

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2021 AND 2020



THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

September 14, 2021

Board of Directors
The Humane Society for Seattle/King County
Bellevue, Washington

We have audited the accompanying financial statements of The Humane Society for Seattle/King County, a nonprofit corporation, which comprise the statements of financial position as of March 31, 2021 and 2020, and the related statements of activities, functional expenses 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.

Auditors' 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 in the first paragraph of this letter present fairly, in all material respects, the financial position of The Humane Society for Seattle/King County as of March 31, 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.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 5,794,813	\$ 4,195,241
Investments	13,347,832	9,843,404
Promises to give	12,180	457,486
Other receivables	492	74,969
Prepaid expenses and other assets	273,205	250,456
Inventory	<u>126,141</u>	<u>145,247</u>
Total Current Assets	19,554,663	14,966,803
Beneficial Interest in Trust	7,439,477	5,788,755
Endowment Investments	1,533,118	1,113,002
Property and Equipment, net	<u>25,621,497</u>	<u>26,379,749</u>
	<u>\$ 54,148,755</u>	<u>\$ 48,248,309</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 853,938	\$ 744,325
Unearned revenue	<u>15,500</u>	<u>236,818</u>
Total Current Liabilities	869,438	981,143
Revolving Credit Note	<u>2,200,000</u>	<u>2,200,000</u>
Total Liabilities	<u>3,069,438</u>	<u>3,181,143</u>
Net Assets		
Without donor restrictions	15,040,245	10,499,621
Without donor restrictions - property and equipment	<u>25,621,497</u>	<u>26,379,749</u>
Total Net Assets Without Donor Restrictions	40,661,742	36,879,370
With donor restrictions	<u>10,417,575</u>	<u>8,187,796</u>
Total Net Assets	<u>51,079,317</u>	<u>45,067,166</u>
	<u>\$ 54,148,755</u>	<u>\$ 48,248,309</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
Public Support and Revenue						
Public Support						
Contributions	\$ 4,992,509	\$ 1,357,846	\$ 6,350,355	\$ 3,460,089	\$ 1,380,086	\$ 4,840,175
Bequests	2,402,915	-	2,402,915	1,482,302	-	1,482,302
Special events	1,317,472	-	1,317,472	1,803,089	-	1,803,089
In-kind donations	119,906	-	119,906	129,446	-	129,446
Total Public Support	<u>8,832,802</u>	<u>1,357,846</u>	<u>10,190,648</u>	<u>6,874,926</u>	<u>1,380,086</u>	<u>8,255,012</u>
Revenue						
Adoption fees	193,614		193,614	653,537		653,537
Other program service fees	115,964		115,964	650,749		650,749
Merchandise sales	1,258		1,258	3,989		3,989
Total Revenue	<u>310,836</u>		<u>310,836</u>	<u>1,308,275</u>		<u>1,308,275</u>
Net Assets Released from Purpose Restrictions	<u>1,499,222</u>	<u>(1,499,222)</u>	<u>-</u>	<u>1,498,808</u>	<u>(1,498,808)</u>	<u>-</u>
Total Operating Public Support and Revenue	<u>10,642,860</u>	<u>(141,376)</u>	<u>10,501,484</u>	<u>9,682,009</u>	<u>(118,722)</u>	<u>9,563,287</u>
Expenses						
Program services	8,317,838		8,317,838	8,684,342		8,684,342
Management and general	640,019		640,019	761,724		761,724
Fundraising	1,158,402		1,158,402	1,334,318		1,334,318
Total Operating Expenses	<u>10,116,259</u>		<u>10,116,259</u>	<u>10,780,384</u>		<u>10,780,384</u>
Operating Change in Net Assets	<u>526,601</u>	<u>(141,376)</u>	<u>385,225</u>	<u>(1,098,375)</u>	<u>(118,722)</u>	<u>(1,217,097)</u>
NON-OPERATING:						
Investment income, gains and losses, net	3,255,194	426,962	3,682,156	(466,592)	(71,629)	(538,221)
Change in value of trust	-	1,987,762	1,987,762	-	401,439	401,439
Capital campaign (bad debt) contributions	-	(43,569)	(43,569)	-	22,739	22,739
Capital campaign income	577		577	5,246		5,246
Net assets released - capital campaign	-	-	-	22,738	(22,738)	-
Non-Operating Change in Net Assets	<u>3,255,771</u>	<u>2,371,155</u>	<u>5,626,926</u>	<u>(438,608)</u>	<u>329,811</u>	<u>(108,797)</u>
Total Change in Net Assets	<u>3,782,372</u>	<u>2,229,779</u>	<u>6,012,151</u>	<u>(1,536,983)</u>	<u>211,089</u>	<u>(1,325,894)</u>
Net Assets - beginning of year	<u>36,879,370</u>	<u>8,187,796</u>	<u>45,067,166</u>	<u>38,416,353</u>	<u>7,976,707</u>	<u>46,393,060</u>
Net Assets - end of year	<u>\$ 40,661,742</u>	<u>\$ 10,417,575</u>	<u>\$ 51,079,317</u>	<u>\$ 36,879,370</u>	<u>\$ 8,187,796</u>	<u>\$ 45,067,166</u>

See notes to financial statements.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2021

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Adoption Services	Veterinarian Clinic Services	Education Programs and Other Services	Total Program Services	Management and General	Fundraising	Capital Campaign	Total
Salaries	\$ 3,944,169	\$ 616,485	\$ 273,885	\$ 4,834,539	\$ 441,853	\$ 155,805	\$ -	\$ 5,432,197
Payroll taxes and benefits	769,119	111,276	51,431	931,826	84,003	35,551	-	1,051,380
Total Payroll Expenses	4,713,288	727,761	325,316	5,766,365	525,856	191,356	-	6,483,577
Depreciation	811,479	49,580	94,119	955,178	31,070	22,129	-	1,008,377
Food, supplies, and medicine	259,887	99,575	322,662	682,124	1,126	848	-	684,098
Repairs, maintenance, and occupancy	285,260	19,948	9,503	314,711	37,827	124,813	-	477,351
Printing	1,714	9	17,603	19,326	1,324	390,206	-	410,856
Utilities	206,198	1,456	17,434	225,088	4,621	3,764	-	233,473
Special events	-	-	-	-	-	159,892	-	159,892
Postage	1,358	10	5,520	6,888	(56)	124,118	-	130,950
Marketing and promotions	53,051	268	1,319	54,638	1,301	68,603	140	124,682
Interest and bank fees	29,324	2,631	5,872	37,827	1,334	68,172	-	107,333
Insurance	86,956	1,209	8,678	96,843	2,036	527	-	99,406
Professional fees	38,795	1,411	1,227	41,433	30,250	838	-	72,521
Travel and meetings	51,142	429	6,730	58,301	1,476	1,793	-	61,570
Miscellaneous	21,787	4,619	569	26,975	1,381	1,172	(717)	28,811
Telephone	19,767	178	1,613	21,558	276	122	-	21,956
Taxes and licenses	7,890	1,770	923	10,583	197	49	-	10,829
Total Expenses	\$ 6,587,896	\$ 910,854	\$ 819,088	\$ 8,317,838	\$ 640,019	\$ 1,158,402	\$ (577)	\$10,115,682

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2020

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Adoption Services	Veterinarian Clinic Services	Education Programs and Other Services	Total Program Services	Management and General	Fundraising	Capital Campaign	Total
Salaries	\$ 4,063,500	\$ 354,543	\$ 307,493	\$ 4,725,536	\$ 522,019	\$ 209,751	\$ -	\$ 5,457,306
Payroll taxes and benefits	799,373	59,382	38,936	897,691	81,419	28,779	-	1,007,889
Total Payroll Expenses	4,862,873	413,925	346,429	5,623,227	603,438	238,530	-	6,465,195
Food, supplies, and medicine	599,728	148,736	280,275	1,028,739	1,016	2,991	-	1,032,746
Depreciation	819,505	28,692	109,001	957,198	30,556	22,253	-	1,010,007
Repairs, maintenance, and occupancy	301,600	9,899	11,017	322,516	25,959	76,104	-	424,579
Special events	-	-	1,530	1,530	-	411,810	-	413,340
Printing	22,061	184	21,888	44,133	497	358,363	-	402,993
Utilities	215,464	1,345	17,898	234,707	4,641	3,648	-	242,996
Postage	2,056	67	2,550	4,673	121	139,211	-	144,005
Interest and bank fees	78,245	1,520	13,305	93,070	16,104	25,522	-	134,696
Marketing and promotions	75,865	383	1,885	78,133	1,860	37,044	269	117,306
Travel and meetings	90,358	4,458	5,252	100,068	5,454	11,762	-	117,284
Professional fees	35,478	861	1,502	37,841	67,356	4,305	-	109,502
Insurance	87,816	798	6,551	95,165	1,315	604	-	97,084
Taxes and licenses	14,671	1,278	8,759	24,708	(238)	1,330	-	25,800
Miscellaneous	17,551	758	1,952	20,261	3,719	749	(5,515)	19,214
Telephone	16,913	110	1,350	18,373	(74)	92	-	18,391
Total Expenses	\$ 7,240,184	\$ 613,014	\$ 831,144	\$ 8,684,342	\$ 761,724	\$ 1,334,318	\$ (5,246)	\$10,775,138

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 10,565,801	\$ 9,600,638
Cash received from adoptions	193,614	653,537
Cash received from other program service fees	190,441	785,035
Cash received from merchandise sales	1,258	3,989
Cash paid to employees	(6,364,482)	(6,423,490)
Cash paid to vendors	(2,496,288)	(2,993,960)
Cash paid for interest	<u>(20,659)</u>	<u>(63,839)</u>
Net Cash Provided by Operating Activities	<u>2,069,685</u>	<u>1,561,910</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(250,125)	(375,656)
Purchases of investments	(1,327,567)	(3,571,047)
Proceeds from sale of investments	<u>1,085,179</u>	<u>3,325,481</u>
Net Cash Used by Investing Activities	<u>(492,513)</u>	<u>(621,222)</u>
Cash Flows from Financing Activities		
Proceeds from contributions restricted to capital campaign	<u>22,400</u>	<u>559,152</u>
Net Cash Provided by Financing Activities	<u>22,400</u>	<u>559,152</u>
Change in Cash and Cash Equivalents	1,599,572	1,499,840
Cash and Cash Equivalents - beginning of year	<u>4,195,241</u>	<u>2,695,401</u>
Cash and Cash Equivalents - end of year	<u>\$ 5,794,813</u>	<u>\$ 4,195,241</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Changes in Net Assets to Net Cash Flows from Operating Activities		
Changes in net assets	\$ 6,012,151	\$ (1,325,894)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	1,008,377	1,010,007
Beneficial interest in trust	(1,650,722)	(146,509)
Bad debt (Capital campaign contributions)	43,569	(22,739)
Reinvested dividends	(226,206)	(298,286)
Net (gain) loss on investments	(3,455,950)	836,507
Change in:		
Promises to give	379,337	1,283,444
Other receivables	74,477	134,286
Prepaid expenses and other assets	(22,749)	13,081
Inventory	19,106	81,484
Accounts payable and accrued expenses	109,613	59,831
Unearned revenue	<u>(221,318)</u>	<u>(63,302)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,069,685</u>	<u>\$ 1,561,910</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Humane Society for Seattle/King County (Seattle Humane) is an independent, not-for-profit, community-supported organization. First opening its doors in 1897, Seattle Humane is not a chapter or affiliate of any national animal organization. Seattle Humane's mission is to proudly promote the human-animal bond by saving lives and completing families.

With the opening of its new facility in August 2017, Seattle Humane built a first for our region – an adoption center, primary care teaching hospital, and animal shelter under one roof. Seattle Humane is on track to truly change the face of animal welfare in our region. Despite the best efforts of Seattle Humane and many other rescue groups in the area, over five thousand adoptable pets are euthanized in Washington every year. Age, medical condition, or a behavioral issue can be the difference between life and death for a pet who could be adopted by a loving family if given more time and special attention. At the same time, pet overpopulation is a pervasive problem as many choose not to – or cannot afford to – have their pet spayed or neutered. Still more animals are sadly surrendered at shelters by their owners who lack the funds to buy pet food or pay for medical care. To address these concerns, our Seattle Humane facility incorporates the best practices for animal health, welfare, and high-volume medical care and adoptions. Seattle Humane's save rate is among the best in the nation, and the caring staff finds homes for thousands of animals each year. For the year ended March 31, 2021, Seattle Humane was able to touch the lives of over 23,000 animals through transfers, veterinary care, adoptions, and community programs.

Major programs and services offered to the community include the following:

Adoption Services: Seattle Humane accepts cats and dogs from the public and transfers from partner shelters, as well as a variety of critters, including rabbits, guinea pigs, rats, mice, gerbils and hamsters, and makes them available for adoption, providing medical care and training as needed.

For the year ended March 31, 2021, Seattle Humane placed 1,511 animals in adoptive homes. Seattle Humane's adoption team not only provides a positive, customer-centric experience to each person in search of a pet, but knows each animal in Seattle Humane's care, which allows them to help match potential adopters to the perfect pet. At the onset of the pandemic, Seattle Humane implemented a new way of offering adoptions through appointments and curbside pick-up to keep our staff and community safe. The MaxMobile Mobile Adoption and Education vehicle, typically responsible for a large number of cat adoptions throughout the year, was also unable to operate from April 2020 through March 2021.

Adoptable companion animals are provided to the general public for a fee. Seattle Humane neither euthanizes animals for lack of space nor places time limits on animals available for adoption. For the years ended March 31, 2021 and 2020, the save rate was 98.6% and 98.9%, respectively.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foster Care: Seattle Humane's Foster Care program serves a wide variety of animals including kittens, puppies, cats, dogs, rabbits, guinea pigs and other small critters. In 2018, Seattle Humane added a foster-to-adopt program component, and it has proven to be highly successful in helping some of the harder to place pets find loving homes. When the shelter was forced to close at the start of the pandemic, the community answered the call and hundreds of animals were moved quickly from the shelter to foster homes. These dedicated foster parents made it possible for the Seattle Humane Foster Care program to serve over 2,400 animals during the year ended March 31, 2021.

Lifesaver Transfer: Seattle Humane's Lifesaver Rescue transfer program typically brings in approximately 65% of the shelter's animal population annually. Staff and volunteers coordinate lifesaving transfers nationwide, and shelter pets are picked up from local shelters, rescues and airports for intake. In states of emergency and natural disasters, Seattle Humane transfers in animals from affected locations to ensure source shelters have space to house strays and other animals affected. Seattle Humane currently transfers animals in from more than 100 high-need shelters in Washington, California, Texas, Oregon, Arizona, Hawaii, Tennessee, Arkansas, Oklahoma, Georgia, Florida and Louisiana. During the pandemic, our ability to transfer animals from out of state was extremely limited. A total of 681 cats and dogs were transferred in to Seattle Humane during the year ended March 31, 2021.

Veterinary Medicine: Seattle Humane's Veterinary Medicine program provides services to every animal that comes through the shelter. From initial intake checks and administering vaccinations, to providing surgeries and dental extractions, the Veterinary Medicine program has developed processes for decreasing an animal's length of stay in the shelter, freeing up more space to accommodate animals from other shelters needing our support, and ultimately saving more lives. Spay or neuter surgery is performed on every dog or cat prior to adoption. In addition to care of shelter pets, Seattle Humane also provides some emergency care and low-cost spay/neuter and wellness services for income-qualified pet owners to help keep pets in their homes.

Education Programs: Seattle Humane believes strongly in nurturing successful relationships between people and pets. Education programs include:

- *Veterinary Student Training Programs:* Seattle Humane and Washington State University's (WSU) College of Veterinary Medicine have formed a formal Strategic Alliance for on-site training of fourth-year veterinary students. Formal two-week elective rotations began in May 2013. In recent years, the partnership between our two leading organizations has led to dramatic results. Many of these students, after working at Seattle Humane, will make careers out of shelter medicine or volunteer for their local shelters. During the year ended March 31, 2021, WSU students were unable to take part in typical rotations at the shelter due to COVID-19 safety considerations.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Adventure Camp for Kids:* Seattle Humane offers summer sessions for school-age children to have fun while learning about animals. During the pandemic, virtual camp activities were offered.
- *Humane Teen Club:* The Humane Teen Club (HTC) provides volunteer opportunities for young people and exposes them to the benefits of animal companionship. HTC focuses on the importance of animal companionship and welfare and is for 13-15 year olds. The program operated virtually in the year ended March 31, 2021.

Community Outreach Programs: In addition to providing shelter and care for animals in need of homes, Seattle Humane also seeks to serve the community. Seattle Humane offers a variety of services for low-income families who, without help, may have to make the heartbreaking choice between caring for themselves or their pets. Through various community programs, Seattle Humane strives to help people maintain safe, caring homes for their pets, and to reduce pet surrender by providing alternatives for pet owners.

- *Pet Loss Support Group:* Because the death of your animal friend can be one of the most difficult experiences you face, Seattle Humane offers a free Pet Loss Support Group with trained facilitators. Pet Loss Support Groups were hosted virtually during the pandemic.
- *Visiting Pets Program:* During typical years, Seattle Humane volunteers, with their dogs, cats and even birds and a bunny, visit facilities for seniors, adults and children with disabilities, and people recovering from chemical dependency. This program enriches the physical and psychological well-being of the people we visit and promotes the human-animal bond.
- *Pet Food Bank:* The Pet Food Bank collects and distributes pet food donations to low-income pet owners experiencing hardship. The program typically feeds more than 2,300 pets every month and distributes over 200,000 pounds of pet food annually. Essential supplies such as beds, toys, leashes and collars are also provided to clients who are unable to afford them. To ensure families always have access to pet food and supplies, Seattle Humane distributes resources to partner shelters, food banks, senior centers, and directly to homebound pet owners throughout King County. The need for these services was amplified during the pandemic and Seattle Humane partnered with other local organizations to ensure support was available for the community.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation

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 Board has designated certain net assets without restrictions as an operating reserve.

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.

Net assets with donor restrictions are as follows at March 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purposes:		
Lexus Fund - Medical care for dogs	\$ 784,237	\$ 735,949
Community outreach programs	73,637	107,269
Various projects benefiting animals	251,275	260,882
Life-Saver rescue program	335,831	181,939
	<u>1,444,980</u>	<u>1,286,039</u>
Subject to investment and appropriation:		
Endowment	1,533,118	1,113,002
Beneficial interest in trust	7,439,477	5,788,755
	<u>8,972,595</u>	<u>6,901,757</u>
Total net assets with donor restrictions	<u>\$ 10,417,575</u>	<u>\$ 8,187,796</u>

Donor-restricted support is reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reported as net assets released from restrictions.

Gifts of equipment are reported as net assets without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal income taxes

The Internal Revenue Service has recognized The Humane Society for Seattle/King County as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

Cash and cash equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts. Seattle Humane maintains cash deposits in bank accounts which exceed federally insured limits. Seattle Humane has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Fair value measurements (See Note C)

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied.

The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

Investments are carried at fair value and consist of the following at March 31, 2021:

	Ordinary <u>Funds</u>	Endowment <u>Funds</u>	<u>Total</u>
Cash held for investment	\$ 100,411	\$ 13,383	\$ 113,794
Equity securities	8,313,917	1,099,637	9,413,554
Corporate and government bonds	4,933,504	420,098	5,353,602
	<u>\$ 13,347,832</u>	<u>\$ 1,533,118</u>	<u>\$ 14,880,950</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are carried at fair value and consist of the following at March 31, 2020:

	Ordinary <u>Funds</u>	Endowment <u>Funds</u>	<u>Total</u>
Cash held for investment	\$ 733,719	\$ 60,275	\$ 793,994
Equity securities	4,449,464	606,549	5,056,013
Corporate and government bonds	<u>4,660,221</u>	<u>446,178</u>	<u>5,106,399</u>
	<u>\$ 9,843,404</u>	<u>\$ 1,113,002</u>	<u>\$ 10,956,406</u>

Promises to give

Unconditional promises to give are stated at net realizable value. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received. Pledges and bequests receivable at March 31, 2021 are all considered fully collectible within one year.

Bequests receivable

Seattle Humane has been named as beneficiary in certain bequests. At such time as Seattle Humane is notified by the Executor as to the amount of the bequest to be received, bequest revenue and related receivable are recorded. Bequests receivable are stated at estimated net realizable value and included in promises to give.

Receivables

Receivables are stated at net realizable value.

Inventory

Inventory is stated at the lower of cost or market under the first-in, first-out method of accounting and consists of merchandise, medical supplies, pet food, and supplies.

Property and equipment

Land, building and equipment are stated at cost. Long-lived asset purchases that exceed \$2,000 are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets. Property and equipment consisted of the following at March 31:

	Estimated <u>Useful Lives</u>	<u>2021</u>	<u>2020</u>
Land		\$ 296,524	\$ 296,524
Building	5 – 35 years	27,020,626	26,809,616
Equipment	5 – 20 years	<u>2,038,174</u>	<u>1,999,060</u>
		29,355,324	29,105,200
Less accumulated depreciation		<u>(3,733,827)</u>	<u>(2,725,451)</u>
		<u>\$ 25,621,497</u>	<u>\$ 26,379,749</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and revenue recognition

Seattle Humane recognizes revenue from adoption and training services when the services are provided. Merchandise sales are recognized at the time of purchase. All goods and services are transferred at a point in time.

Seattle Humane recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Seattle Humane recognizes ticket sales for special events for which payment is received in advance as deferred revenue. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized until the conditions on which they depend have been met. Consequently, as of March 31, 2021, conditional contributions and grants for which no amounts had been received in advance totaling \$100,000 have not been recognized in the accompanying financial statements.

In-kind donations

In accordance with financial accounting standards, the financial statements reflect only those contributed services requiring specific expertise that Seattle Humane would otherwise need to purchase. Contributed services are recorded at rates that would have been paid for similar services if purchased. However, many individuals volunteer their time and perform a variety of tasks, such as assisting with adoptions, foster parenting, special events, and dog behavior and socialization. During the years ended March 31, 2021 and 2020, Seattle Humane received 74,427 (unaudited) and 165,454 (unaudited) volunteer hours, respectively. For the years ended March 31, 2020 and 2019, in-kind donations included pet food, supplies, and medicine of \$119,906 and \$129,446, respectively.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. Expenses that can be identified with a specific program are applied directly according to their natural expense classification. Non-specific program costs have been allocated among the programs and supporting services benefited based on the best fitting allocation method such as percentage of full-time equivalent hours, square footage of space or volunteer hours associated with the program or service.

Advertising

Seattle Humane expenses the production costs of advertising as incurred. Advertising expense was \$124,682 and \$117,306, respectively, for the years ended March 31, 2021 and 2020, and is included in marketing and promotions expense.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-operating activities

Seattle Humane's non-operating activities include a major capital campaign, investment activities and other non-operating gains or losses.

NOTE B - LIQUIDITY

As part of Seattle Humane's liquidity management, it has structured its financial assets to be available as general expenditures, liabilities and other obligations come due. Seattle Humane strives to have cash on hand to provide one year's coverage of general expenditures. Seattle Humane's financial assets available within one year of the statement of financial position date for general expenditures as of March 31 are as follows:

	<u>2021</u>	<u>2020</u>
Total financial assets	\$ 20,688,435	\$ 15,684,102
Less: Restrictions on the use of financial assets		
Endowment investments	(1,533,118)	(1,113,002)
Purpose restricted net assets	(1,444,980)	(1,286,039)
Restricted by loan covenant	<u>(2,200,000)</u>	<u>(2,200,000)</u>
	<u>\$ 15,510,337</u>	<u>\$ 11,085,061</u>

NOTE C - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis (at least annually) are as follows:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of March 31, 2021				
Equity securities	\$ 9,413,554	\$ -	\$ -	\$ 9,413,554
Corporate and government bonds	<u>5,353,602</u>	<u>-</u>	<u>-</u>	<u>5,353,602</u>
	14,767,156	-	-	14,767,156
Beneficial interest in trust	<u>-</u>	<u>-</u>	<u>7,439,477</u>	<u>7,439,477</u>
Total Assets Shown at Fair Value	<u>\$ 14,767,156</u>	<u>\$ -</u>	<u>\$ 7,439,477</u>	<u>\$ 22,206,633</u>
As of March 31, 2020				
Equity securities	\$ 5,056,013	\$ -	\$ -	\$ 5,056,013
Corporate and government bonds	<u>5,106,399</u>	<u>-</u>	<u>-</u>	<u>5,106,399</u>
	10,162,412	-	-	10,162,412
Beneficial interest in trust	<u>-</u>	<u>-</u>	<u>5,788,755</u>	<u>5,788,755</u>
Total Assets Shown at Fair Value	<u>\$ 10,162,412</u>	<u>\$ -</u>	<u>\$ 5,788,755</u>	<u>\$ 15,951,167</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Beneficial Interest in Trust
Fair Value as of April 1, 2019	\$ 5,642,246
Distribution	(254,930)
Total gains included in change in net assets	<u>401,439</u>
Fair Value as of March 31, 2020	5,788,755
Distribution	(337,040)
Total gains included in change in net assets	<u>1,987,762</u>
Fair Value as of March 31, 2021	<u>\$ 7,439,477</u>

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities, and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input.

NOTE D - REVOLVING CREDIT NOTE

In March 2016, Seattle Humane entered into a revolving credit note for construction costs. The note is collateralized by Seattle Humane's investment accounts and subject to compliance with certain financial covenants. There was a balance outstanding of \$2,200,000 at March 31, 2021. Terms of the note are as follows: reducing revolving credit note with a principal amount up to \$10,000,000, maturing in March 2022 and bearing interest at the prime rate or at 75 basis points above the LIBOR rate. Seattle Humane may convert up to \$5,000,000 of this note into a term loan maturing in March 2027.

NOTE E - BENEFICIAL INTEREST IN TRUST

Seattle Humane has a 20 percent beneficial interest in an irrevocable trust called the Helen Mull Foundation, held by an independent trustee. During 2016, Seattle Humane was notified of Helen Mull's death, at which time Seattle Humane's interest in the trust became irrevocable. Under the terms of the agreement, the beneficiaries are to receive distributions totaling one percent of net fair market value of the Foundation's assets, valued annually on the first business day of each calendar year, over the remaining term of the trust. Seattle Humane will receive 1/5th of the remaining trust balance at the end of the designated term. The total present value of future benefits to be received is estimated to be \$7,439,477 based on the 135 year remaining life of the gift and a discount rate of 5 percent. The distributions to Seattle Humane during the years ended March 31, 2021 and 2020 were \$337,040 and \$254,930, respectively.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE F - ENDOWMENT

Seattle Humane's endowment consists of four individual donor-restricted funds established for a variety of purposes. Under U.S. generally accepted accounting principles, the net assets of endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as in effect in the State of Washington and as interpreted by the Board of Directors, the original amount of donor-restricted contributions to the endowment plus any required accumulations are not expendable.

Accordingly, Seattle Humane classifies net assets with donor restriction as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Return Objectives and Risk Parameters

Seattle Humane has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Seattle Humane must hold in perpetuity or for a donor-specified period(s).

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to meet or outperform, net of fee, the total return of a predetermined blended benchmark weighted in proportion to their strategic asset allocation mixes for all rolling three-year and five-year periods. Investment earnings from Seattle Humane's endowment funds are classified as net assets with donor restriction to be used for certain purposes or time periods, as stipulated by the donors.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE F - ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Seattle Humane relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Seattle Humane targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

Distribution from the endowment funds will occur on an annual basis. The distribution amount is determined by calculating the moving average of the beginning-period market values of the endowment over the past 20 quarters, times 3.5%. This annual income distribution may be drawn from ordinary earned income, as well as appreciation, earned and unearned. If an annual distribution would result in an invasion of the original contributed principal, the annual distribution shall be reduced so as not to use principal.

Endowment net assets by fund type as of March 31, 2021:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
General Endowment	\$ -	\$ 144,454	\$ 144,454
James A. Gilruth Jr., and Nettie Jim Leeper Gilruth			
Memorial Endowment Fund	-	1,050,055	1,050,055
Leah Buhner Veterinary Care Endowment	-	156,741	156,741
Sammie's Fund Endowment	-	181,868	181,868
Total endowment funds	<u>\$ -</u>	<u>\$ 1,533,118</u>	<u>\$ 1,533,118</u>

Change in endowment net assets for the year ended March 31, 2021:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowments, beginning of year	\$ -	\$ 1,113,002	\$ 1,113,002
Investment return:			
Investment income	-	78,663	78,663
Net losses	-	348,299	348,299
Total investment return	-	426,962	426,962
Contributions, net	-	-	-
Appropriated for expenditure	-	(6,846)	(6,846)
Endowments, end of year	<u>\$ -</u>	<u>\$ 1,533,118</u>	<u>\$ 1,533,118</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE F - ENDOWMENT (Continued)

Endowment net assets by fund type as of March 31, 2020:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
General Endowment	\$ -	\$ 104,874	\$ 104,874
James A. Gilruth Jr., and Nettie Jim Leeper Gilruth Memorial Endowment Fund	-	762,287	762,287
Leah Buhner Veterinary Care Endowment	-	113,804	113,804
Sammie's Fund Endowment	-	132,037	132,037
Total endowment funds	<u>\$ -</u>	<u>\$ 1,113,002</u>	<u>\$ 1,113,002</u>

Change in endowment net assets for the year ended March 31, 2020:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowments, beginning of year	\$ -	\$ 1,184,631	\$ 1,184,631
Investment return:			
Investment income	-	27,092	27,092
Net losses	-	(98,721)	(98,721)
Total investment return	-	(71,629)	(71,629)
Contributions, net	-	-	-
Appropriated for expenditure	-	-	-
Endowments, end of year	<u>\$ -</u>	<u>\$ 1,113,002</u>	<u>\$ 1,113,002</u>

NOTE G - RELATED PARTIES

During the years ended March 31, 2021 and 2020, no board members directly profited from any company doing business with Seattle Humane. Several board members are employed by companies that provided goods and/or services to Seattle Humane during the course of the year. Any fees charged for goods and services provided by these companies were negotiated without the involvement of the board member and the board member did not directly benefit.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

NOTE H - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, Seattle Humane applied for and received a Paycheck Protection Program (PPP) loan in the amount of \$1,055,497. The loan was funded on April 15, 2020 and had an initial maturity date of April 15, 2022. PPP loans have a forgiveness option for employers who maintain their staffing levels and salaries at pre-COVID-19 pandemic levels. Expenses eligible to trigger forgiveness include employee wages, benefits, and utilities. Seattle Humane entered into the program with the intention of complying with the terms of forgiveness and initially recognized the loan as a conditional grant. Seattle Humane met the criteria for full forgiveness during and accordingly, the loan has been recognized as a contribution during the year ending March 31, 2021, consistent with generally accepted accounting principles.

NOTE I - RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 23, 2020 the Governor of Washington declared a health emergency and issued an order to close all nonessential businesses until further notice. Management is continually evaluating the financial impact of the COVID-19 pandemic and has concluded that that while the pandemic will likely have a minimal effect on Seattle Humane's overall financial position, change in net assets, and cash flows--the pandemic has increased some sources of support and revenue, while reducing others--the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE J - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to March 31, 2021 through September 14, 2021, which is the date the financial statements were available to be issued, and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at March 31, 2021, including the estimates inherent in the processing of financial statements.