the investment policy is prudent for the long-term welfare of Rescue Village.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

COVID-19

In early calendar 2020, the world began dealing with the effects of the Coronavirus pandemic (COVID-19). Disruptions to business operations, including government mandated actions and employee, supplier, and customer related challenges have affected many businesses. The financial markets have experienced high volatility. Management continues to monitor the impact of the pandemic as it unfolds and is unable to determine a reasonable estimate of the effects of the pandemic on its future financial position or operating results given the uncertainties associated with COVID-19 and society's future behaviors.

Geauga County Humane Society, Inc. dba Rescue Village

Notes to Financial Statements

December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (continued)

COVID-19 (continued)

In May 2020, Rescue Village received \$308,000 in a U.S. Small Business Association 7(a) loan from a bank pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act. The loan matures in May of 2022 and bears interest at 1% per annum. Under terms of the PPP certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Rescue Village has evaluated this agreement as a conditional contribution under FASB Accounting Standards Codification *Topic 958, "Not-for-Profit Entities."* In January 2021, Rescue Village received full forgiveness of the loan. Accordingly, the funding has been recorded as grant income without donor restrictions during the year ended December 31, 2020.

In February 2021, Rescue Village received \$324,955 in a U.S. Small Business Association 7(a) loan from a bank pursuant to the PPP under the CARES Act. The loan matures in February of 2026 and bears interest at 1% per annum. Under terms of the PPP certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 18, 2021, the date the financial statements were available to be issued.

Note 2: Pledges Receivable for Capital Campaign and Accounts Receivable

The pledges receivable for the capital campaign and other accounts receivable as of December 31, 2020 and 2019 were scheduled to be collected as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-----------------|
| Payable in one year, current pledges receivable for capital campaign | \$ - | \$ 4,402 |
| Other pledges and accounts receivable | - | 2,863 |
| Less: allowance for doubtful accounts | <u>-</u> | <u>(4,400)</u> |
| Net current pledges receivable and accounts receivable | \$ <u>-</u> | \$ <u>2,865</u> |

Geauga County Humane Society, Inc. dba Rescue Village

Notes to Financial Statements

December 31, 2020 and 2019

Note 3: Fair Value Measurements

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the Organization uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. These inputs reflect management’s judgment about the assumptions that a market participant would use in pricing the asset and are based on the best available information, which has been internally developed. The Organization has assets established with two investment services. These investments include three different types; including, Certificate of Deposit: Valued at amortized cost, which approximates fair value as a Level 2 investment; Mutual Funds (Equities): Valued at the net asset value of shares held by Rescue Village at fiscal year-end as Level 1 investment; and, Governmental Securities: Valued at fair market value as a Level 2 investment.

Financial assets consisted of the following at December 31:

| | Level 1 | Level 2 | Level 3 | 2020 |
|-------------------------|----------|-----------|---------|-----------|
| Certificates of deposit | \$ - | \$ 10,415 | \$ - | \$ 10,415 |
| Mutual funds (equities) | 2,665 | - | - | 2,665 |
| Governmental securities | - | 13,629 | - | 13,629 |
| | \$ 2,665 | \$ 24,044 | \$ - | \$ 26,709 |

Financial assets consisted of the following at December 31:

| | Level 1 | Level 2 | Level 3 | 2019 |
|-------------------------|----------|-----------|---------|-----------|
| Certificates of deposit | \$ - | \$ 10,384 | \$ - | \$ 10,384 |
| Mutual funds (equities) | 1,827 | - | - | 1,827 |
| Governmental securities | - | 13,629 | - | 13,629 |
| | \$ 1,827 | \$ 24,013 | \$ - | \$ 25,840 |

The Organization has maintained management’s policy for the fair value measurement of assets in accordance with the FASB ASC that reflect management’s assumption that a market participant would use the best available information when establishing the pricing of assets in the current year.

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Notes to Financial Statements

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Note 4: Net Assets with Donor Restrictions

At December 31, 2020 and 2019, net assets with donor restrictions were available for the following purposes:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|------------------|-------------|
| Program restricted (Education) | \$ <u>11,803</u> | \$ <u>-</u> |

Net assets released from donor restriction during the years ended December 31, 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|-------------------|-------------------|
| Program restricted (Barn) | \$ 100,000 | \$ 201,464 |
| Program restricted (TNR) | 15,000 | - |
| Program restricted (Project SAVE) | - | 9,897 |
| Program restricted (ASPCA) | - | 15,846 |
| Program restricted (Pawsitive Steps) | <u>-</u> | <u>30,000</u> |
| | \$ <u>115,000</u> | \$ <u>257,207</u> |

Note 5: Long-term Debt

Long-term debt at December 31 consisted of the following:

| | <u>2020</u> | <u>2019</u> |
|---|-------------|----------------|
| Vehicle note payable, secured by the vehicle itself, in the original amount of \$29,598, payable in 60 monthly payments of approximately \$551, including interest. Interest is charged at the fixed rate of 4.39%. | \$ - | \$ 3,799 |
| Less current portion | <u>-</u> | <u>(3,799)</u> |
| Long-term debt, net of current portion | \$ <u>-</u> | \$ <u>-</u> |

Note 6: Leases

Rescue Village leases certain office equipment under long-term leases. These included one long-term operating lease, several month-to-month operating leases. Rent expense totaled \$9,532 and \$8,913 during the years ended December 31, 2020 and 2019, respectively.

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Notes to Financial Statements

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Note 6: Leases (continued)

Future minimum rental commitments for Rescue Village's long-term operating lease are as follows:

| | | |
|-------------------------------|----|--------------|
| 2021 | \$ | 2,400 |
| 2022 | | 2,400 |
| 2023 | | <u>1,200</u> |
| Total future minimum payments | \$ | <u>6,000</u> |

Note 7: Related Party

Rescue Village's affiliate, The Rescue Village Foundation (the "Foundation"), was formed as a separate legal foundation to hold the assets of the board-designated endowment. During the year ended December 31, 2020 and 2019, no payments were made from the endowment fund to Rescue Village. During the years ended December 31, 2020 and 2019, excess reserves in the amount of \$1,010,000 and \$1,800,000, respectively, were transferred from Rescue Village to the Foundation.

Note 8: Liquidity and Availability of Resources

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's financial assets available within one year of December 31, 2020, and 2019, for general expenditure are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 2,122,076 | \$ 2,614,194 |
| Pledges and accounts receivable, net | - | 2,865 |
| Investments | <u>26,709</u> | <u>25,840</u> |
| Total assets | 2,148,785 | 2,642,899 |
| Less amount unavailable for general expenditures within one year: | | |
| Net assets with donor restrictions | <u>(11,803)</u> | <u>-</u> |
| Total financial assets available to management for general expenditures within one year | \$ <u>2,136,982</u> | \$ <u>2,642,899</u> |