

**LEHIGH COUNTY HUMANE SOCIETY
(A Nonprofit Organization)**

**Financial Statements and
Independent Auditor's Report**

December 31, 2022 and 2021

LEHIGH COUNTY HUMANE SOCIETY, INC.
(A Nonprofit Organization)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Lehigh County Humane Society

Opinion

We have audited the accompanying financial statements of Lehigh County Humane Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 Lehigh County Humane Society as of December 31, 2022, 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 Lehigh County 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.

Prior Period Financial Statements

The financial statements of Lehigh County Humane Society as of December 31, 2021, were audited by other auditors whose report dated December 7, 2022, expressed an unmodified opinion on those statements.

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 Lehigh County Humane Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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 Lehigh County 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 Lehigh County 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.

Congbell, Rappold & Yucasita LLP

November 13, 2023

LEHIGH COUNTY HUMANE SOCIETY
(A Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>Assets</u>	
	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and Cash Equivalents	\$ 442,205	\$ 763,219
Accounts Receivable	20,917	15,146
Prepaid Expenses	32,982	74,460
Investments (Note 4)	2,748,575	5,382,024
Total Current Assets	\$ 3,244,679	\$ 6,234,849
Noncurrent Assets:		
Property and Equipment, Net (Note 6)	5,345,996	2,611,472
Investments-Held for Deferred Compensation (Note 4)	33,485	20,099
Deposits - Construction Escrow	141,358	141,358
Total Other Assets	5,520,839	2,772,929
Total Assets	<u>\$ 8,765,518</u>	<u>\$ 9,007,778</u>
 <u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts Payable	\$ 398,910	\$ 578,691
Accrued Payroll and Compensated Absences	29,355	20,265
Current Portion of Loans Payable (Note 7)	51,115	6,141
Retainage Payable	52,577	82,388
Deferred Revenue	16,170	21,627
Total Current Liabilities	548,127	709,112
Deferred Compensation Liability (Note 11)	11,162	3,250
Loans Payable, Net of Current Portion (Note 7)	1,898,685	1,024,184
Total Liabilities	2,457,974	1,736,546
Net Assets:		
Without Donor Restrictions	\$ 6,297,544	\$ 7,271,232
With Donor Restrictions (Note 9)	10,000	-
Total Net Assets	6,307,544	7,271,232
Total Liabilities and Net Assets	<u>\$ 8,765,518</u>	<u>\$ 9,007,778</u>

See independent auditor's report and notes to financial statements.

LEHIGH COUNTY HUMANE SOCIETY
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended December 31, 2022

	Year Ended December 31,		
	Without Donor Restrictions	With Donor Restrictions	Totals 2022
Revenues, Gains, and Other Support:			
Grants	\$ 14,800	\$ 79,000	\$ 93,800
Contributions of Nonfinancial Assets (Note 10)	61,441	-	61,441
Bequests	198,556	-	198,556
Program Revenue	1,140,908	10,000	1,150,908
Contributions	576,779	-	576,779
Gross Special Events Revenue	195,109	-	195,109
Less: Direct Costs Associated with Special Events	(52,514)	-	(52,514)
Investment Income, Net (Note 4)	(680,685)	-	(680,685)
Gain(Loss) on Disposal of Equipment	(16,337)	-	(16,337)
Net Assets Released from Restrictions (Note 9)	79,000	(79,000)	-
Total Revenues, Gains, and Other Support	<u>1,517,057</u>	<u>10,000</u>	<u>1,527,057</u>
Expenses:			
Program Expenses	1,888,431	-	1,888,431
Management and General Expenses	260,725	-	260,725
Fundraising Expenses	341,589	-	341,589
Total Expenses	<u>2,490,745</u>	<u>-</u>	<u>2,490,745</u>
Change in Net Assets	(973,688)	10,000	(963,688)
Net Assets at Beginning of Year	<u>7,271,232</u>	<u>-</u>	<u>7,271,232</u>
Net Assets at End of Year	<u>\$ 6,297,544</u>	<u>\$ 10,000</u>	<u>\$ 6,307,544</u>

See independent auditor's report and notes to financial statements.

LEHIGH COUNTY HUMANE SOCIETY
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended December 31, 2021

	Year Ended December 31,		
	Without Donor Restrictions	With Donor Restrictions	Totals 2021
Revenues, Gains, and Other Support:			
Grants	\$ 59,129	\$ -	\$ 59,129
Contributions of Nonfinancial Assets (Note 10)	6,529	-	6,529
Bequests	99,033	-	99,033
Program Revenue	1,145,784	-	1,145,784
Contributions	462,613	376,114	838,727
Gross Special Events Revenue	145,285	-	145,285
Less: Direct Costs Associated with Special Events	(37,432)	-	(37,432)
Investment Income, Net (Note 4)	598,401	-	598,401
Gain(Loss) on Disposal of Equipment	13,172	-	13,172
Net Assets Released from Restrictions (Note 9)	650,480	(650,480)	-
Total Revenues, Gains, and Other Support	<u>3,142,994</u>	<u>(274,366)</u>	<u>2,868,628</u>
Expenses:			
Program Expenses	1,407,200	-	1,407,200
Management and General Expenses	339,219	-	339,219
Fundraising Expenses	310,323	-	310,323
Total Expenses	<u>2,056,742</u>	<u>-</u>	<u>2,056,742</u>
Change in Net Assets	1,086,252	(274,366)	811,886
Net Assets at Beginning of Year	<u>6,184,980</u>	<u>274,366</u>	<u>6,459,346</u>
Net Assets at End of Year	<u>\$ 7,271,232</u>	<u>\$ -</u>	<u>\$ 7,271,232</u>

See independent auditor's report and notes to financial statements.

**LEHIGH COUNTY HUMANE SOCIETY
(A Nonprofit Organization)**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

With Summarized Comparative Information for the Year Ended December 31, 2021

	Program Activities	Management and General	Fundraising	Year Ended December 31,	
				2022	2021
Salaries and Benefits:					
Salaries and Wages	\$ 1,058,849	\$ 85,065	\$ 150,521	\$ 1,294,435	\$ 1,101,136
Employee Benefits	21,838	8,073	8,637	38,548	16,221
Payroll Tax Expense	90,961	14,619	8,877	114,457	93,264
Total Salaries and Benefits	1,171,648	107,757	168,035	1,447,440	1,210,621
Operating Expenses:					
Advertising and Marketing	-	-	3,460	3,460	3,184
Bank Charges	900	859	17,213	18,972	12,925
Cemetery Maintenance	16,306	-	-	16,306	13,665
Charitable Donations	-	2,425	91	2,516	1,655
Computer Expense	2,584	696	3,104	6,384	10,828
Depreciation	109,042	3,422	10,982	123,446	90,577
Equipment Rent	11,183	4,127	1,547	16,857	13,794
Fuel	15,503	113	-	15,616	10,176
Fundraising and Special Events	-	933	51,581	52,514	37,432
Insurance	48,984	29,367	4,559	82,910	78,757
Interest	19,180	-	-	19,180	-
Licenses and Fees	25,430	-	63	25,493	19,616
Meals and Entertainment	633	3,861	1,588	6,082	8,885
Membership Registration	1,450	1,537	1,125	4,112	3,736
Miscellaneous	1,979	487	13,500	15,966	6,787
Office Expense	1,157	1,223	1,208	3,588	3,583
Payroll Processing Fee	-	6,643	-	6,643	5,528
Postage	369	-	11,113	11,482	29,370
Printing Expense	654	539	83,498	84,691	78,131
Professional Fees	625	71,574	829	73,028	87,560
Real Estate Taxes	-	1,027	-	1,027	1,060
Repairs and Maintenance	67,991	2,326	-	70,317	34,049
Shelter Supplies	97,260	-	-	97,260	63,216
Telephone	9,053	14,621	17,183	40,857	28,265
Training	355	1,807	16	2,178	3,715
Trash Removal	6,636	369	369	7,374	6,983
Travel Expense	300	3,857	18	4,175	1,370
Uniforms	7,449	-	-	7,449	5,990
Utilities	49,441	2,088	2,088	53,617	34,159
Veterinarian Services	222,319	-	-	222,319	188,557
Total Expenses	1,888,431	261,658	393,170	2,543,259	2,094,174
Less: Expenses Included with Revenue, Gains, and Other Support on the Statement of Activities and Changes in Net Assets Direct Costs Associated with Special Events	-	(933)	(51,581)	(52,514)	(37,432)
Total Expenses Included in the Expenses Section on the Statement of Activities and Changes in Net Assets	\$ 1,888,431	\$ 260,725	\$ 341,589	\$ 2,490,745	\$ 2,056,742

See independent auditor's report and notes to financial statements.

**LEHIGH COUNTY HUMANE SOCIETY
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021**

	<u>Program Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Total</u>
Salaries and Benefits:				
Salaries and Wages	\$ 809,636	\$ 155,174	\$ 136,326	\$ 1,101,136
Employee Benefits	9,912	3,526	2,783	16,221
Payroll Tax Expense	69,447	12,330	11,487	93,264
Total Salaries and Benefits	888,995	171,030	150,596	1,210,621
Operating Expenses:				
Advertising and Marketing	-	-	3,184	3,184
Bank Charges	-	898	12,027	12,925
Cemetery Maintenance	13,665	-	-	13,665
Charitable Donations	23	832	800	1,655
Computer Expense	4,148	542	6,138	10,828
Depreciation	76,981	7,428	6,168	90,577
Equipment Rent	3,181	10,562	51	13,794
Fuel	10,176	-	-	10,176
Fundraising and Special Events	-	1,350	36,082	37,432
Insurance	49,678	23,653	5,426	78,757
Licenses and Fees	14,126	5,490	-	19,616
Meals and Entertainment	1,164	6,679	1,042	8,885
Membership Registration	1,219	2,057	460	3,736
Miscellaneous	3,119	393	3,275	6,787
Office Expense	480	2,102	1,001	3,583
Payroll Processing Fee	-	5,528	-	5,528
Postage	33	164	29,173	29,370
Printing Expense	674	-	77,457	78,131
Professional Fees	498	81,521	5,541	87,560
Real Estate Taxes	-	1,060	-	1,060
Repairs and Maintenance	34,004	45	-	34,049
Shelter Supplies	63,216	-	-	63,216
Telephone	6,864	16,226	5,175	28,265
Training	1,863	626	1,226	3,715
Trash Removal	6,455	264	264	6,983
Travel Expense	570	800	-	1,370
Uniforms	5,990	-	-	5,990
Utilities	31,521	1,319	1,319	34,159
Veterinarian Services	188,557	-	-	188,557
Total Expenses	1,407,200	340,569	346,405	2,094,174
Less Expenses Included with Revenue, Gains, and Other Support on the Statement of Activities and Changes in Net Assets Direct Costs Associated with Special Events	-	(1,350)	(36,082)	(37,432)
Total Expenses Included in the Expenses Section on the Statement of Activities and Changes in Net Assets	\$ 1,407,200	\$ 339,219	\$ 310,323	\$ 2,056,742

See independent auditor's report and notes to financial statements.

LEHIGH COUNTY HUMANE SOCIETY
(A Nonprofit Organization)
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	Year Ended December 31,	
	2022	2021
<i><u>Cash Flows from Operating Activities :</u></i>		
Change in Net Assets	\$ (963,688)	\$ 811,886
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized Gain on Investments	(333,591)	(105,966)
Unrealized (Gain) / Loss on Investments	1,065,909	(444,575)
Depreciation Expense	123,446	90,577
(Gain)/Loss on Disposal of Asset	16,337	(13,172)
Deferred Compensation	(5,474)	(16,849)
(Increase) Decrease in Assets:		
Accounts Receivable	(5,771)	1,796
Prepaid Expenses	41,478	(65,046)
Deposits	-	(141,358)
Increase (Decrease) in Liabilities:		
Accounts Payable	(179,781)	519,904
Deferred Revenue	(5,457)	5,412
Accrued Payroll and Compensated Absences	9,090	21,628
	<u>(237,502)</u>	<u>664,237</u>
Net Cash Provided (Used) by Operating Activities		
<i><u>Cash Flows from Investing Activities :</u></i>		
Purchase of Investments	(1,406,302)	(1,364,691)
Sale of Investments	3,307,433	1,416,835
Capital Expenditures	(2,904,118)	(1,495,420)
Proceeds from Disposal of Capital Assets	-	21,940
	<u>(1,002,987)</u>	<u>(1,421,336)</u>
Net Cash Used by Investing Activities		
<i><u>Cash Flows from Financing Activities :</u></i>		
Borrowings on Long-Term Debt	1,024,260	1,030,325
Principal Payments on Long-Term Debt	(104,785)	-
	<u>919,475</u>	<u>1,030,325</u>
Net Cash Provided by Financing Activities		
Increase (Decrease) in Cash and Cash Equivalents	(321,014)	273,226
Cash and Cash Equivalents at Beginning of Year	763,219	489,993
Cash and Cash Equivalents at End of Year	<u>\$ 442,205</u>	<u>\$ 763,219</u>
<i><u>Supplemental Cash Flow Information :</u></i>		
Cash Paid During the Year for Interest	<u>\$ 69,929</u>	<u>\$ 12,533</u>

See independent auditor's report and notes to financial statements.

LEHIGH COUNTY HUMANE SOCIETY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

1. Nature of Activities

Lehigh County Humane Society provides adoption services, temporary shelter, educational programs, prevention of cruelty to animals, and low-cost spaying and neutering services to Lehigh County. The Organization is primarily supported through donor contributions, support from municipalities, and fees for services performed.

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Accounting

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. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the entity and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor or certain grantor restrictions. Net assets without donor restrictions may be designated for specific purposes by the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to donor or certain grantor-imposed restrictions. 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. Donor-imposed restrictions are released when a restriction expires that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

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

LEHIGH COUNTY HUMANE SOCIETY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash invested in money market funds and cash in checking and savings accounts. The Organization, at times, maintains cash balances with a financial institution which may exceed federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The Organization has not historically experienced any credit related losses. At December 31, 2022, the Organization had \$214,543 in excess of the FDIC insured limit.

Accounts Receivable

Accounts receivable consist of amounts due from various sources. Management evaluates accounts for collectability and writes off items deemed uncollectible. An allowance for uncollectible accounts is determined based on an analysis of individual accounts and the overall receivable balance. Balances greater than 90 days are considered delinquent. There was no allowance for doubtful collections as of December 31, 2022 and 2021.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statement of Financial Position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the Statement of Activities as increases or decreases in net assets without restrictions unless the income or loss is restricted by donor or law.

FASB requires disclosures and reasons for significant transfers of financial assets and liabilities between Levels 1 and 2. The FASB guidance also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and disclosures about inputs and valuation techniques are required for both Level 2 and Level 3 measurements. See Note 5 for further details.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed by use of the straight-line method based on estimated useful lives which range from three to forty years. The Organization capitalizes property and equipment purchases with a cost exceeding \$2,000 and a useful life greater than one year. Routine repairs and maintenance is expensed as incurred.

Deferred Revenue

Income from events is deferred and recognized over the periods to which the revenue relates.

LEHIGH COUNTY HUMANE SOCIETY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless otherwise restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets are reported as net assets released from restrictions. The Organization's revenue from contracts with customers in the scope of ASC 606 is recognized within Program Revenue as such:

- **Program Revenue:** The Organization earns income from providing animal control services for areas covering and surrounding Lehigh County. The Organization's policy is to recognize revenue from providing animal control services at the time the service is performed.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as contributions without donor restrictions.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings, and equipment without such donor stipulations are reported as revenues with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributed Nonfinancial Assets

In-kind gifts of goods and equipment are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt and are recorded as support without restriction unless explicit donor stipulations specify how the donated assets must be used.

A substantial number of volunteers have donated numerous hours to the Organization's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

LEHIGH COUNTY HUMANE SOCIETY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting service are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

Advertising Costs

Advertising costs are expensed as incurred and were \$3,460 and \$3,184 for the years ended December 31, 2022 and 2021.

Income Taxes

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for the fiscal years ended 2022 and 2021.

Lehigh County Humane Society. files Form 990 with the United States Internal Revenue Service. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2018.

Adoption of New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability across entities by recognizing the right-of-use assets and lease liabilities for all long-term leases, including operating leases, on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. On May 20, 2020, the FASB voted to defer the effective date of ASC 842 to annual periods beginning after December 31, 2021.

**LEHIGH COUNTY HUMANE SOCIETY
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021**

2. Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Standards (Continued)

Effective January 1, 2022, the Organization adopted ASU 2016-02, *Leases*. Under the provisions of Topic 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, on the Statement of Financial Position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the leasing activities.

Pursuant to the practical expedients, the Organization elected not to reassess: (i) whether expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or (iii) initial direct costs for any existing leases. The Organization elected to apply the short-term leases measurement and recognition exemption to its leases where applicable. Additionally, the Organization elected to apply a de minimis measurement and recognition exemption to all its leases which contain payments that are less than \$500 per month.

The adoption of ASU 2016-02 did not have a material impact on the Organization's operating results.

On January 1, 2022, the Organization adopted Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosure by Not-for-Profit entities for Contributed Nonfinancial Assets*. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the readers of the financial statements with a clearer understanding of the type of nonfinancial assets receive, how they are used, if there are donor restrictions, and the valuation methods and principal markets used to determine the fair market value of the nonfinancial assets. ASU 2020-07 is applied on a retrospective basis

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications have no effect on reported amounts of net assets or changes in net assets.

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3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statement of Financial Position, consist of the following:

	December 31,	
	2022	2021
Cash	\$ 442,205	\$ 763,219
Accounts Receivable	20,917	15,146
Investments	2,748,575	5,382,024
Investments-Held for Deferred Compensation Asset	33,485	20,099
Less: Deferred Compensation Liability	(11,162)	(3,250)
Less: Net Assets with Donor Restrictions	(10,000)	-
	\$ 3,224,020	\$ 6,177,238

The Organization is supported mainly by grants and contributions. The Organization believes that contracts, grants, and contributions along with the assets held at December 31, 2022, are sufficient to enable the Organization to continue to operate for the upcoming year. The Organization holds its investments with a long-term view in mind to generate income. Additionally, by approval of the Board of Directors, net assets with designations could be made available if necessary.

4. Investments

Investments, stated at fair value, are comprised of the following:

	December 31,	
	2022	2021
Cash and Cash Equivalents	\$ 69,491	\$ 1,269,970
Fixed Income	297,304	269,257
Corporate Bonds	461,751	617,306
Mutual Funds	991,605	1,563,205
Equities	656,575	1,501,765
Alternative Investments	280,304	123,092
Preferred Stock	25,030	57,528
	\$ 2,782,060	\$ 5,402,123

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4. Investments (Continued)

Investment income was comprised of the following:

	Year Ended December 31,	
	2022	2021
Interest and Dividends	\$ 80,590	\$ 74,477
Unrealized Gains/(Losses)	(1,065,909)	444,575
Realized Gains	333,591	105,966
Investment Fees	(28,957)	(26,617)
	\$ (680,685)	\$ 598,401

5. Fair Value of Financial Instruments

Financial Accounting Standards Board ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation method used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

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5. Fair Value of Financial Instruments (Continued)

Cash management funds: The carrying amount approximates fair value based on the short term maturities of these investments.

Equities, Fixed Income, and Other: Measured at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments that could result in a different fair value measurement at the reporting date.

<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash & Cash Equivalents	\$ 69,491	\$ -	\$ -	\$ 69,491
Fixed Income	297,304	-	-	297,304
Corporate Bonds	461,751	-	-	461,751
Mutual Funds	991,605	-	-	991,605
Equities	656,575	-	-	656,575
Alternative Investments	280,304	-	-	280,304
Preferred Stock	25,030	-	-	25,030
	<u>\$ 2,782,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,782,060</u>

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash & Cash Equivalents	\$ 1,269,970	\$ -	\$ -	\$ 1,269,970
Fixed Income	269,257	-	-	269,257
Corporate Bonds	617,306	-	-	617,306
Mutual Funds	1,563,205	-	-	1,563,205
Equities	1,501,765	-	-	1,501,765
Alternative Investments	123,092	-	-	123,092
Preferred Stock	57,528	-	-	57,528
	<u>\$ 5,402,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,402,123</u>

6. Property and Equipment

Property and equipment consists of the following:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 2,850	\$ 2,850
Building	6,188,733	1,915,683
Machinery and Equipment	257,147	257,813
Vehicles	52,189	118,464
Construction in Progress	-	1,597,865
Software	27,215	27,215
	<u>6,528,134</u>	<u>3,919,890</u>
Less: Accumulated Depreciation	<u>(1,182,138)</u>	<u>(1,308,418)</u>
	<u>\$ 5,345,996</u>	<u>\$ 2,611,472</u>

Depreciation charged to expense was \$123,446 and \$90,577 for the years ended December 31, 2022 and 2021, respectively.

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7. Loans Payable

Long-term debt consists of the following:

	December 31,	
	2022	2021
Note Payable with American Bank due in Monthly installments of \$10,481, including interest at 3.875%, due February 2041; Collateralized by real property	\$ 1,949,800	\$ 1,030,326
	1,949,800	1,030,326
Less: Current Portion	(51,115)	(6,141)
	\$ 1,898,685	\$ 1,024,185

Principal repayments on long-term debt over the next five years are as follows:

2023	\$ 51,115
2024	53,131
2025	55,227
2026	57,405
2027	59,536
Thereafter	1,673,386
Total	\$ 1,949,800

Total interest incurred for all debt for the years ended December 31, 2022, and 2021 was \$69,929 and \$12,533, respectively.

8. Capitalized Interest

Interest costs charged to operations consist of the following:

	December 31,	
	2022	2021
Interest Cost incurred	\$ 69,929	\$ 12,533
Decrease as result of capitalizing interest as a cost of construction	(50,749)	(12,533)
Interest charged to operations	\$ 19,180	\$ -

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9. Net Assets With Donor Restrictions

The following schedule summarizes restricted net assets released in accordance with donor-imposed restrictions for the Organization's operations:

	December 31,	
	2022	2021
Facility Maintenance	\$ 6,500	\$ -
Construction Costs	-	650,480
Veterinary Clinic	52,500	-
Lifesaving Purposes	20,000	-
	\$ 79,000	\$ -

Net assets with donor restrictions consist of the following:

	December 31,	
	2022	2021
Subject to Expenditure for Specific Purpose:		
2023 Board Campaign	\$ 10,000	\$ -
	\$ 10,000	\$ -

10. Contributed Nonfinancial Assets

In-kind contributions are recognized in the following expense categories within the Statement of Functional Expenses as follows:

December 31, 2022				
Contributed Nonfinancial Asset	Revenue Recognized	Program Services Benefited	Donor Restriction	Valuation Techniques and Inputs
Services - Telephone	\$ 10,000	Management and general	Unrestricted	Fair value is estimated based on current rates of similar services.
Services - Printing	2,500	Management and general	Unrestricted	Fair value is estimated based on current rates of similar services.
Supplies - Shelter	30,271	Animal Care	Unrestricted	Fair value is estimated based on current rates of similar supplies.
Supplies - Program	9,403	Various	Unrestricted	Fair value is estimated based on current rates of similar supplies.
Supplies - Fundraising and Special Events	9,267	Special Events	Unrestricted	Fair value is estimated based on current rates of similar supplies.
	\$ 61,441			

December 31, 2021				
Contributed Nonfinancial Asset	Revenue Recognized	Program Services Benefited	Donor Restriction	Valuation Techniques and Inputs
Supplies - Shelter	\$ 6,529	Animal Care	Unrestricted	Fair value is estimated based on current rates of similar supplies.
	\$ 6,529			

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11. Retirement Plan

The Organization provides a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) for all eligible members. The Organization's expense for this plan was \$13,873 and \$12,971 during the years ended December 31, 2022 and 2021, respectively.

During 2022, upon Board approval, the Organization accrued expenses for a 457(b) deferred compensation plan for certain employees. Contributions to this plan for the years ended December 31, 2022, and 2021, were \$20,000 and \$19,500, respectively. As of December 31, 2022, and 2021, the employer contribution liability amounted to \$11,162 and \$3,250, respectively.

12. Summarized Totals for Year Ended December 31, 2021

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2021, from which summarized information was derived.

13. Subsequent Events

Management has evaluated subsequent events through November 13, 2023, the date on which the financial statements were available to be issued, and has determined that there were no material subsequent events that require recognition or disclosure.