

SOUTHERN OREGON HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2020

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INDEPENDENT AUDITOR'S REPORT

RICHARD W. BREWSTER, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

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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, 2020 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, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

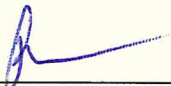
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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.

RICHARD W. BREWSTER, CPA, PC

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- 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.



Richard W. Brewster
Certified Public Accountant

May 7, 2021

FINANCIAL STATEMENTS

SOUTHERN OREGON HUMANE SOCIETY, INC.
Statement of Financial Position
December 31, 2020

	<u>12/31/20</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 730,655
Restricted cash and cash equivalents	173,449
Investments	4,971,078
Accounts and bequests receivable	35,752
Prepaid expenses and other current assets	1,189
Inventory	<u>58,365</u>
Total current assets	<u>5,970,488</u>
NON-CURRENT ASSETS:	
Property and equipment, net of depreciation	225,417
Beneficial interest in trusts	<u>697,241</u>
Total non-current assets	<u>922,658</u>
TOTAL ASSETS	<u><u>\$ 6,893,146</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 25,405
Accrued payroll & payroll taxes	20,088
Deposits	<u>200</u>
Total current liabilities	<u>45,693</u>
Total liabilities	<u>45,693</u>
NET ASSETS	
Without donor restrictions	5,976,763
With donor restrictions	<u>870,690</u>
Total net assets	<u>6,847,453</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,893,146</u></u>

See notes to financial statements.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Statement of Activities
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 12/31/20</u>
SUPPORT AND REVENUE			
Adoption and program fees, less refunds of \$1,925	\$ 157,033	\$ -	\$ 157,033
Contributions	497,100		497,100
Bequests	70,166	163,089	233,255
Grants	-	57,625	57,625
Special events	284,168		284,168
Change in value of beneficial interest in trusts		40,030	40,030
In-kind contributions	46,746		46,746
Investment income, net of fees of \$18,868	110,619		110,619
Unrealized change in value of investments	257,404		257,404
SBA PPP loan	263,500		263,500
Miscellaneous income	1,204	-	1,204
	<hr/>	<hr/>	<hr/>
Total revenues and support before net assets released from donor restriction	1,687,940	260,744	1,948,684
Net assets released from donor restrictions	224,215	(224,215)	-
	<hr/>	<hr/>	<hr/>
Total support and revenue	1,912,155	36,529	1,948,684
	<hr/>	<hr/>	<hr/>
EXPENSES			
Program services	816,276	-	816,276
Support Services			
Management and general	96,832	-	96,832
Fundraising	186,277		186,277
	<hr/>	<hr/>	<hr/>
Total expenses	1,099,385	-	1,099,385
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	812,770	36,529	849,299
NET ASSETS - BEGINNING OF YEAR	5,163,993	834,161	5,998,154
	<hr/>	<hr/>	<hr/>
NET ASSETS - END OF YEAR	<u>\$ 5,976,763</u>	<u>\$ 870,690</u>	<u>\$ 6,847,453</u>

See notes to financial statements.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Statement of Cash Flows
For the Year Ended December 31, 2020

	<u>12/31/20</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 849,299
Items not requiring (providing) cash:	
Depreciation	28,160
Realized and unrealized change in value of investments - (net of fees)	(429,693)
Gain on forgiven debt-PPP loan noncash	(263,500)
Change in value of perpetual trusts	(40,030)
(Increase)/ decrease in assets:	
Accounts and bequests receivable	(8,442)
Prepaid expenses	(753)
Inventory	(9,218)
Increase/(decrease) in liabilities:	
Accounts payable	12,146
Payroll liabilities	7,637
	<u>145,606</u>
Net cash provided (used) by operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(2,047,356)
Purchase of property and equipment	(38,187)
Change in beneficial interest in trusts	(40,030)
Proceeds from sale of investments	1,974,219
	<u>(151,354)</u>
Net cash provided (used) by investing activities	
CASH FLOWS FROM FINANCING ACTIVITIES	
SBA PPP loan proceeds	263,500
	<u>263,500</u>
Net Cash Provided (Used) by Financing Activities	
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	257,752
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	<u>646,352</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 904,104</u></u>

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, 2020

	Program Services				Support Services			2020 Total Expenses
	Adoption & Sheltering	Medical Services	Volunteers	Subtotal	Fundraising	Management And General	Subtotal	
Employee Compensation								
Salaries & Wages	\$ 300,475	\$ 81,703	\$ 35,607	\$ 417,785	\$ 113,008	\$ 64,315	\$ 177,323	\$ 595,108
Payroll taxes	31,916	7,461	3,209	42,586	12,134	9,456	21,590	64,176
Employee benefits	15,330			15,330	6,570	13,168	19,738	35,068
Total employee compensation	347,721	89,164	38,816	475,701	131,712	86,939	218,651	694,352
Other Expenses								
Advertising	1,264	171	425	1,860	3,725	160	3,885	5,745
Bank charges	7,936			7,936	2,951	74	3,025	10,961
Board expense				-	85		85	85
Donations				-	245		245	245
Dues and subscriptions	2,156			2,156	4,250	81	4,331	6,487
Events	876	80	92	1,048	15,008		15,008	16,056
Feed, shelter, and supplies	47,951	48,777	285	97,013	2,339	57	2,396	99,409
Insurance	11,776			11,776	586		586	12,362
Office expense	1,801			1,801	2,858	182	3,040	4,841
Outside services	24,448	80,514		104,962	1,075	1,412	2,487	107,449
Postage and shipping	422	7		429	5,298		5,298	5,727
Printing and publications	558			558	10,930		10,930	11,488
Professional Services	31,070			31,070	2,900	3,450	6,350	37,420
Repairs and maintenance	11,345	670	218	12,233	265	115	380	12,613
Travel and training	3,339	2,215	65	5,619	118		118	5,737
Uniforms	2,485		573	3,058			-	3,058
Utilities	29,207	1,197		30,404	1,517	2,814	4,331	34,735
Miscellaneous	712	150		862	415	1,178	1,593	2,455
Total other expenses	177,346	133,781	1,658	312,785	54,565	9,523	64,088	376,873
Total expenses before depreciation	525,067	222,945	40,474	788,486	143,199	96,462	282,739	1,071,225
Depreciation	26,514	1,276		27,790		370	370	28,160
TOTAL FUNCTIONAL EXPENSES	\$ 551,581	\$ 224,221	\$ 40,474	\$ 816,276	\$ 186,277	\$ 96,832	\$ 283,109	\$ 1,099,385
Percentage of total	50.2%	20.4%	3.7%	74.2%	16.9%	8.8%	25.8%	100.0%

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

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, 2020, 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 - 1,085 total adoptions for 2020. 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 2020, 1,089 animals were accepted from the public and other Society's.

Medical Services - During the year ended December 31, 2020, the Society performed 733 surgeries, including 727 spay and neuter surgeries and 885 other medical procedures. In addition, the Society provided 819 vaccination updates for pets and trained 1 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 35,000 hours of service to all programs offered at the Society in 2020, volunteers provided services equivalent to 20 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, 2020

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 is stated separately and 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, 2020

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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020.

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.

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.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 there were no such uncertain tax positions.

ADVERTISING

The Society expenses advertising costs as incurred. Total advertising expense was \$5,745 for the year ended December 31, 2020.

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.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECENTLY ISSUED ACCOUNTING STANDARDS

The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) effective January 01, 2020. Topic 606 was adopted on a modified retrospective basis, and the Company determined that there was no cumulative effect to retained earnings as of January 1, 2019 that was required to be disclosed as a result of adopting the standard.

This ASU will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

The majority of the contracts from customers, which includes program service revenues and merchandise sales, is recognized at the point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of the Society's contracts do not contain variable consideration and contract modifications are generally minimal. Adoption of the new guidance did not have a significant impact on 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	\$ 730,655
Accounts receivable	35,752
Investments	4,971,078
Total financial assets available to meet expenditures within the next 12 months	<u>\$ 5,737,485</u>

Society's goal is generally to maintain financial assets available to meet 60 days of general expenditures (operating expenses). Utilizing the 2020 statement of activities, 60 days of operating expenses approximates \$187,000.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

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, 2020, 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.

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, 2020:

Land	\$ 28,500
Building and improvements	213,668
Furniture and equipment	297,977
Vehicles	<u>107,657</u>
Totals	647,802
Less accumulated depreciation of	<u>(438,385)</u>
Subtotal	209,417
Fine art	<u>16,000</u>
Property and equipment, net	<u><u>\$ 225,417</u></u>

Depreciation expense for the year ended December 31, 2020 was \$28,160.

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 \$70,166 during 2020. 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, 2020 was \$697,241.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

6. NET ASSETS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2020:

Subject to expenditure for a specific purpose:

Capital projects	\$ 121,838
Medical services	40,700
Adoption and sheltering costs	<u>10,911</u>
Total subject to expenditure for a specific purpose	<u>173,449</u>

Not subject to expenditure:

Beneficial interest in perpetual trust	<u>697,241</u>
Total not subject to expenditure	<u>697,241</u>

Total net assets with donor restrictions	<u><u>\$ 870,690</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, 2020, amounted to \$4,659.

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

Years ending December 31,	2021	\$ 4,028
	2022	2,031
	2023	<u>258</u>

Total future minimum payments	<u><u>\$ 6,317</u></u>
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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.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2020

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, 2020, the costs of conducting these activities included a total of \$189,405 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	\$ 116,465
Medical services	12,156
Volunteers	3,274
Fundraising	31,446
Administration	26,064
	<u>\$ 189,405</u>

10. SBA PAYROLL PROTECTION PROGRAM

During the year ending December 31, 2020, the Society received \$263,500 from the Payroll Protection Program to fund necessary occupancy and payroll related expenses. The amount was originally received as a loan. Based on the program and proper spending, this loan was forgiven and considered nontaxable income to the Society as of December 31, 2020.

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.

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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, 2020:

	Level 1	Level 2	Level 3	Total
Cash & cash alternatives	\$ 232,409	\$ -	\$ -	\$ 232,409
Domestic Equities	1,236,690			1,236,690
ETF & Mutual Funds	2,701,247			2,701,247
Bonds		184,380		184,380
Certificates of Deposit	616,352			616,352
Total investments	<u>\$ 4,786,698</u>	<u>\$ 184,380</u>	<u>\$ -</u>	<u>\$ 4,971,078</u>
Beneficial Interest in trusts:				
Beneficial interest in perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 697,241</u>	<u>\$ 697,241</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.

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 Interest in Perpetual Trusts
Balance January 1, 2020	\$ 657,211
Net change in value of perpetual trusts	<u>40,030</u>
Balance December 31, 2020	<u>\$ 697,241</u>

Unobservable (Level 3) Inputs

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

	Fair Value at 12/31/2019	Valuation Technique	Unobservable Inputs	(Weighted- Average)
Beneficial interest in perpetual trusts	\$ 697,241	Fair value of underlying investments	Perpetual existence	Not available

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12. UNCERTAINTIES

On September 10, 2020, the Alameda Fire brought devastation to the cities of Phoenix and Talent Oregon. The fire displaced thousands of individuals and disrupted portions of the Society's operations. The financial effect of this fire has been both good and bad with the long-term effect yet to be determined.

During 2020, the World Health Organization declared the outbreak of the coronavirus (Covid-19) as a world pandemic which continues to spread throughout the United States. As a result of Covid-19, the Organization's operations and number of visitors at their facility is expected to be reduced which can have a negative impact on financial resources.

13. SUBSEQUENT EVENTS

Management of the Society has evaluated events as of May 7, 2021, which is the date of the audit report. The report was available to be issued on May 15, 2021.