

Connecticut Humane Society
Financial Statements
and Independent Auditor's Report
December 31, 2021

Connecticut Humane Society

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

Independent Auditor's Report

To the Board of Directors
Connecticut Humane Society

Opinion

We have audited the financial statements of Connecticut Humane Society, which comprise the statement of financial position as of December 31, 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of Connecticut Humane Society as of December 31, 2021, 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 principles generally accepted in the United States of America ("GAAP"). 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 Connecticut Humane Society 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 Connecticut Humane Society's ability to continue as a going concern for one year after the date that the financial statements are available to be 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 GAAP 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 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 GAAP, 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 Connecticut 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Connecticut Humane Society'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.

Report on Summarized Comparative Information

We have previously audited Connecticut Humane Society's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Hartford, Connecticut
May 25, 2022

Connecticut Humane Society
Statements of Financial Position
December 31, 2021
(With Comparative Totals for December 31, 2020)

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 3,819,030	\$ 3,457,480
Contributions receivable, net	926,683	632,919
Dividends and interest receivable	131,809	143,118
Prepaid expenses and other current assets	131,303	159,685
Investments	87,379,517	74,206,924
Property and equipment, net	5,828,609	5,777,573
Investments held in trust by others	19,704,130	18,154,326
	<u>117,921,081</u>	<u>102,532,025</u>
Total assets	<u>\$ 117,921,081</u>	<u>\$ 102,532,025</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and other liabilities	\$ 233,114	\$ 225,204
Accrued payroll and benefits	514,328	564,004
	<u>747,442</u>	<u>789,208</u>
Total liabilities	<u>747,442</u>	<u>789,208</u>
Net assets		
Without donor restrictions		
Designated - property and equipment, net	5,828,609	5,777,573
Designated - funds functioning as endowment	80,118,207	71,744,817
Undesignated	3,483,462	3,273,795
	<u>89,430,278</u>	<u>80,796,185</u>
Total without donor restrictions	<u>89,430,278</u>	<u>80,796,185</u>
With donor restrictions		
Time or purpose	8,039,231	2,792,306
Perpetual	19,704,130	18,154,326
	<u>27,743,361</u>	<u>20,946,632</u>
Total with donor restrictions	<u>27,743,361</u>	<u>20,946,632</u>
Total net assets	<u>117,173,639</u>	<u>101,742,817</u>
Total liabilities and net assets	<u>\$ 117,921,081</u>	<u>\$ 102,532,025</u>

Connecticut Humane Society

Statements of Activities Year Ended December 31, 2021 (With Comparative Totals for 2020)

	Without donor restrictions	With donor restrictions	2021 Total	2020 Total
Revenues, gains and other support				
Contributions, donations and support	\$ 3,049,058	\$ 86,986	\$ 3,136,044	\$ 2,738,099
Legacies and bequests	1,489,440	-	1,489,440	1,046,177
Program revenue	924,762	-	924,762	768,748
Contributions - PPP and other	950,428	-	950,428	900,133
Investment return utilized for operations	3,239,458	-	3,239,458	3,159,846
Net assets released from restrictions	101,825	(101,825)	-	-
Total revenues, gains and other support	<u>9,754,971</u>	<u>(14,839)</u>	<u>9,740,132</u>	<u>8,613,003</u>
Expenses				
Program services				
Animal shelter services	4,762,456	-	4,762,456	4,843,997
Veterinary clinic services	980,975	-	980,975	1,091,663
Community and educational services	653,378	-	653,378	604,002
Total program services	<u>6,396,809</u>	<u>-</u>	<u>6,396,809</u>	<u>6,539,662</u>
Program support				
Management and general	936,399	-	936,399	934,467
Fundraising and development	1,663,818	-	1,663,818	1,704,915
Total program support	<u>2,600,217</u>	<u>-</u>	<u>2,600,217</u>	<u>2,639,382</u>
Total expenses	<u>8,997,026</u>	<u>-</u>	<u>8,997,026</u>	<u>9,179,044</u>
Change in net assets from operations	<u>757,945</u>	<u>(14,839)</u>	<u>743,106</u>	<u>(566,041)</u>
Nonoperating activity				
Contributions, donations and support for capital campaign	-	5,261,764	5,261,764	439,942
Investment return, net	10,314,223	-	10,314,223	5,817,348
Investment return utilized for operations	(3,239,458)	-	(3,239,458)	(3,159,846)
Income from investments held in trust by others	803,383	-	803,383	735,024
Change in value of investments by others	-	1,549,804	1,549,804	1,722,536
Total nonoperating activity	<u>7,876,148</u>	<u>6,811,568</u>	<u>14,687,716</u>	<u>5,555,004</u>
Change in net assets	8,634,093	6,796,729	15,430,822	4,988,963
Net assets, beginning	<u>80,796,185</u>	<u>20,946,632</u>	<u>101,742,817</u>	<u>96,753,854</u>
Net assets, end	<u>\$ 89,430,278</u>	<u>\$ 27,743,361</u>	<u>\$ 117,173,639</u>	<u>\$ 101,742,817</u>

See Notes to Financial Statements.

Connecticut Humane Society
Statement of Functional Expenses
Year Ended December 31, 2021

	Program services				Program support			Total expenses
	Animal shelter services	Veterinary clinic services	Community and educational services	Total	Management and general	Fundraising and development	Total	
Salaries and related expenses	\$ 3,479,302	\$ 621,746	\$ 377,199	\$ 4,478,247	\$ 689,320	\$ 906,741	\$ 1,596,061	\$ 6,074,308
Medical supplies and diagnostics	224,896	168,503	14,764	408,163	-	-	-	408,163
Animal care and transports	153,885	17,215	1,593	172,693	-	-	-	172,693
Professional services	132,532	39,925	44,220	216,677	61,490	100,986	162,476	379,153
Printing and promotion	2,174	685	18,711	21,570	161	479,373	479,534	501,104
Advertising	-	-	123,428	123,428	21,781	-	21,781	145,210
Facilities expenses	162,485	29,368	8,492	200,345	18,328	11,813	30,141	230,486
Utilities	170,969	15,667	5,016	191,652	13,730	6,690	20,420	212,072
IT and communications	85,262	15,040	6,209	106,511	24,169	46,035	70,204	176,714
Insurance	53,952	8,466	2,775	65,193	38,952	-	38,952	104,145
Staff expense	28,558	3,478	3,813	35,849	10,162	3,026	13,188	49,037
Office supplies and postage	5,257	2,132	911	8,300	5,366	12,282	17,648	25,948
Dog training	-	-	25,027	25,027	-	-	-	25,027
Special events	181	-	3,779	3,960	-	6,216	6,216	10,176
Bank and transaction fees	9,038	12,015	-	21,053	12,804	42,579	55,383	76,436
Miscellaneous	6,784	5,124	4,281	16,189	3,858	30,649	34,507	50,695
Total expenses before depreciation	4,515,275	939,364	640,218	6,094,857	900,121	1,646,390	2,546,511	8,641,367
Depreciation	247,182	41,612	13,159	301,953	36,277	17,427	53,704	355,657
Total functional expenses	\$ 4,762,456	\$ 980,975	\$ 653,378	\$ 6,396,809	\$ 936,399	\$ 1,663,818	\$ 2,600,214	\$ 8,997,025

See Notes to Financial Statements.

Connecticut Humane Society
Statement of Functional Expenses
Year Ended December 31, 2020

	Program services				Program support			
	Animal shelter services	Veterinary clinic services	Community and educational services	Total	Management and general	Fundraising and development	Total	Total expenses
Salaries and related expenses	\$ 3,671,367	\$ 763,752	\$ 332,834	\$ 4,767,953	\$ 683,152	\$ 909,280	\$ 1,592,431	\$ 6,360,384
Medical supplies and diagnostics	172,536	142,929	11,849	327,314	-	-	-	327,314
Animal care and transports	115,277	16,421	829	132,527	-	-	-	132,527
Professional services	114,863	33,613	38,876	187,352	64,537	131,152	195,690	383,042
Printing and promotion	2,462	133	15,628	18,223	266	506,053	506,318	524,541
Advertising	-	-	139,935	139,935	24,694	100	24,794	164,729
Facilities expenses	160,445	34,921	7,849	203,215	20,008	11,149	31,157	234,372
Utilities	159,962	15,673	5,019	180,654	13,736	6,692	20,428	201,082
IT and communications	84,234	12,922	6,136	103,292	26,773	49,054	75,827	179,119
Insurance	51,906	9,334	4,063	65,303	34,175	-	34,175	99,478
Staff expense	28,991	3,377	4,661	37,029	6,321	5,222	11,543	48,572
Office supplies and postage	4,335	2,237	929	7,501	5,617	11,988	17,605	25,106
Dog training	-	-	19,095	19,095	-	-	-	19,095
Special events	244	-	2,370	2,614	-	3,549	3,549	6,163
Bank and transaction fees	7,514	8,832	-	16,346	12,251	36,869	49,120	65,466
Miscellaneous	12,992	4,276	254	17,522	5,238	15,698	20,936	38,458
Total expenses before depreciation	4,587,128	1,048,420	590,327	6,225,875	896,768	1,686,805	2,583,573	8,809,448
Depreciation	256,869	43,243	13,675	313,787	37,699	18,110	55,809	369,596
Total functional expenses	\$ 4,843,997	\$ 1,091,663	\$ 604,002	\$ 6,539,662	\$ 934,467	\$ 1,704,915	\$ 2,639,382	\$ 9,179,044

See Notes to Financial Statements.

Connecticut Humane Society

**Statements of Cash Flows
Year Ended December 31, 2021
(With Comparative Totals for December 31, 2020)**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 15,430,822	\$ 4,988,963
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Donation of restricted stock	(4,325,000)	-
Depreciation	355,657	369,596
Change in present value discount of contributions receivable	15,050	(20,532)
Loss on disposal of property and equipment	2,000	-
Net realized and unrealized gains on investments	(8,560,698)	(4,255,355)
Change in value of investments held in trust by others	(1,549,804)	(1,722,536)
Contributions, donations and support for capital campaign	(5,261,764)	(439,942)
Changes in operating assets and liabilities		
Contributions receivable	(308,814)	39,210
Dividends and interest receivable	11,309	9,854
Prepaid expenses and other current assets	28,382	(10,210)
Accounts payable and other liabilities	7,910	(166,279)
Accrued payroll and benefits	(49,676)	144,216
Net cash used in operating activities	<u>(4,204,626)</u>	<u>(1,063,015)</u>
Cash flows from investing activities		
Purchase of property and equipment	(408,693)	(309,439)
Purchase of investments	(41,819,473)	(40,411,512)
Proceeds from sale of investments	41,532,578	41,385,419
Net cash (used in) provided by investing activities	<u>(695,588)</u>	<u>664,468</u>
Cash flows from financing activities		
Contributions, donations and support for capital campaign	5,261,764	439,942
Net cash provided by financing activities	<u>5,261,764</u>	<u>439,942</u>
Net increase in cash	361,550	41,395
Cash, beginning	<u>3,457,480</u>	<u>3,416,085</u>
Cash, end	<u>\$ 3,819,030</u>	<u>\$ 3,457,480</u>
Supplemental disclosure of cash flow information		
Donation of restricted stock	<u>\$ 4,325,000</u>	<u>\$ -</u>

See Notes to Financial Statements.

Connecticut Humane Society
Notes to Financial Statements
December 31, 2021
(With Comparative Totals for December 31, 2020)

Note 1 - Summary of significant accounting policies

Nature of business

The Connecticut Humane Society (the "Society") is one of Connecticut's oldest privately funded nonprofit organizations. The Society is the leading resource in the state for companion animal welfare, enriching the lives of families and communities through adoption services, medical care, education and prevention of cruelty. Founded in 1881 to promote humanity and kindness and to prevent cruelty to people and animals, for 84 years, the Society was the only statewide organization offering protection to children, until a state agency was established. From that point forward, the Society devoted its efforts exclusively to animals.

The Society operates three shelters where animals may be surrendered and adopted, and a reduced fee, full-service animal clinic ("Fox Memorial Clinic"). Additional public services include vaccine clinics, spay/neuter services, humane education, dog obedience classes, a Pet Food Pantry, and assistance to law enforcement in cruelty investigations. The Society generates income from adoption and surrender fees, clinic fees, donations, program fees, trust income, income from funds functioning as endowment and grants. The Society also has an extensive volunteer program.

Basis of accounting and presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Society are reported in the following net asset categories:

Without donor restrictions

Net assets representing available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. Undesignated net assets represent the portion of expendable funds that is available for support of operations. Designated net assets represent reserves or special designations established by the Board of Directors. The Board of Directors has established the following designations: funds functioning as endowment and the Society's investment in property and equipment.

With donor restrictions

Net assets representing resources with restrictions imposed by the donor. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity and any income earned thereon may be expended. These perpetually restricted net assets include the Society's proportionate share of the principal amount of the irrevocable trusts with outside trustees for which the Society is an income beneficiary.

Measure of operations

The statements of activities present revenue from operations separately from nonoperating activities. For purposes of the statements of activities, operations are defined as revenue and expenses from animal rescue, protection and adoption, veterinary clinic, community outreach, humane education, administration and fundraising. All other revenue and expenses (primarily investment results) are classified as nonoperating activities. The basis of presentation reflects the Society's management operating philosophy.

Connecticut Humane Society
Notes to Financial Statements
December 31, 2021
(With Comparative Totals for December 31, 2020)

Contributions

Transactions where the resource provider often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Society has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Society fails to overcome the barrier. The Society recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance.

Conditional and unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Conditional and unconditional contributions are recorded as either with donor restriction or without donor restriction. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contribution without donor restrictions.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time, estimated at approximately 59,894 (unaudited) hours in 2021, in supporting the Society's mission.

Program revenue

Revenue is recognized when control of the promised service is transferred (at a point in time, i.e. when an adoption occurs or a veterinarian service is provided) to the Society's customers, in an amount that depicts the consideration the Society expects to be entitled to in exchange for those services. Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance and the contract has been approved. Additionally, the contract must contain payment terms, as well as the rights and commitments of both parties.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly-liquid short-term instruments with original maturities of three months or less. There were no cash equivalents at December 31, 2021 or 2020. The Society maintains its cash and cash equivalents with high-credit quality financial institutions. At December 31, 2021, the cash balances exceeded federally insured limits by approximately \$3,625,000. Management believes that the Society's deposits are not subject to significant credit risk.

Contributions receivable

Contributions receivable represent unconditional promises to give that are recognized in the period in which the promise is recorded. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions that are expected to be collected in more than one year are discounted at an appropriate rate commensurate with the risk involved.

Connecticut Humane Society
Notes to Financial Statements
December 31, 2021
(With Comparative Totals for December 31, 2020)

Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. On a periodic basis, the Society evaluates its contributions receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs, collections and current credit conditions.

Investments

Investments are reported at fair value (see Note 6). Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis, net of investment expenses. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains (losses) on investments includes the Society's gains and losses on investments bought and sold as well as held during the year. These amounts are reported in the statements of activities as increases or decreases in net assets as appropriate based on any donor stipulations or law.

Property and equipment

Property and equipment are stated at cost or, if donated, at their approximate fair value on the date of donation, net of accumulated depreciation. The Society capitalizes all such acquisitions in excess of \$5,000. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Buildings and improvements	15 - 40 years
Equipment	3 - 5 years
Furniture and fixtures	10 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the change in net assets for the period.

Investments held in trust by others

The Society retains beneficial interests in various trusts established by donors and held by unrelated trustees. Under these arrangements, the Society receives investment income from the trusts in perpetuity but does not have access to the principal. The beneficial interests are carried at the present value of estimated future receipts from the trusts, which is measured by the fair value of the assets in the trust. Changes in the carrying amount of the beneficial interests are recognized as increases or decreases in net assets with donor restrictions.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. The Society applies various methods to allocate costs among the programs and support functions, the most significant of which is by the amount of time and effort by employees or square footage on building space utilized.

Advertising costs

The Society expenses the cost of advertising as incurred. Advertising costs charged to operations during the years ended December 31, 2021 and 2020 were \$145,210 and \$164,729, respectively.

Income tax status

The Society is exempt from federal and state corporate income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

Connecticut Humane Society

Notes to Financial Statements

December 31, 2021

(With Comparative Totals for December 31, 2020)

The Society had no uncertain tax positions at December 31, 2021 or 2020. The Society's federal information returns prior to fiscal year 2018 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. If the Society had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Subsequent events

In preparing these financial statements, management has evaluated subsequent events through May 25, 2022, which represents the date the financial statements were available to be issued. See Note 14 - Subsequent events.

Note 2 - Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Total assets, end of year	\$ 117,921,081	\$ 102,532,025
Less nonfinancial assets		
Prepaid expenses and other current assets	(131,303)	(159,685)
Property and equipment, net	(5,828,609)	(5,777,573)
Investments held in trust by others	<u>(19,704,130)</u>	<u>(18,154,326)</u>
Financial assets, end of year	92,257,039	78,440,441
Less those unavailable for general expenditure within one year due to		
Contractual or donor-imposed restrictions		
Restricted by donors for time or purpose	(8,039,231)	(2,792,306)
Board-designated endowments	(80,118,207)	(71,744,817)
Expected to be available for general expenditure within one year		
Pay-out on board-designated endowment for use over next 12 months	<u>3,419,586</u>	<u>3,239,458</u>
Financial assets available for general expenditure within one year	<u>\$ 7,519,187</u>	<u>\$ 7,142,776</u>

Connecticut Humane Society
Notes to Financial Statements
December 31, 2021
(With Comparative Totals for December 31, 2020)

The Society regularly monitors liquidity required to meet its operating needs while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Society considers all expenditures related to its ongoing mission-related activities as well as services undertaken to support these activities to be operating expenditures.

The Society's governing board has designated approximately \$80,100,000 and \$71,700,000, as of December 31, 2021 and 2020, respectively, of its net assets without donor restrictions to function as an endowment and for other purposes. Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the Board of Directors.

Note 3 - 501(c) Agencies Trust

The Society is self-insured for unemployment claims through 501(c) Agencies Trust. Contributions to 501(c) Agencies Trust are accumulated and used to pay future claims. The Society could be required to make additional payments if claims exceed the accumulated contributions. As of December 31, 2021 and 2020, the Society's account held by the trust was \$113,185 and \$118,130, respectively. These amounts are included in cash on the statements of financial position and there was no estimated claim liability as of December 31, 2021 and 2020. Per the contract with 501(c) Agencies Trust, the Society has the ability to withdraw funds if accumulated contributions exceed the estimated liability.

Note 4 - Contributions receivable

Unconditional promises to give as of December 31, 2021 and 2020 are due to be collected as follows:

	2021	2020
Receivables due in less than one year	\$ 545,604	\$ 448,753
Receivables due in one to five years	416,322	204,359
	961,926	653,112
Less discount to present value (5.5%)	(35,243)	(20,193)
	\$ 926,683	\$ 632,919

There is no allowance for doubtful accounts as of December 31, 2021 and 2020.

Connecticut Humane Society
Notes to Financial Statements
December 31, 2021
(With Comparative Totals for December 31, 2020)

Note 5 - Investments

The following is a schedule of the fair values and composition of investments at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	Fair value	Fair value
Domestic equities	\$ 34,196,872	\$ 30,528,378
Restricted stock	4,325,000	-
Mutual funds	21,461,364	19,577,289
International developed equities	3,291,896	2,444,891
U.S. Government bonds	10,471,314	9,294,977
Corporate bonds	9,740,470	9,016,449
Municipal bonds	281,944	286,187
Money market funds	3,610,657	3,058,753
	<u>\$ 87,379,517</u>	<u>\$ 74,206,924</u>

The Society has established a separate investment account into which collections related to its capital campaign are deposited. The balance in this account at December 31, 2021 and 2020 was \$2,935,169 and \$2,451,873, respectively.

Note 6 - Fair value measurements

The Society values its financial assets based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs which are used to measure fair value into three broad levels, which are described below:

Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 - Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Society utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. The fair value hierarchy does not attempt to measure the quality of the investments.

Connecticut Humane Society

Notes to Financial Statements

December 31, 2021

(With Comparative Totals for December 31, 2020)

Financial assets measured at fair value at December 31, 2021 and 2020 have been categorized in the tables below based upon the fair value hierarchy described above:

<u>December 31, 2021</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Domestic equities	\$ 34,196,872	\$ 34,196,872	\$ -	\$ -
Restricted stock	4,325,000	-	4,325,000	-
Mutual funds	21,461,364	21,461,364	-	-
International developed equities	3,291,896	3,291,896	-	-
U.S. Government bonds	10,471,314	-	10,471,314	-
Corporate bonds				
Investment grade taxable	9,132,657	9,132,657	-	-
International developed bonds	607,813	607,813	-	-
Total corporate bonds	9,740,470	9,740,470	-	-
Municipal bonds	281,944	-	281,944	-
Money market funds	3,610,657	3,610,657	-	-
Total investments at fair value	87,379,517	72,301,259	15,078,258	-
Investments held in trust by others	19,704,130	-	-	19,704,130
	<u>\$ 107,083,647</u>	<u>\$ 72,301,259</u>	<u>\$ 15,078,258</u>	<u>\$ 19,704,130</u>

Connecticut Humane Society

Notes to Financial Statements December 31, 2021 (With Comparative Totals for December 31, 2020)

<u>December 31, 2020</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Domestic equities	\$ 30,528,378	\$ 30,528,378	\$ -	\$ -
Mutual funds	19,577,289	19,577,289	-	-
International developed equities	2,444,891	2,444,891	-	-
U.S. government bonds	9,294,977	-	9,294,977	-
Corporate bonds				
Investment grade taxable	8,529,296	8,529,296	-	-
International developed bonds	487,153	487,153	-	-
Total corporate bonds	9,016,449	9,016,449	-	-
Municipal bonds	286,187	-	286,187	-
Money market funds	3,058,753	3,058,753	-	-
Total investments at fair value	74,206,924	64,625,760	9,581,164	-
Investments held in trust by others	18,154,326	-	-	18,154,326
	<u>\$ 92,361,250</u>	<u>\$ 64,625,760</u>	<u>\$ 9,581,164</u>	<u>\$ 18,154,326</u>

Investments in domestic equities and international developed equities assets are valued at the closing price reported in the active market in which the individual securities are traded (Level 1). Mutual funds and money market funds held by the Society are open-ended funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and transact at that price. The mutual funds and money market funds are deemed to be actively traded (Level 1).

Corporate bonds are valued at the closing price reported in the active market in which the individual securities are traded (Level 1). U.S. Government and municipal bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings (Level 2).

Restricted stocks are valued at the closing price reported in the active market in which the individual securities are traded and are restricted as to when they can be sold (Level 2).

Assets generally measured at fair value using inputs categorized in Level 3 of the fair value hierarchy include assets held in trust by others (the "Trusts"). The fair value of the Trusts' assets is based on the fair value of the underlying investments within the Trusts, which are established by the trustee or other third-party administrators using fair values for identical assets in an active market for similar assets. The trustee and other third-party administrators provide the Society with investment statements and valuations of its portion of the Trusts at year end. These are evaluated annually by the Society.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different

Connecticut Humane Society

Notes to Financial Statements

December 31, 2021

(With Comparative Totals for December 31, 2020)

methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the valuation methodologies used at December 31, 2021 and 2020.

Note 7 - Property and equipment

Property and equipment at December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 110,380	\$ 110,380
Buildings and improvements	10,377,931	10,051,897
Equipment	1,082,613	1,213,741
Furniture and fixtures	<u>139,725</u>	<u>139,725</u>
	11,710,649	11,515,743
Less accumulated depreciation	<u>5,882,040</u>	<u>5,738,170</u>
	<u><u>\$ 5,828,609</u></u>	<u><u>\$ 5,777,573</u></u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$355,657 and \$369,596, respectively.

Note 8 - Net assets with donor restrictions

Net assets restricted by time or purpose consist of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Together Forever capital campaign	\$ 7,986,070	\$ 2,724,307
Restricted for program services	38,975	57,500
Capital projects	<u>14,186</u>	<u>10,499</u>
Net assets with donor restrictions, time or purpose	<u><u>\$ 8,039,231</u></u>	<u><u>\$ 2,792,306</u></u>

Net assets with perpetual restrictions consist of the principal portion of the Society's investments held in trust by others. The distributions from the investments held in trust by others are classified as net assets without donor restrictions. Net assets with donor restrictions, perpetual consist of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investments held in trust by others	<u>\$ 19,704,130</u>	<u>\$ 18,154,326</u>
Net assets with donor restrictions, perpetual	<u><u>\$ 19,704,130</u></u>	<u><u>\$ 18,154,326</u></u>

Connecticut Humane Society
Notes to Financial Statements
December 31, 2021
(With Comparative Totals for December 31, 2020)

Net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose, or from the expiration of time restrictions, were as follows:

	2021	2020
Program services	\$ 91,326	\$ 51,667
Capital projects	10,499	34,502
	\$ 101,825	\$ 86,169

Note 9 - Endowment

The Society's endowment includes funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Society has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment 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 the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets with time or purpose donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

In accordance with CTUPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the various funds
2. The purposes of the Society and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Society
7. The investment policies of the Society

Connecticut Humane Society
Notes to Financial Statements
December 31, 2021
(With Comparative Totals for December 31, 2020)

Changes in endowment net assets for the years ended December 31, 2021 and 2020, are as follows:

	<u>Without donor restrictions</u>
Endowment net assets, January 01, 2020	\$ 69,144,924
Investment return, net	5,759,739
Appropriation for expenditure	<u>(3,159,846)</u>
Endowment net assets, December 31, 2020	71,744,817
Investment return, net	10,281,029
Contributions	1,331,819
Appropriation for expenditure	<u>(3,239,458)</u>
Endowment net assets, December 31, 2021	<u><u>\$ 80,118,207</u></u>

Return objectives and risk parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maintain the inflation-adjusted value of the current asset base while recognizing the objective of real growth in principal within reasonable and prudent levels of risk.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Society has a policy of appropriating for distribution an amount not to exceed 5.0% for the years ended December 31, 2021 and 2020, of its endowment fund's average fair value over the prior 12 calendar quarters. In addition, with the approval of the Board of Directors, the Society may spend in excess of such 5.0% for operating expenses and/or capital projects. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Connecticut Humane Society
Notes to Financial Statements
December 31, 2021
(With Comparative Totals for December 31, 2020)

Note 10 - Retirement plan

The Society has established a 401(k) retirement plan that covers all eligible employees. Participants can elect to have their compensation reduced, and the Society matches up to 6% of the participant's contributions based on years of service. Additionally, the plan provides for a discretionary employer contribution. For the years ended December 31, 2021 and 2020, the discretionary employer contribution was 5% of eligible compensation. The Society's expense for the years ended December 31, 2021 and 2020 was \$313,408 and \$325,876, respectively.

The Society established a 403(b) plan in December 2013, whereby employees meeting certain requirements may participate in the plan. Participants can elect to have their compensation reduced, and the Society matches up to 6% of the participant's contributions based on years of service. Additionally, the plan provides for a discretionary employer contribution. These matching contributions are subject to certain Internal Revenue Service limitations. For the years ended December 31, 2021 and 2020, the discretionary employer contribution was 5% of eligible compensation. The Society's matching contribution expense for the years ended December 31, 2021 and 2020 was \$60,788 and \$21,323, respectively.

Note 11 - Concentrations

Market risk

The Society invests in various debt and equity securities. These investments are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit, market and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of the Society's investments, which could materially affect amounts reported in the financial statements.

Note 12 - Paycheck Protection Program

On April 18, 2020, the Society was granted a \$900,000 loan under the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration (the "SBA") approved partner. The Society was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. On November 25, 2020, the Society received full forgiveness of the loan by the SBA.

On February 19, 2021, the Society was granted a second loan of \$950,000 under the PPP administered by the SBA approved partner. The Society was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. On August 31, 2021, the Society received full forgiveness of the loan by the SBA.

During the years ended December 31, 2021 and 2020, the Society recognized \$950,000 and \$900,000, respectively, of contribution revenue, which are included in the accompanying statement of activities.

Connecticut Humane Society
Notes to Financial Statements
December 31, 2021
(With Comparative Totals for December 31, 2020)

Note 13 - Commitments and contingencies

COVID-19

In early 2020, an outbreak of a novel strain of coronavirus that causes COVID-19 emerged globally. As a result, events have occurred, including mandates from federal, state and local authorities leading to significant declines in customer visits and closures of businesses, including certain of the Society's locations. The Society's Waterford and Westport locations temporarily closed from March through July 2020. The main office in Newington was closed for adoptions and only accepting emergency pet intakes. The Fox Clinic in Newington remained open for urgent medical issues by appointment only. During 2021, the Society had no interruptions or business closures due to the COVID-19 pandemic. However, the Society is not able to estimate the length or severity of this outbreak and the related financial impact at this time.

Note 14 - Subsequent events

Wilton location

In 2020, the Society entered into an agreement to purchase property in Wilton, Connecticut to serve as their new location in Fairfield County. On March 31, 2022, the Society completed the purchase of property for \$1,300,000.