

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2022 AND 2021



THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Humane Society for Seattle/King County (a nonprofit organization), which comprise the statement of financial position as of March 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows 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 The Humane Society for Seattle/King County as of March 31, 2022 and 2021, 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.

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 Humane Society for Seattle/King County 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 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.

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 Humane Society for Seattle/King County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 and 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 Humane Society for Seattle/King County'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 Humane Society for Seattle/King County'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.



Jacobson Jarvis & Co, PLLC
Seattle, Washington
September 20, 2022

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 3,016,909	\$ 5,794,813
Investments	14,529,775	13,347,832
Promises to give	622,962	12,180
Other receivables	831,846	492
Prepaid expenses and other assets	375,972	273,205
Inventory	<u>138,915</u>	<u>126,141</u>
Total Current Assets	19,516,379	19,554,663
Beneficial Interest in Trust	7,630,328	7,439,477
Endowment Investments	1,605,869	1,533,118
Property and Equipment, net	<u>24,641,185</u>	<u>25,621,497</u>
	<u>\$ 53,393,761</u>	<u>\$ 54,148,755</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 993,982	\$ 853,938
Unearned revenue	<u>425,421</u>	<u>15,500</u>
Total Current Liabilities	1,419,403	869,438
Revolving Credit Note	<u>2,200,000</u>	<u>2,200,000</u>
Total Liabilities	<u>3,619,403</u>	<u>3,069,438</u>
Net Assets		
Without donor restrictions	14,440,329	15,040,245
Without donor restrictions - property and equipment	<u>24,641,185</u>	<u>25,621,497</u>
Total Net Assets Without Donor Restrictions	39,081,514	40,661,742
With donor restrictions	<u>10,692,844</u>	<u>10,417,575</u>
Total Net Assets	<u>49,774,358</u>	<u>51,079,317</u>
	<u>\$ 53,393,761</u>	<u>\$ 54,148,755</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
Public Support and Revenue						
Public Support						
Contributions	\$ 5,501,287	\$ 608,051	\$ 6,109,338	\$ 4,992,509	\$ 1,357,846	\$ 6,350,355
Bequests	1,123,678	-	1,123,678	2,402,915	-	2,402,915
Special events	1,599,219	-	1,599,219	1,317,472	-	1,317,472
In-kind donations	102,167	-	102,167	119,906	-	119,906
Total Public Support	<u>8,326,351</u>	<u>608,051</u>	<u>8,934,402</u>	<u>8,832,802</u>	<u>1,357,846</u>	<u>10,190,648</u>
Revenue						
Adoption fees	707,548		707,548	193,614		193,614
Other program service fees	356,512		356,512	115,964		115,964
Merchandise sales	345		345	1,258		1,258
Total Revenue	<u>1,064,405</u>		<u>1,064,405</u>	<u>310,836</u>		<u>310,836</u>
Net Assets Released from Purpose Restrictions	970,757	(970,757)	-	1,499,222	(1,499,222)	-
Total Operating Public Support and Revenue	<u>10,361,513</u>	<u>(362,706)</u>	<u>9,998,807</u>	<u>10,642,860</u>	<u>(141,376)</u>	<u>10,501,484</u>
Expenses						
Program services	9,866,156		9,866,156	8,317,838		8,317,838
Management and general	1,074,218		1,074,218	640,019		640,019
Fundraising	1,657,212		1,657,212	1,158,402		1,158,402
Total Operating Expenses	<u>12,597,586</u>		<u>12,597,586</u>	<u>10,116,259</u>		<u>10,116,259</u>
Operating Change in Net Assets	<u>(2,236,073)</u>	<u>(362,706)</u>	<u>(2,598,779)</u>	<u>526,601</u>	<u>(141,376)</u>	<u>385,225</u>
NON-OPERATING:						
Investment income, gains and losses, net	655,845	79,741	735,586	3,255,194	426,962	3,682,156
Change in value of trust	-	558,234	558,234	-	1,987,762	1,987,762
Capital campaign bad debt	-	-	-	-	(43,569)	(43,569)
Capital campaign income	-	-	-	577	-	577
Non-Operating Change in Net Assets	<u>655,845</u>	<u>637,975</u>	<u>1,293,820</u>	<u>3,255,771</u>	<u>2,371,155</u>	<u>5,626,926</u>
Total Change in Net Assets	<u>(1,580,228)</u>	<u>275,269</u>	<u>(1,304,959)</u>	<u>3,782,372</u>	<u>2,229,779</u>	<u>6,012,151</u>
Net Assets - beginning 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>
Net Assets - end of year	<u>\$ 39,081,514</u>	<u>\$ 10,692,844</u>	<u>\$ 49,774,358</u>	<u>\$ 40,661,742</u>	<u>\$ 10,417,575</u>	<u>\$ 51,079,317</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2022

	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	\$ 2,964,153	\$1,936,609	\$ 622,765	\$ 5,523,527	\$ 648,439	\$ 260,556	\$ -	\$ 6,432,522
Payroll taxes and benefits	635,006	378,661	85,762	1,099,429	109,858	51,825	-	1,261,112
Total Payroll Expenses	3,599,159	2,315,270	708,527	6,622,956	758,297	312,381	-	7,693,634
Food, supplies, and medicine	472,513	572,080	104,839	1,149,432	6,974	(1,092)	-	1,155,314
Depreciation	687,715	195,561	56,765	940,041	59,614	9,780	-	1,009,435
Repairs, maintenance, and occupancy	244,735	121,687	26,960	393,382	62,536	95,455	-	551,373
Special events	1,345	834	257	2,436	247	542,787	-	545,470
Printing	10,553	9,631	2,400	22,584	6,948	360,818	-	390,350
Utilities	218,265	38,482	13,869	270,616	30,048	1,756	-	302,420
Professional fees	21,221	56,214	2,690	80,125	112,183	37,095	-	229,403
Interest and bank fees	37,673	12,381	2,152	52,206	1,439	100,458	-	154,103
Marketing and promotions	37,948	23,183	11,796	72,927	6,574	58,541	-	138,042
Postage	1,791	1,153	342	3,286	509	131,401	-	135,196
Insurance	67,473	19,127	9,791	96,391	6,207	3,238	-	105,836
Travel and meetings	37,219	19,451	2,326	58,996	13,507	2,308	-	74,811
Miscellaneous	29,116	22,190	4,434	55,740	6,720	1,665	-	64,125
Taxes and licenses	13,725	9,915	722	24,362	408	74	-	24,844
Telephone	11,417	7,078	2,181	20,676	2,007	547	-	23,230
Total Expenses	\$ 5,491,868	\$3,424,237	\$ 950,051	\$ 9,866,156	\$ 1,074,218	\$ 1,657,212	\$ -	\$12,597,586

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
Food, supplies, and medicine	259,887	99,575	322,662	682,124	1,126	848	-	684,098
Depreciation	811,479	49,580	94,119	955,178	31,070	22,129	-	1,008,377
Repairs, maintenance, and occupancy	285,260	19,948	9,503	314,711	37,827	124,813	-	477,351
Special events	-	-	-	-	-	159,892	-	159,892
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
Professional fees	38,795	1,411	1,227	41,433	30,250	838	-	72,521
Interest and bank fees	29,324	2,631	5,872	37,827	1,334	68,172	-	107,333
Marketing and promotions	53,051	268	1,319	54,638	1,301	68,603	140	124,682
Postage	1,358	10	5,520	6,888	(56)	124,118	-	130,950
Insurance	86,956	1,209	8,678	96,843	2,036	527	-	99,406
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
Taxes and licenses	7,890	1,770	923	10,583	197	49	-	10,829
Telephone	19,767	178	1,613	21,558	276	122	-	21,956
Total Expenses	<u>\$ 6,587,896</u>	<u>\$ 910,854</u>	<u>\$ 819,088</u>	<u>\$ 8,317,838</u>	<u>\$ 640,019</u>	<u>\$ 1,158,402</u>	<u>\$ (577)</u>	<u>\$10,115,682</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 8,279,322	\$ 10,565,801
Cash received from adoptions	707,548	193,614
Cash received from other program service fees	239,613	190,441
Cash received from merchandise sales	345	1,258
Cash paid to employees	(7,537,641)	(6,364,482)
Cash paid to vendors	(3,901,371)	(2,496,288)
Cash paid for interest	<u>(22,469)</u>	<u>(20,659)</u>
Net Cash (Used) Provided by Operating Activities	<u>(2,234,653)</u>	<u>2,069,685</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(29,123)	(250,125)
Purchases of investments	(1,254,684)	(1,327,567)
Proceeds from sale of investments	<u>735,576</u>	<u>1,085,179</u>
Net Cash Used by Investing Activities	<u>(548,231)</u>	<u>(492,513)</u>
Cash Flows from Financing Activities		
Proceeds from contributions restricted to capital campaign	<u>4,980</u>	<u>22,400</u>
Net Cash Provided by Financing Activities	<u>4,980</u>	<u>22,400</u>
Change in Cash and Cash Equivalents	(2,777,904)	1,599,572
Cash and Cash Equivalents - beginning of year	<u>5,794,813</u>	<u>4,195,241</u>
Cash and Cash Equivalents - end of year	<u>\$ 3,016,909</u>	<u>\$ 5,794,813</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of Changes in Net Assets to Net Cash Flows from Operating Activities		
Changes in net assets	\$ (1,304,959)	\$ 6,012,151
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	1,009,435	1,008,377
Beneficial interest in trust	(190,851)	(1,650,722)
Bad debt	-	43,569
Reinvested dividends	(297,927)	(226,206)
Net gain on investments	(437,659)	(3,455,950)
Change in:		
Promises to give	(615,762)	379,337
Other receivables	(831,354)	74,477
Prepaid expenses and other assets	(102,767)	(22,749)
Inventory	(12,774)	19,106
Accounts payable and accrued expenses	140,044	109,613
Unearned revenue	<u>409,921</u>	<u>(221,318)</u>
Net Cash (Used) Provided by Operating Activities	<u>\$ (2,234,653)</u>	<u>\$ 2,069,685</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Humane Society for Seattle/King County (Seattle Humane) is a private, independent, nonprofit, community-supported organization. Founded in 1897, Seattle Humane proudly promotes the human-animal bond by saving and serving pets in need. The shelter is not a chapter or affiliate of any national animal organization.

Seattle Humane focuses on best practices for animal health, welfare, veterinary care, adoptions and support for pet owners to keep pets out of the shelter altogether.

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. The organization is now one of the region's leaders in animal adoption, education and welfare. Seattle Humane is more than a shelter - it is a community resource center, providing adoption services, a pet food bank and support for pet owners, low-cost spay/neuter surgeries and wellness exams, humane education for all ages and more.

As a managed-intake shelter that cares for pets with treatable medical or behavioral issues, there are no limits placed on the pets in Seattle Humane's care for space and time. Pets receive the medical care and behavior support they need to thrive in new homes. The organization takes into account individual animals and people, as well as the community as a whole, in every aspect of the work they do. Seattle Humane continues to demonstrate this commitment through its high annual live release rate, referred to as its save rate.

In 2021, Seattle Humane embarked on an ambitious five-year strategic plan supporting its commitment to building a better world for pets and the people who love them. Their work is made possible by the support of a generous community. Through outreach, advocacy and services they strive to ensure that responsible animal companionship is accessible to all.

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. During their time with Seattle Humane, pets are provided with everything they need to set them up for success with their new families: expert care, veterinary services and behavioral support.

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.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021, the save rate was 97.7% and 98.6%, respectively.

Veterinary Medicine: Seattle Humane's Veterinary Services team provides services to every animal that comes through the shelter through the Schuler Family Medical Center. From initial intake checks and administering vaccinations to providing surgeries and dental extractions, the Veterinary Services team 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 providing care of shelter pets, Seattle Humane also provides low-cost spay/neuter surgeries and wellness services through the Community Medicine program for income-qualified pet owners to help keep pets in their homes.

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 care for their pets and reduce pet surrender by providing alternatives for pet owners.

- *Pet Food Bank:* The Pet Food Bank collects and distributes pet food donations, providing nearly 30,000 meals each month to pets in the community. Essential supplies such as beds, toys, leashes and collars are also provided to clients. 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 continues to grow.
- *Pet Resource Center:* Seattle Humane's Pet Resource Center offers resources, including support from the Pet Owner Assistance Fund and Polly's Pocket Fund, to help keep pets with the people who love them.
- *SPOT Temporary Foster Program:* The SPOT (Supporting Pet Owners in Transition) temporary foster program uses Seattle Humane's existing foster network to house pets for owners who need temporary care due to housing insecurity, hospitalization or other personal crisis.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Pets for Life*: Pets for Life is a program model started by the Humane Society of the United States to help address the lack of access to pet resources experienced by families living in underserved communities. The Pets for Life program at Seattle Humane serves people and animals in Seattle's 98108 zip code and provides no-cost spay/neuter surgeries, vaccines, pet supplies and other pet care resources.

Lifesaver Transfer: Seattle Humane's Lifesaver Rescue program gives thousands of at-risk animals another chance through transfer and transport services in Washington state and across the country. The Lifesaver Rescue transfer program typically brings in over 60% of the shelter's animal population annually from other shelters that lack space or resources to care for them. 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 90 high-need shelters in Washington, California, Texas, Oregon, Arizona, Hawaii, Tennessee, Arkansas, Oklahoma, Georgia, Florida and Louisiana.

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

Youth Programs : Seattle Humane's Youth Programs provide leadership training and fun learning experiences with animals, creating the next generation of animal welfare advocates.

- *Adventure Camp for Kids* : Seattle Humane offers summer sessions for school-age children to have fun while learning about animals.
- *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.

Veterinary Student Training Programs : Seattle Humane and Washington State University's (WSU) College of Veterinary Medicine have 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.

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.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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>2022</u>	<u>2021</u>
Subject to expenditure for specific purposes:		
Lexus Fund - Medical care for dogs	\$ 788,508	\$ 784,237
Community outreach programs	93,332	73,637
Various projects benefiting animals	295,497	251,275
Life-Saver rescue program	279,311	335,831
	<u>1,456,648</u>	<u>1,444,980</u>
Subject to investment and appropriation:		
Endowment	1,605,869	1,533,118
Beneficial interest in trust	7,630,327	7,439,477
	<u>9,236,196</u>	<u>8,972,595</u>
Total net assets with donor restrictions	<u>\$ 10,692,844</u>	<u>\$ 10,417,575</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022:

	Ordinary Funds	Endowment Funds	Total
Cash held for investment	\$ 713,733	\$ 22,595	\$ 736,328
Equity securities	9,305,841	1,176,126	10,481,967
Corporate and government bonds	<u>4,510,201</u>	<u>407,148</u>	<u>4,917,349</u>
	<u>\$ 14,529,775</u>	<u>\$ 1,605,869</u>	<u>\$ 16,135,644</u>

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

	Ordinary Funds	Endowment Funds	Total
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	<u>4,933,504</u>	<u>420,098</u>	<u>5,353,602</u>
	<u>\$ 13,347,832</u>	<u>\$ 1,533,118</u>	<u>\$ 14,880,950</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, 2022 are all considered fully collectible within one year. One estate represented 85% of total promises to give as of March 31, 2022.

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.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>2022</u>	<u>2021</u>
Land		\$ 296,524	\$ 296,524
Building	5 – 35 years	27,026,732	27,020,626
Equipment	5 – 20 years	<u>2,061,191</u>	<u>2,038,174</u>
		29,384,447	29,355,324
Less accumulated depreciation		<u>(4,743,262)</u>	<u>(3,733,827)</u>
		<u>\$ 24,641,185</u>	<u>\$ 25,621,497</u>

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, 2022 and 2021, conditional contributions and grants for which no amounts had been received in advance totaling \$0 and \$100,000, respectively, 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, 2022 and 2021, Seattle Humane received 106,546 (unaudited) and 74,427 (unaudited) volunteer hours, respectively. For the years ended March 31, 2022 and 2021, in-kind donations included pet food, supplies, and medicine of \$102,167 and \$119,906, respectively.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$138,042 and \$124,682, respectively, for the years ended March 31, 2022 and 2021, and is included in marketing and promotions expense.

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>2022</u>	<u>2021</u>
Total financial assets	\$ 20,607,361	\$ 20,688,435
Less: Restrictions on the use of financial assets		
Endowment investments	(1,605,869)	(1,533,118)
Purpose restricted net assets	(1,456,648)	(1,444,980)
Restricted by loan covenant	<u>(2,200,000)</u>	<u>(2,200,000)</u>
	<u>\$ 15,344,844</u>	<u>\$ 15,510,337</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

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, 2022				
Equity securities	\$ 10,481,967	\$ -	\$ -	\$ 10,481,967
Corporate and government bonds	4,917,349	-	-	4,917,349
	15,399,316	-	-	15,399,316
Beneficial interest in trust	-	-	7,630,328	7,630,328
Total Assets Shown at Fair Value	<u>\$ 15,399,316</u>	<u>\$ -</u>	<u>\$ 7,630,328</u>	<u>\$ 23,029,644</u>
As of March 31, 2021				
Equity securities	\$ 9,413,554	\$ -	\$ -	\$ 9,413,554
Corporate and government bonds	5,353,602	-	-	5,353,602
	14,767,156	-	-	14,767,156
Beneficial interest in trust	-	-	7,439,477	7,439,477
Total Assets Shown at Fair Value	<u>\$ 14,767,156</u>	<u>\$ -</u>	<u>\$ 7,439,477</u>	<u>\$ 22,206,633</u>

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, 2020	\$ 5,788,755
Distribution	(337,040)
Total gains included in change in net assets	1,987,762
Fair Value as of March 31, 2021	7,439,477
Distribution	(367,384)
Total gains included in change in net assets	558,235
Fair Value as of March 31, 2022	<u>\$ 7,630,328</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.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

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. There was a balance outstanding of \$2,200,000 on March 31, 2022 and 2021. The note matures on demand and bears interest at two percentage points below the prime rate.

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 \$7,630,328 based on the 134 year remaining life of the gift and a discount rate of 5 percent. The distributions to Seattle Humane during the years ended March 31, 2022 and 2021 were \$367,384 and \$337,040, respectively.

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.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

NOTE F - ENDOWMENT (Continued)

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.

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.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

NOTE F - ENDOWMENT (Continued)

Endowment net assets by fund type as of March 31, 2022:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
General Endowment	\$ -	\$ 151,305	\$ 151,305
James A. Gilruth Jr., and Nettie Jim Leeper Gilruth Memorial Endowment Fund	-	1,099,894	1,099,894
Leah Buhner Veterinary Care Endowment	-	164,178	164,178
Sammie's Fund Endowment	-	190,492	190,492
Total endowment funds	<u>\$ -</u>	<u>\$ 1,605,869</u>	<u>\$ 1,605,869</u>

Change in endowment net assets for the year ended March 31, 2022:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowments, beginning of year	\$ -	\$ 1,533,118	\$ 1,533,118
Investment return:			
Investment income	-	39,598	39,598
Net losses	-	40,143	40,143
Total investment return	-	79,741	79,741
Contributions, net	-	-	-
Appropriated for expenditure	-	(6,990)	(6,990)
Endowments, end of year	<u>\$ -</u>	<u>\$ 1,605,869</u>	<u>\$ 1,605,869</u>

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>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

NOTE F - ENDOWMENT (Continued)

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

	Without Donor <u>Restrictions</u>	With Donor <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>

NOTE G - RELATED PARTIES

During the years ended March 31, 2022 and 2021, 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.

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 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 - EMPLOYEE RETENTION CREDIT

In December 2021, Seattle Humane applied for a \$714,455 employee retention tax credit (ERTC) offered as part of the IRS' Coronavirus Tax Relief program relating to employee wages during April through September 2021. This amount is included in other receivables on the statement of financial position at March 31, 2022 and in contributions on the statement of activities for the year ended March 31, 2022.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2022 AND 2021

NOTE J - RISKS AND UNCERTAINTIES

Management is continually evaluating the financial impact of the COVID-19 pandemic and has concluded that while the pandemic will likely have an impact on Seattle Humane's financial position, change in net asset, and cash flows, the ongoing impact is built into future expectations.

NOTE K - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to March 31, 2022 through September 20, 2022, 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, 2022, including the estimates inherent in the processing of financial statements.