

ASSOCIATED HUMANE SOCIETIES, INC.

June 30, 2023



ASSOCIATED HUMANE SOCIETIES, INC.

For the Year Ended June 30, 2023

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Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

To the Board of Directors
Associated Humane Societies, Inc.
Newark, New Jersey

Opinion

We have audited the accompanying financial statements of Associated Humane Societies, Inc. (a non-profit organization), which comprise the Statement of Financial Position as of June 30, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related Notes to the Financial Statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associated Humane Societies, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Associated Humane Societies, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Associated Humane Societies, Inc.'s ability to continue as a going concern within one year after the date that the financial statements issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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, we:

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

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



BKC, CPAs, PC

March 14, 2024
Flemington, New Jersey

ASSOCIATED HUMANE SOCIETIES, INC.
Statement of Financial Position
June 30, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 633,357
Certificates of deposit	22,181
Accounts receivable, net of allowance for doubtful accounts of \$10,000	294,805
Inventory	117,663
Prepaid expenses	103,211
Investments	7,313,132
Receivables from estates	69,571
Total current assets	8,553,920
Property and equipment, net of accumulated depreciation of \$10,461,068	2,626,556
Total assets	\$ 11,180,476

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 356,661
Accrued liabilities	261,063
Total liabilities all current	617,724
Net assets	
Without donor restrictions	10,344,944
With donor restrictions	217,808
Total net assets	10,562,752
Total liabilities and net assets	\$ 11,180,476

See accompanying notes to the financial statements.

ASSOCIATED HUMANE SOCIETIES, INC.
Statement of Activities
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Contributions	\$ 1,379,170	\$ 579,439	\$ 1,958,609
Grants	18,621	-	18,621
Legacies and bequests	3,791,362	-	3,791,362
Special events	530,300	-	530,300
Program service revenue	2,869,983	-	2,869,983
Merchandise sales	589,645	-	589,645
Net assets released from restrictions	736,267	(736,267)	-
Total public support, revenue and reclassifications	9,915,348	(156,828)	9,758,520
Expenses			
Program services	9,204,350	-	9,204,350
Management and general expenses	1,032,004	-	1,032,004
Fundraising	279,964	-	279,964
Total expenses	10,516,318	-	10,516,318
Non-operating activities			
Unrealized gain on investments	152,716	-	152,716
Realized gain on sale of investments	2,918	-	2,918
Interest and dividend income	271,265	-	271,265
Investment fees	(52,438)	-	(52,438)
Reduction in bad debt expense	15,255	-	15,255
Rental income	13,601	-	13,601
Realized gain on disposal of assets	2,615	-	2,615
Total non-operating income	405,932	-	405,932
Change in net assets	(195,038)	(156,828)	(351,866)
Net assets - beginning of year	10,539,982	374,636	10,914,618
Net assets - end of year	<u>\$ 10,344,944</u>	<u>\$ 217,808</u>	<u>\$ 10,562,752</u>

See accompanying notes to the financial statements.

ASSOCIATED HUMANE SOCIETIES, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 4,396,893	\$ 680,942	\$ 181,406	\$ 5,259,241
Payroll taxes and fringe benefits	893,463	136,816	36,449	1,066,728
Total salaries and related expenses	5,290,356	817,758	217,855	6,325,969
Animal food, supplies, and drugs	1,083,534	-	-	1,083,534
Animal care services	555,639	-	-	555,639
Automotive costs	62,902	1,673	-	64,575
Bank and credit card fees	46,806	393	18,706	65,905
Computer expense	24,636	4,081	495	29,212
Depreciation	223,690	-	-	223,690
Dues and subscriptions	811	1,036	140	1,987
Equipment rental	78,433	8,541	2,145	89,119
Insurance	498,420	20,015	-	518,435
License and permits	6,085	1,348	1,492	8,925
Media advertising	40,728	12,500	2,912	56,140
Occupancy	531,836	9,046	-	540,882
Postage and shipping	1,352	10,380	67	11,799
Printing	283,850	585	1,352	285,787
Professional fees				
Computer and website	13,142	-	-	13,142
Audit and accounting	-	59,910	-	59,910
Legal	-	5,150	-	5,150
Other	22,336	28,247	-	50,583
Promotional materials	-	-	34,072	34,072
Repairs and maintenance	196,057	4,241	-	200,298
Office supplies	180,598	42,071	708	223,377
Telephone	63,139	5,029	20	68,188
	<u>63,139</u>	<u>5,029</u>	<u>20</u>	<u>68,188</u>
Total	<u>\$ 9,204,350</u>	<u>\$ 1,032,004</u>	<u>\$ 279,964</u>	<u>\$ 10,516,318</u>

See accompanying notes to the financial statements.

ASSOCIATED HUMANE SOCIETIES, INC.

Statement of Cash Flows

For the Year Ended June 30, 2023

Cash flows from operating activities	
Change in net assets	\$ (351,866)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	223,690
Bad debt expense	(15,255)
Realized gain on disposal of vehicle	(700)
Realized gain on sale of investments	(2,918)
Unrealized gain on investments	(152,716)
Reinvested interest and dividends	(218,641)
Decrease (increase) in assets	
Accounts receivable	(41,154)
Inventory	(62,228)
Prepaid expenses	43,338
Receivables from estates	1,201,854
Increase (decrease) in liabilities	
Accounts payable	67,300
Accrued liabilities	26,092
Total adjustments	<u>1,068,662</u>
Net cash provided by operating activities	<u>716,796</u>
Cash flows from investing activities	
Purchase of property and equipment	(1,530,990)
Proceeds from sale on vehicles	700
Transfers to investment account	(1,208,198)
Transfers from investment account	<u>1,720,000</u>
Net cash used in investing activities	<u>(1,018,488)</u>
Net decrease in cash and cash equivalents	(301,692)
Cash and cash equivalents - beginning of year	<u>935,049</u>
Cash and cash equivalents- end of year	<u><u>\$ 633,357</u></u>

See accompanying notes to the financial statements.

ASSOCIATED HUMANE SOCIETIES, INC.
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

Nature of activities

Associated Humane Societies, Inc. (the Organization) is a non-profit organization, established in 1906. The primary objective of the Organization is the prevention of cruelty to animals throughout the United States, and specifically, the State of New Jersey. The Organization advances humane treatment of animals by providing public awareness regarding proper care and treatment of animals. It also maintains animal care centers, medical/surgical facilities, and ambulance services to provide medical needs to animals in the local communities. The Organization has two shelters and a zoo that houses pets, wildlife, farm, and exotic animals, all having been rescued. Some animals are permanent residents, while many others are available for adoption.

The Organization provides animal control services to towns throughout the State of New Jersey as well as county parks, highways, and other areas by contract through state, county, and local municipalities. The services include pick-up and/or rescue of owned, abandoned, trapped or sick animals and wildlife.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets without donor restriction - net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with donor restriction - net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Use of estimates

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

Cash and cash equivalents

The Organization considers all highly liquid investment instruments with an initial maturity of three months or less to be cash equivalents.

Inventory

Inventory consists of animal medications, supplies, and novelty items and is valued at the lower of cost (first-in, first-out) or net realizable value.

ASSOCIATED HUMANE SOCIETIES, INC.
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are stated at cost and depreciated over the estimated useful life of each asset. Depreciation is provided by use of the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Building and leasehold improvements	5 - 39 years
Furniture and equipment	5 - 10 years
Transportation equipment	5 years

Additions and improvements, which extend the useful lives of the respective assets, are charged to asset accounts, and are depreciated accordingly, while general repairs and maintenance are expensed as incurred. The Organization's capitalization policy is to capitalize all new additions in amounts greater than \$5,000. The cost and related accumulated depreciation of assets sold or retired are eliminated from the accounts and any gains or losses are included in the changes in net assets.

Revenue recognition

Revenues are reported as increases in net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets unless their use is restricted by donor stipulation or law.

Contributions

Contributions of cash and other assets, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor and are reported as support in the period the unconditional promise is given. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Gifts of cash and other noncapital assets are recorded as revenue, when received, increasing either net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor restrictions. Time and purposed restricted contributions are reported as donor-restricted support and are then reclassified to net assets without donor restrictions upon expiration of the time restriction or fulfillment of purpose restriction.

ASSOCIATED HUMANE SOCIETIES, INC.
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Program service revenue

Program service revenue consists of municipality service fees and fees for adoptions and husbandry services charged to the public. Revenue is recognized when the performance obligation is complete.

Contributed services

Unpaid volunteers contribute their time to forward the Organization's program services. No amounts for donated services have been included in these statements, as they do not meet the criteria for recognition.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and services benefited. Functional expenses are calculated by specific identification and allocation based on Management's judgment.

Advertising expenses

All advertising costs are expensed as incurred. Advertising expense for the fiscal year ended June 30, 2023 was \$56,140.

Employee retirement plan

The Organization provides a 401 (k) Plan to provide retirement benefits for its employees. At the Organization's discretion, a matching contribution may be made by the Company of up to 100% of the first 3% of the employee's contribution and 50% of the first 4% and 5% of the employee's contribution, subject to maximums allowed by law. Employer matching contributions for the year-ended June 30, 2023, was \$38,464.

Note 2 - Income taxes

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) and similar state provisions. The Organization is further classified as an entity that is not a private foundation under Section 509(a)(3) of the Code.

The most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to Unrelated Business Income Tax (UBIT).

The Organization follows the guidance of FASB's Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, related to uncertain income taxes which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken on a tax return.

ASSOCIATED HUMANE SOCIETIES, INC.
Notes to the Financial Statements

Note 2 - Income taxes (continued)

The Organization Files a Federal Form 990 Return of Organization Exempt from Tax, annually with the Internal Revenue Service, as well as a State equivalent filing. Both Filings are subject to audit by the appropriate authority. The Organization's information returns before 2019 are no longer subject to examination by Federal or New Jersey authorities, due to the statute of limitations.

The Organization files an income tax return for its operations at Popcorn Park Zoo, which management has determined qualifies as Unrelated Business Taxable Income (UBIT). The return for the fiscal year ended June 30, 2023, shows a cumulative net operating loss carryforward of \$1,049,070. These losses create a deferred tax asset of \$419,628. Because of the more likely than not assessment that these net operating losses will not be used, an allowance equal to the amount of the deferred tax asset has been recorded.

Management has determined that it is more likely than not, that all tax positions would be sustained upon examination by taxing authorities.

Note 3 - Concentrations

Cash and cash equivalents

The Organization maintains its cash balances in several financial institutions, which are insured by the Federal Deposit Insurance Corporation. As of June 30, 2023, the Organization had approximately \$397,000 of uninsured cash and cash equivalents.

Revenue and accounts receivable

The Organization maintained animal control service contracts with certain townships whose revenue individually represented 10% or more of the Organization's total township revenue, or whose accounts receivable balances individually represented 10% or more of the Organization's accounts receivable.

For the fiscal year ended June 30, 2023, one township represented 63% of total township revenue, and the same township accounted for 38% of accounts receivables.

The Organization receives a substantial amount of revenue from legacies and bequests. During the year ended June 30, 2023, contributions from one donor represented approximately 30% of total legacies and bequests revenue and contributions from three donors accounted for approximately 74% of the Organization's receivables from estates.

Note 4 - Accounts receivable

Accounts receivable consists of amounts owed to the Organization for services provided through yearly contracts with local governments. An allowance for uncollectible receivables is provided based upon Management's judgment and prior collection history.

ASSOCIATED HUMANE SOCIETIES, INC.
Notes to the Financial Statements

Note 5 - Property and equipment
Property and equipment at June 30, 2023 consist of the following:

Land	\$	249,421
Buildings and leasehold improvements		8,559,923
Furniture and equipment		1,956,336
Transportation equipment		1,086,296
Construction in progress		1,235,648
Total property and equipment		13,087,624
Less: accumulated depreciation		(10,461,068)
Property and equipment, net	\$	2,626,556

Depreciation expense for the fiscal year ended June 30, 2023 was \$223,690.

Construction in progress

In 2021, the organization began building renovations on the Newark facility. Costs are reported as construction in progress and will remain there until the renovations are complete. For the year ended June 30, 2023, the Organization incurred \$736,267 in additional project costs. The Organization has committed to approximately \$500,000 to complete the renovations.

Note 6 - Investments

Investments are reported at fair value and included as a component of net assets. The specific identification method is used to determine realized gains and losses. Interest and dividends earned on the investments for the fiscal year ended June 30, 2023 totaled \$271,265.

For the year ended June 30, 2023, unrealized gains of \$152,716 have been reported as a separate component of non-operating income.

Note 7 - Fair value measurements

The Organization applies GAAP for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

ASSOCIATED HUMANE SOCIETIES, INC.
Notes to the Financial Statements

Note 7 - Fair value measurements (continued)

Level 3 Inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The following table presents assets that are measured at fair value on a recurring basis at June 30, 2023:

	Fair Value Measurement at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 684,456	\$ -	\$ -
Equities	4,438,723	-	-
Fixed income	2,189,953	-	-
Total investments	\$ 7,313,132	\$ -	\$ -

Note 8 - Board designated, from net assets without donor restrictions

The Organization has designated \$500,000 of its unrestricted fund balance for renovations to the Newark facility.

Note 9 - Operating leases

The Organization leases various office equipment under non-cancelable operating leases with expiration dates from October 2025 to July 2026. Rent is paid monthly. Rent expense for the fiscal year ended June 30, 2023 was \$31,529.

The future minimum operating rental payments in excess of one year are as follows:

2024	\$ 35,640
2025	35,640
2026	23,724
2027	651

Note 10 - Net assets

Components of net assets as of June 30 were as follows:

Undesignated, available for general operations	\$ 9,844,944
Designated by the Board for Newark facility renovations	500,000
Total net assets without donor restrictions	\$ 10,344,944
Designated for Newark facility renovations	
Total net assets with donor restrictions	\$ 217,808

ASSOCIATED HUMANE SOCIETIES, INC.
Notes to the Financial Statements

Note 11 - Availability of financial assets

The following reflects the Organization's financial assets as of the balance sheet date:

Cash and cash equivalents	\$	633,357
Certificates of deposit		22,181
Accounts receivable		294,805
Receivables from estates		69,571
Investments		7,313,132
Total financial assets		8,333,046
Less those unavailable for general expenditures within one year, due one year, due to:		
Board-restricted for Newark facility renovations		500,000
Donor-restricted for Newark facility renovations		217,808
Financial assets available to meet cash needs for general expenditures within one year	\$	7,615,238

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

Note 12 - Supplemental cash flow information

Cash payments for interest for the fiscal year ended June 30, 2023 was \$0.

Noncash investing and financing activities for the fiscal year ended June 30, 2023, were as follows:

Proceeds from sale of investments	\$	4,144,911
Purchase of investments		(3,029,958)

Note 13 - Subsequent events

The Organization's Management has determined that no other material events or transactions have occurred subsequent to June 30, 2023 and through March 14, 2024, the date of the Organization's financial statement issuance, which requires additional disclosure in the Organization's financial statements.