

**METRO EAST HUMANE SOCIETY**  
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021

METRO EAST HUMANE SOCIETY

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# Linda A. Howdeshell, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Metro East Humane Society  
Edwardsville, Illinois 62025

### *Opinion*

I have audited the accompanying financial statements of Metro East Humane Society (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022, and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metro East Humane Society, as of December 31, 2022, and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Metro East Humane Society and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Metro East Humane Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Metro East Humane Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Metro East Humane Society's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

*Linda O. Howardshell CPA*

St. Louis, Missouri  
April 27, 2023

Metro East Humane Society  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2022	2021
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 254,183	\$ 435,194
Contributions receivable, net of allowance	45,928	62,760
Prepaid expenses	18,333	4,305
Investments	1,027,658	1,146,815
Inventory	21,130	23,949
Total Current Assets	1,367,232	1,673,023
<b>PROPERTY AND EQUIPMENT, net</b>		
accumulated depreciation	400,652	370,869
<b>TOTAL ASSETS</b>	<b>\$ 1,767,884</b>	<b>\$ 2,043,892</b>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 9,270	\$ 24,497
Accrued expenses	14,750	8,655
Total Current Liabilities	24,020	33,152
<b>LONG-TERM LEASE LIABILITY</b>		
	9,409	-
Total Liabilities	33,429	33,152
<b>NET ASSETS</b>		
Funds without donor restrictions		
Invested in capital assets	400,652	370,869
Board designated	103,345	102,611
Available for operations	484,170	612,875
Total funds without donor restrictions	988,167	1,086,355
Funds with donor restrictions	746,288	924,385
Total Net Assets	1,734,455	2,010,740
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,767,884</b>	<b>\$ 2,043,892</b>

See accompanying notes to financial statements

Metro East Humane Society  
STATEMENT OF ACTIVITIES

	For the Year Ended December 31, 2022		
	Funds Without Donor Restrictions	Funds With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 538,456	\$ 5,000	\$ 543,456
Grants	45,533	-	45,533
Special Events	110,366	-	110,366
Donated supplies - in kind	80,835	-	80,835
Revenue			
Program revenues	243,928	-	243,928
Investment income	(173,446)	-	(173,446)
Paycheck protection program	-	-	-
Miscellaneous	7,918	-	7,918
Net assets released from restrictions	183,097	(183,097)	-
<b>TOTAL SUPPORT AND REVENUE</b>	1,036,687	(178,097)	858,590
<b>EXPENSES</b>			
Program services	853,455	-	853,455
Supporting services			
Management and general	188,420	-	188,420
Fundraising	93,000	-	93,000
<b>TOTAL EXPENSES</b>	1,134,875	-	1,134,875
<b>CHANGE IN NET ASSETS</b>	(98,188)	(178,097)	(276,285)
<b>NET ASSETS, Beginning of year</b>	1,086,355	924,385	2,010,740
<b>NET ASSETS, End of year</b>	\$ 988,167	\$ 746,288	\$ 1,734,455

See accompanying notes to financial statements

Metro East Humane Society  
STATEMENT OF ACTIVITIES

	For the Year Ended December 31, 2021		
	Funds Without Donor Restrictions	Funds With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 414,204	\$ 90,732	\$ 504,936
Grants	13,224	10,000	23,224
Special Events	196,151	-	196,151
Donated supplies - in kind	98,917	-	98,917
Revenue			
Program revenues	263,224	-	263,224
Investment income	114,751	-	114,751
Paycheck protection program	85,806	-	85,806
Miscellaneous	332	-	332
Net assets released from restrictions	103,192	(103,192)	-
<b>TOTAL SUPPORT AND REVENUE</b>	1,289,801	(2,460)	1,287,341
<b>EXPENSES</b>			
Program services	739,239	-	739,239
Supporting services			
Management and general	117,832	-	117,832
Fundraising	97,133	-	97,133
<b>TOTAL EXPENSES</b>	954,204	-	954,204
<b>CHANGE IN NET ASSETS</b>	335,597	(2,460)	333,137
<b>NET ASSETS, Beginning of year</b>	750,758	926,845	1,677,603
<b>NET ASSETS, End of year</b>	\$ 1,086,355	\$ 924,385	\$ 2,010,740

See accompanying notes to financial statements

Metro East Humane Society  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2022

	<u>Supporting Services</u>			Total Supporting Services	Total
	Program Services	Management and General	Fundraising		
Payroll	\$ 467,040	\$ 83,785	\$ 61,611	\$ 145,396	\$ 612,436
Payroll taxes	37,248	6,902	5,171	12,073	49,321
Total Payroll and payroll taxes	<u>504,288</u>	<u>90,687</u>	<u>66,782</u>	<u>157,469</u>	<u>661,757</u>
Medical Supplies	105,428	708	-	708	106,136
Donated supplies	74,070	-	-	-	74,070
Shelter supplies	38,933	2,078	4,804	6,882	45,815
Maintenance and repairs	30,424	10,487	149	10,636	41,060
Utilities	38,360	92	-	92	38,452
Depreciation	22,278	9,913	-	9,913	32,191
Insurance	8,181	19,801	-	19,801	27,982
Service expenses	6,864	13,835	3,475	17,310	24,174
Professional fees	-	22,645	500	23,145	23,145
Direct mail	-	-	14,234	14,234	14,234
Travel and transportation	6,168	6,191	-	6,191	12,359
Telephone	8,990	2,116	-	2,116	11,106
Dues and subscriptions	2,079	6,036	-	6,036	8,115
Equipment rental	4,899	-	-	-	4,899
Postage and shipping	(172)	1,640	2,319	3,959	3,787
Miscellaneous	1,194	2,054	306	2,360	3,554
Veterinary expense	1,102	-	-	-	1,102
Taxes and licenses	233	-	431	431	664
Total expenses before impairment	<u>853,319</u>	<u>188,283</u>	<u>93,000</u>	<u>281,283</u>	<u>1,134,602</u>
Impairment of fixed asset	136	137	-	137	273
Total Expenses	<u>\$ 853,455</u>	<u>\$ 188,420</u>	<u>\$ 93,000</u>	<u>\$ 281,420</u>	<u>\$ 1,134,875</u>

See accompanying notes to financial statements



Metro East Humane Society  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2021

	<u>Supporting Services</u>			Total Supporting Services	Total
	Program Services	Management and General	Fundraising		
Payroll	\$ 368,338	\$ 67,386	\$ 64,181	\$ 131,567	\$ 499,905
Payroll taxes	31,355	5,718	5,083	10,801	42,156
Total Payroll and payroll taxes	<u>399,693</u>	<u>73,104</u>	<u>69,264</u>	<u>142,368</u>	<u>542,061</u>
Medical supplies	83,529	-	-	-	83,529
Donated supplies	92,499	-	-	-	92,499
Shelter supplies	14,231	3,032	8,147	11,179	25,410
Maintenance and repairs	12,899	-	-	-	12,899
Utilities	28,576	-	-	-	28,576
Depreciation	21,941	-	-	-	21,941
Insurance	22,264	4,849	-	4,849	27,113
Service expenses	14,752	14,626	-	14,626	29,378
Professional fees	-	18,260	-	18,260	18,260
Direct mail	-	-	14,070	14,070	14,070
Travel and transportation	2,223	-	-	-	2,223
Telephone	5,211	2,381	-	2,381	7,592
Dues and subscriptions	9,193	1,156	-	1,156	10,349
Equipment rental	4,137	-	-	-	4,137
Postage and shipping	-	-	2,682.00	2,682	2,682
Miscellaneous	3,642	424	2,970	3,394	7,036
Veterinary expense	1,644	-	-	-	1,644
Taxes and licenses	336	-	-	-	336
Total expenses before impairment	<u>716,770</u>	<u>117,832</u>	<u>97,133</u>	<u>214,965</u>	<u>931,735</u>
Impairment of fixed asset	<u>22,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,469</u>
Total Expenses	<u>\$ 739,239</u>	<u>\$ 117,832</u>	<u>\$ 97,133</u>	<u>\$ 214,965</u>	<u>\$ 954,204</u>

See accompanying notes to financial statements

Metro East Humane Society  
STATEMENT OF CASH FLOWS

	Years Ended December 31	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (276,285)	\$ 333,137
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	32,191	21,941
Net change in investments	217,645	(55,992)
Impairment	-	22,469
(Increase) decrease in assets:		
Contributions receivable	16,832	793
Prepaid expenses	(14,028)	(172)
Inventory	2,819	(4,509)
(Decrease) increase in liabilities:		
Accounts payable	(15,227)	13,464
Accrued expenses	6,095	(358)
Net Change in Cash and Cash Equivalents from Operating Activities	(29,958)	330,773
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(63,433)	(93,277)
Proceeds from sale of investments	-	652,525
Purchase of investments	(87,620)	(709,377)
Net Change in Cash and Cash Equivalents from Investing Activities	(151,053)	(150,129)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(181,011)</b>	<b>180,644</b>
<b>CASH AND CASH EQUIVALENTS -- BEGINNING OF THE YEAR</b>	<b>435,194</b>	<b>254,550</b>
<b>CASH AND CASH EQUIVALENTS -- END OF THE YEAR</b>	<b>\$ 254,183</b>	<b>\$ 435,194</b>
 <b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for interest	\$ -	\$ 574
Cash paid during the year for income taxes	\$ -	\$ -

See accompanying notes to financial statements

Metro East Humane Society  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Operations

Metro East Humane Society (“MEHS”) is a not-for-profit organization established in 1986. Its mission is to enrich lives by uniting cats and dogs with loving homes. The following achieve the mission:

- Staff and support a “no-kill” animal shelter dedicated to providing a safe and healthy environment for cats and dogs;
- Provide humane medical treatment, vaccinations, and spay/neuter services to shelter animals in need;
- Promote the education of adults and youth on the humane treatment of animals, including responsible pet ownership and population control measures;
- Value and encourage partnerships with community-based organizations, schools, public institutions, private corporations, and elected officials; and
- Respect the public trust through the proper management of our resources.

Basis of Accounting

The accompanying financial statements of MEHS have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Metro East Humane Society  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from funds with donor restrictions to funds without donor restrictions.

Net assets with donor restrictions also includes resources whose use by the organization is limited by donor-imposed restrictions that neither expired by being used in accordance with a donor's restriction nor by the passage of time. The portion of the organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class, as is the organization's beneficial interest in a perpetual charitable trust held by a bank trustee.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net losses on endowment investments reduce net assets with donor restrictions to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in net assets without donor restrictions. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in net assets without donor restrictions.

Currently, MEHS does not have any net assets whose restrictions neither expire by use of a donor's restricted purpose or by passage of time.

Cash and Cash Equivalents

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Metro East Humane Society  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The organization invests cash in excess of its immediate needs in money market funds and certificates of deposit. Investments are reported at fair value.

Contributions Receivable

Contributions receivable are unconditional promises to give, including bequests that are recognized as contributions when the contribution or promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. Historically, promises to give have been fully collectible and no allowance is deemed necessary for promises to give. The allowance on the bequests are estimated at 50% due to the volatility of the real estate and stock market. The allowance is \$45,928, for the years ending December 31, 2022, and 2021.

Property and Equipment

Maintenance and repairs that materially add value to the property or appreciably prolong its life are recorded as an increase to the appropriate asset account. Maintenance and repairs that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method and the half year convention over the estimated useful lives of the assets, as follows:

Land improvements	10-15 Years
Buildings and building improvements	10-39 Years
Furniture	7 Years
Equipment and machinery	5-7 Years
Vehicles	5 Years

MEHS capitalizes all fixed assets with a cost greater than or equal to \$1,000 and a useful life of at least one year, unless otherwise stated by a grant. When an asset is purchased through a grant, the grant's capitalization rules apply. Donated items with a fair value greater than or equal to \$1,000 will also be capitalized in the appropriate fixed asset account. MEHS will conduct an annual inventory of fixed assets.

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present.

Metro East Humane Society  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as funds with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

From time to time the organization is a beneficiary under donor's wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid and the organization has an irrevocable right to the bequest. Restricted contributions which are received and expended in the same fiscal year are reported as increases in net assets without donor restrictions.

Gifts-in-Kind Contributions

The organization periodically receives contributions in a form other than cash or investments. If the organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the organization's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

The organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the organization's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

Metro East Humane Society  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the organization.

Program Revenues

Program revenues consists of fees received in exchange for adoptions, veterinary services, pet food and supplies. Revenue is recognized in the period received. The performance obligation is recorded over time as services are performed or goods are exchanged. These types of revenues are not considered variable consideration. The Organization does not have any significant financing component.

Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based off of square footage for building related expenses and time spent for payroll related expenses.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Metro East Humane Society  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Status

The organization is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

Fair Value Measurements

The organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.



Metro East Humane Society  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

When available, the organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the organization's financial statements are

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of short term investments.
- recurring measurement of endowment investments

NOTE B – INVESTMENTS

MEHS is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the organization's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of the December 31, 2022. Level 2 is for investments measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in the near term. Level 3 is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, market activity for the investment. All of MEHS' investments are reported based on Level 1 inputs.

NOTE C – IMPAIRMENT OF FIXED ASSET

In 2021, renovation of part of the Highland location required a portion to be demolished. Based on the square footage of the demolition, \$23,344 of the fixed asset is removed along with the associated accumulated depreciation.

Metro East Humane Society  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2022 and 2021

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 3,120	\$ 3,120
Improvements to land and building	449,540	402,207
Buildings	373,013	373,013
Equipment and machinery	71,462	58,840
Vehicles	<u>16,029</u>	<u>16,029</u>
	913,164	853,209
Less accumulated depreciation	<u>(512,512)</u>	<u>(482,340)</u>
Net Property and Equipment	<u>\$400,652</u>	<u>\$370,869</u>

NOTE E – ENDOWMENTS

Endowments are funds established either by donors, referred to as donor-restricted endowment funds or by resources set aside by the Board of Directors to function as endowments, referred to as board-designated endowment funds. Donor-restricted endowment funds are further divided into those that provide a perpetual source of support for the organization’s activities, referred to as permanent endowments and those that are restricted by donors to investment for a specified term, referred to as term endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The state of Illinois enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective June 30, 2010. UPMIFA establishes law for the management and investment of donor-restricted endowment funds. The Board of Directors of the organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted permanent endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the organization classifies as permanently restricted net assets (a) the original value of gifts donated to all donor-restricted permanent endowments, (b) the original value of any subsequent gifts to donor-restricted permanent endowments, and (c) the original value of accumulations to donor-restricted permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of a donor-

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NOTE E – ENDOWMENTS (continued)

restricted permanent endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization. All donor-restricted term endowments are classified as net assets with donor restrictions until the term expires and they are used in accordance with the donor's restrictions on use.

UPMIFA permits the organization to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making its determination to appropriate or accumulate, the organization must act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and it must consider, if relevant, the following factors:

- The duration and preservation of the endowment fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policy of the organization

The endowment consists of board designated funds, the MEHS General Fund, established as an operating reserve and a donor restricted fund, the MEHS-Gillham Estate Fund, consisting of funds received through a bequest received in 2017. The Gillham Estate Funds are restricted to be used exclusively and directly for the health and welfare of the animals in the shelter, and not for staff salaries or any other overhead expense.

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NOTE E – ENDOWMENTS (continued)

Investment and Spending Policies

The organization has an investment policy which is monitored by the Finance Committee of the Board of Directors. The investment policy describes the objective for the fund and sets ranges for asset allocation. The objective of the Endowment Fund is to manage risk and optimize investment returns within acceptable risk parameters. At a minimum, long term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment Fund assets, to provide necessary capital to fund the spending policy, and to cover the costs of managing the Endowment Fund investments. Actual returns in any given year may vary from this amount. In light of this return requirement, the portfolio is constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The assets are invested for the long term, and a higher short term volatility in these assets is to be expected and accepted. The organization will not invest in so-called alternative investments—investments in the form of limited partnerships, limited liability companies, or joint ventures, which might commit the organization to future investments or have legal restrictions that prevent the sale or redemption of the investment for more than a year.

The purpose of MEHS General Investment Fund is to provide sufficient cash to meet financial obligations in a timely manner and to meet expenses occurring as a result of unanticipated activities and to improve the return on the funds. The investment objectives of the MEHS General Investment Fund portfolio are preservation of capital, liquidity, and to optimize the investment return within the constraints above and will be invested as follows:

Asset Allocation – MEHS General Investment Fund		
Asset Class	Minimum	Maximum
Cash Equivalents	0%	20%
Fixed Income	60%	80%
Equities	20%	50%

The purpose of the MEHS-Gillham Estate Fund is to provide secure long-term funding for the mission of MEHS. Expenditure of the principal is designated by the donor (Edward L. Gillham Estate). At the discretion of the Board of Directors, up to 10% of the principal may be utilized exclusively and directly for the health and welfare of the animals in the shelter, excluding staff salaries or any other overhead expense. Investment objectives of the MEHS-Gillham Estate Fund are to expand MEHS operations guided by the strategic plan, preservation of working capital, and long-term growth of capital.

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NOTE E – ENDOWMENTS (continued)

Investment and Spending Policies (continued)

The MEHS-Gillham Estate Fund will be invested as follows:

Asset Allocation – MEHS-Gillham Estate Fund		
Asset Class	Minimum	Maximum
Cash Equivalents	0%	10%
Fixed Income	40%	60%
Equities	40%	60%

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at December 31,

	<u>2022</u>	<u>2021</u>
Bequest	\$ 741,288	\$ 823,653
Capital Campaign - Highland	-	27,665
Capital Campaign – Edwardsville	-	1,057
Capital Campaign	-	72,010
Other	5,000	-
	<u>\$ 746,288</u>	<u>\$ 924,385</u>

NOTE G – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 27, 2023, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

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NOTE H – SPECIAL EVENTS

MEHS holds the following annual Special Events:

- **Woofstock** – Participants in this annual event solicit pledges from donors to sponsor their walk with their dogs. The event provides opportunities for attendees to adopt pets and learn more about the society.
- **Calendars** – Pet owners post a picture of their pet on the website for visitors to vote for the 12 favorite pets for the calendar.
- **Other Events** – MEHS sponsors other events during the year to educate the public about the society activities and provide necessary funding.

2022 SPECIAL EVENTS

	WOOFSTOCK	CALENDAR	ALL OTHER EVENTS	TOTAL
Gross receipts	\$ 15,526	\$ 7,330	\$ 94,020	\$ 116,876
Less: Direct expenses	<u>(2,693)</u>	<u>(1,265)</u>	<u>(21,923)</u>	<u>(25,881)</u>
Net Income	<u>\$ 12,833</u>	<u>\$ 6,065</u>	<u>\$ 72,097</u>	<u>\$ 90,995</u>

2021 SPECIAL EVENTS

	WOOFSTOCK	CALENDAR	ALL OTHER EVENTS	TOTAL
Gross receipts	\$ 2,243	\$ 6,848	\$ 187,060	\$ 196,151
Less: Direct expenses	<u>(110)</u>	<u>(860)</u>	<u>(21,647)</u>	<u>(22,617)</u>
Net Income	<u>\$ 2,133</u>	<u>\$ 5,988</u>	<u>\$ 165,413</u>	<u>\$ 173,534</u>

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NOTE I – COPIER LEASE

Effective January 27, 2018, MEHS entered into a lease agreement with Da-Com for a copier. The term of the lease is five years with monthly lease payments of approximately \$185.

March 19, 2021, MEHS entered into a lease agreement with Da-Com for a copier for the Highland facility. The term of the lease is five years with monthly lease payments of \$65.

October 20, 2022, MEHS entered into a lease agreement with Da-Com for a copier for the Edwardsville facility. The term of the lease is five years with monthly lease payments of \$215 commencing December 2022. In accordance with Topic 606, this copier has been capitalized as a right of use asset and associated lease liability of \$11,603 as of December 31, 2022.

Lease expense is approximately \$3,017 and \$2,802 for the years ending December 31, 2022, and 2021, respectively. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 3,360
2024	3,360
2025	3,360
2026	2,775
2027	<u>2,365</u>
	<u>\$ 15,220</u>

NOTE J – LONG-TERM RESERVE FUND

The Long-term Reserve Fund requires that all investment assets be invested in marketable securities, defined as securities that can be traded quickly and efficiently for the Long-term Reserve Fund, with minimal impact on market price. Allowable assets include cash equivalents, fixed income security funds, and equity mutual funds.

NOTE K – BEQUESTS

In 2018, MEHS was notified that it has been named as one of the beneficiaries of the Jayann Lambert Whaley estate. The estate will be split 50% with the Michigan State University School of Social Work. The remaining 50% will be split evenly among thirteen other organizations including MEHS. The total amount to be distributed to MEHS is estimated at \$91,856 and due to uncertainty in the markets an allowance of \$45,928 has been recorded at December 31, 2022, and 2021.

Metro East Humane Society  
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NOTE K – BEQUESTS (continued)

During 2020, MEHS was notified that it was named as one of the beneficiaries of the Marian Beyer estate. The amount to be distributed to MEHS has not been determined and, therefore, no amount has been recorded as of December 31, 2022, and 2021.

NOTE L – PAYCHECK PROTECTION PROGRAM

January 27, 2021, MEHS received \$85,806 of Paycheck Protection Program funding. The terms and conditions of the loan were met and the loan was forgiven effective September 23, 2021. The funds are appropriately recorded on the Statement of Activities as of December 31, 2021.

NOTE M – RESERVE POLICY

MEHS is substantially supported by program revenue, as well as, contributions. The Organization maintains a reserve to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. MEHS' goal is to maintain no less than three months and no more than six months of the annual operating budget between its operating and savings bank accounts at all times.