

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
FINANCIAL STATEMENTS
JUNE 30, 2024

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board Members
Animal Protection Society of Durham, Inc.
Durham, North Carolina

Opinion

We have audited the accompanying financial statements of Animal Protection Society of Durham, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024 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 Animal Protection Society of Durham, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in conformity 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 Animal Protection Society of Durham, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Animal Protection Society of

Durham, Inc.'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

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 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 Animal Protection Society of Durham, 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 Animal Protection Society of Durham, 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.

Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

Rebekah Barr, CPA PC

November 25, 2024

FINANCIAL STATEMENTS

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

<u>ASSETS</u>	
<u>Current assets:</u>	
Cash and cash equivalents - unrestricted	\$ 312,708
Investments	1,420,885
Prepaid expenses	4,370
Total current assets	<u>1,737,963</u>
<u>Property and equipment, at cost</u>	
Land	233,809
Building and improvements	155,565
Equipment and furniture	188,291
Software	26,500
Vehicles	21,668
Total fixed assets	<u>625,833</u>
Less: accumulated depreciation	<u>(331,516)</u>
Net fixed assets	<u>294,317</u>
 Total assets	 <u><u>\$ 2,032,280</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>Current Liabilities:</u>	
Accounts payable - trade	\$ 58,556
Accrued expenses	67,874
Refundable advance	-
Total current liabilities	<u>126,430</u>
 Total liabilities	 <u>126,430</u>
<u>NET ASSETS</u>	
Without donor restrictions	
Shelter operating reserve	474,233
Other	1,367,391
With donor restrictions	64,226
Total net assets	<u>1,905,850</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,032,280</u></u>

The notes to the financial statements are an integral part of this statement.

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<u>Revenues, gains and other support</u>			
Contributions of financial assets	\$ 532,638	\$ 172,661	\$ 705,299
Contributions of nonfinancial assets	66,424	-	66,424
Grants and contracts	1,080,334	-	1,080,334
Program revenue	308,844	-	308,844
Special events revenue	499,929	-	499,929
Less: cost of direct benefit to donors	(179,735)	-	(179,735)
Return on investments	132,013	-	132,013
Other income	-	-	-
Net assets released from restrictions:			
Satisfied by payments	173,328	(173,328)	-
Total revenues, gains and other support	<u>2,613,775</u>	<u>(667)</u>	<u>2,613,108</u>
<u>Expenses:</u>			
Program services	2,296,073	-	2,296,073
Management and general	236,515	-	236,515
Fundraising	273,091	-	273,091
TOTAL EXPENSES	<u>2,805,679</u>	<u>-</u>	<u>2,805,679</u>
EXCESS OF SUPPORT OVER EXPENSES	(191,904)	(667)	(192,571)
NET ASSETS BEGINNING OF YEAR	<u>2,033,529</u>	<u>64,893</u>	<u>2,098,422</u>
NET ASSETS END OF YEAR	<u>\$ 1,841,625</u>	<u>\$ 64,226</u>	<u>\$ 1,905,851</u>

The notes to the financial statements are an integral part of this statement.

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program	Management and General	Fundraising	Total
Officers compensation	\$ 5,437	\$ 103,119	\$ 10,874	\$ 119,430
Other salaries	1,119,170	43,603	175,269	1,338,042
Pension	20,464	1,296	773	22,533
Other employee benefits	204,531	8,704	-	213,235
Payroll taxes	124,222	2,192	-	126,414
Legal	-	-	-	-
Accounting	-	36,589	-	36,589
Other contractors	31,678	17,184	-	48,862
Advertising	2,068	1,963	15,597	19,628
Office expenses	21,094	-	28,146	49,240
Information technology	-	335	15,257	15,592
Occupancy	41,280	5,160	5,160	51,600
Travel	5,251	1,313	-	6,564
Conferences and meetings	9,409	-	294	9,703
Depreciation	14,899	1,862	1,862	18,623
Insurance	9,767	-	-	9,767
Animal care	366,406	-	-	366,406
Spay/neuter costs	181,506	-	-	181,506
Program expenses	125,980	-	-	125,980
Miscellaneous expenses	12,911	13,195	19,859	45,965
Total functional expenses	<u>\$ 2,296,073</u>	<u>\$ 236,515</u>	<u>\$ 273,091</u>	<u>\$ 2,805,679</u>

The notes to the financial statements are an integral part of this statement.

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

Cash flows from operating activities

Increase in net assets	\$ (192,572)
Adjustments to reconcile change in net assets to net cash provided by operations	
Depreciation	18,623
(Increase) decrease in operating assets	
Investments	366,176
Prepaid expenses	(4,370)
Increase (decrease) in operating liabilities	
Accounts payable	(7,551)
Accrued expenses	13,594
Refundable advance	-
	<hr/>
Net Cash Used by Operating Activities	193,900

Cash flows from investing activities

Acquisitions of property and equipment	-
	<hr/>
Net Cash Used by Investing Activities	-
	<hr/>

Cash flows from financing activities

Principal payments on notes payable	-
	<hr/>
Net Cash Used by Investing Activities	-
	<hr/>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	193,900
BEGINNING CASH AND CASH EQUIVALENTS	<hr/> 118,808
ENDING CASH AND CASH EQUIVALENTS	<hr/> <hr/> \$ 312,708

Supplemental Schedule of Cash Flow Information

Interest paid	<hr/> <hr/> \$ -
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The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Animal Protection Society of Durham, Inc. (The Organization) has been helping animals in our community since 1970 and has managed the Durham County Animal Shelter since 1990. The Organization relies on donations from caring individuals and corporations and contract revenue from the County of Durham to feed, shelter and provide medical attention for the nearly 5,000 strays, surrendered, abandoned, abused and neglected animals that are cared for each year.

The organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and classified as a public charity under 170(b)(1)(A)(vi). It is also exempt from North Carolina income and franchise taxes under the North Carolina Non-Profit Corporation Act. It is responsible for unrelated business income, if any.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and accordingly reflect all significant receivables, prepaid expenses, payables and other liabilities.

Classification of Net Assets

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United State of America. This has been done by classification of fund transactions and balances into two categories of net assets:

Net Assets without donor restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with donor restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

General Expenditures

The Organization considers the costs related to its normal activities to be general expenditures unless such costs are limited by the donors for specified, restricted purposes. Accordingly, the

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

related resources for the latter have been excluded in the quantitative information detailing the financial assets available to meet general expenditures within one year.

Cash and Cash Equivalents

As a general rule, the Organization considers deposits on account and investments with maturity dates less than three months at the time of purchase to be cash and cash equivalents. There was no restricted cash for the years presented.

Fair Value Measurements/Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donor are reported as increases in net assets without restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

U.S. GAAP specifies a hierarchy of valuation techniques. The following summarizes the fair value hierarchy: Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access. Level 2 Inputs – Inputs, other than the quoted prices in active markets that are observable either directly or indirectly. Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

All financial instruments of the Organization are considered to be Level 1 assets. The Organization had no Level 2 or 3 assets or liabilities for the year presented.

Property and Equipment

It is the Organization's policy to capitalize property and equipment in excess of \$3,000 with an estimated useful life of more than one year. Purchased property and equipment are recorded at cost. Donated property and equipment are recorded as revenue at their estimated fair value as of the date of the contribution. Depreciation is computed using the straight-line method over the estimated useful lives as follows: building and improvements, 40 years; remaining items, 5 to 10 years. For the year ended June 30, 2024, depreciation expense was \$15,706.

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized as equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at June 30, 2024.

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Expenditures for repairs and maintenance are charged to expense as incurred. The cost of major renewals and betterments are capitalized and depreciated over their useful lives. Upon disposition of property and equipment, the related asset and accumulated depreciation accounts are removed and any gain or loss is reflected in the statement of activities.

Uncertain Tax Positions

No provision has been made for income taxes in the financial statements. Furthermore, the Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The IRS Form 990 and other tax returns for the prior three years remain subject to examination by the taxing authorities.

Donated Services

Donated services have not been reflected in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP. However, a substantial number of volunteers have donated significant amounts of their time to the Organization. Management estimates that 23,000 volunteer hours were donated for the year ended June 30, 2024.

Revenue Recognition

Contributions are recognized when the grantor or donor makes a promise to give the Organization that is, in substance, unconditional. Promises to give that ultimately prove to be uncollectible will reduce revenue.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization's program revenue is derived from the adoption of dogs, cats and other small animals by the general public. These arrangements are single performance contracts that are satisfied at a point in time with cash payments. The viability of the Organization's program revenue is dependent on the strength of the overall economy in Durham, North Carolina and the general vicinity.

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated by management among the program and supporting services benefited. Such allocations are determined by management on an equitable basis. The allocation of staffing expenses is based on time and effort studies of the Organization's employees. The remaining categories on the statement of functional expenses are allocated based on approximate direct usage.

Estimates

The preparation of financial statements in accordance with GAAP required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The Organization expenses advertising and promotion costs as they are incurred.

Management's Review of Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2024, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2024. Management has performed their analysis of subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 2 – JOINT PROJECT

The Durham County Sheriff Department and the Organization work in partnership by way of a service contract for the operation of the Durham County Animal Shelter. No amount has been recognized in these financial statements for the resulting use of space made available to the Organization under this arrangement.

NOTE 3 – INVESTMENTS

Investments are carried on the books at fair value. A detailed breakdown follows:

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

	2024
Cash held at broker	\$ 2,089
Mutual funds:	
JP Morgan Core Plus Bond Fund Class A	215,106
JP Morgan Total Return Fund Class A	215,972
JP Morgan U.S. Research Enhanced CL A	152,051
JP Morgan Equity Income Fund Class A	144,350
American Capital Income Builder Fund Class A	194,609
American Capital World Growth & Income Fund CL A	130,361
American Income Fund of America Class A	129,040
JP Morgan Mid Cap Equity Fund Class A	78,804
American AMCAP Fund Class A	99,750
American Smallcap World Fund Class A	47,178
Vanguard Wellington INV	11,575
Exchange Traded & Closed End Funds	-
	<u>\$ 1,420,885</u>

NOTE 4 – CONCENTRATIONS

The Organization's accounts at various financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and may at times exceed the federally insured limits. The Organization has never experienced any losses in such accounts. The Organization had no amounts over the FDIC limits at June 30, 2024.

The Organization holds its investments in one brokerage company. These assets are protected by the Securities Investor Protection Corporation (SIPC), which insures against the loss or theft of securities as well as the failure or insolvency of a brokerage firm. The limits of protection extend up to \$500,000 for securities, including \$250,000 for cash claims. Neither the SIPC nor the additional coverage protects against losses due to the rise and fall of the market.

The Organization received approximately 40% of its revenue from a contract with the County of Durham for animal shelter management for the year ended June 30, 2023. A significant reduction in this level of support, if it were to occur, could have a significant impact on the Organization's programs and activities.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Organization has a direct contract with the County of Durham for the operation of the Durham County Animal Shelter. This contract is subject to audits, and such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions.

Management is not aware of any disallowable costs or instances of noncompliance. Consequently, no provision has been made for liabilities, if any, that may arise from such audits.

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 – RESTRICTED NET ASSETS

Net assets with donor restrictions were as follows at June 30, 2024:

Deck Removal	\$ 418
AAF	46,575
CGRADIN	5,658
Mutual Fund	11,575
	<u>\$ 64,226</u>

Net assets released from restrictions are as follows for the year ended June 30, 2024:

AAF	\$ 25,581
CGRADIN	1,683
Columbus	25,432
Medical	2,026
Spay/Neuter	105,524
Deck Removal	13,082
	<u>\$ 173,328</u>

The Columbus Fund is for hard-to-place animals and spay/neuter services. The AAF (Adoption Assistance Fund) is used to reduce adoption fees during adoption specials and promotions.

NOTE 7 – EMPLOYEE BENEFITS

The Organization maintains two defined contribution plans that are available to its employees: a Simplified Employee Pension (SEP) plan and a 403B plan. Employees may make contributions to the plans up to the maximum amount allowed by the Internal Revenue Code. Employer contributions to the SEP plan are completely discretionary and amounted to \$25,000 for the year ended June 30, 2024.

ANIMAL PROTECTION SOCIETY OF DURHAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2024:

Financial assets at year end:

Cash and cash equivalents	\$ 312,708
Investments	1,420,885
Prepaid expenses	4,370
Total financial assets	<u>\$ 1,737,963</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	64,226
Shelter operating reserve	474,233
	<u>538,459</u>

Financial assets available to meet general
expenditures over the next twelve months

\$ 1,199,504

The Organization's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$475,000). As part of the Organization's liquidity plan, excess cash is invested as described in Note 3.

NOTE 9 – RELATED PARTY TRANSACTIONS

It is not unusual for members of the Board of Directors to make contributions to the Organization. The amounts involved for the year presented is not considered material to the financial statements taken as a whole.

NOTE 10 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Organization routinely receives nonfinancial assets to use as it sees fit. There is no set policy on whether such donated assets will be monetized or utilized in the Organization's activities. These decisions are made on a case-by-case basis. Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions.

For the year presented, all of the nonfinancial assets received could be divided into two categories: [a] products that could be used in caring for animals and [b] goods and services that could be auctioned or utilized at special events. In-kind animal care totaled \$66,424 and in-kind costs that were either auctioned or consumed at special events amounted to \$73,590 for the year ended June 30, 2024. In all cases, the estimated fair value was based on comparable prices in the area served by the Organization or the cash received at auction.