



Financial Statements
September 30, 2020 and 2019
Idaho Humane Society, Incorporated

Idaho Humane Society, Incorporated

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September 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019 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.

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

Boise, Idaho
January 8, 2021

Idaho Humane Society, Incorporated

Statements of Financial Position

September 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,531,179	\$ 2,103,268
Cash and cash equivalents restricted for programs	268,714	99,123
Accounts receivable, less allowance of \$48,536 and \$56,670 in 2020 and 2019, respectively	155,613	196,756
Promises to give, net	39,604	319,621
Inventory	23,387	22,741
Prepaid expenses	28,742	17,359
Other	-	41,121
Total current assets	4,047,239	2,799,989
Board Designated Reserve Fund and Capital Campaign Assets		
Cash and cash equivalents	902,841	37,210
Investments	2,940,099	2,761,644
Total Board Designated Reserve Fund and Capital Campaign Assets	3,842,940	2,798,854
Easy Fund Assets		
Cash and cash equivalents	55,510	35,111
Investments	2,053,158	1,984,012
Total Easy Fund assets	2,108,668	2,019,123
Promises to Give, Long-Term, net	-	25,268
Property and Equipment, net	15,861,162	15,461,946
Total assets	\$ 25,860,009	\$ 23,105,180

Idaho Humane Society, Incorporated
 Statements of Financial Position
 September 30, 2020 and 2019

	2020	2019
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 140,441	\$ 362,249
Accrued expenses	324,155	286,297
Capital lease obligations	69,257	-
Current portion construction loan	217,195	180,996
Total current liabilities	751,048	829,542
Long-Term Liabilities		
Capital lease payable	72,729	-
Paycheck Protection Program loan	900,000	-
Non-current construction loan, net of debt issuance costs of \$17,531 and \$22,312 in 2020 and 2019, respectively	696,850	394,948
Total long-term liabilities	1,669,579	394,948
Total liabilities	2,420,627	1,224,490
Net Assets		
Without donor restrictions		
Operations or undesignated	17,238,349	10,881,553
Board designated reserve fund	3,693,736	3,026,655
With donor restrictions		
Donor restricted Capital Campaign	129,915	5,854,236
Easy Fund	2,108,668	2,019,123
Other	268,714	99,123
Total net assets	23,439,382	21,880,690
	\$ 25,860,009	\$ 23,105,180

Idaho Humane Society, Incorporated

Statement of Activities

Year Ended September 30, 2020

	Without Donor Restrictions		With Donor	Total
	Operations	Designated	Restrictions	
Public Support, Revenues, and Gains				
Donations and Contributions				
Capital Campaign	\$ -	\$ 766,788	\$ 129,915	\$ 896,703
Easy Fund	-	-	38,486	38,486
General support and other	1,594,216	-	533,604	2,127,820
Animal control contracts	2,468,489	-	-	2,468,489
Clinic services	2,469,242	-	-	2,469,242
Shelter services	773,404	-	-	773,404
Other revenues	246,982	-	-	246,982
Net investment return	2,976	174,616	129,319	306,911
Net assets released from restrictions				
Satisfaction of program restrictions	6,296,509	-	(6,296,509)	-
Total public support, revenues, and gains	13,851,818	941,404	(5,465,185)	9,328,037
Expenses				
Programs				
Animal control and shelter services	3,453,751	-	-	3,453,751
Clinic services	2,874,847	-	-	2,874,847
Other programs	502,617	-	-	502,617
Supporting services				
Management and general	546,818	-	-	546,818
Fundraising	391,312	-	-	391,312
Total expenses	7,769,345	-	-	7,769,345
Interfund Transfers				
Designated fund transfers	274,323	(274,323)	-	-
Change in Net Assets	6,356,796	667,081	(5,465,185)	1,558,692
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, Beginning of Year	10,881,553	3,026,655	7,972,482	21,880,690
Capital Campaign	-	-	129,915	129,915
Easy Fund	-	-	2,108,668	2,108,668
Other	17,238,349	3,693,736	268,714	21,200,799
Net Assets, End of Year	\$ 17,238,349	\$ 3,693,736	\$ 2,507,297	\$ 23,439,382

Idaho Humane Society, Incorporated

Statement of Activities

Year Ended September 30, 2019

	Without Donor Restrictions		With Donor Restrictions	Total
	Operations	Designated		
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	<u>6,971,212</u>	<u>1,428,086</u>	<u>560,576</u>	<u>8,959,874</u>
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	<u>6,659,424</u>	<u>-</u>	<u>-</u>	<u>6,659,424</u>
Interfund Transfers				
Designated fund transfers	3,099,716	(3,099,716)	-	-
Change in Net Assets	<u>3,411,504</u>	<u>(1,671,630)</u>	<u>560,576</u>	<u>2,300,450</u>
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	<u>7,470,049</u>	<u>4,698,285</u>	<u>7,411,906</u>	<u>19,580,240</u>
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	<u>\$ 10,881,553</u>	<u>\$ 3,026,655</u>	<u>\$ 7,972,482</u>	<u>\$ 21,880,690</u>

Idaho Humane Society, Incorporated

Statements of Cash Flows

Years Ended September 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 1,558,692	\$ 2,300,450
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	526,802	164,032
Interest expense attributable to amortization of debt issuance costs	4,781	-
Investment income net of fees	(87,826)	(100,603)
Realized gain on investments	(34,477)	(67,507)
Unrealized (gain) loss on investments	(184,606)	36,313
Gain on disposal of assets	-	(327,164)
In-kind contribution of property	-	(63,621)
Contributions with donor restrictions	(702,005)	(841,290)
Changes in assets and liabilities		
Accounts receivable	41,143	(46,444)
Promises to give	203,255	(227,801)
Inventory	(646)	4
Other	41,121	-
Prepaid expenses	(11,383)	7,333
Accounts payable	(221,808)	(628,261)
Accrued expenses	37,858	52,007
Refundable advance - Paycheck Protection Program	900,000	-
Net Cash from Operating Activities	2,070,901	257,448
Investing Activities		
Purchase of investments	(411,646)	(172,757)
Proceeds from sale of investments	470,954	250,424
Purchase of property and equipment	(718,080)	(5,844,348)
Proceeds from sale of property	-	1,180,754
Net Cash used for Investing Activities	(658,772)	(4,585,927)
Financing Activities		
Collections of contributions restricted to building project	102,030	91,578
Proceeds from temporarily restricted contributions	702,005	841,290
Payment on loan payable	(413,886)	-
Payment on capital lease payable	(65,952)	-
Proceeds from loan payable	747,206	598,256
Net Cash from Financing Activities	1,071,403	1,531,124
Net Change in Cash	2,483,532	(2,797,355)
Cash and Cash Equivalents, Beginning of Year	2,274,712	5,072,067
Cash and Cash Equivalents, End of Year	\$ 4,758,244	\$ 2,274,712

Idaho Humane Society, Incorporated

Statements of Cash Flows

Years Ended September 30, 2020 and 2019

	2020	2019
Supplemental Disclosures of Cash Flows Information		
Cash paid during the year for interest	\$ 65,961	\$ -
Noncash donation of stock	\$ 36,867	\$ 51,558
 Supplemental Disclosure of Non-cash Investing and Financing Activities		
Property and equipment purchases included in accounts payable	\$ -	\$ 169,796
Equipment financed through capital lease arrangement	207,938	-
	\$ 207,938	\$ 169,796
 Reconciliation of Cash and Cash Equivalents		
Current assets	\$ 3,799,893	\$ 2,202,391
Board Designated Reserve Fund and Capital Campaign Assets	902,841	37,210
Easy Fund	55,510	35,111
	\$ 4,758,244	\$ 2,274,712

Note 1 - Summary of Significant Accounting Policies

Activity

The Idaho Humane Society is a private animal welfare organization incorporated in the State of Idaho in 1945 as a non-profit corporation. The Society is a stand-alone, nonprofit organization, operating in Boise, Idaho. The primary exempt purpose of the Idaho Humane Society is the 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.

Other than revenue received for contracted animal control services, the Society receives no governmental funding. The Society is supported entirely by private donations and revenues generated from sheltering services, animal control services contracted with local municipalities, and veterinary care provided to members of the community. The Society has two primary locations. The new adoption center at 1300 S. Bird Street opened in FY20 and houses the Adoption Center and public veterinary medical facility. The location at 4775 Dorman St. serves as the facility for animal control activities, including intakes and redemptions, as well as pre-adoption sheltering and medical care for the animals we shelter.

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 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, 2020 and 2019, 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 or in the case of capitalized leased assets, the lesser of the useful life of the asset or the lease term. The building was constructed with funds received with 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, 2020 and 2019.

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 reserve fund.

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. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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 \$54,065 and \$131,042, respectively, during the years ended September 30, 2020 and 2019. 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 \$15,031 and \$14,230 for the years ended September 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Note 11 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The 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

The Society has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Society in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of October 1, 2019, the Society has implemented the provisions of ASU 2018-08 applicable to contributions received on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Society's financial statements.

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:

	2020	2019
Cash and cash equivalents	\$ 3,531,179	\$ 2,103,268
Accounts receivable	155,613	196,756
Promises to give, net	-	344,889
	<u>\$ 3,686,792</u>	<u>\$ 2,644,913</u>

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

Board-designated funds of \$3,693,736 are expended at the Board's discretion as described in Note 9. Although the Society does not intend to spend from this board-designated fund (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 these situations, inputs are developed using the best information available in the circumstances.

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.

Idaho Humane Society, Incorporated

Notes to Financial Statements

September 30, 2020 and 2019

The following table presents assets measured at fair value on a recurring basis at September 30, 2020:

	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	\$ 1,992,051	\$ 1,992,051	\$ -	\$ -
Intermediate bond	834,105	834,105	-	-
Mid blend	113,943	113,943	-	-
	<u>\$ 2,940,099</u>	<u>\$ 2,940,099</u>	<u>\$ -</u>	<u>\$ -</u>
Easy Fund investments				
Mutual funds				
Large blend	\$ 1,397,680	\$ 1,397,680	\$ -	\$ -
Intermediate bond	580,376	580,376	-	-
Mid blend	75,102	75,102	-	-
	<u>\$ 2,053,158</u>	<u>\$ 2,053,158</u>	<u>\$ -</u>	<u>\$ -</u>

Idaho Humane Society, Incorporated

Notes to Financial Statements

September 30, 2020 and 2019

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 and Capital Campaign 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>

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at September 30, 2020 and 2019:

	2020	2019
Within one year	\$ 39,604	\$ 319,621
Over one year	-	25,268
	<u>\$ 39,604</u>	<u>\$ 344,889</u>

At September 30, 2020, one donor accounted for 62% of total promises to give. At September 30, 2019, two donors accounted for 78% of total promises to give.

Note 5 - Property and Equipment

Property and equipment is comprised of the following at September 30, 2020 and 2019:

	2020	2019
Land	\$ 996,490	\$ 996,490
Buildings	16,720,785	3,716,697
Vehicles and equipment	1,890,265	1,617,535
Construction in Progress - New Shelter	-	12,350,801
	<u>19,607,540</u>	<u>18,681,523</u>
Accumulated depreciation	<u>(3,746,378)</u>	<u>(3,219,577)</u>
	<u>\$ 15,861,162</u>	<u>\$ 15,461,946</u>

Depreciation expense recorded on the fixed assets was \$526,802 and \$164,032 for the years ended September 30, 2020 and 2019, respectively.

Note 6 - Leases**Operating Leases**

The Society leases the land upon which their Dorman Street 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 \$15,259, 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 \$241,595. The current year rent expense totaled \$15,259.

In May 2006, the Society signed a second lease for additional land behind the Dorman Street 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 \$196,030. 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 \$48,510. The current year rent expense related to the copiers and printers totaled \$12,936.

Capital Lease

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 \$149,346.

Total five year payout for commitments and contingencies are:

Years Ending September 30,	Capital Lease	Operating Leases
2021	\$ 74,673	\$ 40,576
2022	74,673	40,576
2023	-	40,576
2024	-	37,342
2025	-	27,639
Thereafter	-	299,426
	149,346	\$ 486,135
Total minimum obligations	149,346	<u>\$ 486,135</u>
Less amount representing interest	<u>(7,360)</u>	
Capital lease obligation	<u>\$ 141,986</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, 2020, the outstanding balance was \$931,576.

Future maturities of construction loan payables are as follows:

Years Ending September 30,	Loan Payable
2021	\$ 217,195
2022	217,195
2023	497,186
Less debt issuance costs	<u>(17,531)</u>
	<u>\$ 914,045</u>

Note 8 - Payroll Protection Program Loan

The Society was granted a \$900,000 loan under the Payroll Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Society is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Society has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived.

Proceeds from the loan are eligible for forgiveness if the Society maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended September 30, 2020. The Society will be required to repay any remaining balance, plus interest accrued at 1% in monthly payments commencing on October 12, 2021, principal and interest payments will be required through the maturity date May 12, 2022.

Note 9 - 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 \$274,323 and \$3,099,716 during 2020 and 2019, respectively. The distributions for the years ended September 30, 2020 and 2019, were for construction costs related to the building and related costs. The principal balance of the reserve fund was \$3,693,736 and \$3,026,655 at September 30, 2020 and 2019, respectively.

Note 10 - 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>2020</u>	<u>2019</u>
Restricted by donors for		
Capital Campaign	\$ 129,915	\$ 5,854,236
Easy Fund	2,108,668	2,019,123
Medical Transfer	118,398	37,059
Pet Food Pantry	23,152	21,013
HSUS Pets for Life	76,080	-
Rescue Ranch	17,643	19,995
Others	33,441	21,056
	<u>\$ 2,507,297</u>	<u>\$ 7,972,482</u>

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Easy Fund	\$ 78,260	\$ 80,202
Capital Campaign	5,854,236	-
Medical Transfer	118,661	112,378
Shelter Animal Care	34,269	11,115
Spay/Neuter Programs	34,007	11,467
HSUS Pets for Life	33,920	-
COVID Relief	55,038	-
Duck Valley	17,976	-
Pet Food Pantry	14,844	17,614
Community cats	-	38,034
Pets for Seniors	15,400	18,300
STAR	5,994	15,560
Senior Veterinary Care	6,868	14,248
Others	27,036	22,201
	<u>\$ 6,296,509</u>	<u>\$ 341,119</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, 2020, the value of the Easy Fund was \$2,108,668. Funds are presented under Easy Fund in the Statement of Financial Position as of September 30, 2020. 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 2020, the Society took a 4.5% distribution from the Fund to provide benefits under Fund guidelines. That amount, based on the December 31, 2019 balance, was \$94,761, of which \$44,100 of services under the fund had been provided to recipients as of September 30, 2020. For calendar year 2019, the Society took a 4.5% distribution from the Fund to provide benefits. That amount, based on the December 31, 2018, balance was \$81,396. As of September 30, 2020, the Society has complied with the agreement as set forth by the donor.

Idaho Humane Society, Incorporated

Notes to Financial Statements

September 30, 2020 and 2019

Note 11 - Functional Expenses

The following schedule presents the natural classification of expenses by function for the year ended September 30, 2020:

	Clinic Services	Shelter Services	Other Programs	Management and General	Fundraising	Total
Expenses						
Salaries and benefits	\$ 1,706,212	\$ 2,200,896	\$ 363,765	\$ 268,708	\$ 150,230	\$ 4,689,811
Insurance	14,768	35,555	5,216	5,897	-	61,436
Supplies and services	860,408	602,466	82,030	51,845	-	1,596,749
Office supplies	2,807	3,061	167	2,546	-	8,581
Professional fees	84,215	52,364	-	35,381	-	171,960
Facility operation	63,597	189,083	22,285	54,590	-	329,555
Vehicle expense	-	61,736	-	15	-	61,751
Depreciation	140,816	295,583	29,154	61,249	-	526,802
Fundraising expense	-	-	-	-	241,082	241,082
Interest expense	-	-	-	66,587	-	66,587
Advertising	2,024	13,007	-	-	-	15,031
Total expenses	\$ 2,874,847	\$ 3,453,751	\$ 502,617	\$ 546,818	\$ 391,312	\$ 7,769,345

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

	Services	Services	Programs	and General	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

Note 12 - 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 \$73,100 and \$78,279 for the years ended September 30, 2020 and 2019, respectively.

Note 13 - Contingencies

COVID-19 Pandemic

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The Society is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Society is not known.