



Financial Statements
September 30, 2021 and 2020

Idaho Humane Society, Incorporated

Idaho Humane Society, Incorporated

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September 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Boise, Idaho
January 12, 2022

Idaho Humane Society, Incorporated
 Statements of Financial Position
 September 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,509,312	\$ 3,531,179
Cash and cash equivalents restricted for programs	408,371	268,714
Accounts receivable, less allowance of \$36,106 and \$48,536 in 2021 and 2020, respectively	142,189	155,613
Promises to give, net	8,000	39,604
Inventory	13,980	23,387
Prepaid expenses	29,279	28,742
Total current assets	5,111,131	4,047,239
Board Designated Reserve Fund and Capital Campaign Assets		
Cash and cash equivalents	491,956	902,841
Investments	4,085,902	2,940,099
Total Board Designated Reserve Fund and Capital Campaign Assets	4,577,858	3,842,940
Easy Fund Assets		
Cash and cash equivalents	19,589	55,510
Investments	2,421,602	2,053,158
Total Easy Fund assets	2,441,191	2,108,668
Promises to Give, Long-Term, net	64,000	-
Property and Equipment, net	15,510,350	15,861,162
Total assets	\$ 27,704,530	\$ 25,860,009

Idaho Humane Society, Incorporated
 Statements of Financial Position
 September 30, 2021 and 2020

	2021	2020
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 172,115	\$ 140,441
Accrued expenses	196,788	324,155
Capital lease obligations	72,729	69,257
Current portion construction loan	-	217,195
Total current liabilities	441,632	751,048
Long-Term Liabilities		
Capital lease payable	-	72,729
Paycheck Protection Program loan	-	900,000
Non-current construction loan, net of debt issuance costs of \$0 and \$17,531 in 2021 and 2020, respectively	-	696,850
Total long-term liabilities	-	1,669,579
Total liabilities	441,632	2,420,627
Net Assets		
Without donor restrictions		
Operations or undesignated	19,835,478	17,238,349
Board designated reserve fund	4,577,858	3,693,736
With donor restrictions		
Donor restricted Capital Campaign	-	129,915
Easy Fund	2,441,191	2,108,668
Other	408,371	268,714
Total net assets	27,262,898	23,439,382
	\$ 27,704,530	\$ 25,860,009

Idaho Humane Society, Incorporated

Statement of Activities

Year Ended September 30, 2021

	Without Donor Restrictions		With Donor Restrictions	Total
	Operations	Designated		
Public Support, Revenues, and Gains				
Donations and Contributions				
Capital Campaign	\$ -	\$ -	\$ 34,975	\$ 34,975
Easy Fund	-	-	9,345	9,345
General support and other	2,017,967	879,936	688,577	3,586,480
Animal control contracts	2,427,553	-	-	2,427,553
Clinic services	2,600,467	-	-	2,600,467
Shelter services	772,780	-	-	772,780
PPP loan forgiveness	900,000	-	-	900,000
Other revenues	275,715	-	-	275,715
Net investment return	653	664,224	463,306	1,128,183
Net assets released from restrictions				
Satisfaction of program restrictions	853,938	-	(853,938)	-
Total public support, revenues, and gains	<u>9,849,073</u>	<u>1,544,160</u>	<u>342,265</u>	<u>11,735,498</u>
Expenses				
Programs				
Animal control and shelter services	3,823,883	-	-	3,823,883
Clinic services	2,758,332	-	-	2,758,332
Other programs	432,966	-	-	432,966
Supporting services				
Management and general	603,948	-	-	603,948
Fundraising	292,853	-	-	292,853
Total expenses	<u>7,911,982</u>	<u>-</u>	<u>-</u>	<u>7,911,982</u>
Interfund Transfers				
Designated fund transfers	660,038	(660,038)	-	-
Change in Net Assets	<u>2,597,129</u>	<u>884,122</u>	<u>342,265</u>	<u>3,823,516</u>
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, Beginning of Year	<u>17,238,349</u>	<u>3,693,736</u>	<u>2,507,297</u>	<u>23,439,382</u>
Capital Campaign	-	-	-	-
Easy Fund	-	-	2,441,191	2,441,191
Other	19,835,478	4,577,858	408,371	24,821,707
Net Assets, End of Year	<u>\$ 19,835,478</u>	<u>\$ 4,577,858</u>	<u>\$ 2,849,562</u>	<u>\$ 27,262,898</u>

Idaho Humane Society, Incorporated
Statement of Activities
Year Ended September 30, 2020

	Without Donor Restrictions		With Donor Restrictions	Total
	Operations	Designated		
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	<u>13,851,818</u>	<u>941,404</u>	<u>(5,465,185)</u>	<u>9,328,037</u>
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	<u>7,769,345</u>	<u>-</u>	<u>-</u>	<u>7,769,345</u>
Interfund Transfers				
Designated fund transfers	274,323	(274,323)	-	-
Change in Net Assets	<u>6,356,796</u>	<u>667,081</u>	<u>(5,465,185)</u>	<u>1,558,692</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, Beginning of Year	<u>10,881,553</u>	<u>3,026,655</u>	<u>7,972,482</u>	<u>21,880,690</u>
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	<u>\$ 17,238,349</u>	<u>\$ 3,693,736</u>	<u>\$ 2,507,297</u>	<u>\$ 23,439,382</u>

Idaho Humane Society, Incorporated

Statements of Cash Flows

Years Ended September 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 3,823,516	\$ 1,558,692
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	602,284	526,802
Interest expense attributable to amortization of debt issuance costs	17,531	4,781
Investment income net of fees	(84,623)	(87,826)
Realized gain on investments	(219,959)	(34,477)
Unrealized gain on investments	(823,601)	(184,606)
Contributions with donor restrictions	(732,897)	(702,005)
PPP loan forgiveness	(900,000)	-
Changes in assets and liabilities		
Accounts receivable	13,424	41,143
Promises to give	(72,000)	203,255
Inventory	9,407	(646)
Other	-	41,121
Prepaid expenses	(537)	(11,383)
Accounts payable	31,674	(221,808)
Accrued expenses	(127,367)	37,858
Refundable advance - Paycheck Protection Program	-	900,000
Net Cash from Operating Activities	1,536,852	2,070,901
Investing Activities		
Purchase of investments	(915,343)	(411,646)
Proceeds from sale of investments	529,279	470,954
Purchase of property and equipment	(251,472)	(718,080)
Net Cash used for Investing Activities	(637,536)	(658,772)
Financing Activities		
Collections of contributions restricted to building project	39,604	102,030
Proceeds from temporarily restricted contributions	732,897	702,005
Payment on loan payable	(931,576)	(413,886)
Payment on capital lease payable	(69,257)	(65,952)
Proceeds from loan payable	-	747,206
Net Cash used for (from) Financing Activities	(228,332)	1,071,403
Net Change in Cash	670,984	2,483,532
Cash and Cash Equivalents, Beginning of Year	4,758,244	2,274,712
Cash and Cash Equivalents, End of Year	\$ 5,429,228	\$ 4,758,244

Idaho Humane Society, Incorporated

Statements of Cash Flows

Years Ended September 30, 2021 and 2020

	2021	2020
Supplemental Disclosures of Cash Flows Information		
Cash paid during the year for interest	\$ 50,000	\$ 65,961
Noncash donation of stock	\$ 38,208	\$ 36,867
 Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Equipment financed through capital lease arrangement	\$ -	\$ 207,938
 Reconciliation of Cash and Cash Equivalents		
Current assets	\$ 4,917,683	\$ 3,799,893
Board Designated Reserve Fund and Capital Campaign Assets	491,956	902,841
Easy Fund	19,589	55,510
	\$ 5,429,228	\$ 4,758,244

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 location 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, 2021 and 2020, 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. 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, 2021 and 2020.

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. For performance obligations related to shelter services, clinic services, and store sales revenue is recognized at a point in time. For performance obligations related to animal control contracts and student program fees revenue is recognized over time.

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 \$77,914 and \$54,065, respectively, during the years ended September 30, 2021 and 2020. 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 \$10,425 and \$15,031, for the years ended September 30, 2021 and 2020, 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 12 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

As of October 1, 2020, the Society adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. The standard identifies a five-step process in order to recognize revenue. The Society does not believe the implementation of the standard has a material impact on the amounts presented.

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:

	2021	2020
Cash and cash equivalents	\$ 4,509,312	\$ 3,531,179
Accounts receivable	142,189	155,613
Promises to give, net	8,000	-
	<u>\$ 4,659,501</u>	<u>\$ 3,686,792</u>

Reserve funds consist of donor-restricted funds and 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 \$4,577,858 are expended at the Board's discretion as described in Note 10. 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, 2021 and 2020

The following table presents assets measured at fair value on a recurring basis at September 30, 2021:

	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	\$ 2,714,311	\$ 2,714,311	\$ -	\$ -
Intermediate bond	1,224,144	1,224,144	-	-
Mid blend	147,447	147,447	-	-
	<u>\$ 4,085,902</u>	<u>\$ 4,085,902</u>	<u>\$ -</u>	<u>\$ -</u>
Easy Fund investments				
Mutual funds				
Large blend	\$ 1,576,237	\$ 1,576,237	\$ -	\$ -
Intermediate bond	740,174	740,174	-	-
Mid blend	105,191	105,191	-	-
	<u>\$ 2,421,602</u>	<u>\$ 2,421,602</u>	<u>\$ -</u>	<u>\$ -</u>

Idaho Humane Society, Incorporated

Notes to Financial Statements

September 30, 2021 and 2020

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 and Capital Campaign 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>

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at September 30, 2021 and 2020:

	2021	2020
Within one year	\$ 8,000	\$ 39,604
Over one year	64,000	-
	<u>\$ 72,000</u>	<u>\$ 39,604</u>

At September 30, 2021, one donor accounted for 100% of total promises to give. At September 30, 2020, one donor accounted for 62% of total promises to give.

Note 5 - Revenue from Contracts with Customers

The following table disaggregates the Society's revenue based on the timing of satisfaction of performance obligations for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Revenue recognized at a point in time	\$ 3,460,006	\$ 3,333,695
Revenue recognized over time	<u>2,608,230</u>	<u>2,606,307</u>
Total revenue from contracts with customers	<u>\$ 6,068,236</u>	<u>\$ 5,940,002</u>

Revenue from performance obligations satisfied at a point in time consist of clinic services, shelter services, and store sales. These goods and services are provided to customers at the Bird and Dorman locations. Revenue from performance obligations satisfied over time consists of animal control contracts entered into with local municipalities and student program fees generated from the agreement with an educational institution in the Western United States.

The Society's accounts receivable from contracts with customers as of October 1, 2019 was \$196,756.

Note 6 - Property and Equipment

Property and equipment is comprised of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 996,490	\$ 996,490
Buildings	16,725,536	16,720,785
Vehicles and equipment	<u>2,136,987</u>	<u>1,890,265</u>
	19,859,013	19,607,540
Accumulated depreciation	<u>(4,348,663)</u>	<u>(3,746,378)</u>
	<u>\$ 15,510,350</u>	<u>\$ 15,861,162</u>

Depreciation expense recorded on the fixed assets was \$602,284 and \$526,802, for the years ended September 30, 2021 and 2020, respectively.

Note 7 - 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 \$226,336. 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 \$13,191, 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 \$195,661. The current year rent expense totaled \$12,516.

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 \$35,574. 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 \$74,673.

Total five year payout for commitments and contingencies are:

<u>Years Ending September 30,</u>	<u>Capital Lease</u>	<u>Operating Leases</u>
2022	\$ 74,673	\$ 41,385
2023	-	41,385
2024	-	38,151
2025	-	28,449
2026	-	28,449
Thereafter	-	279,752
	<u>74,673</u>	<u>\$ 457,571</u>
Total minimum obligations	74,673	\$ 457,571
Less amount representing interest	<u>(1,944)</u>	
Capital lease obligation	<u>\$ 72,729</u>	

Note 8 - Construction Loan

The Society entered into a construction loan agreement with Wells Fargo Bank with an available balance of up to \$4,000,000. The loan bore interest at an annual rate of 4.900% with monthly payments of \$18,100, maturing on June 15, 2023. As of September 30, 2021, the loan had been paid in full.

Note 9 - 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 was uncollateralized and fully guaranteed by the Federal government. The Society has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Society initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and a right to return of the PPP loan no longer existed. The Society has recognized \$900,000 in PPP loan forgiveness for the year ended September 30, 2021.

Note 10 - 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 \$660,038 and \$274,323, during 2021 and 2020, respectively. The distributions for the years ended September 30, 2021 and 2020, were for construction costs related to the building and related costs. The principal balance of the reserve fund was \$4,577,858 and \$3,693,736, at September 30, 2021 and 2020, respectively.

Note 11 - 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>2021</u>	<u>2020</u>
Restricted by donors for		
Capital Campaign	\$ -	\$ 129,915
Easy Fund	2,441,191	2,108,668
Behavior Mod Program	93,057	-
Medical Transfer	119,855	118,398
Pet Food Pantry	17,694	23,152
HSUS Pets for Life	115,550	76,080
Rescue Ranch	14,390	17,643
STAR Medical Fund	28,490	10,852
Others	19,335	22,589
	<u>\$ 2,849,562</u>	<u>\$ 2,507,297</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Easy Fund	\$ 140,128	\$ 78,260
Capital Campaign	164,890	5,854,236
Medical Transfer	198,543	118,661
Adoption Event	45,000	-
Shelter Animal Care	11,306	34,269
Spay/Neuter Programs	15,071	34,007
HSUS Pets for Life	90,530	33,920
COVID Relief	1,615	55,038
Duck Valley	17,146	17,976
Pet Food Pantry	15,229	14,844
Behavior Mod Program	12,068	-
Pets for Seniors	10,000	15,400
STAR	4,423	5,994
Equipment Acquisitions	113,109	-
Others	14,880	33,904
	<u>\$ 853,938</u>	<u>\$ 6,296,509</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, 2021, the value of the Easy Fund was \$2,441,191. Funds are presented under Easy Fund in the Statement of Financial Position as of September 30, 2021. 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 2021, the Society took a 4.5% distribution from the Fund to provide benefits under Fund guidelines. That amount, based on the December 31, 2020 balance, was \$103,870, of which \$89,038, of services under the fund had been provided to recipients as of September 30, 2021. For calendar year 2020, the Society took a 4.5% distribution from the Fund to provide benefits. That amount, based on the December 31, 2019, balance was \$94,761. As of September 30, 2021, the Society has complied with the agreement as set forth by the donor.

Idaho Humane Society, Incorporated

Notes to Financial Statements

September 30, 2021 and 2020

Note 12 - Functional Expenses

The following schedule presents the natural classification of expenses by function for the year ended September 30, 2021:

	Clinic Services	Shelter Services	Other Programs	Management and General	Fundraising	Total
Expenses						
Salaries and benefits	\$ 1,703,116	\$ 2,446,468	\$ 273,622	\$ 284,622	\$ 94,614	\$ 4,802,442
Insurance	16,664	35,773	5,535	7,180	-	65,152
Supplies and services	762,874	653,032	92,678	62,837	-	1,571,421
Office supplies	754	1,462	85	1,754	-	4,055
Professional fees	66,107	91,872	-	33,259	-	191,238
Facility operation	62,025	189,918	28,678	48,017	-	328,638
Vehicle expense	-	72,256	-	48	-	72,304
Depreciation	144,402	325,067	32,368	100,447	-	602,284
Fundraising expense	-	-	-	-	198,239	198,239
Interest expense	-	-	-	65,784	-	65,784
Advertising	2,390	8,035	-	-	-	10,425
Total expenses	\$ 2,758,332	\$ 3,823,883	\$ 432,966	\$ 603,948	\$ 292,853	\$ 7,911,982

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

Note 13 - Retirement Plan

All employees with greater than six months of service are eligible to participate in the 401(k)-retirement plan. The Society matches employee contributions up to 5%. Employees vest in Society contributions at time of contribution. Contribution expense was \$95,159 and \$73,100, for the years ended September 30, 2021 and 2020, respectively.

Note 14 - Contingencies

COVID-19 Pandemic

During 2020 and 2021, 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.