

**YAVAPAI HUMANE SOCIETY
(A NONPROFIT CORPORATION)**

FINANCIAL STATEMENTS

Year Ended December 31, 2020
With Summarized Financial Information
For the Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Yavapai Humane Society

We have audited the accompanying financial statements of Yavapai Humane Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 above present fairly, in all material respects, the financial position of Yavapai Humane Society as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Yavapai Humane Society's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 10, 2020. 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.

States & Rutherford

Prescott, Arizona
June 16, 2021

YAVAPAI HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION
December 31, 2020
(with summarized financial information for December 31, 2019)

ASSETS	2020	2019
Current Assets		
Cash and cash equivalents	\$ 2,433,442	\$ 701,063
Certificates of deposit	620,729	450,000
Accounts receivable	15,365	10,088
Inventory	20,750	24,400
Prepaid expenses	10,081	36,032
	<hr/>	<hr/>
Total current assets	3,100,367	1,221,583
Property and equipment, net	2,621,739	2,608,411
Assets held for sale	166,771	-
Investments held by ACF	3,030,750	1,544,194
Other assets	4,950	4,950
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 8,924,577</u>	<u>\$ 5,379,138</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 36,659	\$ 58,507
Accrued liabilities	121,292	95,385
Deferred revenue	4,997	-
Current portion of long-term obligations	-	18,102
Total current liabilities	<hr/> 162,948	<hr/> 171,994
Long-term obligations, net of current portion	<hr/> 352,300	<hr/> 212,920
	<hr/>	<hr/>
TOTAL LIABILITIES	515,248	384,914
NET ASSETS		
Without donor restrictions		
Undesignated	4,808,218	3,304,980
Board designated	3,030,750	1,544,194
With donor restrictions		
Restricted by time and purpose	558,016	132,705
Held in perpetuity	12,345	12,345
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>8,409,329</u>	<u>4,994,224</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,924,577</u>	<u>\$ 5,379,138</u>

See accompanying notes
and independent auditors' report

YAVAPAI HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(with summarized financial information for December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Totals
REVENUE, GAINS AND OTHER SUPPORT				
Contributions	\$ 4,625,284	\$ 519,963	\$ 5,145,247	\$ 1,909,990
Program grants	19,300	40,900	60,200	136,610
In-kind contributions	174,384	-	174,384	35,494
Event revenue	14,670	-	14,670	110,682
Less costs of direct benefit to donors	-	-	-	(6,539)
Program revenue				
Lost & found/animal intake	391,183	-	391,183	392,379
Spay/neuter & shelter clinic	388,324	-	388,324	530,545
Adoption shelter	123,195	-	123,195	126,723
Thrift store	250,897	-	250,897	259,928
Equine center	21,110	-	21,110	15,133
Interest and net investment income (loss), net of fees	241,326	-	241,326	243,085
Other income (loss)	1,418	-	1,418	(655)
Total revenue, support, gains	<u>6,251,091</u>	<u>560,863</u>	<u>6,811,954</u>	<u>3,753,375</u>
Reclassification and release from net asset restrictions	<u>135,552</u>	<u>(135,552)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE, GAINS, RECLASSIFICATIONS AND RELEASES FROM RESTRICTIONS	\$ 6,386,643	\$ 425,311	\$ 6,811,954	\$ 3,753,375
EXPENSES				
Program services				
Lost & found/animal intake	381,999	-	381,999	347,958
Spay/neuter & shelter clinic	1,042,504	-	1,042,504	1,204,737
Adoption shelter	862,391	-	862,391	815,311
Thrift store	280,129	-	280,129	287,617
Equine center	157,104	-	157,104	162,888
Support services				
Administrative costs	287,227	-	287,227	254,805
Fund development	385,495	-	385,495	374,877
TOTAL EXPENSES	<u>3,396,849</u>	<u>-</u>	<u>3,396,849</u>	<u>3,448,193</u>
INCREASE IN NET ASSETS	2,989,794	425,311	3,415,105	305,182
NET ASSETS, BEGINNING OF THE YEAR	<u>4,849,174</u>	<u>145,050</u>	<u>4,994,224</u>	<u>4,689,042</u>
NET ASSETS, END OF YEAR	<u>\$ 7,838,968</u>	<u>\$ 570,361</u>	<u>\$ 8,409,329</u>	<u>\$ 4,994,224</u>

YAVAPAI HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(with summarized financial information for December 31, 2019)

	PROGRAM SERVICES						SUPPORT SERVICES		2020	2019
	LOST & FOUND/ ANIMAL INTAKE	SPAY/NEUTER & SHELTER CLINIC	ADOPTION SHELTER	THRIFT STORE	EQUINE CENTER	TOTAL	ADMINISTRATIVE COSTS	FUND DEVELOPMENT	TOTALS	SUMMARIZED TOTALS
Adoption expense	\$ -	\$ -	\$ 1,115	\$ -	\$ -	\$ 1,115	\$ -	\$ -	\$ 1,115	\$ 2,181
Advertising	-	15,277	-	17,561	2,589	35,427	-	70,244	105,671	64,044
Auto expense	6	5,503	941	7,086	2,677	16,213	5,558	865	22,636	13,079
Bad debt expense	104	-	391	-	-	495	-	420	915	720
Bank fees	1,208	4,448	1,702	4,127	-	11,485	2,930	7,487	21,902	24,198
Board expenses	-	-	-	-	-	-	971	-	971	1,934
Clinic supplies	20	68,466	-	-	1,216	69,702	-	-	69,702	101,312
Depreciation	4,751	36,931	59,603	23,948	24,827	150,060	5,043	5,449	160,552	156,620
Dues, licenses and subscriptions	675	5,077	951	252	25	6,980	5,010	11,029	23,019	19,147
Employee benefits	21,310	55,485	57,490	19,330	5,424	159,039	51,406	21,757	232,202	214,481
Employee costs	2,302	11,991	5,444	592	991	21,320	1,926	1,082	24,328	12,942
Event expenses	-	-	-	-	-	-	-	2,479	2,479	87,513
Insurance	13,719	31,099	27,521	10,952	5,391	88,682	8,984	3,341	101,007	105,930
Interest expense	-	-	-	6,621	-	6,621	-	-	6,621	14,519
Maintenance and repairs	11,623	19,964	25,765	12,754	1,380	71,486	6,872	6,722	85,080	56,180
Municipalities expense	8,116	9,533	1,784	-	-	19,433	-	-	19,433	26,017
Office supplies	856	932	714	294	124	2,920	3,537	1,497	7,954	7,876
Operational and medical supplies	44,754	126,139	81,159	6,921	19,391	278,364	3,581	6,600	288,545	305,959
Payroll taxes	15,507	36,368	43,442	10,761	5,344	111,422	5,053	7,788	124,263	129,747
Postage and printing	837	792	2,127	462	94	4,312	2,830	116,369	123,511	88,597
Professional fees	-	-	-	-	520	520	18,610	10,821	29,951	30,192
Rent expense	-	35,291	-	2,403	-	37,694	3,413	-	41,107	39,293
Salaries and wages	235,711	478,821	530,338	139,880	74,563	1,459,313	159,128	104,641	1,723,082	1,788,371
Utilities	20,500	14,144	21,826	15,957	8,221	80,648	2,375	6,705	89,728	91,604
Veterinary services	-	86,089	-	-	4,295	90,384	-	-	90,384	64,267
Volunteer expenses	-	154	78	228	32	492	-	199	691	1,470
	<u>\$ 381,999</u>	<u>\$ 1,042,504</u>	<u>\$ 862,391</u>	<u>\$ 280,129</u>	<u>\$ 157,104</u>	<u>\$ 2,724,127</u>	<u>\$ 287,227</u>	<u>\$ 385,495</u>	<u>\$ 3,396,849</u>	<u>\$ 3,448,193</u>
Percent of 2020 total expense	11.3%	30.7%	25.4%	8.2%	4.6%	80.2%	8.5%	11.3%	100.0%	

See accompanying notes
and independent auditors' report

YAVAPAI HUMANE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(with summarized financial information for December 31, 2019)

CASH FLOW FROM OPERATING ACTIVITIES	2020	2019
Increase(decrease) in net assets	\$ 3,415,105	\$ 305,182
Adjustments to reconcile increase(decrease) in net assets to net cash (used) by operating activities:		
Depreciation expense	160,552	156,620
(Gain) Loss on disposition of assets	(1,418)	655
Change in donated inventory	3,650	26,227
Realized and unrealized (gain) loss on investments	(219,316)	(226,509)
Donated assets held for sale	(166,771)	-
Decrease (Increase) in:		
Accounts receivable	(5,277)	(3,672)
Prepaid expenses	25,951	12,059
Increase (Decrease) in:		
Accounts payable	(21,848)	(24,623)
Accrued liabilities	25,907	(28,794)
Deferred revenue	4,997	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,221,532	217,145
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(175,462)	(73,358)
Proceeds from sale of property and equipment	3,000	-
Purchases of certificates of deposit	(165,000)	(450,000)
Purchases of investments	(1,390,650)	(49,944)
Proceeds from investment withdrawals	137,300	459,400
Reinvested dividends, net of fees	(19,619)	(12,640)
NET CASH (USED) BY INVESTING ACTIVITIES	(1,610,431)	(126,542)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	-	(459)
Payments on long-term debt	(231,022)	(22,932)
Proceeds from Payroll Protection Program loan obligation	352,300	-
NET CASH PROVIDED(USED) BY FINANCING ACTIVITIES	121,278	(23,391)
NET INCREASE IN CASH	1,732,379	67,212
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	701,063	633,851
CASH AT END OF PERIOD	\$ 2,433,442	\$ 701,063
SUPPLEMENTAI		
Interest paid	\$ 6,621	\$ 14,519

See accompanying notes
and independent auditors' report

**YAVAPAI HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

With summarized financial information for December 31, 2019

NOTE 1 – ORGANIZATION AND PURPOSE

Yavapai Humane Society (a nonprofit corporation) is located in Prescott, Arizona, and was incorporated on April 3, 1972. For almost 50 years, the Yavapai Humane Society has been advocating for, and promoting the care, health and re-homing of cats, dogs and horses. It is instilled in the Lost & Found department that strives to reunite all stray pets with their owners. It is cultivated the moment someone adopts a dog, cat or horse. It flourishes through the sales earned at the Thrift Store. It is implemented in the Spay/Neuter and Wellness clinic. It is harbored at the Equine Center where the bond between animal and human is defined. Yavapai Humane Society fiercely protects the belief that animals are extraordinarily special and will continue to do so for millennia to come. The mission of the Yavapai Humane Society is to promote and protect the health, safety and welfare of companion animals.

Major sources of income include contributions from the general public, grants, adoption fees from the shelter and equine center, revenues from clinic operations for the care of animals, fees from municipalities for providing sheltering services, contractual fees for caring for lost and found animals, and revenue from the operation of the thrift store.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). Under the accrual basis of accounting, revenues and gains are recognized in the period in which they are earned and expenses and losses are recognized in the period in which the liability is incurred. The significant accounting policies followed are described below.

Financial Statement Presentation

Financial statement presentation follows the recommendations promulgated by the Financial Accounting Standards Board (FASB) in accordance with GAAP. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, based upon the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations may be expended for any purpose in performing the primary objectives of the Organization. Certain net assets without donor restrictions are designated for specific purposes or uses by the Organization’s Board and classified as *Board Designated Net Assets*.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donors have stipulated that the funds or assets be maintained in perpetuity.

**YAVAPAI HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

With summarized financial information for December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a donor restriction ends or purpose is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions, and are reported in the statement of activities as net assets released from restrictions.

During the year ended December 31, 2020, two donors accounted for 40% of total revenue. No donor concentrations were noted for the year ended December 31, 2019.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers short term, highly liquid investments which are readily convertible to cash within ninety (90) days of purchase to be cash equivalents. As of December 31, 2020 and 2019, the Organization had cash deposits in excess of the Federal Deposit Insurance Corporation limits in the amount of \$1,686,511 and \$281,097, respectively. The Organization has not experienced any losses from these accounts. Amounts held in excess of FDIC coverage are held in major institutions and management believes there is no significant exposure of credit risk on cash and cash equivalents.

Certificates of Deposit

The Organization holds three certificates of deposit at separate banking institutions. Two of the certificates were opened in December 2019, were renewed in July 2020 and November 2020, and mature in July 2021 and December 2021. The third was opened in June 2020 and matures in May 2021. All certificates of deposit are included with current assets in the statement of financial position.

Accounts Receivable

Accounts receivable consist primarily of fees due from program services. Accounts deemed uncollectible are either charged to an allowance or written off to bad debt. As of December 31, 2020 and 2019, the Organization considers all receivables to be fully collectible. Therefore, the allowance for doubtful accounts is \$0 at December 31, 2020 and 2019.

**YAVAPAI HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

With summarized financial information for December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories consist of donated goods and items held for resale at the Thrift Store. Items are valued by using estimates, averages, and computational approximations, which are believed to approximate the fair value of the contributed inventory. This valuation method is considered a Level 3 fair value methodology, meaning that the inputs are based on assumptions, as described above, because observable inputs in an active market are not available.

Prepaid Expenses

As of December 31, 2020, prepaid expenses consist of insurance premiums paid in advance. As of December 31, 2019, prepaid expenses consist of insurance premiums, supplies, and rent paid in advance.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or completion, or fair market value at date of donation in the case of gifts. The Organization's policy is to record purchases of property and equipment at costs in excess of \$2,500 as capital assets.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization was deeded a parcel of land from the City of Prescott in 1976. Under conditions of the deed, the land must be used for a nonprofit animal hospital and/or shelter, and upon demise or termination of the Organization, the land will revert to the City of Prescott. The value of the land is included in net assets with donor restrictions, held in perpetuity.

Fixed assets are depreciated using the straight-line method over the estimated useful lives of individual assets as follows:

Buildings and improvements	5 to 39 years
Equipment	3 to 15 years
Furniture and fixtures	7 years
Software	3 years
Vehicles	7 years

Repair and maintenance costs are expensed as incurred.

**YAVAPAI HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

With summarized financial information for December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Held for Sale

During the year ended December 31, 2020, the Organization received donated property from an estate, valued at \$166,771, which was sold in February 2021.

Contributions

Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, purpose and time restricted net assets are reclassified to undesignated net assets and reported in the Statements of Activities as net assets released from restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional promises to give at December 31, 2020.

In-Kind Contributions

The Organization records various types of in-kind contributions, including professional services, advertising, and goods and materials. Generally, professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation.

Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or property and equipment. Contributions of tangible assets to the Thrift Store are reported as inventory.

The Organization receives a significant amount of unskilled, contributed time which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements. During the years ended December 31, 2020 and 2019, the Organization received 11,934 and 22,165 unskilled volunteer hours, respectively. The volunteer opportunities were significantly curtailed in 2020 due to the COVID-19 pandemic, which is reflected in the reduced number of unskilled volunteer hours received in 2020.

**YAVAPAI HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

With summarized financial information for December 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization has been classified as an Arizona Nonprofit Corporation that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; in addition, the Organization has no Unrelated Business Income Tax liabilities. Therefore, no provision has been made for income taxes due in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Advertising

The Organization uses advertising to promote its programs. The costs of advertising are expensed as incurred. Advertising expenses are \$105,671 and \$64,044 for the years ended December 31, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of providing the programs and other various activities have been summarized on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All time and expenses are tracked internally and reported by department based on actual usage. Expenses that are directly identifiable by department are charged directly to programs on the basis of what department incurred the cost. Expenses that are directly identifiable by department include salaries and wages, supplies, maintenance and repairs, municipalities expense, postage and printing. Expenses such as employee benefits and payroll taxes are allocated based on salary allocations by department. Other program-related expenses, such as depreciation, insurance, and utilities, are allocated based on property and equipment usage by department. Administration and fundraising expenses include both directly identifiable and allocated expenses not easily identifiable with specific program operations but related to the overall support and management of the Organization. All other expenses are allocated on the basis of estimates of time and effort.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

YAVAPAI HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

With summarized financial information for December 31, 2019

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at December 31,

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$2,433,442	\$ 701,063
Certificates of deposit	620,729	450,000
Accounts receivable	<u>15,365</u>	<u>10,088</u>
Total financial assets at year-end	3,069,536	1,161,151
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed purpose restrictions	<u>(558,016)</u>	<u>(132,705)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$2,511,520</u>	<u>\$1,028,446</u>

The Organization maintains sufficient resources to meet donor-imposed restrictions. As part of the Organization’s liquidity management plan, the board has established a reserve fund (see Note 4). Although the goal is to leave these funds invested, they can be drawn upon, if necessary, to meet unexpected liquidity needs. The balance of these funds as of December 31, 2020 and 2019, respectively, is \$2,237,255 and \$647,240. In addition, the Organization maintains a revolving line of credit with JPMorgan Chase Bank that can be drawn upon to meet unexpected liquidity needs (see Note 6). The credit limit is \$100,000, and as of December 31, 2020 and 2019, the amount available to draw upon was \$100,000.

NOTE 4 – INVESTMENTS HELD BY ACF

Investments are presented in these financial statements at fair market value. The Board has established policies regarding investment objectives and investment guidelines for each fund type. The Organization maintains two general funds and one reserve fund that are held by the Arizona Community Foundation (ACF). The Board has established policies regarding investment objectives and investment guidelines for each fund type. The Organization has no variance power over the funds.

As of December 31, 2020 and 2019, the Organization has a recorded balance of \$3,030,750 and \$1,544,194. Under the agreements, the Board may request the entirety of the invested assets at any time. Funds are invested in pooled investments in equitable market securities and fixed income securities held by ACF.

The fair values of these investments have been estimated using the net asset value (NAV) per share of the investments as provided by ACF, based on the value of each of the underlying investments, less applicable fees charged. The NAV is used as a practical expedient to estimate fair value. The practical expedient is not used when it is determined to be probable that the fund will sell for a different amount than the reported NAV.

YAVAPAI HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

With summarized financial information for December 31, 2019

NOTE 4 – INVESTMENTS HELD BY ACF (continued)

As of December 31, the carrying value of investment assets held by ACF are summarized as follows:

	<u>2020</u>	<u>2019</u>
Board Designated General Funds	\$ 793,495	\$ 896,954
Board Designated Reserve Fund	<u>2,237,255</u>	<u>647,240</u>
	<u>\$3,030,750</u>	<u>\$1,544,194</u>

Changes in investment assets held by ACF are as follows:

	<u>2020</u>	<u>2019</u>
Investments held by ACF on January 1	\$1,544,194	\$1,714,501
Contributions	1,390,650	49,944
Investment return, net of fees	13,890	12,640
Net appreciation/(depreciation)	219,316	226,509
Distributions	<u>(137,300)</u>	<u>(459,400)</u>
Investments held by ACF on December 31	<u>\$3,030,750</u>	<u>\$1,544,194</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 128,383	\$ 128,383
Buildings and improvements	3,181,712	3,072,258
Equipment	406,016	446,775
Furniture & fixtures	19,907	23,068
Software	27,754	34,328
Vehicles	164,014	116,214
Construction in progress	<u>66,094</u>	<u>66,094</u>
	3,993,880	3,887,120
Less accumulated depreciation	<u>(1,372,141)</u>	<u>(1,278,709)</u>
Total, net of accumulated depreciation	<u>\$2,621,739</u>	<u>\$2,608,411</u>

Depreciation expense for the year ended December 31, 2020 and 2019 is \$160,552 and \$156,620, respectively.

Construction in process is associated with architectural planning and design costs related to improvements to the main shelter. The project is expected to be long-term in nature and assets will be placed into service when completed.

**YAVAPAI HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

With summarized financial information for December 31, 2019

NOTE 6 – LINE OF CREDIT

In August 2019 and again in September 2020, the Organization renewed a revolving line of credit with JPMorgan Chase Bank. The current line matures in October 2021. The credit limit is \$100,000 with interest payable monthly at 1.00% per annum over the bank's Prime Rate. The line was not utilized during 2020 or 2019, and there was no outstanding balance as of December 31, 2020 and 2019. The line of credit is secured by property and equipment.

NOTE 7 – LONG-TERM DEBT

As of December 31, 2019, the Organization had a note payable due to National Bank of Arizona, with monthly payments of \$2,621, including principal and interest, due in full in October 2033. The note bore an interest rate of LIBOR + 2.75% that was adjusted every five years. The interest rate as of December 31, 2019 was 5.90%. The outstanding balance due on the note payable as of December 31, 2019 was \$231,022, and the note was secured by the mortgaged building.

The note payable to National Bank of Arizona was paid in full during 2020, and the outstanding balance due at December 31, 2020 is \$0.

NOTE 8 – PAYCHECK PROTECTION PROGRAM LOAN OBLIGATION

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin.

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In response to the impact of the pandemic, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was enacted on March 27, 2020. The Paycheck Protection Program (PPP) was established under Division A, Title I of the CARES Act, and is implemented by the Small Business Administration with support from the Department of the Treasury. This program provides small businesses and eligible nonprofit organizations with funds to pay up to 24 weeks of payroll costs, including benefits, subject to certain limitations. Funds can also be used to pay interest on mortgages, rent, and utilities. If guidelines are followed and funds are spent only on eligible expenses, up to 100% of a PPP loan may be forgiven.

On April 14, 2020, the Organization received a PPP loan in the amount of \$352,300 to be used for eligible expenses. Because no portion of the loan was forgiven as of December 31, 2020, the entire amount is recorded as a loan payable as of December 31, 2020, and is included in long-term obligations in the Statement of Financial Position. Any amounts subsequently forgiven will be recorded as revenue at that time, and any amounts not forgiven will bear an interest rate of 1% and have a maturity date of 2 years. Accrued interest as of December 31, 2020 totals \$2,202. Because the actual amount that will need to be repaid, and will therefore bear interest, cannot reasonably be determined, no accrued interest expense has been reported in these financials.

YAVAPAI HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

With summarized financial information for December 31, 2019

NOTE 9 – RESTRICTIONS ON NET ASSETS

All donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. Net assets with donor restrictions include donor-restricted contributions and grants restricted by time and purpose as well as those that are held in perpetuity, depending on the nature of the restrictions. When a restriction expires, net assets with time and purpose restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Net assets with donor restrictions as of December 31, 2020 and 2019, are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Capital improvement projects	\$ 24,633	\$ 24,633
Equine center capital improvements	-	35,000
Animal food	9,048	31,850
Low cost spay/neuter programs	16,113	23,949
New Hope program	4,914	782
Cattery/cat care	1,242	1,341
Temporary boarding assistance	5,308	5,193
Special treatment and recovery (STAR)	2,402	2,469
Low cost medical surgeries	3,594	6,954
Vaccinations	-	310
Website maintenance	-	224
Serenity center	<u>490,762</u>	<u>-</u>
	<u>\$558,016</u>	<u>\$132,705</u>

Net assets with donor restrictions, presented in these financial statements as held in perpetuity, are due to donor-imposed restrictions. In 1976, the Organization was deeded a parcel of land from the City of Prescott. Under conditions of the deed, the land must be used for a nonprofit animal hospital and/or shelter. Upon demise or termination of the Organization, the land will revert to the City of Prescott.

	<u>2020</u>	<u>2019</u>
Net assets held in perpetuity at December 31:		
Land	<u>\$12,345</u>	<u>\$12,345</u>

NOTE 10 – RETIREMENT PLAN

The Organization began offering a Simple IRA effective January 1, 2020. Employees become eligible for the plan on January 1, contingent upon the expectation that the employee will accumulate at least \$5,000 the following year. Contributions to the Simple IRA by eligible employees and the Organization are voluntary. The contribution percentage is determined by the Organization's board each year and cannot exceed 3% of compensation. During the year ending December 31, 2020, the Organization contributed \$35,134 to this plan, which is included in employee benefits in the Statement of Functional Expenses.

**YAVAPAI HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS**

December 31, 2020

With summarized financial information for December 31, 2019

NOTE 11 – OPERATING LEASES

The Organization leases office space for clinic program services, a mobile office for administrative services, and three storage units under operating leases. The lease for the clinic, dated November 2016, requires escalating monthly payments that increase 3% each lease year, expiring October 2024. As of December 31, 2020 and 2019, monthly payments are \$2,842 and \$2,759, respectively, plus tax. The mobile office lease, dated December 2016, requires monthly payments of \$259 plus tax for 48 months, expiring December 2020. The mobile office lease was renewed for an additional 24 months, expiring December 2022. The storage units are rented on a month-to-month basis. Total rent expense and associated fees for the years ended December 31, 2020 and 2019, was \$41,107 and \$39,293, respectively.

The minimum lease payments required under the above operating leases as of December 31, are as follows:

Year ending December 31,	
2021	\$ 38,631
2022	36,274
2023	37,362
2024	<u>31,908</u>
	<u>\$144,175</u>

NOTE 12 – REVENUE AND REVENUE RECOGNITION

Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

The Organization records special events revenue equal to the fair value of direct benefit to donors, and contribution income for the excess received, when the event takes place.

Revenue from adoption fees from the shelter and equine center is recognized at a point in time when the animal is transferred to a new home. Revenues from clinic operations for the care of animals and fees from municipalities for providing sheltering services and licenses are recognized at a point in time when services are provided. Revenue from the operation of the thrift store is recognized at the point of sale.

The Organization also receives contractual fees for caring for lost and found animals. Per the terms of the agreements, the annual fees for providing such services are received in equal monthly installments throughout the year. Because services are provided on a continual basis over a period of time, revenue is recognized ratably over the life of the contracts. Although the contract terms extend beyond December 31, 2020, the contracts can be terminated or amended by either party with advance written notice. Therefore, no deferred revenue is recognized for the remaining contract terms. The Organization expects the contracts to continue and to be renewed.

**YAVAPAI HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

With summarized financial information for December 31, 2019

NOTE 12 – REVENUE AND REVENUE RECOGNITION (continued)

During the years ended December 31, 2020 and 2019, \$291,400 and \$277,169 of revenue, respectively, was recognized from services transferred over time. All other program revenue was recognized at a point in time.

NOTE 13 – IMPACT OF WORLD-WIDE PANDEMIC

As previously noted, in March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the overall effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity. Management will continue to follow the various government policies and advice and will do their utmost to continue operations in the best and safest way possible.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 16, 2021, the date which the financial statements were available to be issued. As discussed in Note 2, the asset listed as available for sale as of December 31, 2020, was sold in February 2021. No other items were noted that would require disclosure in these financial statements.

As previously noted, the COVID-19 pandemic developed rapidly in 2020 and continues to develop in 2021, with a significant number of cases reported. Measures taken by various governments to contain the virus have affected economic activity. The United States and global markets have experienced significant fluctuations due to uncertainty caused by the world-wide coronavirus pandemic.

The extent to which the coronavirus pandemic may impact the Organization's operations, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be reasonably predicted.