

**SOUTHERN OREGON HUMANE SOCIETY, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2021**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

**RICHARD W. BREWSTER, CPA, PC**

CERTIFIED PUBLIC ACCOUNTANT  
MEDFORD



**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Financial Statements**  
*For the Year Ended December 31, 2021*

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**INDEPENDENT AUDITOR'S REPORT**



# **RICHARD W. BREWSTER, CPA, PC**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Southern Oregon Humane Society, Inc.  
P.O. Box 4592  
Medford, Oregon 97501

### **Opinion**

I have audited the accompanying financial statements of Southern Oregon Humane Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my 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, 2021 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.

### **Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Southern Oregon Humane Society, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Oregon Humane Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

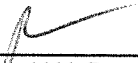




In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southern Oregon Humane Society, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Oregon Humane Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.



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Richard W. Brewster  
Certified Public Accountant

June 29, 2022



## **FINANCIAL STATEMENTS**



**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Statement of Financial Position**  
*December 31, 2021*

	<b>12/31/21</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 1,078,640
Restricted cash and cash equivalents	202,506
Earnest money	10,000
Investments	6,770,203
Accounts and bequests receivable	22,272
Prepaid expenses and other current assets	5,293
Inventory	66,284
Total current assets	8,155,198
<b>NON-CURRENT ASSETS:</b>	
Property and equipment, net of depreciation	228,924
Beneficial interest in trusts	746,391
Total non-current assets	975,315
<b>TOTAL ASSETS</b>	<b>\$ 9,130,513</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 31,518
Accrued payroll & payroll taxes	24,283
Deposits	200
Total current liabilities	56,001
Total liabilities	56,001
<b>NET ASSETS</b>	
Without donor restrictions	8,125,615
With donor restrictions	948,897
Total net assets	9,074,512
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,130,513</b>

See notes to financial statements.

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Statement of Activities**  
*For the Year Ended December 31, 2021*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 12/31/21</b>
<b>SUPPORT AND REVENUE</b>			
Adoption and program fees, less refunds of \$250	\$ 192,395	\$ -	\$ 192,395
Contributions	758,031		758,031
Bequests	1,430,855		1,430,855
Grants	-	54,870	54,870
Special events	300,161		300,161
Change in value of beneficial interest in trusts		109,494	109,494
In-kind contributions	16,425		16,425
Investment income, net of fees of \$29,490	127,700		127,700
Realized gain on investments	139,654		139,654
Unrealized change in value of investments	147,541		147,541
SBA PPP loan forgiven		137,213	137,213
Gain on sale of fixed asset	10,040		10,040
Miscellaneous income	562	-	562
 Total revenues and support before net assets released from donor restriction	 3,123,364	 301,577	 3,424,941
 Net assets released from donor restrictions	 223,370	 (223,370)	 -
 Total support and revenue	 3,346,734	 78,207	 3,424,941
<b>EXPENSES</b>			
Program services	944,405		944,405
Support Services			
Management and general	65,791		65,791
Fundraising	187,686		187,686
 Total expenses	 1,197,882	 -	 1,197,882
 <b>CHANGE IN NET ASSETS</b>	 2,148,852	 78,207	 2,227,059
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 5,976,763	 870,690	 6,847,453
 <b>NET ASSETS - END OF YEAR</b>	 \$ 8,125,615	 \$ 948,897	 \$ 9,074,512

See notes to financial statements.

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Statement of Cash Flows**  
*For the Year Ended December 31, 2021*

	<b>12/31/21</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 2,227,059
Items not requiring (providing) cash:	
Depreciation	28,535
Realized and unrealized change in value of investments - (net of fees)	(147,541)
Change in beneficial interest in trusts	(109,494)
Gain on forgiven debt-PPP loan noncash	(137,213)
Change in value of perpetual trusts	(49,150)
(Increase)/ decrease in assets:	
Earnest money	(10,000)
Accounts and bequests receivable	13,480
Prepaid expenses	(4,104)
Inventory	(7,919)
Increase/(decrease) in liabilities:	
Accounts payable	6,113
Payroll liabilities	4,195
Net cash provided (used) by operating activities	1,813,961
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(3,626,934)
Purchase of property and equipment	(43,671)
Proceeds from sale of investments	2,096,473
Net cash provided (used) by investing activities	(1,574,132)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
SBA PPP loan proceeds	137,213
Net Cash Provided (Used) by Financing Activities	137,213
<b>NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	377,042
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR</b>	904,104
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR</b>	\$ 1,281,146

There were no noncash investing and financing activities.

See notes to financial statements.

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Statement of Functional Expenses**  
*For the Year Ended December 31, 2021*

	Program Services				Support Services			2021 Total Expenses
	Adoption & Sheltering	Medical Services	Volunteers	Subtotal	Fundraising	Management And General	Subtotal	
<b>Employee Compensation</b>								
Salaries & Wages	\$ 340,193	\$ 88,054	\$ 33,027	\$ 461,274	\$ 109,254	\$ 52,144	\$ 161,398	\$ 622,672
Payroll taxes	36,551	8,649	3,217	48,417	9,917	5,445	15,362	63,779
Employee benefits	16,038			16,038	12,557	2,669	15,226	31,264
<b>Total employee compensation</b>	<b>392,782</b>	<b>96,703</b>	<b>36,244</b>	<b>525,729</b>	<b>131,728</b>	<b>60,258</b>	<b>191,986</b>	<b>717,715</b>
<b>Other Expenses</b>								
Advertising	180			180	1,937		1,937	2,117
Bank charges	3,924	180		4,104	4,569	456	5,025	9,129
Board expense				-	30		30	30
Donations	2,181	75	1,043	3,299	2,649		2,649	5,948
Events	204		117	321	21,080		21,080	21,401
Feed, shelter, and supplies	27,243	55,463	1,975	84,681	3,172		3,172	87,853
Insurance	10,652			10,652			-	10,652
License and fees	5,386	150		5,536	4,667		4,667	10,203
Office expense	5,278	176	596	6,050	4,305	1,186	5,491	11,541
Outside services	42,810	84,609		127,419	825		825	128,244
Postage and shipping	497			497	3,596	171	3,767	4,264
Printing and publications	78			78	8,163		8,163	8,241
Professional Services	62,376			62,376			-	62,376
Repairs and maintenance	34,871	744	270	35,885	620		620	36,505
Travel and training	7,109	19	2	7,130		325	325	7,455
Uniforms	694		2,672	3,366			-	3,366
Utilities	37,035	603	108	37,746		2,825	2,825	40,571
Miscellaneous	1,391			1,391	345		345	1,736
<b>Total other expenses</b>	<b>241,909</b>	<b>142,019</b>	<b>6,783</b>	<b>390,711</b>	<b>55,958</b>	<b>4,963</b>	<b>60,921</b>	<b>451,632</b>
<b>Total expenses before depreciation</b>	<b>634,691</b>	<b>238,722</b>	<b>43,027</b>	<b>916,440</b>	<b>143,199</b>	<b>65,221</b>	<b>252,907</b>	<b>1,169,347</b>
Depreciation	26,825	1,140		27,965		570	570	28,535
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 661,516</b>	<b>\$ 239,862</b>	<b>\$ 43,027</b>	<b>\$ 944,405</b>	<b>\$ 187,686</b>	<b>\$ 65,791</b>	<b>\$ 253,477</b>	<b>\$ 1,197,882</b>
Percentage of total	55.2%	20.0%	3.6%	78.8%	15.7%	5.5%	21.2%	100.0%

See notes to financial statements.



**NOTES TO FINANCIAL STATEMENTS**

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Notes to Financial Statements**  
*December 31, 2021*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 Society 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, 2021, 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 - 1,076 total adoptions for 2021. 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 2021, 1,099 animals were accepted from the public and other Societies.

**Medical Services** - During the year ended December 31, 2021, the Society performed 725 surgeries, including 706 spay and neuter surgeries and 841 other medical procedures. In addition, the Society provided 3,263 vaccination updates for pets and trained 1 intern 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 35,400 hours of service to all programs offered at the Society in 2021, volunteers provided services equivalent to 17 full-time employees.

**BASIS OF ACCOUNTING AND 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:

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Notes to Financial Statements**  
*December 31, 2021*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND PRESENTATION (Continued)**

*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, CASH EQUIVALENTS, AND RESTRICTED CASH**

For the purposes of the statement of cash flows, the Society considers all highly liquid unrestricted investments purchased with a maturity of three months or less to be cash equivalents. Restricted cash, which is stated separately, is all cash and cash equivalents with donor-imposed restrictions as of December 31.

**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 RECEIVABLE**

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.

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Notes to Financial Statements**  
*December 31, 2021*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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.

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Notes to Financial Statements**  
*December 31, 2021*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**REVENUE RECOGNITION**

The Society has multiple revenue streams that are accounted for as reciprocal exchange transactions including program fees, grants, sales, and related services. These contracts with customers are performance obligations that are satisfied upon completion of the service or sale. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

The Society operates a shop at its main facility which sells merchandise on a retail basis to customers. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Society based on retail prices set by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary. The Society recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with a right of return. No liability for probable customer returns was considered necessary as of December 31, 2021.

All revenues received through contributions 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.

Fundraising events are conducted in which a portion of the gross proceeds paid by a participant represents payment for the direct cost of the benefits received by the participant at the event – the exchange component, and a portion represents a contribution to the Society. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Society. The contribution is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Society, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. Special event fees collected by the Society in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event.

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Notes to Financial Statements**  
*December 31, 2021*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BENEFICIAL INTEREST IN TRUSTS**

The Society recognizes its right to assets held by trustees 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.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations are based upon use of facility square footage or completed payroll time studies. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification which include wages and payroll taxes. All other expenses that are common to several functions are allocated based on time and effort.

**INCOME TAXES**

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. As of December 31, 2021 there were no such uncertain tax positions.

**ADVERTISING**

The Society expenses advertising costs as incurred. Total advertising expense was \$2,117 for the year ended December 31, 2021.

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Notes to Financial Statements**  
*December 31, 2021*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 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. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

**2. LIQUIDITY AND AVAILABILITY OF FUNDS**

The Society's financial assets available for general expenditure, that is without donor or restrictions limiting their use, within one year of the statement of financial position date, are as follows:

Cash and cash equivalents	\$ 1,078,640
Accounts receivable	22,272
Investments	<u>6,770,203</u>
Total financial assets available to meet expenditures within the next 12 months	<u>\$ 7,871,115</u>

Society's goal is to generally maintain financial assets available to meet 60 days of general expenditures (operating expenses). Utilizing the 2021 statement of activities, 60 days of operating expenses approximates \$196,000.

**3. DEPOSITS IN EXCESS OF INSURED LIMITS**

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, 2021, cash balances exceeded amounts insured by the FDIC in the amount of \$632,217. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant risk exists at this time.

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Notes to Financial Statements**  
*December 31, 2021*

**4. PROPERTY AND EQUIPMENT**

The following is a summary of land, buildings, and equipment stated at cost less accumulated depreciation for the year ended December 31, 2021:

Land	\$ 28,500
Building and improvements	254,672
Furniture and equipment	290,654
Vehicles	<u>90,857</u>
Totals	664,683
Less accumulated depreciation of	<u>(451,759)</u>
Subtotal	212,924
Fine art	<u>16,000</u>
Property and equipment, net	<u><u>\$ 228,924</u></u>

Depreciation expense for the year ended December 31, 2021 was \$28,535.

**5. BENEFICIAL INTEREST IN TRUSTS**

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 \$64,842 during 2021. 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, 2021 was \$746,391.



**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Notes to Financial Statements**  
*December 31, 2021*

**6. NET ASSETS**

Net assets with donor restrictions are restricted for the following purposes at December 31, 2021:

Subject to expenditure for a specific purpose:

Capital projects	\$ 152,786
Medical services	40,720
Adoption and sheltering costs	<u>9,000</u>
Total subject to expenditure for a specific purpose	<u>202,506</u>

Not subject to expenditure:

Beneficial interest in perpetual trust	<u>746,391</u>
Total not subject to expenditure	<u>746,391</u>

Total net assets with donor restrictions	<u><u>\$ 948,897</u></u>
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**7. LEASES**

The Society has entered into non-cancellable operating leases for office equipment. Operating lease expense for the year ended December 31, 2021, amounted to \$4,710.

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

Years ending December 31,	2022	\$	2,031
	2023		<u>258</u>
Total future minimum payments		\$	<u><u>2,289</u></u>

**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.

The Society entered into an agreement to purchase land on November 19, 2021. This land will be for the future location of its operations. The agreement was for approximately 4 acres of land for a purchase price of \$609,840. The balance sheet currently reflects the \$10,000 deposit made on this agreement. See Note 13 on subsequent events for updated agreement.

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
**Notes to Financial Statements**  
*December 31, 2021*

**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, 2021, the costs of conducting these activities included a total of \$196,538 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	\$ 133,257
Medical services	10,767
Volunteers	3,923
Fundraising	34,944
Administration	13,647
	<u>\$ 196,538</u>

**10. SBA PAYCHECK PROTECTION PROGRAM**

During the year ending December 31, 2021, the Society received loan proceeds in the amount of \$137,213 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the federal government. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The Society recognized loan forgiveness for the full amount of the loan based on how the funds were spent and approval of loan forgiveness evidenced by a determination letter.

**11. 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.

**SOUTHERN OREGON HUMANE SOCIETY, INC.**  
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**11. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Cash & cash alternatives	\$ 2,460,925	\$ -	\$ -	\$ 2,460,925
Domestic Equities	2,357,635			2,357,635
Fixed income and Securities	1,752,240			1,752,240
Alternatives		199,403		199,403
<b>Total investments</b>	<b>\$ 6,570,800</b>	<b>\$ 199,403</b>	<b>\$ -</b>	<b>\$ 6,770,203</b>
Beneficial Interest in trusts:				
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 746,391	\$ 746,391

**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.

**Level 3 Reconciliation**

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

	Beneficial Interest in Perpetual Trusts
Balance January 1, 2021	\$ 697,241
Net change in value of perpetual trusts	49,150
Balance December 31, 2021	<b>\$ 746,391</b>

**Unobservable (Level 3) Inputs**

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

	Fair Value at 12/31/2021	Valuation Technique	Unobservable Inputs	(Weighted- Average)
Beneficial interest in perpetual trusts	\$ 746,391	Fair value of underlying investments	Perpetual existence	Not available

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**12. SUBSEQUENT EVENTS**

The Society updated its land purchase agreement on March 1, 2022, to include a larger section of land totaling approximately 7.47 acres. The total purchase price based on the land being purchased for operations is \$1,138,876.

Management of the Society has evaluated events as of June 29, 2022, which is the date of the audit report. The report was available to be issued on July 11, 2022.