

**BLUE MOUNTAIN  
HUMANE SOCIETY**

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**Financial Statements and  
Independent Accountants'  
Review Report**

**December 31, 2020**

# Blue Mountain Humane Society

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors  
Blue Mountain Humane Society  
Walla Walla, Washington

We have reviewed the accompanying financial statements of Blue Mountain Humane Society (a nonprofit organization) (the Organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### *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.

### *Accountants' Responsibility*

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide reasonable basis for our conclusion.

### *Accountants' Conclusion*

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Northwest CPA Group PLLC**

Tri-Cities, Washington  
October 29, 2021

**Blue Mountain Humane Society**  
**Statement of Financial Position**  
**December 31, 2020**

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**ASSETS**

*CURRENT ASSETS:*

Cash and cash equivalents		\$ 298,616
Accounts receivable		14,694
Pledges receivable, <i>current</i>		4,500
Prepaid expenses		39,415
Total current assets		357,225

*PROPERTY AND EQUIPMENT:*

Buildings and improvements	\$ 2,894,353	
Vehicles and equipment	221,827	
	3,116,180	
Less accumulated depreciation	1,032,056	
	2,084,124	
Land	145,156	
	2,229,280	

*OTHER ASSETS:*

Investments	2,794,189	
Pledges receivable, <i>noncurrent, net of discount</i>	16,711	
	2,810,900	
		\$ 5,397,405

**LIABILITIES AND NET ASSETS**

*CURRENT LIABILITIES:*

Accounts payable		\$ 386
Payroll liabilities		31,859
Accrued vacation		15,978
Prepaid dog licenses		21,128
Paycheck Protection Program forgivable loan		147,223
Total current liabilities		216,574

*NET ASSETS:*

Without donor restrictions		
Board designated	\$ 1,884,828	
Undesignated	2,355,431	
	4,240,259	
With donor restrictions	940,572	
Total net assets		5,180,831
		\$ 5,397,405

**Blue Mountain Humane Society**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<i>REVENUES AND SUPPORT:</i>			
Public support:			
Contributions	\$ 366,692	\$ 10,000	\$ 376,692
Contributions, <i>in-kind</i>	123,823	-	123,823
Grants	137,700	-	137,700
Legacies and bequests	38,643	-	38,643
Fundraising	11,838	-	11,838
Total public support	678,696	10,000	688,696
Special event revenue:			
Special event revenue	161,293	-	161,293
Less costs of direct benefits to donors	17,682	-	17,682
Net special event revenue	143,611	-	143,611
Other revenue:			
Contracts	100,532	-	100,532
Animal operations	244,814	-	244,814
Animal control fees	65,279	-	65,279
Total other revenue	410,625	-	410,625
Total revenues and support	1,232,932	10,000	1,242,932
Net assets released from restrictions	59,199	(59,199)	-
	1,292,131	(49,199)	1,242,932
<i>EXPENSES:</i>			
Program services	1,258,301	-	1,258,301
Management and general	94,699	-	94,699
Fundraising	103,044	-	103,044
Total expenses	1,456,044	-	1,456,044
<i>CHANGES IN NET ASSETS BEFORE OTHER INCOME</i>	(163,913)	(49,199)	(213,112)
<i>OTHER INCOME:</i>			
Interest income	69	-	69
Gain on sale of equipment	1,700	-	1,700
Net investment return	216,215	54,015	270,230
Total other income	217,984	54,015	271,999
<i>CHANGES IN NET ASSETS</i>	54,071	4,816	58,887
<i>NET ASSETS, BEGINNING OF YEAR</i>	4,186,188	935,756	5,121,944
<i>NET ASSETS, END OF YEAR</i>	\$ 4,240,259	\$ 940,572	\$ 5,180,831

**Blue Mountain Humane Society**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**

	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes, and benefits	\$ 788,729	\$ 61,924	\$ 72,557	\$ 923,210
Animal care	171,745	-	-	171,745
Depreciation	110,237	9,206	1,180	120,623
Veterinary services and supplies	44,935	-	-	44,935
Utilities	39,840	2,097	-	41,937
Fundraising	-	-	19,603	19,603
Special event, <i>cost of direct benefit to donors</i>	-	-	17,682	17,682
Bank charges	12,794	-	3,199	15,993
Supplies	12,130	1,348	-	13,478
Dues and subscriptions	6,688	3,344	3,344	13,376
Professional fees	-	12,715	-	12,715
Insurance	9,143	2,442	-	11,585
Postage	8,085	-	3,161	11,246
Repairs and maintenance	10,317	-	-	10,317
Advertising	8,864	-	-	8,864
Computer maintenance	6,493	1,623	-	8,116
Rent	7,326	-	-	7,326
Trap, neuter, and release	7,306	-	-	7,306
Staff development and training	4,684	-	-	4,684
Vehicle	4,259	-	-	4,259
Taxes and licenses	2,110	-	-	2,110
Animal control	1,991	-	-	1,991
Offsite animal training	237	-	-	237
Miscellaneous	388	-	-	388
	<u>1,258,301</u>	<u>94,699</u>	<u>120,726</u>	<u>1,473,726</u>
Less expenses included with revenue on the statements of activities:				
Special event, <i>cost of direct     benefit to donors</i>	-	-	17,682	17,682
Total expense included in expense section of the statements of activities	<u>\$ 1,258,301</u>	<u>\$ 94,699</u>	<u>\$ 103,044</u>	<u>\$ 1,456,044</u>

**Blue Mountain Humane Society**  
**Statement of Cash Flows**  
**Year Ended December 31, 2020**

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***INCREASE (DECREASE) IN***

***CASH AND CASH EQUIVALENTS***

***CASH FLOWS FROM OPERATING ACTIVITIES:***

Cash received from operations and donors		\$ 1,139,121
Cash paid to suppliers and employees		(1,248,258)
Interest received		69
Net cash used in operating activities		(109,068)

***CASH FLOWS FROM INVESTING ACTIVITIES:***

Purchase of property and equipment	\$ (11,705)	
Purchase of investments	(25,000)	
Proceeds from sales of equipment	1,700	
Proceeds from sales of investments	96,798	
Net cash provided by investing activities		61,793

***CASH FLOWS FROM FINANCING ACTIVITIES:***

Paycheck Protection Program proceeds received		147,223
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***NET INCREASE IN CASH AND CASH EQUIVALENTS***

99,948

***CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR***

198,668

***CASH AND CASH EQUIVALENTS, END OF YEAR***

\$ 298,616

***Reconciliation of Changes in Net Assets to  
Net Cash Used in Operating Activities:***

Changes in net assets		\$ 58,887
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	\$ 120,623	
In-kind donations of vehicle and stock	(11,879)	
Gain on sale of equipment	(1,700)	
Realized gain on investments	(58,253)	
Unrealized loss on investments	(154,613)	
Interest and dividends reinvested	(57,364)	
Decrease (increase) in assets:		
Accounts receivable	(4,692)	
Pledges receivable	3,995	
Prepaid expenses	(7,708)	
Increase (decrease) in liabilities:		
Accounts payable	(7,041)	
Payroll liabilities	9,639	
Accrued vacation	(1,989)	
Prepaid dog licenses	3,027	
Total adjustments	(167,955)	
Net cash used in operating activities		\$ (109,068)

# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2020

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#### **NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

##### *Organization:*

Blue Mountain Humane Society (the Organization) is a not-for-profit charitable organization that provides support services for animals in Walla Walla, Washington, and surrounding areas. The Organization's primary purpose is to prevent cruelty and promote kindness to animals in their community. This is accomplished through the operation of an animal shelter, education programs, and cruelty and neglect investigations. Funding sources include the following:

- Shelter fees
- Municipal contracts for housing animals
- Memberships and donations from caring individuals and businesses

##### *Summary of Significant Accounting Policies:*

*Basis of presentation* – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Cash and cash equivalents* – The Organization considers all highly liquid investments, with an original maturity of three months or less, to be cash equivalents. The Organization maintains its cash in bank deposit accounts with financial institutions. Cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation at various times during the year; management does not consider this to be a significant credit risk.

*Accounts receivable* – Receivables are carried at their original amount, less an estimate made for doubtful accounts based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off to the allowance when deemed uncollectible. No allowance was deemed necessary at December 31, 2020. Recoveries of receivables previously written off are recorded when received.

*Pledges receivable* – Unconditional promises to give are included in the accompanying financial statements as pledges receivable and contribution revenue. Promises to give are written off to the allowance when considered uncollectible. No allowance was deemed necessary at December 31, 2020.

*Property and equipment* – Property and equipment are stated at cost or, if donated, at their approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 39 years. The Organization capitalizes all property and equipment acquired in excess of \$1,000.



**Blue Mountain Humane Society**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued):**

*Summary of Significant Accounting Policies (continued):*

*Investments* – Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position. Investment securities consist of a highly-diversified portfolio of equity securities and mutual funds. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, and investment expenses. The investments in marketable securities are subject to market risk.

*Financial instruments* – At December 31, 2020, the carrying value of the Organization’s financial instruments approximated fair value.

*Net assets* – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and net asset changes are classified and reported as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor- or grantor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Board of Directors.

*Net assets with donor restrictions:* Net assets that are 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 donor has stipulated the funds be maintained in perpetuity. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

*Revenue recognition – contributions:*

*Contributions* – Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. 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.

*In-kind contributions* – Donated goods are recorded at their estimated fair value when received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation. Gifts of property and equipment, and gifts of cash to be used to acquire property and equipment, are reported as restricted support, and classified to net assets without donor restrictions when placed into service.

# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2020

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

*Summary of Significant Accounting Policies (continued):*

*Revenue recognition – contracts:*

*Contracts* – The Organization has been contracted by city and county municipalities to perform shelter services. Shelter services are primarily based on a contracted fee that is billed monthly. The fees are recognized as revenue ratably throughout the contract period since management feels that this is the best way to measure the progress of the contracted services.

*Animal operations* – The Organization derives revenue from the adoption of animals to individuals within the community and from spay and neuter services. Revenues for adoptions are recognized when an animal’s adoption is finalized. Revenues from spay and neuter services are recognized when the surgery is performed. These services are recognized at a point in time.

*Animal control fees* – The Organization has been contracted by city and county municipalities to perform licensing and impound services. Impound services are based on a contracted fee per month or per animal, depending on the jurisdiction. Revenue is recorded monthly in both cases. Licensing of dogs is required on an annual basis and related revenue is recorded in the calendar year that the license is valid.

Accounts receivable and prepaid dog licenses consisted of the following at December 31, 2020:

	Accounts Receivable	Prepaid Dog Licenses
Beginning of year	\$ 10,002	\$ 18,101
End of year	14,694	21,128

*Allocation of expenses* – The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries have been allocated based on estimated time spent; depreciation, supplies, postage, dues, and subscriptions have been allocated based on estimated usage of materials or services; utilities are allocated based on square footage; insurance is specifically allocated based on policies; and all other expenses are allocated based on the actual costs.

*Advertising* – Advertising cost is expensed as incurred. Advertising expense for the year ended December 31, 2020, was \$8,864.

# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2020

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#### **NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

##### *Summary of Significant Accounting Policies (continued):*

*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 that affect the reported amounts of 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.

*Income taxes* – Under the provisions of Section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from federal income taxes, except for net income from unrelated business activities. For the year ended December 31, 2020, the Organization had no unrelated business activities subject to federal income tax. Management has evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustments to the financial statements.

*New Accounting Pronouncements* – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The new revenue recognition guidance requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2020, using the modified retrospective approach. The adoption of this new ASU did not have a material impact on the financial results. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2014-09.

*New accounting pronouncements effective in future accounting periods* – In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the combined balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021. The Organization's management is currently in the process of evaluating the impact of the adoption of this ASU on the financial statements.

# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2020

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**NOTE 2 – AVAILABILITY AND LIQUIDITY:**

The Organization receives significant unrestricted contributions and shelter program revenues to meet cash needs and to fund general operating expenditures. The Organization manages liquidity and cash reserves following two guiding principles:

1. Operating within a prudent, board-approved budget which maintains adequate liquid assets to meet cash needs for the current year.
2. Building and maintaining reserves and long-term investments to insure the sustainability of the Organization.

The Organization maintains the following policies to facilitate the above guiding principles:

- Investment policy governing the endowment and board restricted savings:  
The Organization partially funds cash needs for operations from draws of endowments and board-designated savings. The finance committee meets quarterly to oversee the cash needs and investments of the organization, and presents a recommendation to the full board regarding the draw rate (spending rate) during the budgeting process. The draw rate ranges from 4% to 6% of the 3-year average balance of the endowments and investment accounts.
- *Sweep savings account policy:* To meet seasonal cash fluctuations, the organization also maintains a \$50,000 reserve in a sweep savings account. The reserve is used at the direction of the Treasurer and replenished, when possible, throughout the year and always after the fundraising event in October.
- *Building reserve policy:* To meet future capital replacement needs and expenditures, the board maintains a separate Building Reserve account, for use at the direction of the Treasurer and replenished, when possible, throughout the year.

The Organization's financial assets available for general expenditure within one year of the balance sheet date are as follows:

Cash and cash equivalents	\$ 298,616
Accounts receivable	14,694
Pledges receivable	21,211
Investments	2,794,189
Total financial assets	3,128,710
Less amounts not available to be used within one year:	
Donor-imposed restrictions:	
Funds subject to purpose restrictions	10,000
Funds subject to time restrictions	16,711
Endowment investments not available over next 12 months	875,521
Internal designations:	
Board designated investments not available over next 12 months	1,770,095
Financial assets available to meet cash needs for general expenditures within one year	\$ 456,383

**Blue Mountain Humane Society**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**NOTE 3 – PLEDGES RECEIVABLE:**

During the year ended December 31, 2016, the Organization entered into a ten-year land lease that has an estimated fair value of \$6,000 per year. The lease requires annual payments of \$1,500. The remaining in-kind donation was recorded as a pledge receivable, using a discount rate of 2%.

The Organization’s pledges receivable consisted of unconditional promises to give and are due as follows as of December 31, 2020:

	<u>In-Kind Rent</u>
Receivable in less than one year	\$ 4,500
Receivable in one to five years	18,000
Receivable in six to ten years	<u>-</u>
	22,500
Less:	
Discount to net present value	<u>1,289</u>
	<u><u>\$ 21,211</u></u>

**NOTE 4 – SELF INSURANCE:**

The Organization has elected to opt-out of participation in the Washington State Employment Security Program. The Organization is self-insured for unemployment claims through 501(c) Agencies Trust. Contributions to 501(c) Agencies Trust are accumulated and used to pay future claims. The Organization could be required to make additional payments if claims exceed the accumulated contributions. At December 31, 2020, \$16,130 was held on deposit with 501(c) Agencies Trust, and is included in prepaid expenses. The ultimate costs of claims are accrued when incidents occur that give rise to claims.

**NOTE 5 – FAIR VALUE MEASUREMENTS:**

The Financial Accounting Standards Board has established a fair value measurement standard, which establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2020

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#### **NOTE 5 – FAIR VALUE MEASUREMENTS (continued):**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Quoted prices are available in active markets for identical investments as of the measurement date. The Organization does not adjust the quoted price for these investments.

Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the measurement date, but are not the same as those used in Level 1. Fair value is determined through quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire measurement in the hierarchy.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

*Mutual Funds and Exchange Traded Funds:* Valued daily at the closing price as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds and exchange traded funds held by the Organization are deemed to be actively traded.

*Common Stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Preferred and fixed rate cap securities:* Valued at the closing price reported on the active market on which the individual preferred trades. Preferred generally pay a fixed rate coupon, but may also have a floating structure. Individual bonds are valued at the last accepted bid for such bond. A current bid should be requested in the event of liquidation and may vary from the last accepted bid.

**Blue Mountain Humane Society**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

**NOTE 5 – FAIR VALUE MEASUREMENTS (continued):**

The following table discloses by level, within the fair value hierarchy, the Organization’s fair value measurements at December 31, 2020:

	Fair Value			Cost
	Level 1	Level 2	Total	
Mutual Funds:				
Growth	\$ 371,431	\$ -	\$ 371,431	\$ 264,981
Aggressive	88,647	-	88,647	76,998
Income	310,502	-	310,502	305,252
Growth and income	289,040	-	289,040	255,114
Common Stocks:				
Growth	539,144	-	539,144	271,933
Income	31,192	-	31,192	33,179
Value	28,259	-	28,259	18,493
Growth and income	414,267	-	414,267	239,190
Large blend	72,017	-	72,017	38,798
Large core	28,398	-	28,398	17,793
Mid cap growth	197,096	-	197,096	95,898
Exchange traded and closed-end funds:				
Aggressive income	24,325	-	24,325	19,526
Preferred and fixed rate cap securities:				
Bond equivalent	-	124,177	124,177	116,724
Income	-	151,523	151,523	137,965
Cash and cash equivalents	-	124,171	124,171	124,170
	<u>\$ 2,394,318</u>	<u>\$ 399,871</u>	<u>\$ 2,794,189</u>	<u>\$ 2,016,014</u>

There were no Level 3 investments at December 31, 2020.

The endowment fund consists of marketable securities valued at \$909,361 at December 31, 2020. Absent donor stipulations to the contrary, investment return from marketable securities retained in perpetuity are subject to appropriation for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Investment return consisted of the following for the year ended December 31, 2020:

Interest and dividends	\$ 57,364
Realized gain	58,253
Unrealized gain	154,613
	<u>\$ 270,230</u>

# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2020

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#### **NOTE 6 – ENDOWMENTS:**

The Organization's endowments consist of donor-restricted funds established to provide continuing resources for the Organization's mission. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of relevant law:*

The Board of Directors has interpreted the Washington State UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies net assets with donor restrictions as:

- The original value of initial and subsequent gift amounts donated to the endowment; and
- Any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- General economic conditions;
- The possible effect of inflation and deflation;
- The role that each investment or course of action plays within the overall investment portfolio of the fund;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- The needs of the Organization, or a particular fund within the Organization, to make distributions and to preserve capital; and
- An asset's special relationship or special value, if any, to the Organization's purposes.



**Blue Mountain Humane Society**  
**Notes to Financial Statements**  
**Year Ended December 31, 2020**

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**NOTE 6 – ENDOWMENTS (continued):**

Endowment funds as of December 31, 2020, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original and donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ -	\$ 614,481	\$ 614,481
Accumulated investment gains	-	294,880	294,880
	<u>\$ -</u>	<u>\$ 909,361</u>	<u>\$ 909,361</u>

Changes in the endowment funds for the year ended December 31, 2020, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds,			
December 31, 2019	\$ -	\$ 888,826	\$ 888,826
Investment return, <i>net</i>	-	54,015	54,015
Appropriations of endowment assets pursuant to spending-rate policy	-	(33,480)	(33,480)
Endowment funds,			
December 31, 2020	<u>\$ -</u>	<u>\$ 909,361</u>	<u>\$ 909,361</u>

*Funds with deficiencies:*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under the laws. There are no funds that have a deficiency as of December 31, 2020.

*Return objective and risk parameters:*

The Organization has adopted investment and spending policies for endowment assets with the long-term goal of preserving the asset size and for providing the same level of support in real dollars. The second long-term goal is to modestly grow the asset size of the investment portfolio by realizing a real rate of total return of 10% after administrative and management expenses. Actual results in any given year may vary from this amount.

# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2020

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**NOTE 6 – ENDOWMENTS (continued):**

*Strategies employed for achieving objectives:*

The goal of the Endowment Committee is to realize investment appreciation, consistent with safety of principal. The Organization will use an asset allocation model to define the optimum portfolio mix that relates an expected rate of total return with an expected risk profile of each investment category as well as the overall portfolio. The Organization has adopted the following asset allocation: large cap domestic stocks (25% - 45%), small/mid cap domestic stocks (10% - 30%), international stocks (0% - 20%), domestic fixed income (20% - 40%), alternative investments (0% - 10%), and cash equivalents (0% - 15%).

*Spending policy and how the investment objective relates to spending policy:*

The Organization periodically reviews the appropriate investment goal for the annual total return of assets. This goal is expressed in terms of a five-year rolling average and is net of investment fees paid to investment managers and for custodial services. The appropriate total return goal shall be established to supporting an annual spending rate of 4% to 6%.

**NOTE 7 – NET ASSET DESIGNATIONS AND RESTRICTIONS:**

At December 31, 2020, a portion of the Organization’s net assets without donor restrictions was designated by the Board of Directors for specific purposes, as follows:

Board restricted reserve	\$ 1,834,718
Building maintenance reserve	<u>50,110</u>
	<u>\$ 1,884,828</u>

Net assets with donor restrictions as of December 31, 2020, consisted of the following:

Subject to expenditure for specified purpose:		
Surgery Holding refurbishment	\$	10,000
Subject to passage of time:		
Pledges receivable		21,211
Endowments:		
Original donor-restricted gift amount required to be held in perpetuity	\$ 614,481	
Earnings subject to Organization endowment policy and appropriation, available for general use	<u>294,880</u>	
Total endowments		<u>909,361</u>
		<u>\$ 940,572</u>

See Note 6 for further details on the endowment account.

**Blue Mountain Humane Society**  
**Notes to Financial Statements**  
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**NOTE 7 – NET ASSET DESIGNATIONS AND RESTRICTIONS (continued):**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2020:

Expiration of time restrictions:	
Pledges receivable	\$ 3,995
Satisfaction of purpose restriction:	
Dog park improvements	6,724
Humane education development	15,000
Restricted-purpose spending-rate distributions and appropriation:	
General use	33,480
	<u>\$ 59,199</u>

**NOTE 8 – DONOR-DESIGNATED FUNDS:**

The Organization has been named a beneficiary of donor-designated funds maintained by the Blue Mountain Community Foundation (the Foundation). The designated funds are subject to the Foundation's variance power, which allows their Board of Directors to modify any restriction or condition placed on the gifts to the Foundation. Due to this variance power, the Organization does not record an asset or recognize revenue related to these funds until received. During the year ended December 31, 2020, the Organization received \$79,103 from the donor-designated funds that is included in contributions in the statement of activities. As of December 31, 2020, balances in donor-designated funds for the Organization that are maintained by the Foundation were \$1,897,339.

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**NOTE 9 – IN-KIND CONTRIBUTIONS:**

The Organization receives a significant amount of donated goods and services from volunteers. Contributions of services are recognized if the services received create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not donated. Veterinarians have donated their time to assist in altering cats for the Cat Management Coalition program. The fair value of these services was estimated to be \$3,618 for the year ended December 31, 2020.

In-kind contributions consisted of the following during the year ended December 31, 2020:

Animal care supplies	\$ 107,171
Professional services	3,618
Office supplies	1,155
Donated van	2,500
Stock	9,379
	<u>\$ 123,823</u>

**NOTE 10 – SIMPLE IRA RETIREMENT PLAN:**

The Organization sponsors a Simple IRA retirement plan covering qualified employees, as defined. Employees who receive salary of at least \$5,000 are eligible to participate in the plan. The Organization matches the employee's contribution up to a maximum of three percent of the eligible employee's compensation. The Organization contributed \$11,952 in matching Simple IRA contributions for the year ended December 31, 2020.

**NOTE 11 – NONCASH INVESTING ACTIVITIES:**

Each year, the Organization purchases and sells within its investment account, with no resulting cash activity. In addition, income is also automatically reinvested. The following summarizes the noncash investing transactions for the year ended December 31, 2020:

Interest and dividends reinvested	\$ 57,364
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# Blue Mountain Humane Society

## Notes to Financial Statements

### Year Ended December 31, 2020

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**NOTE 12 – OPERATING LEASE COMMITMENTS:**

In 2016, the Organization entered into an operating lease for land. The lease requires annual payments of \$1,500 through December 2025. The annual fair value of the lease is \$6,000. The difference between the fair value and required lease payments has been recorded as an in-kind contribution during the year ended December 31, 2016. Also, see Note 3. Rent expense for the year ended December 31, 2020, was \$7,326.

Future minimum lease payments (excluding in-kind rent) are as follows:

Years Ending December 31,	Amount
2022	\$ 1,500
2023	1,500
2024	1,500
2025	1,500

**NOTE 13 – PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN:**

In response to the coronavirus disease (COVID-19) outbreak, the United States government responded with relief legislation. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, as amended and expanded under later legislation, among other things, authorized emergency loans to businesses by establishing and providing funding for, forgivable bridge loans under the Paycheck Protection Program (PPP). Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements are met related to wage rates and maintenance of full-time equivalents. Any unforgiven portion of a PPP loan, if any, is payable over two years, which can be extended to five years by mutual agreement of the Organization and the lender, at an interest rate of 1%, with a deferral of payments until August 2021 (ten months after the Organization's covered period).

On April 17, 2020, the Organization received \$147,223 from Banner Bank under the PPP. The Organization applied and received forgiveness of the entire amount, subsequent to year end, on May 10, 2021. The loan has been recorded as a current liability at December 31, 2020, and will be reported as a component of other income in 2021, the year forgiven.

After the SBA reviews and approves the forgiveness amount, they have the right to audit the Organization's compliance for a period of up to six years. The timing and outcome of any SBA review is not known.

The Organization also received a second PPP loan subsequent to year end. See Note 15.

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***NOTE 14 – RISKS AND UNCERTAINTIES:***

In March 2020, the federal government and the state of Washington issued guidelines for businesses to limit personal working conditions due to the virus COVID-19. The impact of these guidelines is widespread and specific impacts on the Organization, its donors, customers, and vendors cannot be predicted. Management is closely monitoring the situation and is limiting any potential negative impacts and disruptions to operations within their control. However, COVID-19 may affect the future revenue and expenses, as well as the recognition and measurement of assets and liabilities of the Organization.

***NOTE 15 – SUBSEQUENT EVENTS:***

In February 2021, the Organization received a second PPP loan in the amount of \$188,045 from Banner Bank. Similar to the first PPP loan, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements are met related to wage rates and maintenance of full-time equivalents. Any unforgiven portion of the second PPP, if any, is payable over five years, at an interest rate of 1%, with a deferral of payments December 2021 (ten months after the Organization's covered period). The Organization applied for and received forgiveness of the entire amount on August 27, 2021.

Subsequent events have been evaluated by management through October 29, 2021, which is the date the financial statements were available to be issued.