

**WHATCOM HUMANE SOCIETY**  
**FINANCIAL STATEMENTS**  
WITH INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2020 and 2019

# WHATCOM HUMANE SOCIETY

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## **INDEPENDENT AUDITOR’S REPORT**

To the Board of Directors  
Whatcom Humane Society  
Bellingham, Washington

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Whatcom Humane Society (a nonprofit corporation) which comprise the statement of financial position as of December 31, 2020 and 2019, 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*

These financial statements are the responsibility of the Society’s management. Management is responsible for the fair presentation and preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor’s Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 above present fairly, in all material respects, the financial position of Whatcom Humane Society as of December 31, 2020 and the changes in net assets, functional expenses, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Report on Summarized Comparative Information*

The financial statements of Whatcom Humane Society as of December 31, 2019, were audited by other accountants whose report dated June 21, 2020, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

North Star Tax & Accounting  
Snohomish, Washington  
July 1, 2022

WHATCOM HUMANE SOCIETY  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 and 2019

ASSETS		
	2020	2019
Current assets		
Cash and cash equivalents	\$ 277,350	\$ 777,006
Accounts receivable	73,054	35,960
Inventory	17,196	16,072
Prepaid expenses	19,020	5,280
Total current assets	386,620	834,318
Property and equipment, net	5,765,980	4,648,677
Investments	651,657	305,664
Total assets	\$ 6,804,257	\$ 5,788,659
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued liabilities	\$ 205,070	\$ 182,464
Paycheck protection program	262,465	-
Current portion of long term debt	158,317	38,679
Total current liabilities	625,852	221,143
Long term debt, net of current portion	798,618	357,079
Total liabilities	1,424,470	578,222
NET ASSETS		
Net assets without donor restrictions	5,166,198	4,643,558
Net assets with donor restrictions	213,590	566,879
Total net assets	5,379,788	5,210,437
Total liabilities and net assets	\$ 6,804,257	\$ 5,788,659

The accompanying notes are an integral part of these financial statements

WHATCOM HUMANE SOCIETY  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	2020			2019		
	Net Assets Without Donor Restrictions	Net Assets Without Donor Restrictions	Total Net Assets	Net Assets Without Donor Restrictions	Net Assets Without Donor Restrictions	Total Net Assets
<b>REVENUE AND SUPPORT</b>						
Contributions	\$ 1,247,130	\$ 493,040	\$ 1,740,169	\$ 1,354,307	\$ 970,239	\$ 2,324,546
Contract income	699,198	-	699,198	689,607	-	689,607
License and impound income	128,854	-	128,854	137,550	-	137,550
Adoption income	133,051	-	133,051	107,784	-	107,784
Clinic Income	27,260	-	27,260	21,626	-	21,626
Interest and dividend income	22,050	-	22,050	12,889	-	12,889
Realized and unrealized gain on investme	50,007	-	50,007	39,243	-	39,243
In-kind contributions	5,681	-	5,681	7,146	-	7,146
Other income	24,801	-	24,801	22,152	-	22,152
Revenue and support	2,338,032	493,040	2,831,071	2,392,304	970,239	3,362,543
Assets released from restriction	846,329	(846,329)	-	490,239	(490,239)	-
Total revenue and support	3,184,361	(353,289)	2,831,071	2,882,543	480,000	3,362,543
<b>EXPENSES</b>						
Program Services	2,010,414	-	2,010,414	1,740,518	-	1,740,518
Management and General	471,636	-	471,636	422,985	-	422,985
Fundraising	179,670	-	179,670	219,535	-	219,535
Total functional expenses	2,661,721	-	2,661,721	2,383,038	-	2,383,038
CHANGES IN NET ASSETS	522,640	(353,289)	169,351	499,505	480,000	979,505
NET ASSETS, beginning of year	4,643,558	566,879	5,210,437	4,144,053	86,879	4,230,932
NET ASSETS, end of year	\$ 5,166,198	\$ 213,590	\$ 5,379,788	\$ 4,643,558	\$ 566,879	\$ 5,210,437

The accompanying notes are an integral part of these financial statements

WHATCOM HUMANE SOCIETY  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	2020				2019			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries	\$ 1,108,071	\$ 143,277	\$ 78,175	\$ 1,329,523	\$ 940,999	\$ 126,795	\$ 71,624	\$ 1,139,418
Payroll taxes	129,967	10,408	6,386	146,761	126,225	9,808	5,908	141,941
Employee benefits	110,499	12,794	12,079	135,372	105,829	12,407	11,665	129,901
Total salaries, payroll taxes and benefits	1,348,537	166,479	96,640	1,611,656	1,173,053	149,010	89,197	1,411,260
Medical supplies	\$ 114,606	\$ -	\$ -	114,606	\$ 123,202	\$ -	\$ -	123,202
Mailings	12,433	-	6,479	18,912	17,396	-	22,997	40,393
Other supplies	52,044	12,578	2,217	66,839	70,383	7,924	1,958	80,265
Special Events	328	-	62,005	62,333	3,779	991	95,558	100,328
Outside services	130,885	266	2,014	133,165	53,239	1,316	1,463	56,018
Miscellaneous	23,918	-	-	23,918	3,660	28	-	3,688
Vehicle and Patrol	17,831	2,616	-	20,448	57,834	3,161	-	60,995
Occupancy	39,255	60,265	-	99,520	5,955	60,951	-	66,906
Interest	1,884	52,633	-	54,517	1,684	23,783	-	25,467
Animal food	40,311	-	-	40,311	48,358	-	-	48,358
Other animal expense	13,623	-	-	13,623	15,853	-	-	15,853
Insurance	36,395	19,894	-	56,289	17,376	18,444	-	35,820
Taxes	1,922	25,793	-	27,715	2,988	24,445	-	27,433
Bank charges	-	16,415	-	16,415	-	17,467	-	17,467
Professional fees	500	25,124	-	25,624	2,550	5,051	-	7,601
Office	40,535	16,447	9,901	66,883	28,502	15,314	7,608	51,424
Repairs and maintenance	38,354	7,006	-	45,359	5,465	12,119	-	17,584
Human resources	15,290	-	-	15,290	6,124	9,922	431	16,477
In-kind	5,681	-	-	5,681	7,146	-	-	7,146
Dues and subscriptions	4,548	-	414	4,962	2,243	996	253	3,492
Training and education	4,511	336	-	4,847	7,292	639	70	8,001
Travel and meals	1,239	-	-	1,239	15,012	-	-	15,012
Advertising	-	-	-	-	-	-	-	-
	1,944,630	405,852	179,670	2,530,153	1,669,094	351,561	219,535	2,240,190
Depreciation	65,784	65,784	-	131,568	71,424	71,424	-	142,848
Total Functional Expense	\$ 2,010,414	\$ 471,636	\$ 179,670	\$ 2,661,721	\$ 1,740,518	\$ 422,985	\$ 219,535	\$ 2,383,038

The accompanying notes are an integral part of these financial statements

WHATCOM HUMANE SOCIETY  
STATEMENTS OF CASH FLOWS-ALL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 169,351	\$ 979,505
<i>Adjustments to reconcile changes in net assets to net cash provided(used) by operating activities</i>		
Depreciation	131,568	14,284
Property received as donation	-	(390,000)
realized and unrealized gain(loss) on investments	(50,007)	(39,243)
Changes in operating assets and liabilities		
Receivables	(37,094)	3,104
Inventory	(1,124)	(3,752)
Prepaid expenses	(13,740)	(505)
Accrued liabilities	<u>22,606</u>	<u>(15,421)</u>
Net cash flows provided (used) from operating activities	221,560	547,972
 CASH FLOWS FROM INVESTING ACTIVITIES		
Redemptions and purchases of marketable securities	538,938	134,927
Purchase of property and equipment	<u>(1,248,298)</u>	<u>(60,463)</u>
Net cash provided (used) from investing activities	(709,360)	74,464
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on leases	-	(167)
Payments on long-term debt	<u>(11,856)</u>	<u>(27,647)</u>
Net cash flows provided (used) from financing activities	(11,856)	<u>(27,814)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(499,656)	594,622
 CASH AND CASH EQUIVALENTS, beginning of year	<u>777,006</u>	<u>182,384</u>
 CASH AND CASH EQUIVALENTS, end of year	<u>\$ 277,350</u>	<u>\$ 777,006</u>

The accompanying notes are an integral part of these financial statements



**WHATCOM HUMANE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2020 and 2019

**NOTE 1 – ORGANIZATION**

**Organization** – The Whatcom Humane Society (the "Society") has been caring for animals throughout Whatcom County since 1902. As the oldest non-profit animal welfare organization in Whatcom County, the Society is committed to caring for any animal in need. As an open-admission animal shelter, the Society turns no animal away, regardless of the animals age, breed, temperament, physical or medical condition.

The dedicated staff and volunteers care for approximately 4,500 domestic, wild and farm animals annually. The Society currently operates 3 shelter facilities – a domestic animal shelter, a wildlife rehabilitation center and a farm facility. In addition, the Society operates a Thrift Shop retail store selling donated items from the community.

The Society provides animal adoption services, a low-cost spay/neuter clinic and provides 24 hour a day animal control & rescue services for the majority of Whatcom County including the Cities of Bellingham, Ferndale, Blaine, Sumas, Everson, unincorporated Whatcom County and has relationships with both the Lummi & Nooksack Indian Reservations.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation** – The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. These financial statements reflect all significant receivables, payables and other liabilities. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of grantor/donor imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

*Net assets without donor restrictions* are not subject to grantor/donor-imposed stipulations and are available for operations. Unrestricted net assets also include those assets that are board-designated for a particular purpose. Since the board has authority to revoke their decision at any time, these assets are not subject to the same restrictions as those from grantors/donors.

*Net assets with donor restrictions* are subject to grantor/donor-imposed stipulations that may be met, either by actions of the Society, the occurrence of certain events, or the passage of time, or are subject to donor-imposed stipulations to be maintained permanently by the Society. Donor restricted net assets consisted of \$213,590 and \$566,879, respectively, for acquisition of property.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor-imposed stipulation or by law. When a restriction expires or the terms of the donation have been satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Society considers all highly liquid investments except marketable securities with an initial maturity of less than three months to be cash equivalents.

**Concentration** – The Society maintains cash balances in one financial institution located in Bellingham, Washington. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020 and 2019, the uninsured cash balances were \$28,833 and \$576,219, respectively. The Society maintains money market accounts at investment firms that are not insured by FDIC but are covered by Securities Investor Protector Corporation (SIPC). At December 31, 2020 and 2019, The Society's cash balances at investment firms were \$100,000, and \$100,000, respectively.

**Contributions** – Contributions are recognized as revenues in the period received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that restrict the use of the support. When a donor imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**WHATCOM HUMANE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2020 and 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables** – Receivables are recorded in the Society’s statement of financial position at their net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management of the Society bases its estimate of doubtful accounts on several factors. These factors include the Society’s prior experience collecting receivables, the aging of the receivables at year-end, the debtor’s ability to repay the amount owed, and management’s appraisal of current economic conditions. The allowance for doubtful accounts as of December 31, 2020 and 2019 was \$9,288 and \$9,288, respectively. The Society does not accrue finance charges on past due receivables.

**Inventory** – Inventory consists of items for resale and is stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

**Property and Equipment** – The Society capitalizes all property and equipment acquisitions in excess of \$1,500. Property and equipment are carried at cost, or if donated, at the estimated fair value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful life of the asset and can range from 5 to 39 years. Depreciation expense totaled \$131,568 and \$142,848 for the years ended December 31, 2020 and 2019, respectively.

**Donated assets and services** – Noncash donations and donated marketable securities are recorded at their estimated fair values at the date of donation. Donated services are recorded in compliance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, at their estimated fair market value at the date of receipt. Many volunteers have donated significant amounts of time to the Society’s activities. The services of these volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition. For the years ending December 31, 2020 and 2019, In-kind donations of \$5,681 and \$7,146 were expensed.

**Functional allocation of expenses** – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities, vehicle and equipment, supplies, salaries, benefits and taxes.

**Leases** – Leases meeting certain criteria are considered capital leases and the related assets and lease obligations are recorded at their present value in the financial statements. Other leases not meeting such criteria are operating leases and the related rentals are charged to expense as incurred.

**Investment valuation and income recognition** – Investments are reported at fair value. Fair value is 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. The Society’s investment committee determines the Society’s valuation policies utilizing information provided by the Investment custodian. See Note 5 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gain on investments includes the Society’s gains and losses on investments bought and sold as well as held during the year.

**Federal income tax** – The Society is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax on earnings associated with its exempt purpose. Unrelated business income is taxed at regular corporate rates. The Society had no unrelated business income. For the year ended December 31, 2019, the Society followed guidance in FASB ASC 740-10, regarding the reporting of uncertainty in income taxes. The implementation of FASB ASC 740-10 had no impact on the Society’s statement of financial position or statement of activities. The Society does not believe its financial statements reflect any uncertain tax positions. The Society continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings in determining transactions to be recognized in the financial statements. The tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

**WHATCOM HUMANE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2020 and 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Sales tax** – Taxes collected from customers for amounts assessed by governmental authorities on revenue producing transactions are recorded on a net basis and are not included in the amounts on the accompanying statement of activities.

**Statement of Functional Expenses** – The costs of providing various programs and other activities have been summarized on the functional basis in the accompanying statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated to each function based on the estimate of management.

ASC 958 identifies certain criteria related to the purpose, audience, and content of a Society’s activities. If the criteria are met, costs of an activity should be allocated between program, fundraising and management and general functions. If the criteria are not met, all costs of an activity should be reported as fundraising costs, including costs that might otherwise be considered program costs or management and general costs had they been incurred in a different activity.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications** – Certain reclassifications have been made to the prior year’s financial statements to conform to the current year’s presentation.

**Accounting Standards update** – The following Accounting Standards were implemented during 2019:  
Revenue Recognition Standard - In May, 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to. This standard may have an impact on the timing of when an entity recognizes certain revenue. The ASU is effective for nonpublic companies for years beginning after December 15, 2018.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made – In June, 2018 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08. The ASU clarifies the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. There was no material impact on the financial statements after the adoption of this Standard.

**NOTE 3 – LIQUIDITY**

Financial assets available for general expenditure that is without donor or other restrictions limiting their use within one year of the balance sheet date comprise the following:

Cash & cash equivalents	\$ 277,350
Accounts receivable	73,054
Inventory	17,196
Investments	<u>651,657</u>
<i>Financial assets available for general expenditure</i>	<u><u>\$ 567,823</u></u>

**WHATCOM HUMANE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2020 and 2019

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 3,274,897	\$ 2,079,245
Buildings	2,363,181	2,365,483
Donated Property	390,000	390,000
Equipment	345,623	329,010
Vehicles	261,092	231,292
Signage	29,938	29,938
Leasehold Improvements	74,493	62,129
Office Equipment	36,602	36,602
Office Furniture	25,156	25,156
Computers	<u>6,612</u>	<u>6,612</u>
	6,800,982	5,555,467
Less accumulated depreciation	<u>1,035,002</u>	<u>906,790</u>
<i>Property and equipment, net</i>	<u>\$ 5,765,980</u>	<u>\$ 4,648,677</u>

**NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The following tables set forth by level, within the fair value hierarchy, the Society's investments at fair value as of:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2020				
Equity	\$ 299,605	\$ -	\$ -	\$ 299,605
Fixed income portfolios	252,052	-	-	252,052
Money market accounts	<u>100,000</u>	-	-	<u>100,000</u>
	<u>\$ 651,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 651,657</u>
December 31, 2019				
Equity	\$ 145,321	\$ -	\$ -	\$ 185,209
Fixed income portfolios	60,343	-	-	60,343
Money market accounts	<u>100,000</u>	-	-	<u>100,000</u>
	<u>\$ 305,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,664</u>

Investment gains reported as unrestricted activity during the years ended December 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Realized and unrealized gains	\$ 50,007	\$ 39,243
Interest and dividends	<u>22,050</u>	<u>12,889</u>
	<u>\$ 72,057</u>	<u>\$ 52,132</u>

FASB ASC 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Observable inputs to the valuation methodology that are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Observable inputs to the valuation methodology other than quoted market prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets in markets that are not active and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

**WHATCOM HUMANE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2020 and 2019

**NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Level 3: Inputs to the valuation methodology are unobservable for the asset or liability. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. At December 31, 2020 and 2019 all investments are measured at quoted prices in active markets for identical assets and gifts-in-kind were measured at quoted prices for similar assets and liabilities in active markets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used during the years ended December 31, 2020 and 2019.

To assess the appropriate classification of investments with the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Society evaluated the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits.

**NOTE 6 – PENSION EXPENSE**

The Society sponsors a thrift plan, a tax deferred annuity under Internal Revenue Code Section 403(b), for the benefit of its employees. Employees are eligible to participate immediately and receive employer match contributions after six months of service. The Society contributes 2% of eligible employees' salary to the plan. Employees are 100% vested in employee and employer contributions immediately. Employer match contributions totaled \$16,427 and \$13,640 during the years ended December 31, 2020 and 2019, respectively.

**NOTE 7 – LONG-TERM DEBT**

Long-term debt consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Note payable to Heritage Bank, due in monthly installments of \$4,755 including interest at 3.95%, 59 payments, beginning Sept 2020, secured by building	\$ 910,706	\$ 360,200
Note payable to Ally, due in monthly installments of \$544, including interest at 8.44%, 60 payments, beginning February, 2018, secured by vehicle	17,634	17,634
Note payable to Ally, due in monthly installments of \$499, including interest at 8.89%, 60 payments, beginning July, 2018, secured by vehicle	17,924	17,924
Note payable to Ally, due in monthly installments of \$431, including interest at 5.49%, 60 payments, beginning July 2020, secured by vehicle	<u>20,572</u>	<u>-</u>
	966,836	395,758
Less current portion of long-term debt payable	<u>158,317</u>	<u>38,679</u>
	<u>\$ 808,519</u>	<u>\$ 357,079</u>

**WHATCOM HUMANE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended December 31, 2020 and 2019

**NOTE 7 – LONG-TERM DEBT** (Continued)

Aggregate future annual principal payments on notes payable for the years ending December 31 are as follows:

2021	\$ 98,021
2022	100,452
2023	93,702
Thereafter	<u>516,344</u>
	<u>\$ 808,519</u>

**NOTE 8 – SUBSEQUENT EVENTS**

The Society has evaluated subsequent events through July 1, 2022, the date the financial statements were available to be issued.

**Coronavirus (Covid-19) Pandemic** – In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread worldwide and is impacting the State of Washington, where the Society operates.

On February 29, 2020 the Governor of the State of Washington declared a State of Emergency. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. On March 13, 2020, the President of the United States declared a national emergency. Finally, on March 23, 2020, the Governor of the State of Washington issued “Stay at Home, Stay Healthy” order for all Washington residents to stay at home to combat the spread of the COVID-19 virus. This order allows certain essential business to continue to maintain their operations during this time. The Society’s business was included in the definition of essential businesses and has been able to maintain some of its operations through the coronavirus pandemic.

The Society limited operations to the general public in March, April, and May of 2020 but continued to provide essential services including animal control and animal care operations. During June, 2020, the Society expanded daily operations while following the State of Washington’s COVID-19 “Safe-Start” guidelines.

Short-term and long-term potential impacts to the Society have not been determined, but may include access to labor, materials and capital, or even its ability to operate by matter of law. Management’s knowledge and awareness of the situation is changing on a daily basis and the financial statements do not reflect any negative outcome or impairment, as management has not been able to determine any such outcome or impairment to the Society as of the date of issuance of the financial statements. The financial statements of the Society are based on contracted revenues, donations, and memberships, among many other estimates. The Society has not assessed any impact to its financial statements, nor determined any change in budgeted amounts as a result of the pandemic. The Society has not included any contingencies in the financial statements specific to the coronavirus pandemic.

**Commitment** – The Society applied for and was granted Paycheck Protection Program Funds to assist with the program and operations of the Society during 2020. These funds are considered a long term loan, and will be reclassified to income if the Society meets certain criteria to have the loan forgiven. On September 10, 2021, the Society’s loan forgiveness was approved by the Small Business Administration (SBA) and considered paid in full.