

# Vancouver Humane Society & SPCA

DBA Humane Society for Southwest Washington

Financial Statements

Year Ended December 31, 2020



**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Financial Statements**

Year Ended December 31, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Vancouver Humane Society & SPCA DBA Humane Society for Southwest Washington  
Vancouver, WA

We have audited the accompanying financial statements of Vancouver Humane Society & SPCA DBA Humane Society for Southwest Washington (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility 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; 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vancouver Humane Society & SPCA DBA Humane Society for Southwest Washington as of December 31, 2020, 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.

### Change in Accounting Principle

As discussed in Note 2 to the financial statements, Vancouver Humane Society & SPCA DBA Humane Society for Southwest Washington adopted Accounting Standards Updates (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) on January 1, 2020 and ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions*. Our opinion is not modified with respect to these matters.

### Emphasis-of-Matter

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is unmodified with respect to that matter.

*Aldrich CPAs + Advisors LLP*

Lake Oswego, OR  
June 18, 2021

**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Statement of Financial Position**

December 31, 2020

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**ASSETS**

Cash	\$	2,804,196
Unconditional promises to give, net		522,607
Receivables from contracts with customers		55,335
Investments		864,677
Inventories		100,470
Other assets		32,609
Beneficial interest in assets held - Community Foundation for Southwest Washington		731,662
Land, buildings, and equipment, net of accumulated depreciation		<u>7,091,436</u>
Total Assets	\$	<u><u>12,202,992</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable	\$	129,255
Accrued expenses		234,042
Deferred rent		48,140
Paycheck Protection Program loan		<u>682,700</u>
Total Liabilities		1,094,137

Net Assets:

Without donor restrictions		7,859,942
With donor restrictions:		
Purpose and time restricted		1,992,793
Perpetual in nature		<u>1,256,120</u>
Total with donor restrictions		3,248,913
Total Net Assets		<u><u>11,108,855</u></u>
Total Liabilities and Net Assets	\$	<u><u>12,202,992</u></u>

**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Statement of Activities**

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>			
Adoption services	\$ 490,017	\$ -	\$ 490,017
Contract services	734,010	-	734,010
Contributions and grants	2,188,484	1,710,220	3,898,704
In-kind contributions	10,054	-	10,054
Net investment income	1,754	22,445	24,199
Loss on disposal of assets	(374)	-	(374)
Other service fees	94,500	-	94,500
Retail sales	45,546	-	45,546
Net assets released from purpose restriction	186,134	(186,134)	-
Net assets released from time restrictions	14,257	(14,257)	-
<b>Total Support and Revenue</b>	<b>3,764,382</b>	<b>1,532,274</b>	<b>5,296,656</b>
<b>Expenses:</b>			
<b>Program:</b>			
Adoption	396,247	-	396,247
Animal Care Shelter	1,466,968	-	1,466,968
Clinic	706,516	-	706,516
Other	197,470	-	197,470
<b>Total Program</b>	<b>2,767,201</b>	<b>-</b>	<b>2,767,201</b>
<b>Supporting services:</b>			
Fundraising	705,454	-	705,454
Management and general	656,389	-	656,389
<b>Total Expenses</b>	<b>4,129,044</b>	<b>-</b>	<b>4,129,044</b>
<b>Other Organizational Activities:</b>			
Thrift store sales	801,915	-	801,915
Thrift store expenses	(1,066,154)	-	(1,066,154)
Special event revenue	442,273	-	442,273
Special event expenses	(232,871)	-	(232,871)
<b>Total Other Organizational Activities</b>	<b>(54,837)</b>	<b>-</b>	<b>(54,837)</b>
<b>Change in Net Assets</b>	<b>(419,499)</b>	<b>1,532,274</b>	<b>1,112,775</b>
Net Assets, beginning of year	8,279,441	1,716,639	9,996,080
Net Assets, ending of year	<u>\$ 7,859,942</u>	<u>\$ 3,248,913</u>	<u>\$ 11,108,855</u>

See accompanying notes to financial statements.

**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Statement of Functional Expenses**

Year Ended December 31, 2020

	Program					Supporting Services			Total
	Adoption	Animal Care Shelter	Clinic	Other	Total Program	Fundraising	Management and General	Thrift Store	
Advertising	\$ 230	\$ -	\$ 45	\$ -	\$ 275	\$ 7,097	\$ 959	\$ 46,138	\$ 54,469
Animal care	6,715	92,464	109,066	-	208,245	-	-	-	208,245
Depreciation	-	208,937	-	-	208,937	-	-	4,885	213,822
Dues and subscriptions	1,382	1,851	525	132	3,890	552	868	966	6,276
Education and volunteer programs	-	-	-	8,268	8,268	-	-	-	8,268
Employee compensation	252,651	789,813	432,553	121,021	1,596,038	361,725	371,789	424,690	2,754,242
Employee taxes and benefits	95,736	175,440	102,145	21,589	394,910	76,575	88,832	105,979	666,296
Facility, auto and maintenance	26,731	96,700	40,461	3,956	167,848	9,989	26,378	74,075	278,290
Fundraising	-	10,054	-	-	10,054	2,085	120	-	12,259
Interest	-	-	-	-	-	-	4,662	-	4,662
Meeting, travel and employee education	875	2,091	2,886	299	6,151	231	4,621	761	11,764
Office expense	10,359	10,964	10,653	5,965	37,941	21,180	24,105	19,596	102,822
Occupancy	-	-	-	-	-	-	-	347,371	347,371
Professional fees	1,568	23,474	7,997	36,240	69,279	189,273	102,306	11,095	371,953
Resale supplies	-	-	-	-	-	-	31,121	8,420	39,541
Taxes and fees	-	55,180	185	-	55,365	36,747	628	22,178	114,918
<b>Total Operating Expenses</b>	<b>396,247</b>	<b>1,466,968</b>	<b>706,516</b>	<b>197,470</b>	<b>2,767,201</b>	<b>705,454</b>	<b>656,389</b>	<b>1,066,154</b>	<b>5,195,198</b>
Special event expenses	-	-	-	-	-	232,871	-	-	232,871
<b>Total Functional Expenses</b>	<b>\$ 396,247</b>	<b>\$ 1,466,968</b>	<b>\$ 706,516</b>	<b>\$ 197,470</b>	<b>\$ 2,767,201</b>	<b>\$ 938,325</b>	<b>\$ 656,389</b>	<b>\$ 1,066,154</b>	<b>\$ 5,428,069</b>

See accompanying notes to financial statements.

**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Statement of Cash Flows**

Year Ended December 31, 2020

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Cash Flows from Operating Activities:	
Change in net assets	\$ 1,112,775
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Contributions restricted to endowment	(514,948)
Depreciation	213,822
Unrealized loss on investments	112,442
Change in beneficial interest in assets held at Community Foundation for Southwest Washington	(30,501)
Loss on sale of equipment	374
Changes in assets and liabilities:	
Unconditional promises to give, net	109,695
Receivables from contracts with customers	124,062
Inventories	109,466
Other assets	(27,346)
Accounts payable	72,257
Accrued expense	(146,749)
Deferred rent	32,433
Net Cash Provided by Operating Activities	1,167,782
Cash Flows from Investing Activities:	
Purchase of buildings and equipment	(31,394)
Proceeds from sale of investments	274,236
Purchase of investments	(283,577)
Net Cash Used by Investing Activities	(40,735)
Cash Flows from Financing Activities:	
Contributions restricted to endowment	514,948
Proceeds from Paycheck Protection Program loan	682,700
Cash Flows Provided by Financing Activities	1,197,648
Net Change in Cash	2,324,695
Cash, beginning	479,501
Cash, ending	\$ 2,804,196

See accompanying notes to financial statements.

**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Notes to Financial Statements**

Year Ended December 31, 2020

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**Note 1 - Organization**

Nature of Organization

Vancouver Humane Society & SPCA DBA Humane Society for Southwest Washington (the Organization) is a nonprofit organization founded in 1897 and incorporated in 1965. The Organization enriches the lives of people, pets and our community through adoption and outreach, and serves as a resource for animal services and education.

Program Services

The Organization provides program services in the following major areas:

*Adoption* – The Organization provides quality adoption services to the Southwest Washington community. Adopters are screened to ensure that they will provide good care to the animal being adopted. The Organization has a pet-matching program which works to match pets with potential adopters. All animals adopted from the Organization are vaccinated against disease, treated for parasites, licensed or issued an identification tag, and given a certificate for free health exam with the veterinarian of the adopter's choice. All animals are either spayed or neutered prior to adoption. In addition, the Organization offers training and animal behavior information with each adoption.

*Animal Care Shelter* – The Organization offers shelter to unwanted, abandoned, lost and homeless animals from Clark and Skamania counties as well as other animals in need that are brought to the Organization. The Organization provides food, water, medication, shelter and, if needed, humane euthanasia.

*Clinic* – The Organization's veterinary clinic provides vital care to shelter animals including spay and neuter surgeries and minor and major medical services. The clinic is staffed by professional veterinarians, technicians, and assistants and is equipped to facilitate surgeries, x-rays, and dental procedures.

*Other* – The Organization offers education information to potential adopters and other animal owners in the community and provides opportunities for community members to participate in a variety of volunteer activities. The Organization provides education information programs via presentations for children, schools, civic groups, and other interested parties as well as periodic newsletters. Volunteers assist by helping with adoptions, filing, answering telephones, walking dogs, feeding animals in the shelter, staffing the Organization's thrift store, socializing with and grooming animals, promoting and staffing special events, and providing foster care for shelter animals.

**Note 2 - Summary of Significant Accounting Policies**

New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The standard update, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenues standard under accounting principles generally accepted in the United States of America (GAAP). Topic 606 was originally effective for fiscal years beginning after December 15, 2018, but the FASB delayed the effective period to fiscal years beginning after December 15, 2019. The Organization adopted ASU Topic 606 as of January 1, 2020.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This standard update, along with related subsequently issued updates, clarifies and improves the scope and the accounting guidance for contributions received and contributions made under GAAP. The Organization adopted ASU Topic 958 on January 1, 2019.

**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Notes to Financial Statements**

Year Ended December 31, 2020

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**Note 2 - Summary of Significant Accounting Policies, continued**

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

*Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Use of Estimates

The preparation of financial statements, in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.

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

Level 3 inputs are unobservable inputs for the investment.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of a pool investment at the end of the period.

**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Notes to Financial Statements**

Year Ended December 31, 2020

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**Note 2 - Summary of Significant Accounting Policies, continued**

Fair Value of Financial Instruments, continued

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

Money market funds: Valued at deposited amount plus accrued interest, which approximates fair value (Level 1).

Beneficial interest in assets held at the Community Foundation for Southwest Washington: Valued based on the fair value of the underlying assets in the funds as reported by the fund manager (NAV).

The Organization's financial instruments, none of which are held for trading purposes, include cash, receivables, accounts payable, and notes payable. The Organization estimates that the fair value of all of these non-derivative financial instruments at December 31, 2020 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Cash

The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Although balances may, at times, exceed this limit, the Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant risk on cash.

Unconditional Promises to Give

When a donor has unconditionally promised to contribute funds to the Organization in future periods, the Organization recognizes an unconditional promise to give. Promises to give expected to be collected within one year are recorded as support and a receivable at net realizable value. Promises to give expected to be collected in future years are recorded as support and a receivable at the present value of expected future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue.

An allowance for uncollectible promises to give, if any, is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity.

Receivables from Contracts with Customers

The Organization has accounts receivable related to contract agreements. Accounts receivable are recorded at estimated net realizable value. Receivables are written off when management determines an account is uncollectible. Past due status is determined on how recently payments have been received. No allowance for doubtful accounts is deemed necessary at December 31, 2020 because management believes all amounts are collectible.

Investments

Realized and unrealized gains and losses are included in the change in net assets in the statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restriction 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.

Inventories

Inventories consist of items held for sale in retail operations as well as in the thrift store. The thrift store inventory consists primarily of items that have been donated by individuals in the community. Most of the donations are used items and the value of inventory was based on average sale prices for the past year by category and the estimated number of items on hand at year end based on an analysis of the square footage of the thrift store. Any purchased inventory is recorded at cost and on the first-in, first-out method.

**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Notes to Financial Statements**

Year Ended December 31, 2020

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**Note 2 - Summary of Significant Accounting Policies, continued**

Beneficial Interest in Assets

The Organization has transferred assets to the Community Foundation for Southwest Washington (the Foundation) which is holding them as two endowed agency funds (Funds) for the benefit of the Organization named as a beneficiary. The Organization has granted the Foundation variance power over one fund held and has not over the other. The variance power allows the Foundation's board of directors the power to use the Funds for other purposes in certain circumstances. The Organization reports the fair value of the beneficial interest in assets held at the Foundation in the statement of financial position. Investment return on beneficial interest in assets is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

Land, Buildings, and Equipment

Purchased property is stated at cost; donated assets are valued at their estimated fair value on the date donated. Gifts of property with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as an increase to net assets with donor restrictions. Absent explicit donor stipulations about how those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Repairs and maintenance costs are expensed as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized. Acquisitions of property in excess of \$500 that meet the capitalization requirements are capitalized. Upon retirement, sale, or other disposition of property, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are included on the statement of activities. Depreciation of capitalized assets is calculated using the straight-line method over estimated useful lives of 5 to 50 years.

Deferred Rent

Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the statement of financial position.

Revenue Recognition

*Contracts with Customers*

The Organization recognizes revenues from contracts with customers in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. Refer to Note 13 for further details.

*Contributions and Grants*

Contributions and grants are recorded as revenue when they are considered to be either unconditional, or, if considered to be conditional, once the conditions are met. In order for a contribution or grant to be conditional, it must have both a barrier and a right of return/release. All contributions and grants are considered to be available for the Organization's unrestricted use unless specifically restricted by the donor. Contributions and grants restricted by the donor are recorded as net assets with donor restrictions, as appropriate. When the restrictions are satisfied (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.

**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Notes to Financial Statements**

Year Ended December 31, 2020

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**Note 2 - Summary of Significant Accounting Policies, continued**

Revenue Recognition, continued

*Donated Goods and Services*

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are recorded as net assets with donor restrictions. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization considers the restriction to be satisfied when the donated assets are placed in service. At that time, or when a stipulated time restriction ends, 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 utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Expense Allocations

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among animal services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy	Square footage
Depreciation	Square footage
Other	Headcount

Other expenses are broken out by accounts and can be directly charged to the appropriate function based on actual expenses.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization has no significant unrelated business income subject to taxation. Consequently, there is no provision for income taxes.

The Organization recognizes a liability for unrecognized tax benefits when facts and circumstances indicate that an uncertain tax position is more likely than not to be overturned by a taxing authority upon examination. The Organization recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of the income tax provision. There were no unrecognized income tax benefits, nor any interest and penalties associated with unrecognized tax benefits, accrued or expensed as of and for the year ended December 31, 2020.

Advertising

The Organization expenses the cost of advertising as incurred. For the year ended December 31, 2020, advertising expenses were \$54,469.

Subsequent Events

The Organization has evaluated subsequent events through June 18, 2021, which is the date on which the financial statements were available to be issued.

**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Notes to Financial Statements**

Year Ended December 31, 2020

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**Note 3 - Availability and Liquidity**

The following represents the Organization's financial assets at December 31, 2020:

Financial assets at year end:	
Cash	\$ 2,804,196
Receivables from contracts with customers	55,335
Investments	864,677
Total financial assets	<u>3,724,208</u>
Less amounts not available to be used within one year:	
Purpose restricted funds	(1,078,356)
Endowment funds	(524,458)
Total amounts unavailable for use	<u>(1,602,814)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,121,394</u>

The Organization receives significant contributions and promises to give from its donors. Contributions restricted for programs which are ongoing, major, and central to its operations are considered to be available to meet cash needs for general expenditures.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a board approved liquidity policy to maintain a reserve of available operating current financial assets of \$1 million, or approximately 60 days of operating expenses, at all times. To achieve these targets, the entity forecasts its future cash flows and continually monitors its liquidity and reserves. During the year ended December 31, 2020, the level of liquidity and reserves was managed within the policy requirements.

**Note 4 - Unconditional Promises to Give**

Unconditional promises to give consisted of the following:

Due within one year	\$ 237,750
Due in one to five years	315,900
Due in more than five years	2,000
	<u>555,650</u>
Less:	
Allowance for doubtful accounts	(13,613)
Discount to present value (at a rate of 2.50%)	(19,430)
	<u>\$ 522,607</u>

**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Notes to Financial Statements**

Year Ended December 31, 2020

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**Note 5 - Investments and Fair Value Measurements**

The following table sets forth by level, within the fair value hierarchy, the Organization's financial instruments at fair value as of December 31, 2020:

	Assets at Fair Value				
	Level 1	Level 2	Level 3	NAV	Total
Money market	\$ 864,677	\$ -	\$ -	\$ -	\$ 864,677
Investments held in beneficial interest	-	-	-	731,662	731,662
	<u>\$ 864,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 731,662</u>	<u>\$ 1,596,339</u>

**Note 6 - Beneficial Interest in Assets**

The interest in assets held at the Community Foundation for Southwest Washington have been valued, as a practical expedient, at the fair value of the Organization's share of the Foundation's investment pool as of the measurement date using NAV per share. The Foundation values securities and other financial instruments on a fair value basis of accounting. The Foundation invests in a variety of domestic stocks, international stocks, mutual funds, bonds, real assets and other multi-strategy securities.

The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

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 Foundation 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 could result in a different fair value measurement at the reporting date.

Both beneficial interests in asset accounts were created with the donor intent to establish endowments and are therefore included in net assets with donor restrictions.

Beneficial interest in assets valued at NAV total \$731,662 at December 31, 2020.

Subsequent to year end, the Organization obtained approval from the Foundation to transfer all assets to a third-party financial institution. This transfer occurred in May 2021.

**VANCOUVER HUMANE SOCIETY & SPCA**  
**DBA HUMANE SOCIETY FOR SOUTHWEST WASHINGTON**

**Notes to Financial Statements**

Year Ended December 31, 2020

**Note 7 - Land, Buildings, and Equipment**

At December 31, 2020, land, buildings, and equipment consisted of the following:

Land	\$ 687,500
Buildings and related improvements	7,860,699
Furniture and equipment	638,137
Vehicles	87,729
	<u>9,274,065</u>
Less accumulated depreciation	<u>(2,182,629)</u>
	<u>\$ 7,091,436</u>

Depreciation expense was \$213,822 for the year ended December 31, 2020.

**Note 8 - Paycheck Protection Program Loan**

In response to the significant and ongoing uncertainty around the severity and duration of the novel coronavirus (COVID-19) pandemic (see Note 14), the Organization applied for a forgivable loan under the Small Business Administration (SBA) Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The Organization received \$682,700 under the PPP in April 2020. As of December 31, 2020, the Organization expected to meet the PPP's eligibility criteria for the full amount of the loan but had not yet received forgiveness. Therefore, no future maturities are presented. The Organization received forgiveness of the entire loan and related accrued interest in April 2021.

**Note 9 - Net Assets with Donor Restrictions**

Net assets with donor restrictions were as follows for the year ended December 31, 2020:

Purpose Restrictions:	
Animal care	\$ 358,787
Capital improvements	1,507,728
Endowment earnings	70,490
Other	55,788
	<u>1,992,793</u>
Endowments:	
Subject to appropriation and expenditure when a specified event occurs:	
General use	895,970
Building	360,150
	<u>1,256,120</u>
Total Assets with Donor Restrictions	<u>\$ 3,248,913</u>

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**Note 9 - Net Assets with Donor Restrictions, continued**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

Satisfaction of purpose restrictions:

Animal care	\$ 156,841
Capital improvements	6,628
Other	22,665
	<u>186,134</u>

Restricted-purpose spending distributions and appropriations:

Building	<u>14,257</u>
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Total assets released from restriction	<u>\$ 200,391</u>
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**Note 10 - Endowment**

The Board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds while supporting the operations of the Organization through a set spending rate. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulation to the 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 retained in perpetuity is subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization 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 Organization
- 7) The investment policies of the Organization

Investment and Spending Policies

The Organization's endowment funds investment strategy is to emphasize long-term growth as measured by total return, while avoiding excessive risk. The primary investment objective is to achieve a balance return of income consistent with principal growth and to achieve a rate of return, net of fees, to exceed a return of relevant indices or other benchmarks as determined by the Organization's Investment Committee. Amounts distributed from the endowment are determined by the Foundation agreement and the Foundation's Board of Directors.

The Organization's endowment investment policy is based on fundamental financial principles that include prudent asset allocation, risk assessment and long-term planning. The investment policy emphasizes total return, which allows the funds to utilize current dividend and interest income, and over time, a portion of the aggregate capital appreciation, in an attempt to provide a predictable stream of funding for grant making while seeking to maintain the purchasing power of the endowment assets.

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**Note 10 - Endowment, continued**

Investment and Spending Policies, continued

Within that framework, the investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to produce a minimum annual return adequate to cover the yearly spending rate, management fees and annual inflation. Actual returns in any given year may vary from this amount.

The endowment funds consisted of the following as of December 31, 2020:

	<u>With Donor Restriction</u>
Donor restricted funds:	
Original donor-restricted gift amount required to be maintained in perpetuity by donor	\$ 1,256,120
Accumulated investment gains	70,490
	<u>\$ 1,326,610</u>

The changes in endowment net assets for the year ended December 31, 2020 are as follows:

	<u>With Donor Restriction</u>
Endowment net assets December 31, 2019	\$ 803,474
Contributions	514,948
Appropriated expenditures	(14,257)
Investment income, net	22,445
Endowment net assets December 31, 2020	<u>\$ 1,326,610</u>

**Note 11 - Concentrations**

For the year ended December 31, 2020, 87% of unconditional promises to give were from three donors and 30% of contributions were from two donors.

The Organization invests in various types of marketable securities and money market funds. The Organization has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. These guidelines are periodically reviewed and modified. The Organization also invests in various investment securities. Investment securities in general are subject to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that the changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

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**Note 12 - Operating Leases**

The Organization leases space for the thrift store under a non-cancellable operating lease expiring June 2025 as well as month-to-month lease agreements for small equipment. Total rental expense under these leases was \$347,371 for the year ended December 31, 2020 and is reported in occupancy expense in the statement of functional expenses.

Future minimum lease payments under this non-cancellable agreement are as follows:

Years Ending December 31,	
2021	\$ 272,205
2022	278,094
2023	284,225
2024	292,752
2025	147,811
	<u>\$ 1,275,087</u>

**Note 13 - Retirement Plan**

The Organization has a 401(k) retirement plan. Employees are automatically enrolled in the plan after 90 days of service unless they opt out. Participating employees may elect to contribute, on a tax-deferred basis, a portion of their compensation. The Organization contributes a match of 50% of the first 6% contributed by the employee. The Organization's contribution expense was \$50,880 for the year ended December 31, 2020.

**Note 14 - Revenue Recognition from Contracts with Customers**

Overview

The Organization earns revenue from contracts with customers primarily through the provision of services through its programs and activities and through sales of products. Revenues are accounted for under Topic 606 which the Organization adopted on January 1, 2020. The new guidance was applied retrospectively to the contracts that were not completed as of the adoption date. The Organization recognizes revenue from contracts with customers when its performance obligations are satisfied, regardless of the period in which it is billed. This is typically the point in time in which the customer partakes of the service or the goods are transferred.

Impact of Standard

Management has analyzed the provisions of Topic 606 and has concluded that no changes are necessary to confirm with the new standard. Sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks, and rewards transfer.

Disaggregated Revenue

Disaggregated revenues from contracts with customers are presented on the face of the statement of activities and include adoption services, contract services, retail sales, thrift store sales, and other services fees.

Performance Obligations

*Adoption Services, Other Service Fees, and Retail Sales*

Revenues for adoption services, other service fees, and retail sales occur entirely through retail point of sale transactions or the provision of services on a single day. Revenues from such transactions are recorded at a single point in time in which the customer partakes of the service or the goods are transferred. Customer discounts are offered for these transactions and while are considered variable consideration, are recorded at the point in time of the sale. These revenues are reported in the statement of activities net of discounts.

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**Note 14 - Revenue Recognition from Contracts with Customers, continued**

Performance Obligations, continued

*Contract Services*

The Organization has service contracts with several entities to provide animal shelter services. The contracts extend for multiple years but have predetermined service fees that are based on the volume of services provided rather than a single contract price. Revenues are recognized over time for which the services have been performed.

*Thrift Store Sales*

Revenues for thrift store sales occur entirely through retail point of sale transactions transferred at a point in time which result in concurrent revenue and cash flows. As thrift store sales are an auxiliary activity to support program operations rather than a distinct program activity, revenues are presented as other revenue generating activities separately on the statement of activities. Customer discounts are offered for these transactions and while are considered variable consideration, are recorded at the point in time of the sale. These revenues are reported in the statement of activities net of discounts.

Contract Balances

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable and customer advances and deposits (contract liabilities) on the statement of financial position. Payments for program fees are typically received prior to or at the time the good or service is transferred but payment terms may be extended for some customers. The timing of revenue recognition, billings, and cash collections results in billed accounts receivable on the statement of financial position. Accounts receivable represent unconditional rights to consideration from customers and require only the passage of time before payment of the consideration is due. All fees received for which the performance obligation has not yet been met are shown as contract liabilities on the statement of financial position until the obligation has been met. These deposits are liquidated when revenue is recognized.

**Note 15 - Contingencies**

In December 2019, COVID-19 was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 as a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States of America (U.S.) has caused business disruption through mandated and voluntary closings of businesses and shelter-in-place orders, including Washington, where the Organization is headquartered. In response, the U.S. Government enacted the CARES Act which includes significant provisions to provide relief and assistance to affected organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of business closures, shelter-in-place orders, and the ultimate impact of the CARES Act and other governmental initiatives. It is a least reasonably possible that this matter will negatively impact the Organization. However, given the uncertainty about the situation, an estimate of the future impact on the Organization's financial position, if any, cannot be made at this time.