
BERKELEY-EAST BAY
HUMANE SOCIETY
dba Berkeley Humane

FINANCIAL STATEMENTS

December 31, 2021

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2020)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

BERKELEY-EAST BAY HUMANE SOCIETY
dba Berkeley Humane

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Berkeley-East Bay Humane Society (dba Berkeley Humane)
Berkeley, California

Opinion

We have audited the accompanying financial statements of Berkeley-East Bay Humane Society (the Organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, cash flows and functional expenses, for the year then ended, and the related notes to the financial statements. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkeley-East Bay Humane Society as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we: Exercise professional judgment and maintain professional skepticism throughout the audit. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Oakland, California

June 28, 2022

BERKELEY-EAST BAY HUMANE SOCIETY
dba Berkeley Humane

Statement of Financial Position
December 31, 2021
(With Comparative Totals as of December 31, 2020)

	2021	2020
Assets		
Assets		
Cash and cash equivalents	\$ 207,589	\$ 482,625
Investments (Note 3)	5,627,986	3,776,724
Accounts receivable	2,004	246
Contributions receivable (Note 5)	515,000	500,000
Prepaid expenses and deposits	58,573	52,843
Property and equipment, net (Note 6)	848,479	864,894
Beneficial interest in trust (Note 7)	52,922	53,023
Total Assets	\$ 7,312,553	\$ 5,730,355
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 114,640	\$ 81,115
Accrued vacation	89,482	70,009
Paycheck Protection Program loans	-	354,185
EIDL loan (Note 9)	145,013	149,900
Total Liabilities	349,135	655,209
Net Assets		
Without donor restrictions (Note 12)	4,002,582	3,113,948
With donor restrictions (Note 13)	2,960,836	1,961,198
Total Net Assets	6,963,418	5,075,146
Total Liabilities and Net Assets	\$ 7,312,553	\$ 5,730,355

See Notes to the Financial Statements

BERKELEY-EAST BAY HUMANE SOCIETY
dba Berkeley Humane

Statement of Activities
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Support and Revenue				
Support				
Contributions	\$ 1,989,606	\$ 1,158,544	\$ 3,148,150	\$ 1,754,190
Foundation and community grants	26,500	33,510	60,010	108,000
Bequests	311,565		311,565	482,609
In-kind support (Note 14)	437,504		437,504	2,000
Total Support	<u>2,765,175</u>	<u>1,192,054</u>	<u>3,957,229</u>	<u>2,346,799</u>
Revenue				
Adoptions	127,240		127,240	132,900
Hospital services	193,829		193,829	127,904
Training	62,908		62,908	40,740
Investment activity, net (Note 3)	21,543		21,543	89,981
Change in beneficial interest in trusts	(101)		(101)	(848)
Other income	11,493		11,493	4,655
Total Revenue	<u>416,912</u>	<u>-</u>	<u>416,912</u>	<u>395,332</u>
Paycheck Protection Program (Note 8)	354,185		354,185	-
Support provided by expiring time and purpose restrictions	192,416	(192,416)	-	-
Total Support and Revenue	<u>3,728,688</u>	<u>999,638</u>	<u>4,728,326</u>	<u>2,742,131</u>
Expenses				
Program	2,399,491		2,399,491	1,972,460
Management and general	149,855		149,855	140,946
Fundraising	290,708		290,708	201,604
Total Expenses	<u>2,840,054</u>	<u>-</u>	<u>2,840,054</u>	<u>2,315,010</u>
Change in net assets	888,634	999,638	1,888,272	427,121
Net Assets, beginning of year	<u>3,113,948</u>	<u>1,961,198</u>	<u>5,075,146</u>	<u>4,648,025</u>
Net Assets, end of year	<u>\$ 4,002,582</u>	<u>\$ 2,960,836</u>	<u>\$ 6,963,418</u>	<u>\$ 5,075,146</u>

See Notes to the Financial Statements

BERKELEY-EAST BAY HUMANE SOCIETY
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Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 1,888,272	\$ 427,121
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	71,466	70,409
Investment activity	(21,543)	(89,981)
PPP forgiveness	(354,185)	-
Contributions intended for long term use	(1,119,636)	(51,255)
Accrued interest	4,177	-
Changes in assets and liabilities:		
Accounts receivable	(1,758)	317
Contributions receivable	(15,000)	25,000
Prepaid expenses and deposits	(5,730)	(12,376)
Beneficial interest in trust	101	848
Accounts payable and accrued expenses	33,525	(13,923)
Accrued vacation	19,473	12,123
Net cash provided (used) by operating activities	499,162	368,283
Cash flows from investing activities		
Purchases of investments	(3,184,228)	(929,018)
Proceeds from investments	1,354,961	228,312
Purchase of property and equipment	(55,503)	(8,000)
Net cash provided (used) by investing activities	(1,884,770)	(708,706)
Cash flows from financing activities		
Contributions intended for long term use	1,119,636	51,255
Proceeds from Paycheck Protection Program loan	-	354,185
Proceeds from EIDL loan	-	149,900
Repayments of EIDL loan	(9,064)	-
Net cash provided (used) by financing activities	1,110,572	555,340
Net change in cash and cash equivalents	(275,036)	214,917
Cash and cash equivalents, beginning of year	482,625	267,708
Cash and cash equivalents, end of year	\$ 207,589	\$ 482,625
Supplemental information:		
Interest paid	\$ 6,600	\$ -

See Notes to the Financial Statements

BERKELEY-EAST BAY HUMANE SOCIETY
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Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	Program	Management and General	Fundraising	Total	
				2021	2020
Salaries	\$ 1,365,389	\$ 91,188	\$ 91,005	\$ 1,547,582	\$ 1,305,346
Retirement contributions	8,209	590	687	9,486	-
Employee benefits	91,385	12,252	2,639	106,276	120,274
Payroll taxes	105,567	6,421	8,088	120,076	100,799
Total Personnel	<u>1,570,550</u>	<u>110,451</u>	<u>102,419</u>	<u>1,783,420</u>	<u>1,526,419</u>
Professional services	62,371	15,995	57,935	136,301	71,390
Advertising and events	183,852	451	53,459	237,762	217,546
Supplies and office expenses	111,609	5,412	9,591	126,612	68,334
Occupancy	139,917	4,841	16,998	161,756	101,300
Information technology	25,073	234	10,074	35,381	27,067
Travel and meals	3,570	453	886	4,909	1,422
Conferences and meetings	2,744	330	414	3,488	1,315
Depreciation	66,464	1,429	3,573	71,466	70,409
Insurance	30,137	1,205	-	31,342	30,184
Medical and other supplies/services	179,759	137	167	180,063	168,092
Dues, licenses, service fees	8,996	284	26,280	35,560	14,443
Interest	4,177	2,423	-	6,600	-
In-kind services and other	10,272	6,210	8,912	25,394	17,089
Total Expenses	<u>\$ 2,399,491</u>	<u>\$ 149,855</u>	<u>\$ 290,708</u>	<u>\$ 2,840,054</u>	<u>\$ 2,315,010</u>

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**Notes to the Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)**

NOTE 1: NATURE OF ACTIVITIES

The Berkeley-East Bay Humane Society dba Berkeley Humane (the Organization) is a California nonprofit public benefit corporation, which serves the people and animals of the community by providing life-saving programs for cats and dogs, cultivating compassion, and strengthening the human-animal bond.

The Organization provides the following programs.

Adoption Center

The primary purpose of the Organization is to place 100% of healthy and treatable animals in loving homes and to offer programs that enrich animals' lives and make them more adoptable.

Veterinary Hospital

The on-site veterinary hospital provides animals with continuous medical oversight and care during their stay with us. Berkeley Humane runs the only veterinary hospital in the East Bay dedicated to exclusively serving shelter animals, and can treat conditions that fall well outside the range of what most shelters can care for, including a variety of medical procedures from eye surgeries to hip surgeries.

PAWS Safety Net Services

PAWS Safety Net Services provide resources that prevent animals from entering the public shelter system whenever possible. Safety net services include:

Behavior Advice Line and Training Classes: The Organization offers affordable dog training classes (from Puppy Kindergarten through Advanced Obedience) using gentle, positively reinforced training methods and a behavior advice line that provides expert advice on managing a range of behavioral issues.

Subsidized Veterinary Care and Pet Food Pantry: The Subsidized Veterinary Care and Pet Food Pantry program supports individuals and families who are low-income. The Pet Food Pantry provides the resource boost needed to keep animals out of the shelters and in their homes. With dedicated grant funding, the Organization is also able to offer free or subsidized veterinary care to low-income pet guardians.

Low-Cost Spay/Neuter and Vaccine Services: In the fall of 2016, the Organization launched Spay the Bay, a low-cost spay/neuter and vaccine clinic to help assist seniors, students, and other low-income and vulnerable populations in Berkeley and the surrounding region by offering spay/neuter and vaccination services on a sliding scale.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

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**Notes to the Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)**

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor’s instructions.

The Organization’s unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in perpetual trust held by a bank or trustee.

When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest bearing amounts due from grantors on a cost reimbursement or performance grants and customers on performance contracts. The Organization considers all accounts receivable to be fully collectible at December 31, 2021. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition. The Organization considers all contributions receivable to be fully collectible at December

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(With Comparative Totals for the Year Ended December 31, 2020)**

31, 2021. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounting for Revenue

The Organization recognizes revenue as performance obligations are satisfied.

Revenue from agreements based on hourly rates are recognized over time as time is expended if the Organization expects it will have an enforceable right to payment for such amounts. Revenue is recognized based on estimated progress towards complete satisfaction of the performance obligation if the Organization can reasonably measure such progress. If the Organization's efforts are expended evenly throughout the performance period, the Organization may recognize revenue on a straight-line basis over such a period.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services or if the above criteria are not met.

The Organization tracks contract assets representing earned amounts that are not yet receivable separately from accounts receivable, if any. As a practical expedient the Organization disregards the effects of potential financing components if the period between payment and performance is one year or less.

Adoptions

The Organization recognizes revenue related to adoptions at the time of adoption following the application and approval process. For certain animals, the Organization may offer a trial adoption program, in which case the Organization recognizes revenue at the conclusion of the trial period. The Organization provides limited medical care for adopted animals for 7 days following adoption. Management has evaluated the liability related to such potential future care for adoptions near year end and determined it is not material to the financial statements. While animals may be returned following adoption, adoption fees are nonrefundable.

Hospital Services

Hospital services include spay & neuter as well as vaccine clinic services. The Organization charges for such services at the time of service. A small deposit may be required to schedule an appointment which is applied to the cost of services. Because

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**Notes to the Financial Statements
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(With Comparative Totals for the Year Ended December 31, 2020)**

services are provided relatively closely following appointments, Management has determined total deposits received in this manner were not material to the financials.

Training Programs

The Organization offers training services. Revenue is recognized for training at the start of training programs. The Organization defers training payments received in advance of the related services if material to the financial statements.

Donations Received for Thrift Store

The Organization accepts in-kind donations for a thrift store that it operates. The Organization works to sell items promptly upon receipt, and the Organization recognizes the value of donated items based on proceeds from their sale. Certain donated items may not sell promptly, and the Organization donates or disposes of items that do not sell in a timely manner. No value is assigned to such items for accounting purposes.

Inventory

The Organization holds some donated thrift store items for sale. The Organization does not maintain an inventory of such items at the individual item level. No reliable estimate of the value of such inventory is available, not all items sell and management is of the opinion that the value, if any, of the items would not be material to the financial statements.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of December 31, 2021 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estates and Trusts

The Organization may be a named beneficiary of estates and trusts. Unless the ultimate amount available for distribution can be determined before the close of probate proceedings, the Organization does not record these amounts until the time of asset distribution. Trusts in which the Organization is named as an irrevocable beneficiary are recorded when the Organization is notified by the trustee of the Organization's interest in the trust and the ownership percentage and valuation of the interest is determined.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements

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**Notes to the Financial Statements
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(With Comparative Totals for the Year Ended December 31, 2020)**

and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$2,500; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	5-10 years
Vehicles	10 years
Building improvements	15 years

Construction in progress is depreciated over the useful lives of the respective assets when they are ready for their intended use.

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.

Occupancy, depreciation, and amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Office expenses and supplies, insurance, and other expenses that cannot be directly identified are allocated on the basis of employee full time equivalents for each program and supporting activity.

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Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgments contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. All expenses and net are reported as decreases in net assets without donor restrictions.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 3: INVESTMENTS

Investments are stated at fair value and consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Money market mutual funds	\$ 1,106,067	\$ 1,109,145
Domestic equities	1,112	524
Exchange traded funds	<u>4,520,807</u>	<u>2,667,055</u>
Total	5,627,986	3,776,724
Less portion held for long term use	<u>(3,270,088)</u>	<u>(2,251,543)</u>
Investments, current portion	<u>\$ 2,357,898</u>	<u>\$ 1,525,181</u>

Investment Activity

Investment activity consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Dividends and interests	\$ 69,526	\$ 64,676
Realized and unrealized gain (loss), net	<u>(47,983)</u>	<u>25,305</u>
Total	<u>\$ 21,543</u>	<u>\$ 89,981</u>

NOTE 4: FAIR VALUE MEASUREMENTS

The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

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**Notes to the Financial Statements
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(With Comparative Totals for the Year Ended December 31, 2020)**

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

Fair value of investments measured on recurring basis were as follows as of December 31, 2021.

	<u>Level 1</u>
Money market mutual funds	\$ 1,106,067
Domestic equities	1,112
Exchange traded funds – fixed income	<u>4,520,807</u>
Total	<u>\$ 5,627,986</u>

The Organization used the following methods to value its investments:

Money market mutual fund – Based on the published net asset value per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

Exchange traded funds - Based on the closing price at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

NOTE 5: CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2021 are expected to be collected in the following periods:

Less than one year	\$ 15,000
One to four years	<u>500,000</u>
Total	<u>\$ 515,000</u>

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 262,931	\$ 218,418
Vehicles	223,529	223,529
Building and improvements	790,221	790,221
Construction in progress	481,476	470,938
Land	85,214	85,214
Less accumulated depreciation	<u>(994,892)</u>	<u>(923,426)</u>
Total	<u>\$ 848,479</u>	<u>\$ 864,894</u>

NOTE 7: BENEFICIAL INTEREST IN TRUST

The Organization is the irrevocable beneficiary of certain trusts. These resources are neither in the possession of, nor under the control of the Organization, may include assets that are difficult to liquidate, and may otherwise not be readily available for the Organization's use. The Organization may receive distributions from trusts with a final

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**Notes to the Financial Statements
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distribution on the termination of the trusts as determined by the trustee and trust terms. Activity and balances for the trusts were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Beneficial interest in trusts, beginning of year	\$ 53,023	\$ 53,871
Change in beneficial interest in trusts	<u>(101)</u>	<u>(848)</u>
Beneficial interest in trusts, end of year	<u>\$ 52,922</u>	<u>\$ 53,023</u>

NOTE 8: PAYCHECK PROTECTION PROGRAM LOAN

The Organization received a \$354,185 paycheck protection program (PPP) loan bearing interest of 1% and maturing April 23, 2022 which it accounts for under FASB 470 including interest accrual. Based on the guidance in FASB ASC 405-20-40-1, the proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been “legally released” or (2) the Organization pays off the loan. During the year ended December 31, 2021, the Organization received notice of full forgiveness of the PPP loan funding totaling \$354,185.

NOTE 9: EIDL LOAN

The Organization received a \$150,000 Economic Injury Disaster Loan (EIDL) loan from the U.S. Small Business Administration bearing interest at 2.75%, maturing June 7, 2050, with monthly installment payments, including principal and interest, of \$641 beginning June 7, 2021. Future payments due under this loan are as follows:

2022	\$ 3,867
2023	3,975
2024	4,085
2025	4,199
2026	4,316
Thereafter	<u>124,571</u>
Total	<u>\$ 145,013</u>

NOTE 10: COMMITMENTS

Operating Leases

The Organization leases office space under non-cancelable leases that expire on January 31, 2021. Future minimum lease payments were as follows for the years ended December 31:

2022	\$ 138,467
2023	<u>85,417</u>
Total	<u>\$ 223,884</u>

Rent for the years ended December 31, 2021 and 2020 was \$104,722 and \$61,644, respectively.

NOTE 11: CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors.

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The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 12: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restriction consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Designated for rebuilding activities	\$ 899,666	\$ 924,666
Invested in property and equipment	848,479	864,894
Undesignated	<u>2,254,437</u>	<u>1,324,388</u>
Total	<u>\$ 4,002,582</u>	<u>\$ 3,113,948</u>

In 2010, the Board of Directors designated a portion of insurance proceeds related to a fire damage claim and certain general donations for rebuilding activity along with investment gains and losses on such amounts. Certain expenses related to rebuilding activities result in a release of such designation.

NOTE 13: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Restricted for capital improvements – rebuild	\$ 1,500,000	\$ 1,500,000
Restricted for future use	52,923	53,023
Restricted for capital campaign	1,407,913	401,255
Restricted for specific programs	<u>-</u>	<u>6,920</u>
Total	<u>\$ 2,960,836</u>	<u>\$ 1,961,198</u>

NOTE 14: IN-KIND SUPPORT

The Organization received the benefit of the following in-kind support during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Thrift store merchandise	\$ 437,504	\$ -
Services	<u>-</u>	<u>2,000</u>
Total	<u>\$ 437,504</u>	<u>\$ 2,000</u>

Donations of financial assets converted nearly immediately to cash such as stocks and bonds are classified with contribution support. Proceeds from the sale of donated thrift merchandise are internally designated for Hope Hospital expenses.

Volunteer Support

In addition to the activity reflected on the financial statements, the Organization receives significant volunteer support in the areas of animal care, foster care, adoption counseling and other Organizational activities. Total estimated hours were 49,679 and 61,261 during the years ended December 31, 2021 and 2020, respectively.

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NOTE 15: RETIREMENT CONTRIBUTIONS

The Organization has a defined contribution plan as established under Internal Revenue Code Section 401(k) (the Plan). The Plan covers all employees who meet age and length of service requirements. The Organization is not required to make contributions to the Plan. Contributions made by the Organization for 2021 and 2020 totaled \$9,486 and \$0, respectively.

NOTE 16: JOINT COSTS OF ACTIVITIES THAT INCLUDED FUNDRAISING APPEALS

The Organizations engaged in direct mail activity and advertising activity that included both a program and fundraising component. The costs of these activities were allocated between fundraising and program costs as follows for the year ended December 31, 2021:

Costs allocated to program activities	\$ 136,800
Costs allocated to fundraising activities	<u>23,413</u>
Total	<u>\$ 160,213</u>

NOTE 17: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 are:

Cash and cash equivalents	\$ 207,589
Investments	5,627,986
Accounts receivable	2,004
Contributions receivable, current	15,000
Beneficial interest in trust	52,922
Less net assets with donor restrictions - purpose	(2,907,913)
Less board designated funds	<u>(899,666)</u>
Total	<u>\$ 2,097,922</u>

The above reflects donor-restricted and board designated endowment funds as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization. However, in the case of need, the Board of Directors could appropriate resources from board designated funds. As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in cash and cash equivalents and primarily fixed income investments.

NOTE 17: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of June 28, 2022, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose other than the information noted below:

Coronavirus

In March 2020 the Organization and the area it operates in was subject to a public health order related to COVID-19 coronavirus which affected activities of the Organization. As of the date these financials were available to be issued this public health matter had not fully resolved which may result in continued impacts to the Organization's operations.