



Financial Statements

September 30, 2019 and 2018

Idaho Humane Society, Incorporated

Idaho Humane Society, Incorporated

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Independent Auditor's Report

The Board of Directors
Idaho Humane Society, Incorporated
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of Idaho Humane Society, Incorporated, (the Society), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and cash flows for the years 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Society'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 Society'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 that 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 the Society as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 1 & 12 to the financial statements, the Society has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the September 30, 2018 financial statements have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
January 31, 2020

Idaho Humane Society, Incorporated

Statements of Financial Position

September 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,103,268	\$ 1,006,670
Cash and cash equivalents restricted for programs	99,123	142,418
Accounts receivable, less allowance of \$56,670 and \$40,117 in 2019 and 2018, respectively	196,756	150,312
Promises to give, net	319,621	100,416
Inventory	22,741	22,745
Prepaid expenses	17,359	24,692
Other	41,121	22,312
Total current assets	2,799,989	1,469,565
Board Designated Reserve Fund and Capital Campaign Assets		
Cash and cash equivalents	37,210	3,890,296
Investments	2,761,644	2,695,938
Total Board Designated Reserve Fund and Capital Campaign Assets	2,798,854	6,586,234
Easy Fund Assets		
Cash and cash equivalents	35,111	32,683
Investments	1,984,012	1,995,588
Total Easy Fund Assets	2,019,123	2,028,271
Promises to Give, Long-Term, net	25,268	108,250
Property and Equipment, net	15,461,946	10,442,924
Total assets	\$ 23,105,180	\$ 20,635,244

Idaho Humane Society, Incorporated

Statements of Financial Position

September 30, 2019 and 2018

	2019	2018
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 362,249	\$ 820,714
Accrued expenses	286,297	234,290
Current portion note payable	180,996	-
Total current liabilities	829,542	1,055,004
Long-Term Liabilities		
Non-current note payable, net of debt issuance costs of \$22,312	394,948	-
Total liabilities	1,224,490	1,055,004
Net Assets		
Without donor restrictions		
Operations or undesignated	10,881,553	7,470,049
Board designated reserve fund	3,026,655	4,698,285
With donor restrictions		
Donor restricted Capital Campaign	5,854,236	5,241,217
Easy Fund	2,019,123	2,028,271
Other	99,123	142,418
Total net assets	21,880,690	19,580,240
	\$ 23,105,180	\$ 20,635,244

Idaho Humane Society, Incorporated

Statement of Activities

Year Ended September 30, 2019

	Without Donor Restrictions		With Donor	Total
	Operations	Designated	Restrictions	
Public Support, Revenues, and Gains				
Donations and Contributions				
Capital Campaign	\$ -	\$ 1,009,110	\$ 613,017	\$ 1,622,127
Easy Fund	-	-	10,651	10,651
General Support and Other	1,360,794	-	217,622	1,578,416
Animal control contracts	1,868,383	-	-	1,868,383
Clinic services	2,356,162	-	-	2,356,162
Shelter services	779,060	-	-	779,060
Other revenues	260,843	-	-	260,843
Gain on disposal of assets	-	327,164	-	327,164
Net investment return	4,851	91,812	60,405	157,068
Net assets released from restrictions				
Satisfaction of program restrictions	341,119	-	(341,119)	-
Total public support, revenues, and gains	6,971,212	1,428,086	560,576	8,959,874
Expenses				
Programs				
Animal control and shelter services	2,618,528	-	-	2,618,528
Clinic services	2,713,013	-	-	2,713,013
Other programs	413,544	-	-	413,544
Supporting services				
Management and general	378,831	-	-	378,831
Fundraising	535,508	-	-	535,508
Total expenses	6,659,424	-	-	6,659,424
Interfund Transfers				
Designated fund transfers	3,099,716	(3,099,716)	-	-
Change in Net Assets	3,411,504	(1,671,630)	560,576	2,300,450
Capital Campaign	-	-	5,241,217	5,241,217
Easy Fund	-	-	2,028,271	2,028,271
Other	7,470,049	4,698,285	142,418	12,310,752
Net Assets, Beginning of Year, as restated	7,470,049	4,698,285	7,411,906	19,580,240
Capital Campaign	-	-	5,854,236	5,854,236
Easy Fund	-	-	2,019,123	2,019,123
Other	10,881,553	3,026,655	99,123	14,007,331
Net Assets, End of Year	\$ 10,881,553	\$ 3,026,655	\$ 7,972,482	\$ 21,880,690

Idaho Humane Society, Incorporated

Statement of Activities

Year Ended September 30, 2018

	As Restated			Total
	Without Donor Restrictions		With Donor	
	Operations	Designated	Restrictions	
Public Support, Revenues, and Gains				
Donations and Contributions				
Capital Campaign	\$ -	\$ 455,267	\$ 298,969	\$ 754,236
Easy Fund	-	-	385	385
General Support and Other	1,023,833	-	104,781	1,128,614
Animal control contracts	1,810,804	-	-	1,810,804
Clinic services	2,076,198	-	-	2,076,198
Shelter services	684,571	-	-	684,571
PetSmart	39,816	-	-	39,816
Other revenues	247,913	154,502	-	402,415
Net investment return	1,455	192,744	128,387	322,586
Net assets released from restrictions				
Satisfaction of program restrictions	230,988	-	(230,988)	-
Total public support, revenues, and gains	6,115,578	802,513	301,534	7,219,625
Expenses				
Programs				
Animal control and shelter services	2,487,539	-	-	2,487,539
Clinic services	2,410,360	-	-	2,410,360
PetSmart	34,827	-	-	34,827
Other programs	346,338	-	-	346,338
Supporting services				
Management and general	426,691	-	-	426,691
Fundraising	425,082	-	-	425,082
Total expenses	6,130,837	-	-	6,130,837
Interfund Transfers				
Designated fund transfers	1,948,450	(1,948,450)	-	-
Change in Net Assets	1,933,191	(1,145,937)	301,534	1,088,788
Capital Campaign	-	569,109	4,942,250	5,511,359
Easy Fund	-	-	1,985,294	1,985,294
Other	5,536,858	5,275,113	182,828	10,994,799
Net Assets, Beginning of Year	5,536,858	5,844,222	7,110,372	18,491,452
Capital Campaign	-	-	5,241,217	5,241,217
Easy Fund	-	-	2,028,271	2,028,271
Other	7,470,049	4,698,285	142,418	12,310,752
Net Assets, End of Year	\$ 7,470,049	\$ 4,698,285	\$ 7,411,906	\$ 19,580,240

Idaho Humane Society, Incorporated

Statements of Cash Flows

Years Ended September 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ 2,300,450	\$ 1,088,788
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	164,032	185,640
Investment income net of fees	(100,603)	(84,685)
Realized gain on investments	(67,507)	(139,854)
Unrealized (gain) loss on investments	36,313	(68,476)
Gain on disposal of assets	(327,164)	-
In-kind contribution of property	(63,621)	-
Contributions with donor restrictions	(841,290)	(404,135)
Changes in assets and liabilities		
Accounts receivable	(46,444)	3,018
Promises to give	(227,801)	-
Inventory	4	4,821
Prepaid expenses	7,333	(2,017)
Accounts payable	(628,261)	535,964
Accrued expenses	52,007	13,697
Net Cash from Operating Activities	257,448	1,132,761
Investing Activities		
Purchase of investments	(172,757)	(131,099)
Proceeds from sale of investments	250,424	449,005
Purchase of property and equipment	(5,844,348)	(5,621,865)
Proceeds from sale of property	1,180,754	-
Net Cash used for Investing Activities	(4,585,927)	(5,303,959)
Financing Activities		
Collections of contributions restricted to building project	91,578	186,321
Proceeds from temporarily restricted contributions	841,290	404,135
Payment on loan origination fees	-	(22,312)
Proceeds from note payable	598,256	-
Net Cash from Financing Activities	1,531,124	568,144
Net Change in Cash	(2,797,355)	(3,603,054)
Cash and Cash Equivalents, Beginning of Year	5,072,067	8,675,121
Cash and Cash Equivalents, End of Year	\$ 2,274,712	\$ 5,072,067

Idaho Humane Society, Incorporated

Statements of Cash Flows

Years Ended September 30, 2019 and 2018

	2019	2018
Supplemental Disclosures of Cash Flows Information		
Noncash donation of stock	\$ 51,558	\$ 40,294
Supplemental Disclosure of Non-cash Investing and Financing Activities		
Property and equipment purchases included in accounts payable	\$ 169,796	\$ -
Reconciliation of Cash and Cash Equivalents		
Current assets	\$ 2,202,391	\$ 1,149,088
Board Designated Reserve Fund and Capital Campaign Assets	37,210	3,890,296
Easy Fund	35,111	32,683
	\$ 2,274,712	\$ 5,072,067

Note 1 - Summary of Significant Accounting Policies

Activity

The primary exempt purpose of the Idaho Humane Society, Incorporated (the Society) is to prevent cruelty, abuse and neglect of animals by: sheltering lost and unwanted companion animals; providing full-service affordable veterinary medical care emphasizing spay and neuter; conducting community outreach and education programs on humane care of animals; enforcing animal welfare laws; and conducting cruelty investigation and rescue. The Society was incorporated in the State of Idaho in 1945 and is a non-profit corporation.

Basis of Accounting

The financial statements of the Society are prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand as well as checking, savings and money market accounts with financial institutions. The Society considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statements of cash flows includes operating, temporarily restricted for programs, Board Designated Reserve Fund, Capital Campaign Reserve Fund, and Easy Fund cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Society provides for losses on accounts receivable using the allowance method. The allowance is based on experience. It is the Society's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The Society extends credit to its customers for veterinary services. The Society charges a monthly service fee of \$4.50 on outstanding balances, but does not require collateral, for outstanding balances.

Promises to Give

The Society records unconditional promises to give at net realizable value. The Society assesses collectability of promises to give and records an allowance for any for which collectability is questionable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At September 30, 2019 and 2018, unconditional promises to give are considered collectible by management, as such the allowance was zero for both years.

Inventory

Inventory consists of retail pet food and supplies valued at the lower of cost (first-in, first-out method) or net realizable value.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Property and Equipment

Property and equipment are recorded at cost except for donated property, which is recorded at fair market value when donated. Depreciation on property and equipment is provided on the straight-line method over estimated useful lives of the assets. The building was constructed with funds received from donor-imposed restrictions. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Expenditures over \$2,500 for major renewals and betterments that extend the useful lives are capitalized. Expenditures for maintenance and repairs that do not improve or extend the useful lives of the respective assets are charged to expense as incurred. Useful lives are as follows:

Buildings	40 years
Vehicles and equipment	3 - 15 years

The Society reviews the carrying values of property and equipment for impairment whenever events or 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. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended September 30, 2019 and 2018.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets 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. The Society has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

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. The Society reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts of

long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

Revenue and Revenue Recognition

The Society recognizes revenue in the form of shelter and clinic services, donations and contributions, and animal control contracts. Virtually all donations and contributions are from private sources. Revenue is recognized when earned. Contributions are recognized when cash, securities, or other asset is received or when an unconditional promise to give is received and considered collectible.

Contributed Support

Contributed support is reported as with donor restrictions or without donor restrictions depending on the existence of donor stipulations that limit the use of the support. Contributions with donor restrictions whose restrictions are met in the same reporting period are classified as contributions without donor restrictions.

The Society receives a significant amount of contributed time. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Accordingly, the value of the majority of this contributed time has not been determined and is not reflected in the accompanying financial statements, as the donated time does not meet the recognition criteria.

The Society received donated materials and supplies reflected at their fair value at the date of donation in the amounts of \$131,042 and \$40,827, respectively, during the years ended September 30, 2019 and 2018. During the year certain donations of supplies were received that were not recorded in the financial statements. These donations had no effect on net assets.

Advertising

Promotion and publicity charges are expensed when incurred. Advertising costs were \$14,230 and \$10,568 for the years ended September 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. Note 10 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facility operation and depreciation, which are allocated on a square footage basis, as well as salaries benefits, insurance, supplies and services, office supplies, professional fees, vehicle expense, and advertising, which are allocated on the basis of estimates of usage, time, and effort.

Income Taxes

The Society is organized as a nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Society is annually required to file a Return of Society Exempt from Income Tax (Form 990) with the IRS. In addition, the Society is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Society has determined it has no unrelated business income tax and has not filed an Exempt Society Business Income Tax Return (Form 990T) with the IRS.

The Society believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Society would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The Society uses estimates and assumptions in preparing financial statements in conformity with U.S. GAAP. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. It is at least reasonably possible that the estimates will change within the next year and could be material.

Financial Instruments and Credit Risk

The Society manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Society has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to historical collection rates. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Society.

Change in Accounting Policy

As October 1, 2018, the Society adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Society's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Society's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Society's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses. The ASU also discusses that donor restrictions on long-lived assets, if any, or cash to acquire or construct long-lived assets are considered to have expired when the assets are placed in service.

Note 2 - Liquidity and Availability

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

Cash and cash equivalents	\$ 2,103,268
Accounts receivable	196,756
Promises to give, net	<u>344,889</u>
	<u><u>\$ 2,644,913</u></u>

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

A board-designated endowment of \$3,026,655 is expended at the Board's discretion as described in Note 8. Although the Society does not intend to spend from this board-designated endowment (other than amounts appropriated for specific purposes by Board approval), these amounts could be made available if necessary.

As part of a liquidity management plan, cash in excess of daily requirements is invested in money market funds.

Note 3 - Fair Value Measurements

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Society can access at measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the related asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Society's assessment of the quality, risk or liquidity profile of the asset or liability.

All of the Society's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at September 30, 2019:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Board designated reserve investments				
Mutual funds				
Large blend	\$ 1,764,353	\$ 1,764,353	\$ -	\$ -
Intermediate bond	864,144	864,144	-	-
Mid blend	133,147	133,147	-	-
	<u>\$ 2,761,644</u>	<u>\$ 2,761,644</u>	<u>\$ -</u>	<u>\$ -</u>
Easy Fund investments				
Mutual funds				
Large blend	\$ 1,274,976	\$ 1,274,976	\$ -	\$ -
Intermediate bond	621,276	621,276	-	-
Mid blend	87,760	87,760	-	-
	<u>\$ 1,984,012</u>	<u>\$ 1,984,012</u>	<u>\$ -</u>	<u>\$ -</u>

Idaho Humane Society, Incorporated

Notes to Financial Statements

September 30, 2019 and 2018

The following table presents assets measured at fair value on a recurring basis at September 30, 2018:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Board designated reserve and Capital Campaign investments				
Mutual funds				
Large blend	\$ 1,783,383	\$ 1,783,383	\$ -	\$ -
Intermediate bond	794,744	794,744	-	-
Global equity	5,224	5,224	-	-
Mid blend	112,587	112,587	-	-
	<u>\$ 2,695,938</u>	<u>\$ 2,695,938</u>	<u>\$ -</u>	<u>\$ -</u>
Easy Fund investments				
Mutual funds				
Large blend	\$ 1,322,540	\$ 1,322,540	\$ -	\$ -
Intermediate bond	589,610	589,610	-	-
Mid blend	83,438	83,438	-	-
	<u>\$ 1,995,588</u>	<u>\$ 1,995,588</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at September 30, 2019 and 2018:

	2019	2018
Within one year	\$ 319,621	\$ 100,416
Over one year	25,268	108,250
	<u>\$ 344,889</u>	<u>\$ 208,666</u>

At September 30, 2019, two donors accounted for 78% of total promises to give. At September 30, 2018, one donor accounted for 40% of total promises to give.

Note 5 - Property and Equipment

Property and equipment is comprised of the following at September 30, 2019 and 2018:

	2019	2018
Land	\$ 996,490	\$ 1,850,080
Buildings	3,716,697	3,716,697
Vehicles and equipment	1,617,535	1,270,179
Construction in Progress - New Shelter	12,350,801	6,675,828
	18,681,523	13,512,784
Accumulated depreciation	(3,219,577)	(3,069,860)
	<u>\$ 15,461,946</u>	<u>\$ 10,442,924</u>

Depreciation expense recorded on the fixed assets was \$164,032 and \$185,640 for the years ended September 30, 2019 and 2018, respectively.

The Society broke ground on a new adoption center and veterinary medical hospital during the year ended September 30, 2017, and construction costs are reflected in Construction in Progress – New Shelter. Construction is expected to be completed October 2019.

Note 6 - Leases

The Society leases the land upon which their building is located from the City of Boise under a 40-year operating lease expiring August 1, 2036. The lease requires an annual payment of \$15,258, which is increased on the 5th, 15th, 25th and 35th lease anniversary date by a percentage of the increase in the Consumer Price Index. The annual payment is also increased on the 10th, 20th, and 30th anniversary date by the greater of 8 percent of the fair market value of the lease premises or a percentage of the increase in the Consumer Price Index. The future minimum lease payments are \$256,854. The current year rent expense totaled \$15,258.

In May 2006, the Society signed a second lease for additional land behind the shelter and the use of buildings that are located on the land from the City of Boise under a 30-year and three month lease expiring on July 31, 2036. The lease requires an annual payment of \$12,381, which is increased on the 5th, 10th, 15th, and 25th lease anniversary date by the greater of a percentage of the increase in the Consumer Price Index or the fair market value of the leased premises. The future minimum lease payments are \$208,411. The current year rent expense totaled \$12,381.

In July 2019, the Society entered into a lease agreement for multiple copiers and printers. The lease expires in June 2024, monthly lease payments are \$1,078. The future minimum lease payments are \$61,446. The current year rent expense related to the copiers and printers totaled \$3,234.

Total five year payout for commitments and contingencies are:

<u>Years Ending September 30,</u>	<u>Operating Lease</u>
2020	\$ 40,576
2021	40,576
2022	40,576
2023	40,576
2024	37,342
Thereafter	<u>327,065</u>
Total minimum obligations	<u>\$ 526,711</u>

Note 7 - Construction Loan

The Society has entered into a construction loan agreement with Wells Fargo Bank with an available balance of up to \$4,000,000. The loan bears interest at an annual rate of 4.900% with monthly payments of \$18,100, maturing on June 15, 2023. As of September 30, 2019, the outstanding balance was \$598,256.

Future maturities of construction loan payables are as follows:

<u>Years Ending September 30,</u>	<u>Loan Payable</u>
2020	\$ 180,996
2021	217,195
2022	200,065
Less debt issuance costs	<u>(22,312)</u>
	<u>\$ 575,944</u>

Note 8 - Board Designated Reserve Fund

The Board of Directors established a reserve fund to help ensure the financial future of the Society. The reserve fund is composed of net assets set aside by the Board of Directors for specific purposes, such as future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. The Board of Directors also transfers funds from the reserve fund to the operations fund as deemed necessary.

The Society has adopted investment and spending policies for the reserve fund that attempt to provide a predictable stream of funding for operations, while seeking to maintain the purchasing power of the reserve fund assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the reserve fund assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the reserve fund investments.

All withdrawals from the reserve fund are at the discretion of the Board of Directors. Board approved distributions from the reserve fund were \$3,099,716 and \$1,948,450 during 2019 and 2018, respectively. The distributions for the year ended September 30, 2019 and 2018, were for construction costs related to the building and related costs. The principal balance of the reserve fund was \$3,026,655 and \$4,698,285 at September 30, 2019 and 2018, respectively.

Note 9 - Net Assets with Donor Restrictions

The Society's net assets with donor restrictions consist of granted and donated money from various sources provided for the benefit of specific programs.

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2019</u>	<u>2018</u>
Restricted by donors for		
Capital Campaign	\$ 5,854,236	\$ 5,241,217
Easy Fund	2,019,123	2,028,271
Medical Transfer	37,059	49,437
Pet Food Pantry	21,013	29,282
Community Cats	-	8,035
Senior Veterinary Care	6,868	21,116
Rescue Ranch	19,995	19,914
Others	14,188	14,634
	<u>\$ 7,972,482</u>	<u>\$ 7,411,906</u>

Idaho Humane Society, Incorporated

Notes to Financial Statements
September 30, 2019 and 2018

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. Net assets were released as follows for other programs for the years ended September 30, 2019 and 2018:

	2019	2018
Satisfaction of purpose restrictions		
Easy Fund	\$ 80,202	\$ 85,797
Medical Transfer	112,378	47,042
Shelter Animal Care	11,115	7,623
Spay/Neuter Programs	11,467	3,634
Pet Food Pantry	17,614	16,463
Community cats	38,034	27,606
IDAPI	7,582	1,670
Pets for Seniors	18,300	11,552
STAR	15,560	11,406
Senior Veterinary Care	14,248	9,528
Others	14,619	8,667
	<u>\$ 341,119</u>	<u>\$ 230,988</u>

Easy Fund

In fiscal year 2013, the Society received a bequest to provide funding for the Easy Fund of the Idaho Humane Society, Incorporated (Easy Fund), to benefit dogs by subsidizing the cost of (i) urgently needed veterinary care to companion animals of families, seniors, and individuals in the community that aren't otherwise able to afford the care and (ii) immediate medical care for ill and injured homeless and/or ownerless animals that are in the care of the Society. The goal is (i) to provide medical care for adoptable dogs with serious but treatable medical conditions that without such care would be rendered unadoptable and (ii) to provide medical care for treatable dogs belonging to members of the public that cannot afford such care and might lose the companionship of the dog without such care. The Easy Fund will specifically benefit dogs only. No other species shall benefit from the Easy Fund, per the donor's stipulations.

Each year no less than 2 1/2% or more than 5% of the Annual Value, as determined as of December 31, of the Easy Fund may be used to provide benefits contemplated under the Easy Fund. As of September 30, 2019, the value of the Easy Fund was \$2,019,123. Funds are presented under Easy Fund in the Statement of Financial Position as of September 30, 2019. Funds are invested according to donor guidelines with no fees charged to the funds. The allocation of funds to be used for the following year, beginning January 1, will be determined based on the balance of the Fund at December 31 each year. Additional donations to the Easy Fund will be encouraged and accepted per the donor's request. For calendar year 2019, the Society took a 4.5% distribution from the Fund to provide benefits under Fund guidelines. That amount, based on the December 31, 2018 balance, was \$81,396, of which \$47,414 of services under the fund had been provided to recipients as of September 30, 2019. For calendar year 2018, the Society took a 4.5% distribution from the Fund to provide benefits. That amount, based on the December 31, 2017, balance was \$92,103.

As of September 30, 2019, the Society has complied with the agreement as set forth by the donor.

Idaho Humane Society, Incorporated

Notes to Financial Statements

September 30, 2019 and 2018

Note 10 - Functional Expenses

The following schedule presents the natural classification of expenses by function for the year ended September 30, 2019:

	Clinic	Shelter	Special Programs	Administrative	Fundraising	Total
Expenses						
Salaries and benefits	\$ 1,645,953	\$ 1,858,150	\$ 306,600	\$ 196,751	\$ 183,519	\$ 4,190,973
Insurance	17,321	31,543	2,483	1,278	-	52,625
Supplies and services	851,811	448,365	83,731	85,477	-	1,469,384
Office supplies	1,976	2,104	-	1,076	-	5,156
Professional fees	86,410	9,313	-	27,480	-	123,203
Facility operation	61,408	111,587	5,479	15,451	-	193,925
Vehicle expense	-	67,190	-	324	-	67,514
Depreciation	46,837	79,924	15,251	22,020	-	164,032
Fundraising expense	-	-	-	-	351,989	351,989
Interest expense	-	-	-	1,120	-	1,120
Advertising	1,297	10,352	-	2,581	-	14,230
Investment Fees	-	-	-	25,273	-	25,273
Total expenses	\$ 2,713,013	\$ 2,618,528	\$ 413,544	\$ 378,831	\$ 535,508	\$ 6,659,424

The following schedule presents the natural classification of expenses by function for the year ended September 30, 2018:

	Clinic	Shelter	Special Programs	PetSmart	Administrative	Fundraising	Total
Expenses							
Salaries and benefits	\$ 1,486,110	\$ 1,816,968	\$ 257,928	\$ 33,080	\$ 208,463	\$ 171,454	\$ 3,974,003
In-Kind	-	-	-	-	-	-	-
Insurance	15,268	27,808	2,181	-	1,139	-	46,396
Supplies and services	744,116	284,538	65,428	1,539	122,355	-	1,217,976
Office supplies	1,091	1,062	-	47	1,244	-	3,444
Professional fees	65,228	15,804	-	-	27,781	-	108,813
Facility operation	44,399	177,078	1,466	161	11,634	-	234,738
Vehicle expense	-	65,961	-	-	99	-	66,060
Depreciation	52,835	89,459	19,335	-	24,011	-	185,640
Fundraising expense	-	-	-	-	-	253,628	253,628
Interest Expense	-	-	-	-	-	-	-
Advertising	1,313	8,861	-	-	394	-	10,568
Investment Fees	-	-	-	-	29,571	-	29,571
Total Expenses	\$ 2,410,360	\$ 2,487,539	\$ 346,338	\$ 34,827	\$ 426,691	\$ 425,082	\$ 6,130,837

Note 11 - Retirement Plan

All employees with greater than six months of service are eligible to participate in the retirement plan. Employees vest in Society contributions in 20% increments over five years. Employer contributions to the plan are not to exceed a maximum of 5% of the employee's salary. Contribution expense was \$78,279 and \$72,545 for the years ended September 30, 2019 and 2018, respectively.

Note 12 - Adjustment Resulting from Change in Accounting Policy

As disclosed in Note 1, the Society adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of October 1, 2018. As a part of the adoption, changes were made to the presentation of the financial statements. Donor restrictions to acquire or construct long-lived assets are considered to have expired when the assets are placed in service. Following is a summary of the effects of the change in accounting policy in the Society's September 30, 2018 financial information:

	2018		
	As previously reported	Adjustment	As Restated
<u>Selected Statement of Financial Position Data</u>			
<u>as of September 30, 2018</u>			
Net Assets			
Without Donor Restrictions			
Operations or undesignated	\$ 11,225,251	\$ (3,755,202)	\$ 7,470,049
With Donor Restrictions			
Capital Campaign	1,486,015	3,755,202	5,241,217
<u>Selected Statement of Activities Data for the</u>			
<u>year ended September 30, 2018</u>			
Net assets released from restrictions			
Satisfaction of program restrictions	\$ 3,986,190	\$ (3,755,202)	\$ 230,988
Total public support, revenues, and gains	9,870,780	(3,755,202)	6,115,578
Without Donor Restrictions Operations Change in			
Net Assets	5,688,393	(3,755,202)	1,933,191
With Donor Restrictions Change in Net Assets	(3,453,668)	3,755,202	301,534
Without Donor Restrictions Operations Other			
Net Assets, End of Year	11,225,251	(3,755,202)	7,470,049
Without Donor Restrictions Operations			
Net Assets, End of Year	11,225,251	(3,755,202)	7,470,049
With Donor Restrictions Capital Campaign			
Net Assets, End of Year	1,486,015	3,755,202	5,241,217

Note 13 - Subsequent Event

Subsequent to year-end, the Society completed construction on the new adoption center and veterinary medical hospital (the new shelter) and placed the assets into service. In connection with the new shelter, a total of \$1,345,462 of funds were drawn on the construction loan described in Note 7. The construction loan was closed subsequent to year-end and no additional funds may be drawn against the loan.

In October 2019, the Society placed into service information technology servers, computers and related equipment financed through a lease agreement. Payments under the agreement are \$5,865 per months for 36 months. At the end of the lease there is a \$1 buyout option. Future minimum payments are \$211,154.