

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**



**Certified Public Accountants, LLP**  
audit | tax | advisory | wealth management | cfo

**SOUTHERN OREGON HUMANE SOCIETY, INC.**

**Year Ended December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
S O Humane Society  
2910 Table Rock Road  
Medford, OR 97501

We have audited the accompanying financial statements of Southern Oregon Humane Society, Inc. (an Oregon nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows and functional expenses 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 risks 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 Southern Oregon Humane Society, Inc. as of December 31, 2018, 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.

**Emphasis of Matters**

As discussed in *Note 2* to the financial statements, the January 1, 2018 beginning net assets were restated to correct certain misstatements. Additionally in *Note 2* to the financial statements, the Southern Oregon Humane Society, Inc. adopted new accounting guidance ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion on the financial position of the Society as of December 31, 2018 is not modified with respect to this matter.

A handwritten signature in black ink, appearing to read "Mark E. Damon". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mark E. Damon CPA, Partner  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
May 30, 2019

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

**ASSETS**

**CURRENT ASSETS:**

|                                   |            |
|-----------------------------------|------------|
| Cash and cash equivalents         | \$ 511,532 |
| Investments                       | 3,830,139  |
| Accounts and bequests receivables | 103,393    |
| Prepaid expenses                  | 405        |
| Inventory                         | 43,002     |

Total current assets 4,488,471

**NON-CURRENT ASSETS:**

|   |         |
|---|---------|
| Property and equipment, net of depreciation | 203,933 |
| Beneficial interest in trusts               | 583,161 |

Total non-current assets 787,094

**TOTAL ASSETS** \$ 5,275,565

**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

|                          |           |
|--------------------------|-----------|
| Accounts payable         | \$ 12,474 |
| Accrued payroll expenses | 12,398    |
| Deposits                 | 229       |

Total liabilities 25,101

**NET ASSETS:**

|                            |           |
|----------------------------|-----------|
| Without donor restrictions | 4,558,406 |
| With donor restrictions    | 692,058   |

Total net assets 5,250,464

**TOTAL LIABILITIES AND NET ASSETS** \$ 5,275,565

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
|---|---------------------------------------|------------------------------------|---------------------|
| <b>REVENUES AND SUPPORT:</b>  |                                       |                                    |                     |
| Adoption and program fees, less refunds of \$1,515                              | \$ 238,825                            | \$ -                               | \$ 238,825          |
| Contributions   | 375,034                               | 30,500                             | 405,534             |
| Bequests  | 271,003                               | -                                  | 271,003             |
| Grants  | 49,896                                | -                                  | 49,896              |
| Special events  | 287,391                               | -                                  | 287,391             |
| Change in value of beneficial interest in trusts                                | -                                     | (75,099)                           | (75,099)            |
| In-kind contributions   | 35,950                                | -                                  | 35,950              |
| Investment income, net of fees of \$19,442                                      | 127,017                               | -                                  | 127,017             |
| Unrealized change in value of investments                                       | (259,805)                             | -                                  | (259,805)           |
| Miscellaneous   | 11,267                                | -                                  | 11,267              |
|   | <hr/>                                 | <hr/>                              | <hr/>               |
| Total revenues and support before net<br>assets released from donor restriction | 1,136,578                             | (44,599)                           | 1,091,979           |
|   | <hr/>                                 | <hr/>                              | <hr/>               |
| Net assets released from donor restrictions                                     | 646,800                               | (646,800)                          | -                   |
|   | <hr/>                                 | <hr/>                              | <hr/>               |
| Total revenues and support  | 1,783,378                             | (691,399)                          | 1,091,979           |
|   | <hr/>                                 | <hr/>                              | <hr/>               |
| <b>EXPENSES:</b>  |                                       |                                    |                     |
| Program services  | 693,519                               | -                                  | 693,519             |
| Support services:   |                                       |                                    |                     |
| Fundraising   | 221,616                               | -                                  | 221,616             |
| Administration  | 117,154                               | -                                  | 117,154             |
|   | <hr/>                                 | <hr/>                              | <hr/>               |
| Total expenses  | 1,032,289                             | -                                  | 1,032,289           |
|   | <hr/>                                 | <hr/>                              | <hr/>               |
| <b>CHANGE IN NET ASSETS</b>   | 751,089                               | (691,399)                          | 59,690              |
|   | <hr/>                                 | <hr/>                              | <hr/>               |
| <b>NET ASSETS - BEGINNING OF YEAR,<br/>AS RESTATED</b>                          | 3,807,317                             | 1,383,457                          | 5,190,774           |
|   | <hr/>                                 | <hr/>                              | <hr/>               |
| <b>NET ASSETS - END OF YEAR</b>   | <u>\$ 4,558,406</u>                   | <u>\$ 692,058</u>                  | <u>\$ 5,250,464</u> |

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|  |    |          |
|--|----|----------|
| Change in net assets   | \$ | 59,690   |
| Items not requiring (providing) cash:                                  |    |          |
| Depreciation   |    | 39,762   |
| Realized and unrealized change in value of investments - (net of fees) |    | 155,996  |
| Stock contributions  |    | (23,472) |
| Contribution of property and equipment                                 |    | (15,800) |
| Gain on sale of property and equipment                                 |    | (1,605)  |
| Change in value of charitable remainder trust                          |    | 8,543    |
| Change in value of perpetual trusts                                    |    | 75,099   |
| (Increase) decrease in:  |    |          |
| Accounts and bequests receivables                                      |    | (72,456) |
| Beneficial interest in charitable remainder trust                      |    | 626,989  |
| Prepaid expenses   |    | 1,582    |
| Inventory  |    | (13,672) |
| Increase (decrease) in:  |    |          |
| Accounts payable and accrued expenses                                  |    | (5,473)  |
| Deposits   |    | (891)    |
|  |    | 834,292  |
| Net cash provided by operating activities                              |    | 834,292  |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|  |  |           |
|--|--|-----------|
| Purchase of investments                      |  | (836,403) |
| Purchase of property and equipment           |  | (7,847)   |
| Proceeds from sale of property and equipment |  | 1,605     |
| Proceeds from sale of investments            |  | 23,870    |
|  |  | (818,775) |
| Net cash used in investing activities        |  | (818,775) |

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

15,517

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR**

496,015

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 511,532

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

|                                     | <u>Program Services</u>          |                         |                   |                   | <u>Support Services</u> |                       |                   | <u>Total</u>        |
|-------------------------------------|----------------------------------|-------------------------|-------------------|-------------------|-------------------------|-----------------------|-------------------|---------------------|
|                                     | <u>Adoption &amp; Sheltering</u> | <u>Medical Services</u> | <u>Volunteers</u> | <u>Subtotal</u>   | <u>Fundraising</u>      | <u>Administration</u> | <u>Subtotal</u>   |                     |
| <b>Operating Expenses</b>           |                                  |                         |                   |                   |                         |                       |                   |                     |
| Salaries and wages                  | \$ 269,573                       | \$ 63,147               | \$ 32,593         | \$ 365,313        | \$ 103,673              | \$ 52,144             | \$ 155,817        | \$ 521,130          |
| Payroll tax expense                 | 30,747                           | 5,726                   | 2,911             | 39,384            | 8,715                   | 5,360                 | 14,075            | 53,459              |
| Employee benefits                   | 4,879                            | -                       | -                 | 4,879             | 19,733                  | 2,743                 | 22,476            | 27,355              |
|                                     | <u>305,199</u>                   | <u>68,873</u>           | <u>35,504</u>     | <u>409,576</u>    | <u>132,121</u>          | <u>60,247</u>         | <u>192,368</u>    | <u>601,944</u>      |
| Advertising                         | 465                              | -                       | -                 | 465               | 3,087                   | -                     | 3,087             | 3,552               |
| Bank charges                        | 1,656                            | -                       | -                 | 1,656             | 7,425                   | 478                   | 7,903             | 9,559               |
| Board expense                       | 425                              | -                       | -                 | 425               | 535                     | -                     | 535               | 960                 |
| Depreciation                        | 38,116                           | 1,276                   | -                 | 39,392            | -                       | 370                   | 370               | 39,762              |
| Donations                           | 3,608                            | -                       | 1,379             | 4,987             | 2,374                   | -                     | 2,374             | 7,361               |
| Events                              | 1,612                            | -                       | -                 | 1,612             | 48,028                  | -                     | 48,028            | 49,640              |
| Feed, shelter, and program supplies | 37,462                           | 52,315                  | 433               | 90,210            | 1,423                   | -                     | 1,423             | 91,633              |
| Insurance                           | 14,745                           | -                       | -                 | 14,745            | 586                     | -                     | 586               | 15,331              |
| License and fees                    | 1,129                            | 183                     | -                 | 1,312             | 4,207                   | -                     | 4,207             | 5,519               |
| Office expense                      | 3,202                            | -                       | -                 | 3,202             | 1,993                   | 577                   | 2,570             | 5,772               |
| Outside services                    | 17,821                           | 55,100                  | 220               | 73,141            | 183                     | -                     | 183               | 73,324              |
| Postage and shipping                | 437                              | -                       | 110               | 547               | 4,529                   | 212                   | 4,741             | 5,288               |
| Printing and publications           | 331                              | -                       | -                 | 331               | 12,521                  | -                     | 12,521            | 12,852              |
| Professional services               | -                                | -                       | -                 | -                 | -                       | 51,609                | 51,609            | 51,609              |
| Repair and maintenance              | 11,886                           | 1,479                   | -                 | 13,365            | 268                     | -                     | 268               | 13,633              |
| Travel and training                 | 6,232                            | 220                     | 85                | 6,537             | 331                     | 362                   | 693               | 7,230               |
| Uniforms                            | 2,814                            | -                       | 832               | 3,646             | -                       | -                     | -                 | 3,646               |
| Utilities                           | 26,244                           | 2,016                   | -                 | 28,260            | 1,150                   | 3,299                 | 4,449             | 32,709              |
| Miscellaneous                       | 110                              | -                       | -                 | 110               | 855                     | -                     | 855               | 965                 |
| Total expenses                      | <u>\$ 473,494</u>                | <u>\$ 181,462</u>       | <u>\$ 38,563</u>  | <u>\$ 693,519</u> | <u>\$ 221,616</u>       | <u>\$ 117,154</u>     | <u>\$ 338,770</u> | <u>\$ 1,032,289</u> |

See accompanying notes to financial statements.



**SOUTHERN OREGON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

**NOTE 1 – NATURE OF OPERATIONS**

Southern Oregon Humane Society, Inc. (the Society) is a registered not-for-profit organization dedicated to the humane treatment of companion animals. Mae Richardson founded the Humane Society of Jackson County in 1928 as an all-volunteer organization that initially provided services for displaced dogs and horses. Today, the Society provides quality care for dogs and cats while working to make a difference in the pet overpopulation problem. The Society's strategic areas of focus are to provide adoption and sheltering services for displaced pets, medical services, including reducing pet overpopulation through spay/neutering, and coordinating volunteers to service animals in need. The Society provides humane education opportunities for people of all ages throughout the community. Additionally, the Society currently educates more than 1,000 children in local schools each year via programs that foster compassion for all living things.

**Program Services**

During the year ended December 31, 2018, the Society incurred program service expenses in the following major categories:

Adoptions and Sheltering - The Southern Oregon Humane Society continues to maintain one of the highest adoption rates in the country – 1,587 total adoptions for 2018. The animals that found new homes constitute an overall 99% adoption rate. Through the Saving Train Program, the Society saves more lives by accepting animals from shelters and animal control agencies across Oregon and California. These shelters usually face the dual problem of too many abandoned animals and too few adopters. In 2018, 1,602 animals were accepted from the public and other organizations.

Medical Services - During the year ended December 31, 2018, the Society performed 721 surgeries, including 710 spay and neuter surgeries and 742 other medical procedures. In addition, the Society provided 755 vaccination updates for pets and trained 4 interns in the vet care department.

Volunteers - The compassion of the Society's volunteer force changed the world for each dog or cat they helped on a daily basis. The lives saved, through a kind word, a walk, a gentle touch, a photo taken, or a new toy, are those of this community's homeless animals. Foster Care has contributed significant time to the Society's volunteer hours. Donating almost 36,000 hours of service to all programs offered at the Society in 2018, volunteers provided services equivalent to 17 full-time employees.

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

The summary of significant accounting policies of the Society is presented to assist in understanding the Society's financial statements. The financial statements and notes are representations of the Conservancy's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**SOUTHERN OREGON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

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

**Basis of Presentation**

The financial statements of the Society have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), which requires the Society to report information regarding its financial position and activities according to the following net asset classifications:

*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 Society. These net assets may be used at the discretion of 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 Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires or has been met, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Society considers all short-term investments with an original maturity of three months or less not otherwise held by an investment advisor to be cash and cash equivalents.

**Investments**

All other investments are carried at fair value. The net change in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is reported in the statement of activities. Investment income is accrued as earned and reported net of investment advisory fees. Security transactions are recorded on a trade date basis.

The Society has some exposure to investment risks, including interest rate, market and credit risks, for marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

**Accounts and Bequests Receivables**

The Society considers accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts was considered necessary. Management evaluates past due balances on an account-by-account basis, and if amounts become uncollectible, they are charged to operations when that determination is made.

**Inventory**

Inventory consists of pet supplies sold at a retail store located within the Society's facility, medical supplies and animal food inventory. Inventory is valued at the lower of cost or market value on a first-in, first out basis.

**SOUTHERN OREGON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

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

**Property and Equipment**

Acquisitions or donations of buildings, equipment, and improvements in excess of \$2,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Buildings, equipment and improvements are stated at cost or, if donated, at the fair market value at the date of the donation. For financial reporting purposes the costs of property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of the various categories of assets are as follows:

|                        |             |
|------------------------|-------------|
| Buildings              | 20-39 years |
| Improvements           | 5-39 years  |
| Furniture and fixtures | 5-7 years   |
| Equipment              | 5-7 years   |
| Vehicles               | 5 years     |

**Contributions**

Contributions received are recorded as increases in revenue with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions.

**In-Kind Contributions**

The Society receives donated services from a variety of unpaid volunteers who assist with programs in non-specialized roles. The value of services contributed by these volunteers is not reflected in the financial statements since these services do not meet the criteria for recognition. In-kind contributions of equipment and materials are recorded where there is an objective basis upon which to value these contributions.

**Revenue Recognition**

All revenues and support are considered available for unrestricted use unless specifically restricted by the donor. Contributions are recorded as revenue at the time the Society has an established right to the contribution and the proceeds are measurable.

The Society records various types of in-kind contributions. Contributed services are recognized at fair value if the services received either create or enhance long-lived assets or require specialized skills. Typically, the services would need to be purchased if not provided by donation. Contributions of materials, goods and supplies are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

**SOUTHERN OREGON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

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

**Beneficial Interest in Trusts**

The Society recognizes its right to assets held by trustee's as beneficial interests in trusts when it has the unconditional right to receive all or a portion of the specified cash flows and the trustee does not have variance power.

The Society records its interest in these trusts at fair value based on estimated future cash receipts. Subsequent adjustments to the assets' carrying value are reported as a change in the value of beneficial interest in trusts in the accompanying financial statements and are classified as permanently restricted, temporarily restricted, or unrestricted depending on the existence of donor-imposed purpose or time restrictions, if any.

**Advertising**

The Society expenses advertising costs as incurred. Total advertising expense was \$3,552 for the year ended December 31, 2018.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Credit Risk**

The Society has several bank accounts at a financial institution located in Oregon. These balances may subject the Society to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2018, cash balances exceeded amounts insured by the FDIC in the amount of \$223,710. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant risk exists at this time.

**Income Tax Status**

The Society is an Oregon not-for-profit organization and complies with the requirements of Section 501(c)(3) of the Internal Revenue Code. Thus, the Society is exempt from federal and state income taxes. Management believes the Society meets the requirements to maintain its tax-exempt status. The Society files information tax returns in the U.S. federal and Oregon jurisdictions.

The Society recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Society recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2018 there were no such uncertain tax positions.

**SOUTHERN OREGON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

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

**Not-for-Profit Financial Statement Presentation**

During 2018, the Society adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2018 follows:

| Net Assets Classifications | ASU 2016-14 Classifications  |                           |                     |
|----------------------------|------------------------------|---------------------------|---------------------|
|                            | Without Donor<br>Restriction | With Donor<br>Restriction | Total Net<br>Assets |
| As previously presented:   |                              |                           |                     |
| Unrestricted               | \$ 3,807,317                 | \$ -                      | \$ 3,807,317        |
| Temporarily restricted     | -                            | 725,197                   | 725,197             |
| Permanently restricted     | -                            | 658,260                   | 658,260             |
| Net assets as restated:    | <u>\$ 3,807,317</u>          | <u>\$ 1,383,457</u>       | <u>\$ 5,190,774</u> |

**Restatement of Prior Year Amounts**

During the fiscal year ended December 31, 2018, the Society determined the beginning net assets needed to be restated due to not reporting certain beneficial interests associated with a perpetual trust and the over-reporting of historic utilities expense. The result was a decrease in net assets without donor restriction of \$1,836 (over reporting of utilities expense) and an increase in net assets with donor restrictions of \$58,069 (beneficial interest in trusts).

These amounts have been corrected by restating the beginning net assets as follows:

|  | Net Assets<br>Without Donor<br>Restriction | Net Assets<br>With Donor<br>Restriction |
|--|--|---|
| Net assets - beginning of year<br>as previously reported | \$ 3,809,153                               | \$ 1,325,388                            |
| Correction of an error                                   | <u>(1,836)</u>                             | <u>58,069</u>                           |
| Net assets - beginning of year as restated               | <u>\$ 3,807,317</u>                        | <u>\$ 1,383,457</u>                     |

**SOUTHERN OREGON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

**NOTE 3 – AVAILABILITY AND LIQUIDITY**

The following represents the Society’s financial assets that are available to meet cash needs for general expenditures and capital construction costs within one year at December 31, 2018:

|  |                                |
|--|--------------------------------|
| Financial assets:                                    |                                |
| Cash and cash equivalents                            | \$ 511,532                     |
| Bequests receivable                                  | 78,453                         |
| Receivables  | 24,940                         |
| Investments  | <u>3,830,139</u>               |
| <br>Total financial assets available within one year | <br><u><u>\$ 4,445,064</u></u> |

The Society’s goal is generally to maintain financial assets available to meet 60 days of general expenditures (operating expenses). Utilizing the 2018 statement of activities, 60 days of operating expenses approximates \$170,000.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2018 consisted of the following:

|                                   |                              |
|-----------------------------------|------------------------------|
| Land                              | \$ 28,500                    |
| Building and improvements         | 192,764                      |
| Furniture and equipment           | 273,274                      |
| Vehicles                          | <u>68,770</u>                |
| <br>Totals                        | <br>563,308                  |
| <br>Less accumulated depreciation | <br><u>(375,375)</u>         |
| <br>Subtotal                      | <br><u>187,933</u>           |
| <br>Fine art                      | <br><u>16,000</u>            |
| <br>Property and equipment, net   | <br><u><u>\$ 203,933</u></u> |

Depreciation expense for the year ended December 31, 2018 was \$39,762.

**NOTE 5 – BENEFICIAL INTEREST IN TRUSTS**

The Society is the partial beneficiary of four trusts created by donors, the assets of which are not in the possession of the Society. The Society has the legally enforceable rights or claims to such assets, including the right to income therefrom. The trusts are perpetual whereby the Society receives the income or a designated portion of the income into perpetuity. Income earned on trust assets is distributed to the Society as provided in the agreements and was \$31,938 during 2018. Consistent with accounting principles generally accepted in the United States of America, these funds and changes in their fair value are included in the accompanying financial statements. The fair value of the funds held in trust by others at December 31, 2018 was \$583,161.

**SOUTHERN OREGON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

**NOTE 6 – NET ASSETS**

Net assets with donor restrictions are restricted for the following purposes at December 31, 2018:

|   |                          |
|---|--------------------------|
| Subject to expenditure for a specific purpose:      |                          |
| Capital projects                                    | \$ 65,720                |
| Medical services                                    | 30,587                   |
| Adoption and sheltering costs                       | <u>12,590</u>            |
| Total subject to expenditure for a specific purpose | <u>108,897</u>           |
| Not subject to expenditure:                         |                          |
| Beneficial interest in perpetual trust              | <u>583,161</u>           |
| Total not subject to expenditure                    | <u>583,161</u>           |
| Total net assets with donor restrictions            | <u><u>\$ 692,058</u></u> |

**Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from net assets with donor restrictions for the year ended December 31, 2018 are as follows:

|   |                          |
|---|--------------------------|
| Purpose restrictions accomplished:      |                          |
| Capital projects                        | \$ 7,847                 |
| Medical services                        | 1,011                    |
| Adoption and sheltering costs           | <u>2,410</u>             |
| Total purpose restrictions accomplished | <u>11,268</u>            |
| Time restriction expired:               |                          |
| Charitable remainder trust              | <u>635,532</u>           |
| Total time restriction expired          | <u>635,532</u>           |
| Total released from restriction         | <u><u>\$ 646,800</u></u> |

**SOUTHERN OREGON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

**NOTE 7 – OPERATING LEASE**

The Society has entered into non-cancellable operating leases for office equipment. Operating lease expense for the year ended December 31, 2018, amounted to \$3,972.

Future minimum rental payments required under the remaining non-cancellable lease terms are as follows:

| Year ended December 31, 2018  |                  |
|-------------------------------|------------------|
| 2019                          | \$ 4,028         |
| 2020                          | 4,028            |
| 2021                          | 4,028            |
| 2022                          | 2,031            |
| 2023                          | 258              |
| Total future minimum payments | <u>\$ 14,373</u> |

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Society is exposed to various risks of loss related to employee health benefits: workers' compensation claims; theft of, damage to, and destruction of assets; natural disaster; and various other risks due to being an employer as well as providing services to individuals in the various programs operated. The Society carries commercial insurance to provide for risk of loss, including torts and professional liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year, and there have been no significant reductions in coverage since last year.

**NOTE 9 – ALLOCATION OF JOINT COSTS**

The Society conducted activities that included requests for contributions, as well as program and management and general components. These activities included various management-level salaries and associated payroll taxes and benefits, bank fees, office expense, postage and shipping, travel and training, depreciation, and utilities expenses. During the fiscal year-ended December 31, 2018, the costs of conducting these activities included a total of \$181,415 of joint costs, which are not specifically attributable to particular components of the activities joint costs). The joint costs were allocated as follows:

|                         |                   |
|-------------------------|-------------------|
| Adoption and sheltering | \$ 111,795        |
| Medical services        | 9,238             |
| Volunteers              | 3,106             |
| Fundraising             | 43,876            |
| Administration          | 13,400            |
|                         | <u>\$ 181,415</u> |



**SOUTHERN OREGON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

*Level 1* – Quoted prices in active markets for identical assets.

*Level 2* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets.

*Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2018:

|  | <u>Level 1</u>      | <u>Level 2</u>    | <u>Level 3</u>    | <u>Total</u>        |
|--|---------------------|-------------------|-------------------|---------------------|
| Investments:                             |                     |                   |                   |                     |
| Cash & Cash Alternatives                 | \$ 159,086          | \$ -              | \$ -              | \$ 159,086          |
| Domestic Equities                        | 568,853             | -                 | -                 | 568,853             |
| Domestic Equity ETF & Mutual Funds       | 602,229             | -                 | -                 | 602,229             |
| Domestic Fixed Income ETF & Mutual Funds | 675,061             | -                 | -                 | 675,061             |
| International Equity ETF & Mutual Funds  | 524,904             | -                 | -                 | 524,904             |
| Bonds                                    | -                   | 322,030           | -                 | 322,030             |
| Certificates of Deposit                  | 977,976             | -                 | -                 | 977,976             |
| Total investments                        | <u>\$ 3,508,109</u> | <u>\$ 322,030</u> | <u>\$ -</u>       | <u>\$ 3,830,139</u> |
| Beneficial interest in trusts:           |                     |                   |                   |                     |
| Beneficial interest in perpetual trust   | <u>\$ -</u>         | <u>\$ -</u>       | <u>\$ 583,161</u> | <u>\$ 583,161</u>   |

**Beneficial Interest in Perpetual Trusts**

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs and the perpetual nature of the trusts, the interest is classified within Level 3 of the hierarchy.

**SOUTHERN OREGON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

**NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**Level 3 Reconciliation**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

|  | Beneficial<br>Interest in<br>Perpetual<br>Trusts |
|--|--|
| Balance January 1, 2018<br>as restated     | \$ 658,260                                       |
| Net change in value of<br>perpetual trusts | (75,099)   |
| Balance December 31, 2018                  | \$ 583,161                                       |

**Unobservable (Level 3) Inputs**

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

|  | Fair Value at<br>12/31/18 | Valuation<br>Technique                     | Unobservable<br>Inputs | (Weighted-<br>Average) |
|--|---------------------------|--|------------------------|------------------------|
| Beneficial interest in<br>perpetual trusts | \$ 583,161                | Fair value of<br>underlying<br>investments | Perpetual<br>existence | Not available          |

**NOTE 11 – CONCENTRATIONS:**

Approximately 17.2 percent of all revenue was received from one donor for the year-ended December 31, 2018.

**NOTE 12 – SUBSEQUENT EVENTS**

Management of the Society has evaluated events and transactions occurring after December 31, 2018 through May 30, 2019, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements.