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Financial Statements
As of and for the Years Ended December 31, 2019 and 2018

Together with Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Humane Society of Utah

We have audited the accompanying financial statements of The Humane Society of Utah (the Organization) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 the financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditors consider 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 The Humane Society of Utah as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Tanner LLC

September 4, 2020



THE HUMANE SOCIETY OF UTAH
Statements of Financial Position

As of December 31,

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash	\$ 1,149,946	\$ 1,044,126
Investments	1,079,283	259,569
Receivables	5,880	23,300
Inventories	43,797	46,066
Prepaid expenses	40,256	34,875
Property and equipment, net	5,165,344	5,368,635
Beneficial interests in assets held by third parties	2,269,940	2,063,518
	<u>\$ 9,754,446</u>	<u>\$ 8,840,089</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 103,699	\$ 223,202
Accrued liabilities	120,481	202,068
Note payable	-	444,086
	<u>224,180</u>	<u>869,356</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions		
Undesignated	5,974,218	5,429,478
Designated	1,072,669	224,322
	<u>7,046,887</u>	<u>5,653,800</u>
With donor restrictions		
	<u>2,483,379</u>	<u>2,316,933</u>
	<u>9,530,266</u>	<u>7,970,733</u>
	<u>\$ 9,754,446</u>	<u>\$ 8,840,089</u>



THE HUMANE SOCIETY OF UTAH
Statements of Activities

For the years ended December 31,

	<u>2019</u>	<u>2018</u>
Change in net assets without donor restrictions:		
Revenues, gains, and other support:		
Clinic fees, net	\$ 2,807,393	\$ 2,531,198
Contributions	3,095,030	1,770,882
Adoption fees, net	1,189,806	1,085,543
Net realized and unrealized gain (loss) on investments	44,770	(27,186)
Interest and dividends	23,629	13,921
Other	822,447	533,921
Total revenues, gains, and other support	<u>7,983,075</u>	<u>5,908,279</u>
Net assets released from restrictions	<u>79,269</u>	<u>146,145</u>
Total revenues, gains, other support and reclassifications	<u>8,062,344</u>	<u>6,054,424</u>
Program expenses:		
Shelter	2,790,046	2,755,596
Clinic	2,148,873	1,967,025
Education	166,279	159,155
Advocacy/investigations	98,319	101,984
Supporting expenses:		
Management and general	389,628	393,847
Fundraising/special events/volunteer	1,076,112	965,372
Total expenses	<u>6,669,257</u>	<u>6,342,979</u>
Increase (decrease) in net assets without donor restrictions	<u>1,393,087</u>	<u>(288,555)</u>
Change in net assets with donor restrictions:		
Contributions	39,292	68,840
Net assets released from restrictions	(79,269)	(146,145)
Net realized and unrealized gain (loss) on investments in beneficial interests	28,208	(37,623)
Change in value of beneficial interests	178,215	(202,741)
Increase (decrease) in net assets with donor restrictions	<u>166,446</u>	<u>(317,669)</u>
Increase (decrease) in net assets	1,559,533	(606,224)
Net assets, beginning of the year	<u>7,970,733</u>	<u>8,576,957</u>
Net assets, end of the year	<u>\$ 9,530,266</u>	<u>\$ 7,970,733</u>

THE HUMANE SOCIETY OF UTAH
Statement of Functional Expenses

For the Year Ended December 31, 2019

	Program Expenses					Supporting Expenses			Overall Total
	Shelter	Clinic	Education	Advocacy/ Investi- gations	Total	Management and General	Fundraising/ Special Events/ Volunteer	Total	
Salaries	\$ 1,616,148	\$ 1,008,191	\$ 107,124	\$ 67,598	\$ 2,799,061	\$ 198,708	\$ 313,257	\$ 511,965	\$ 3,311,026
Benefits	139,333	125,902	16,099	8,353	289,687	13,989	28,831	42,820	332,507
Payroll taxes	119,104	74,899	8,037	5,151	207,191	15,178	24,303	39,481	246,672
Total salaries and related expenses	1,874,585	1,208,992	131,260	81,102	3,295,939	227,875	366,391	594,266	3,890,205
Travel	18,365	2,868	1,318	3,504	26,055	5,273	2,467	7,740	33,795
Special events	-	-	-	-	-	-	150,824	150,824	150,824
Dues and subscriptions	11,339	4,227	79	900	16,545	6,895	59,888	66,783	83,328
Advertising	9,674	529	275	-	10,478	1,406	108,319	109,725	120,203
Office	17,206	20,897	135	172	38,410	1,579	323,550	325,129	363,539
Liability insurance	19,025	5,334	127	176	24,662	1,225	1,527	2,752	27,414
Animal waste removal	29,533	7,836	-	-	37,369	-	-	-	37,369
Professional services	26,659	7,560	180	249	34,648	1,678	2,165	3,843	38,491
Surgical	1,792	62,100	-	-	63,892	-	-	-	63,892
Vaccination	111,871	604,655	-	-	716,526	-	-	-	716,526
Outside services	35,492	953	654	495	37,594	39,860	1,828	41,688	79,282
Repairs and maintenance	114,974	24,063	208	1,101	140,346	3,792	2,768	6,560	146,906
Retail store	66,201	16,974	-	-	83,175	-	7,351	7,351	90,526
Supplies	112,458	41,569	397	1,918	156,342	9,094	5,283	14,377	170,719
Utilities	78,222	23,290	551	1,488	103,551	1,567	7,418	8,985	112,536
Other expenses	69,857	45,621	9,674	74	125,226	32,260	29,193	61,453	186,679
Depreciation	192,793	71,405	21,421	7,140	292,759	57,124	7,140	64,264	357,023
Total expenses	\$ 2,790,046	\$ 2,148,873	\$ 166,279	\$ 98,319	\$ 5,203,517	\$ 389,628	\$ 1,076,112	\$ 1,465,740	\$ 6,669,257

THE HUMANE SOCIETY OF UTAH
Statement of Functional Expenses

For the Year Ended December 31, 2018

	Program Expenses					Supporting Expenses			Overall Total
	Shelter	Clinic	Education	Advocacy/ Investi- gations	Total	Management and General	Fundraising/ Special Events/ Volunteer	Total	
Salaries	\$ 1,380,380	\$ 922,839	\$ 98,419	\$ 68,522	\$ 2,470,160	\$ 188,987	\$ 330,334	\$ 519,321	\$ 2,989,481
Benefits	139,817	116,319	15,269	12,056	283,461	15,326	25,387	40,713	324,174
Payroll taxes	104,177	69,767	7,488	5,272	186,704	14,555	24,451	39,006	225,710
Total salaries and related expenses	1,624,374	1,108,925	121,176	85,850	2,940,325	218,868	380,172	599,040	3,539,365
Travel	25,860	3,586	1,428	2,416	33,290	-	1,277	1,277	34,567
Special events	-	-	-	-	-	-	155,572	155,572	155,572
Dues and subscriptions	38,718	5,454	155	1,737	46,064	4,805	52,942	57,747	103,811
Advertising	90,012	3,075	-	-	93,087	3,751	53,795	57,546	150,633
Office	32,175	21,615	95	132	54,017	3,910	278,046	281,956	335,973
Liability insurance	23,971	6,827	163	225	31,186	1,514	1,955	3,469	34,655
Animal waste removal	19,020	14,780	-	-	33,800	-	-	-	33,800
Professional services	18,044	5,149	123	170	23,486	12,172	1,472	13,644	37,130
Surgical	-	48,930	-	-	48,930	-	-	-	48,930
Vaccination	132,268	542,511	-	-	674,779	-	-	-	674,779
Outside services	32,636	7,340	218	17	40,211	30,975	1,682	32,657	72,868
Repairs and maintenance	101,928	25,562	804	2,994	131,288	4,145	4,376	8,521	139,809
Retail store	86,772	-	-	-	86,772	-	-	-	86,772
Supplies	149,490	41,238	1,308	153	192,189	4,897	5,679	10,576	202,765
Telephone	9,019	2,296	51	362	11,728	2,800	1,638	4,438	16,166
Utilities	64,665	18,329	437	605	84,036	4,370	5,247	9,617	93,653
Other expenses	109,079	38,236	11,245	6	158,566	43,102	14,202	57,304	215,870
Depreciation	197,565	73,172	21,952	7,317	300,006	58,538	7,317	65,855	365,861
Total expenses	\$ 2,755,596	\$ 1,967,025	\$ 159,155	\$ 101,984	\$ 4,983,760	\$ 393,847	\$ 965,372	\$ 1,359,219	\$ 6,342,979



THE HUMANE SOCIETY OF UTAH
Statements of Cash Flows

For the Years Ended December 31,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,559,533	\$ (606,224)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	357,023	365,861
Loss (gain) on disposal of property and equipment	1,001	(4,767)
Net (gain) loss on investments	(44,770)	27,186
Net change in beneficial interest in assets held by third parties	(206,422)	240,365
Decrease (increase) in:		
Receivables	17,420	29,112
Prepaid expenses	(5,381)	(5,474)
Inventories	2,269	20,693
Increase (decrease) in:		
Accounts payable	(119,503)	72,501
Accrued liabilities	(81,587)	7,545
Net cash provided by operating activities	<u>1,479,583</u>	<u>146,798</u>
Cash flows from investing activities:		
Net change in investments, primarily purchases	(774,944)	(56,056)
Proceeds from sale of property and equipment	500	5,600
Purchases of property and equipment	<u>(155,233)</u>	<u>(84,165)</u>
Net cash used in investing activities	<u>(929,677)</u>	<u>(134,621)</u>
Cash flows from financing activities:		
Payments on note payable	<u>(444,086)</u>	<u>(128,572)</u>
Net change in cash	105,820	(116,395)
Cash at beginning of the year	<u>1,044,126</u>	<u>1,160,521</u>
Cash at end of the year	<u>\$ 1,149,946</u>	<u>\$ 1,044,126</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 14,667</u>	<u>\$ 30,551</u>



THE HUMANE SOCIETY OF UTAH
Notes to Financial Statements

December 31, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies

Organization

The Humane Society of Utah (the Organization) is a Utah not-for-profit organization that saves the lives of animals through adoptions to new loving homes, return to owners, and pet retention and shelter diversion services. The Humane Society of Utah Clinic offers vaccinations, spay/neuter surgeries, and microchips. Additionally, the Organization advocates for animal welfare legislation and provides Humane Education programming to school-age children throughout the state of Utah. The Organization is supported primarily through donor contributions and fees for clinic and other services provided.

Financial Statement Presentation

The Organization reports its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-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 Organization’s management and the Board of Directors.

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, wherein the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates in Financial Statements

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 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.



1. Organization and Summary of Significant Accounting Policies
Continued

Adoption of New Accounting Standard

During 2019, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner that depicts the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. As required by this ASU, the provision were adopted as of January 1, 2019 following a modified retrospective approach and no change to net assets for the year ended December 31, 2018 was required.

During 2019, the Organization adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update is intended to assist organizations in determining whether donations should be recorded as contributions subject to Topic 958, Not-for-Profit Entities, or exchange transactions subject to other guidance, and determining whether a contribution is conditional. As required by this ASU, the provisions were adopted as of January 1, 2019 and no change to net assets for the year ended December 31, 2018 was required.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of promises to give. In the normal course of its activities, the Organization receives promises to give which are recorded in receivables. Accordingly, the Organization performs ongoing evaluations of promises to give and maintains allowances for possible losses, which when realized, have been within the range of management's expectations. Credit risk pertaining to promises to give is comprised of numerous factors, including the overall economic conditions in the geographic area in which the Organization's donors are located. As of December 31, 2019, management determined that an allowance for possible losses was not necessary.

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. As of December 31, 2019, the Organization had approximately \$419,000 in bank deposit accounts that exceeded federally insured limits. To date, the Organization has not experienced a material loss or lack of access to its cash; however, no assurance can be provided that access to the Organization's cash will not be impacted by adverse conditions in the financial markets.



1. Organization and Summary of Significant Accounting Policies
Continued

Concentration of Credit Risk – continued

The Organization is dependent on certain vendors for veterinary supplies. For the years ended December 31, 2019 and 2018, aggregate purchases from these vendors consisted of the following:

	<u>2019</u>	<u>2018</u>
Vendor A	12.6%	23.1%
Vendor B	10.9%	11.1%

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets, less external and direct internal investment expenses.

Inventories

Inventories consist primarily of clinic supplies and retail shop goods and are stated at the lower of cost or net realizable value and accounted for on a first-in, first-out basis. The Organization periodically reviews inventories for obsolescence and management determined that an allowance for obsolete inventories was not necessary as of December 31, 2019 and 2018.

Property and Equipment

The Organization capitalizes purchases of property and equipment at cost. The fair value of donated property and equipment is similarly capitalized. The Organization capitalizes such expenditures if the purchases exceed \$1,000. Minor replacements, maintenance and repairs, which do not increase the useful lives of the property and equipment, are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets or lease terms, ranging from three to thirty-nine years.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through undiscounted future cash flows. If it is determined an impairment loss has occurred, such loss is recognized in the statement of activities.



1. Organization and Summary of Significant Accounting Policies
Continued

Revenue Recognition

Revenue is measured as the amount of consideration that the Organization expects to receive in exchange for goods or services. Revenue is recognized after the Organization has (1) identified the customer contract, (2) identified the performance obligation in the contract, (3) determined the transaction price, (4) allocated the transaction price to the performance obligation in the contract and 5) recognized revenue when the performance obligation has been satisfied.

The Organization recognizes revenue for clinic fees, adoption fees, and retail sales provided to customers at a point in time when it satisfies the single performance obligation of performing purchased services or transferring the animals, medications, or products per implicit customer specified orders. The Organization does not have any material contract assets as of December 31, 2019 and 2018.

Contributions

Unconditional contributions received are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. The Organization recognizes contributions 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 barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or 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.



1. Organization and Summary of Significant Accounting Policies
Continued

Contributions – continued

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. 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 restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and assignments; however, those services do not meet the above criteria.

In-Kind Contributions

During the years ended December 31, 2019 and 2018, the Organization received in-kind contributions of certain supplies, such as pet food, newspapers, and other supplies. When documentation supporting an estimated fair value can be obtained, the contributed supplies are recorded. Management has determined that the value of all in-kind contributions of supplies is not material to the overall financial statements. The effect of recording such contributions is generally to increase contribution revenue and supplies expense, which has no effect on the increase or decrease in net assets.

In 2019 and 2018, the Organization received approximately \$3,750 and \$0, respectively, in donated advertising services. The amounts were recorded as in-kind contributions and advertising expense. Additionally, the Organization received \$2,400 in donated lighting and decorations for events that were held during the year ended December 31, 2019 and \$22,551 in donated gift certificates, dog food, and decorations for events that were held during the year ended December 31, 2018.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expense was approximately \$120,000 and \$151,000 for the years ended December 31, 2019 and 2018, respectively.



1. Organization and Summary of Significant Accounting Policies
Continued

Income Taxes

The Organization is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under state of Utah regulations, and, as such, is not subject to federal or state income taxes on related purpose income. The Organization is subject to taxation on unrelated business income, if any.

As of December 31, 2019 and 2018, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

Expense	Allocation Method
Salaries	Time and effort
Benefits	Time and effort
Payroll taxes	Time and effort
Liability insurance	Square footage
Professional services	Square footage
Telephone	Square footage
Utilities	Square footage
Depreciation	Square footage

Fair Value of Financial Instruments

Fair value is defined as the exit price or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date (see Note 7).

Subsequent Events

Management has evaluated subsequent events through September 4, 2020, which is the date the accompanying financial statements were available to be issued.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.



**2. Liquidity
and
Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following as of December 31:

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,149,946	\$ 1,044,126
Investments	1,079,283	259,569
Receivables	5,880	23,300
	<u>2,235,109</u>	<u>1,326,995</u>
Less amounts not available to be used within one year:		
Board designated funds	1,072,669	224,322
Net assets with donor restrictions	213,439	253,415
	<u>1,286,108</u>	<u>477,737</u>
Net amount available	<u>\$ 949,001</u>	<u>\$ 849,258</u>

The Organization's operations rely primarily on fees for services rendered, as well as contributions from private sources. These contributions are often to be used directly for the Organization's overall mission, and for this reason, only a portion of the Organization's overall financial assets above are not available for expenditure within one year based upon donor restrictions. The Board of Directors has designated certain net assets for a reserve, but those funds may be spent for other purposes at the discretion of the Board of Directors.

The Organization monitors its liquidity and cash flow needs through the use of a budget to ensure that cash inflows are sufficient to cover projected cash outflows. The accompanying statement of cash flows identifies the sources and uses of the Organization's cash and the positive cash flows of \$1,479,583 and \$146,798 generated from operating activities during the years ended December 31, 2019 and 2018, respectively.



THE HUMANE SOCIETY OF UTAH
Notes to Financial Statements
Continued

- 3. Investments** Investments are stated at fair value and consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 55,856	\$ 10,735
Mutual and exchange traded funds	1,023,427	248,834
	<u>\$ 1,079,283</u>	<u>\$ 259,569</u>

Total return on investments, including dividends, interest, and realized and unrealized gains and losses was \$96,607 and (\$50,888) for the years ended December 31, 2019 and 2018, respectively.

- 4. Property and Equipment** Property and equipment consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Building	\$ 7,156,262	\$ 7,156,262
Improvements and equipment	1,216,901	1,140,418
Land	427,516	427,516
Vehicles	198,959	156,452
Land improvements	172,664	172,664
Office furniture	42,082	42,082
	<u>9,214,384</u>	<u>9,095,394</u>
Total cost	9,214,384	9,095,394
Less accumulated depreciation	<u>(4,049,040)</u>	<u>(3,726,759)</u>
	<u>\$ 5,165,344</u>	<u>\$ 5,368,635</u>

Depreciation expense on property and equipment for the years ended December 31, 2019 and 2018 was \$357,023 and \$365,861, respectively.

- 5. Beneficial Interests in Assets Held By Third Parties** The earnings received in cash from the trust's and the foundation's investments are recognized as net assets with donor restrictions (temporary in nature) until appropriated by the Board of Directors. The Organization's pro-rata interests in the assets held by the trust and the foundation are recorded based upon the fair value of the assets held by these parties, and are permanent in nature. The recorded values of the interests in the trust and the foundation are evaluated annually and the changes in values are recognized in the statements of activities as restricted gains or losses. The total revaluation gain (loss) for the Organization's interests in the trust and foundation was \$206,422 and (\$240,365) for 2019 and 2018, respectively.



5. Beneficial Interests in Assets Held By Third Parties
Continued

The Organization is also named as the beneficiary of an irrevocable trust, which has been valued by a valuation expert. This irrevocable trust represents a remainder interest in a trust that, when distributed, is required to be held in perpetuity and only the earnings thereon will be available to fund the activities of the Organization. However, these funds are not expected to be received in the near future. This trust is recorded at fair value and is restricted in perpetuity. The changes in value are recognized in the statement of activities as restricted gains or losses.

6. Note Payable

The note payable consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Note payable to a financial institution, secured by all of the Organization's property, due in monthly installments of \$4,592, including interest at 4.62%. Paid in full in 2019.	\$ -	\$ 444,086

7. Fair Value Measurements

Authoritative guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are market inputs participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability.



7. Fair Value Measurements
Continued

The following tables summarize the Organization's financial assets that were accounted for at fair value on a recurring basis as of December 31, 2019 and 2018, and the fair value calculation input hierarchy level that the Organization has determined applies to each asset category.

As of December 31, 2019:

Investments

Description	Level 1	Level 2	Level 3	Total
Money market	\$ 55,856	\$ -	\$ -	\$ 55,856
Mutual and exchange traded funds:				
Bonds	558,979	-	-	558,979
Large cap	215,233	-	-	215,233
Mid cap	61,675	-	-	61,673
International	37,111	-	-	37,111
Small cap	27,781	-	-	27,781
Other	122,650	-	-	122,650
Total	\$ 1,079,283	\$ -	\$ -	\$ 1,079,283

Beneficial Interests in Assets Held by Third Parties

Description	Level 1	Level 2	Level 3	Total
Remainder interest trust	\$ -	\$ -	\$ 1,961,071	\$ 1,961,071
Foundation under agreement	-	228,635	-	228,635
Charitable trust	-	80,234	-	80,234
Total	\$ -	\$ 308,869	\$ 1,961,071	\$ 2,269,940



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7. Fair Value
Measurements
Continued

As of December 31, 2018:

Investments

Description	Level 1	Level 2	Level 3	Total
Money market	\$ 10,735	\$ -	\$ -	\$ 10,735
Mutual and exchange traded funds:				
Large cap	88,857	-	-	88,857
Bond	79,788	-	-	79,788
International	23,783	-	-	23,783
Mid cap	11,624	-	-	11,624
Small cap	10,219	-	-	10,219
Other	34,563	-	-	34,563
Total	\$ 259,569	\$ -	\$ -	\$ 259,569

Beneficial Interests in Assets Held by Third Parties

Description	Level 1	Level 2	Level 3	Total
Remainder interest trust	\$ -	\$ -	\$ 1,782,856	\$ 1,782,856
Foundation under agreement	-	208,435	-	208,435
Charitable trust	-	72,227	-	72,227
Total	\$ -	\$ 280,662	\$ 1,782,856	\$ 2,063,518

The activity of level 3 investments consisted of the following:

Balance, January 1, 2018	\$ 1,985,597
Expenses and unrealized losses	(202,741)
Balance, December 31, 2018	1,782,856
Realized and unrealized gains and dividends, net of expenses	178,215
Balance, December 31, 2019	\$ 1,961,071

8. Designations
on Net Assets

The Board of Directors has adopted a policy to designate excess funds received from donations in investment accounts for future projects or contingencies.



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Notes to Financial Statements
Continued

9. Net Assets With Donor Restrictions

Net assets with donor restrictions (excluding endowments) consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Funds for care of dogs and cats	\$ 174,145	\$ 204,298
Transportation and rescue	11,640	41,522
Shelter	10,265	7,595
Other	17,389	-
	<u>\$ 213,439</u>	<u>\$ 253,415</u>

10. Endowments

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958 (ASC 958), *Not-for-profit entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The state of Utah has adopted UPMIFA.

Net assets with donor restrictions, perpetual in nature (endowments), included the following as of December 31:

	<u>2019</u>	<u>2018</u>
Beneficial interest in trust (Note 5)	\$ 1,961,071	\$ 1,782,856
Beneficial interest in foundation (Note 5)	228,635	208,435
Beneficial interest in trust (Note 5)	80,234	72,227
	<u>\$ 2,269,940</u>	<u>\$ 2,063,518</u>

Interpretation of Relevant Law

The Organization has interpreted 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 as restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as part of donor restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.



10. Endowments
Continued

Interpretation of Relevant Law – continued

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

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

Spending Policy

The Organization may use, for any purpose deemed appropriate by its Board of Directors in fulfilling the Organization's charitable purpose, the interest payments received from the beneficial interests in assets held by third parties.

Return Objectives and Risk Parameters

Investment decisions for the foundation and trust, which the Organization has a beneficial interest in (Note 5), are made by the donors or their agents. The primary investment objectives of these donors are (1) the long-term preservation of the real (inflation adjusted) purchasing power of portfolio assets and income, after accounting for spending, inflation, and costs of portfolio management, and (2) to earn a total rate of return that exceeds the spending rate, and at the same time to perform well when compared with selected weighted market indices. The portfolio assets are invested in a diversified pool of securities with an overall emphasis on quality, diversification, and potential for earnings growth.



10. Endowments
Continued

Return Objectives and Risk Parameters – continued

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	2019		
	Without donor restriction	With donor restriction	Total
Endowment net assets, beginning of the year	\$ -	\$ 2,063,518	\$ 2,063,518
Increase in value	-	206,422	206,422
Endowment net assets, end of year	\$ -	\$ 2,269,940	\$ 2,269,940

	2018		
	Without donor restriction	With donor restriction	Total
Endowment net assets, beginning of the year	\$ -	\$ 2,303,883	\$ 2,303,883
Decrease in value	-	(240,365)	(240,365)
Endowment net assets, end of year	\$ -	\$ 2,063,518	\$ 2,063,518

11. Commitments and Contingencies

Litigation

In the normal course of operations, the Organization may become party to lawsuits or other claims. Management is not aware of any such claims for which the uninsured amount would be material to the Organization's financial position.

12. Subsequent Event

The COVID-19 pandemic has caused disruption through voluntary and mandated closing of businesses throughout the United States. While the disruption is expected to be temporary, there is considerable economic uncertainty at this time. Currently, the effects of the pandemic on the Organization's financial condition or results of operations cannot be reasonably estimated. The Organization participated in the Coronavirus Aid, Relief, and Economic Security Act through the payroll tax deferral option.

In June 2020, the Organization opened a second location in St. George, Utah by entering a four year lease agreement.