

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position.....	2
Statements of Activities -- 2020	3
Statements of Activities -- 2019	4
Statements of Functional Expenses-- 2020	5
Statements of Functional Expenses-- 2019	6
Statements of Cash Flows	7
Notes to the Financial Statements	8-18

Capital Area Humane Society
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,363,594	1,055,270
Certificates of deposit	55,680	54,938
Accounts receivable	1,600	10,475
Promises to give	128,400	150,365
Prepaid expenses	18,922	11,121
Inventory	72,842	74,692
	2,641,038	1,356,861
Long-term assets:		
Promises to give	135,515	232,713
Property and equipment, net of depreciation	2,644,314	2,812,130
Construction in progress	50,305	19,572
Investments	1,346,497	1,200,938
Beneficial interest in assets held at Capital Region Community Foundation	398,262	372,386
	4,574,893	4,637,739
	7,215,931	5,994,600
Liabilities and net assets:		
Current liabilities:		
Accrued payroll	87,803	60,187
Accounts payable	49,385	37,361
Paycheck protection program loan	335,372	-
	472,560	97,548
Net assets:		
Without donor restrictions	5,477,543	4,758,388
With donor restrictions	1,265,828	1,138,664
	6,743,371	5,897,052
	\$ 7,215,931	5,994,600

See accompanying notes to the financial statements.

Capital Area Humane Society
Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Shelter:			
Donations	\$ 523,663	83,873	607,536
Donations, capital campaign	-	79,240	79,240
Memorials, bequests, and trusts	1,148,874	-	1,148,874
Grants	40,829	17,790	58,619
Non-cash donations	5,405	-	5,405
Shelter operations	473,392	-	473,392
Clinic income	4,769	-	4,769
Merchandise of sales, net of expenses	19,114	-	19,114
Fundraising income	572,336	-	572,336
Investment return, net	158,213	25,876	184,089
Humane education	94,220	-	94,220
Miscellaneous	4,806	-	4,806
	<u>3,045,621</u>	<u>206,779</u>	<u>3,252,400</u>
Clinic:			
Donations	375	25,467	25,842
Grants	-	52,750	52,750
Clinic Income	<u>359,918</u>	<u>-</u>	<u>359,918</u>
	360,293	78,217	438,510
Net assets released from restrictions	<u>157,832</u>	<u>(157,832)</u>	<u>-</u>
	<u>3,563,746</u>	<u>127,164</u>	<u>3,690,910</u>
Expenses:			
Program:			
Shelter	1,905,649	-	1,905,649
Clinic	479,293	-	479,293
Management and general	182,339	-	182,339
Fundraising	<u>277,310</u>	<u>-</u>	<u>277,310</u>
	<u>2,844,591</u>	<u>-</u>	<u>2,844,591</u>
Change in net assets	719,155	127,164	846,319
Net assets, January 1	<u>4,758,388</u>	<u>1,138,664</u>	<u>5,897,052</u>
Net assets, December 31	<u>\$ 5,477,543</u>	<u>1,265,828</u>	<u>6,743,371</u>

See accompanying notes to the financial statements.

Capital Area Humane Society
Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Contributions:			
Donations	\$ 434,181	69,972	504,153
Donations - capital campaign	-	792,630	792,630
Memorials, bequests, and trusts	540,886	-	540,886
Grants	20,752	17,577	38,329
Non-cash donations	6,256	-	6,256
Shelter operations	487,576	-	487,576
Clinic income	9,395	-	9,395
Merchandise of sales - net of expenses	34,860	-	34,860
Fundraising income	737,980	-	737,980
Investment return, net	173,572	47,903	221,475
Humane education	55,759	-	55,759
Miscellaneous	4,800	-	4,800
	<u>2,506,017</u>	<u>928,082</u>	<u>3,434,099</u>
Clinic:			
Donations	1,091	25,463	26,554
Grants	-	10,000	10,000
Clinic income	<u>424,420</u>	<u>-</u>	<u>424,420</u>
	425,511	35,463	460,974
Net assets released from restrictions	<u>286,710</u>	<u>(286,710)</u>	<u>-</u>
	<u>3,218,238</u>	<u>676,835</u>	<u>3,895,073</u>
Expenses:			
Program services:			
Shelter	1,985,913	-	1,985,913
Clinic	514,995	-	514,995
Management and general	212,868	-	212,868
Fundraising	<u>435,576</u>	<u>-</u>	<u>435,576</u>
	<u>3,149,352</u>	<u>-</u>	<u>3,149,352</u>
Change in net assets	68,886	676,835	745,721
Net assets, January 1	<u>4,689,502</u>	<u>461,829</u>	<u>5,151,331</u>
Net assets, December 31	\$ <u>4,758,388</u>	<u>1,138,664</u>	<u>5,897,052</u>

See accompanying notes to the financial statements.

Capital Area Humane Society
Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Program Services</u>				<u>Total</u>	<u>Percent of Total</u>
	<u>Shelter</u>	<u>Clinic</u>	<u>Management and General</u>	<u>Fundraising</u>		
Wages	\$ 1,076,112	194,882	126,381	98,263	1,495,638	52.28 %
Payroll taxes	86,051	19,069	8,556	6,653	120,329	4.21
Retirement plan	9,427	3,600	937	729	14,693	0.51
Employee benefits	34,823	21,512	3,463	2,691	62,489	2.18
Professional development	3,238	-	-	-	3,238	0.11
Animal care/clinic	288,889	120,662	-	-	409,551	14.31
Merchandise cost of goods sold	16,546	-	-	-	16,546	0.58
Printing/office expense	83,339	6,388	1,701	156,197	247,625	8.65
Building supplies	22,000	-	695	463	23,158	0.81
Rent	-	39,078	-	-	39,078	1.37
Telephone	8,579	6,899	271	181	15,930	0.56
Utilities	54,723	7,882	1,728	1,152	65,485	2.29
Repairs & maintenance	29,490	15,806	931	621	46,848	1.64
General insurance	28,052	-	886	591	29,529	1.03
Dues and subscriptions	1,189	-	694	-	1,883	0.07
Depreciation and amortization	159,315	15,186	5,031	3,354	182,886	6.39
Volunteer expenses	5,187	-	-	-	5,187	0.18
Professional fees	-	-	5,900	-	5,900	0.21
Advertising	-	-	-	2,341	2,341	0.08
Humane education	8,276	-	-	-	8,276	0.29
Miscellaneous	-	1,379	18,497	-	19,876	0.69
Travel	6,959	-	6,668	49	13,676	0.48
Contractual services	-	26,950	-	-	26,950	0.94
Miscellaneous fundraising	-	-	-	4,025	4,025	0.14
	<u>1,922,195</u>	<u>479,293</u>	<u>182,339</u>	<u>277,310</u>	<u>2,861,137</u>	<u>100.00 %</u>
Less expenses included with revenues on the statement of activities						
Merchandise cost of goods sold	<u>(16,546)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,546)</u>	
Total expenses included on the statement of activities	<u>\$ 1,905,649</u>	<u>479,293</u>	<u>182,339</u>	<u>277,310</u>	<u>2,844,591</u>	

See accompanying notes to the financial statements.

Capital Area Humane Society
Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program Services</u>				<u>Total</u>	<u>Percent of Total</u>
	<u>Shelter</u>	<u>Clinic</u>	<u>Management and General</u>	<u>Fundraising</u>		
Wages	\$ 1,084,375	196,378	127,352	99,018	1,507,123	47.52 %
Payroll taxes	90,112	18,953	8,960	6,967	124,992	3.94
Retirement plan	9,598	4,942	954	742	16,236	0.51
Employee benefits	57,104	19,259	5,678	4,415	86,456	2.73
Professional development	4,452	50	-	5,096	9,598	0.30
Animal care/clinic	325,996	151,088	-	-	477,084	15.04
Merchandise cost of goods sold	21,782	-	-	-	21,782	0.69
Printing/office expense	74,036	6,482	1,511	189,220	271,249	8.55
Building supplies	23,860	-	753	503	25,116	0.79
Rent	-	35,400	-	-	35,400	1.12
Telephone	7,561	5,784	239	159	13,743	0.43
Utilities	53,078	11,561	1,676	1,117	67,432	2.13
Repairs & maintenance	26,649	20,036	842	561	48,088	1.52
General insurance	28,839	-	911	607	30,357	0.96
Dues and subscriptions	690	-	515	340	1,545	0.05
Depreciation and amortization	157,483	15,293	4,973	3,315	181,064	5.71
Volunteer expenses	12,315	-	-	-	12,315	0.39
Professional fees	-	-	5,800	72,000	77,800	2.45
Advertising	-	320	-	32,080	32,400	1.02
Humane education	18,859	-	-	-	18,859	0.59
Miscellaneous	-	1,299	21,738	-	23,037	0.73
Travel	10,906	-	12,911	1,177	24,994	0.79
Contractual services	-	28,150	-	-	28,150	0.89
Loss on disposal of assets	-	-	18,055	-	18,055	0.57
Miscellaneous fundraising	-	-	-	18,259	18,259	0.58
	<u>2,007,695</u>	<u>514,995</u>	<u>212,868</u>	<u>435,576</u>	<u>3,171,134</u>	<u>100.00 %</u>
Less expenses included with revenues on the statement of activities						
Merchandise cost of goods sold	<u>(21,782)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,782)</u>	
Total expenses included on the statement of activities	\$ <u>1,985,913</u>	<u>514,995</u>	<u>212,868</u>	<u>435,576</u>	<u>3,149,352</u>	

See accompanying notes to the financial statements.

Capital Area Humane Society
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 846,319	745,721
Adjustments to reconcile change in net assets to net cash from by operating activities:		
Depreciation and amortization	182,886	181,064
Loss on disposal of property and equipment	-	18,054
Change in allowance for uncollectible promises to give	(4,771)	-
Change in discounts on promises to give	(7,434)	7,434
Net (gains) losses on investments	(146,411)	(191,515)
Change in beneficial interest in assets held at Capital Region Community Foundation	(39,602)	(47,903)
(Increase) decrease in assets		
Accounts receivable	8,875	(6,885)
Promises to give	131,368	(364,508)
Inventory	1,850	244
Prepaid expenses	(7,801)	7,567
Increase (decrease) in liabilities		
Accounts payable	12,024	(39,527)
Accrued payroll	27,616	9,023
	1,004,919	318,769
Cash flows from financing activities:		
Paycheck protection program loan	335,372	-
Cash flows from investing activities:		
Purchase of property and equipment	(15,070)	(34,396)
Construction in progress	(30,733)	(19,572)
Change in certificates of deposit	(742)	(665)
Proceeds from sale of investments	258,009	161,023
Purchase of investments	(257,157)	(157,318)
Withdraws from beneficial interest in assets held at Capital Region Community Foundation	13,726	-
	(31,967)	(50,928)
Change in cash and cash equivalents	1,308,324	267,841
Cash and cash equivalents, January 1	1,055,270	787,429
Cash and cash equivalents, December 31	\$ 2,363,594	1,055,270

See accompanying notes to the financial statements.

1. SUMMARY OF ACCOUNTING POLICIES:

Nature of the organization

Ingham County Humane Society, d.b.a Capital Area Humane Society the "Organization", is a community-supported agency committed to assuring responsible care for and respectful treatment of domestic animals in the greater Lansing, Michigan area. The Organization operates a shelter, provides adoption programs, advocates spaying and neutering of pets, and promotes animal welfare.

Basis of accounting

The financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used in preparing the financial statements.

Cash equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable are stated at their net realizable value. Any amount determined to be uncollectible is charged against the allowance for doubtful accounts at the time that determination is made. Management has not assessed an allowance against accounts receivable at December 31, 2020 and 2019.

Promises to give

Unconditional promises to give are recorded at net realizable value when the promise is made and requires the Organization to distinguish between contributions based upon donor imposed restrictions. Unconditional promises to give in more than one year were not discounted in 2020 as management believes the amount to be insignificant. Promises to give in 2019 are reflected at the present value of estimated future cash flows using a discount rate of 1.69%. The Organization has elected to set up an allowance for uncollectible accounts that approximates 5% of outstanding balances.

Inventory

Inventory is stated at cost and consists primarily of animal care supplies.

Property and equipment

Property and equipment are stated at cost. The Organization capitalizes assets costing over \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets, which range from three to thirty-one years.

Investments

Investments are stated at fair value. Investments are classified as long-term on the statement of financial position as there is no immediate need for these funds and it is the Organization's intention to grow its investment portfolio to provide for future projects and endeavors. Net investment return is included in the statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Net assets

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions – Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished.

Revenue recognition

Revenue is recognized when earned. Program service fees, payments under cost-reimbursable contracts, fees and payments received in advance are deferred to the period the related services are performed or expenditures are incurred. Gifts and contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend have been substantially met.

Clinic and shelter income are based on the satisfaction of the performance obligations at a point in time. The performance obligations related to the clinic and shelter income is the completion of the shelter or clinic services. Upon completion of the services, the Organization records revenue. There are no significant financing components, warranties, or variable considerations.

Donated services

The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional allocation of expenses

The costs of providing program and other activities have been reported in the statement of activities. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Organization. Allocated expenses primarily consist of payroll and related expenses and general expenses based on salary and wage analysis and management's estimated use of resources using allocated salary and wages as the driving factor.

Credit risk

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and promises to give. The Organization follows a policy of placing its cash and cash equivalents with various major financial institutions. Although such cash balances may exceed the federally insured limits at certain times during the year and at year-end, they are in the opinion of management, subject to minimal risk. Credit risk associated with promises to give is considered to be limited due to high historical collection rates. As of December 31, 2020, 79% of the pledges receivables balance is concentrated among three individuals. As of December 31, 2019, 78% of the promises to give balance is concentrated among three individuals.

Advertising costs

The Organization's policy is to expense advertising costs as incurred.

Date of management’s review

Subsequent events have been evaluated through August 12, 2021, which is the date the financial statements were available to be issued.

2. PROMISES TO GIVE:

Unconditional promises to give primarily consist of amounts for the use of renovating the building. There are also \$10,000 of unconditional promises to give without any donor restrictions.

Unconditional promises to give consist of the following:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give	\$ 279,118	410,486
Less: allowance for uncollectible accounts	(15,203)	(19,974)
Less: present value adjustment	<u>-</u>	<u>(7,434)</u>
Net unconditional promises to give	<u>\$ 263,915</u>	<u>383,078</u>
Amounts due in		
One year or less	\$ 128,400	150,365
One to five years	130,515	226,713
More than five years	<u>5,000</u>	<u>6,000</u>
	<u>\$ 263,915</u>	<u>383,078</u>

3. PROPERTY AND EQUIPMENT:

Major classes of property and equipment are as follows:

	<u>2020</u>	<u>2019</u>
Shelter	\$ 3,613,973	3,613,973
Land	119,040	119,040
Equipment	604,017	588,947
Off-site clinic leasehold improvements	194,582	194,582
Off-site clinic equipment	<u>84,904</u>	<u>84,904</u>
	4,616,516	4,601,446
Accumulated depreciation and amortization	<u>(1,972,202)</u>	<u>(1,789,316)</u>
Net property and equipment	<u>\$ 2,644,314</u>	<u>2,812,130</u>

4. FAIR VALUE MEASUREMENTS:

Fair Value Measurements in accordance with GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes that inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets of liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2020 and 2019.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The Capital Region Community Foundation (CRCF) acts under an arrangement as a depository for gifts, conveyances, and other transfers intended to assist the Organization in achieving its goals and purposes. The Organization's beneficial interest in amounts held by the CRCF at December 31, 2020 and 2019, have been recorded at fair value and amounted to \$398,262 and \$372,386, respectively.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present by level, within the fair value hierarchy, the Organization investment assets at fair value, as of December 31, 2020 and 2019. As required by GAAP, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

Capital Area Humane Society
Notes to the Financial Statements
December 31, 2020 and 2019

	Fair Value of Measurements at Reporting Date Using:			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
December 31, 2020				
Investments				
Mutual funds				
Equity	\$ 652,592	-	-	652,592
Fixed income	<u>693,905</u>	<u>-</u>	<u>-</u>	<u>693,905</u>
Total investments valued on a recurring basis				
	<u>\$ 1,346,497</u>	<u>-</u>	<u>-</u>	<u>1,346,497</u>
Beneficial interest in assets held at Capital Area Community Foundation				
	<u>\$ -</u>	<u>-</u>	<u>398,262</u>	<u>398,262</u>
December 31, 2019				
Investments				
Mutual funds				
Equity	\$ 537,169	-	-	537,169
Fixed income	<u>663,769</u>	<u>-</u>	<u>-</u>	<u>663,769</u>
Total investments valued on a recurring basis				
	<u>\$ 1,200,938</u>	<u>-</u>	<u>-</u>	<u>1,200,938</u>
Beneficial interest in assets held at Capital Area Community Foundation				
	<u>\$ -</u>	<u>-</u>	<u>372,386</u>	<u>372,386</u>

The following schedule summarizes investment return, net as presented in the statements of activities for the years ending December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Interest, dividend, and capital gain distributions, net of expenses	\$ 45,568	53,125
Realized gain on investment	36,388	40,215
Unrealized gain (loss) on investment	62,531	80,232
Net gain (loss) in beneficial interest in assets held at Capital Region Community Foundation	<u>39,602</u>	<u>47,903</u>
Total investment return, net	<u>\$ 184,089</u>	<u>221,475</u>

5. ENDOWMENT FUNDS:

The Organization's endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restrictions that are perpetual in nature (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment income from the donor-restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor stipulated purpose within the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the distributions with acceptable levels of risk. Actual returns in any given year may vary from this amount. Endowment assets are maintained with the Capital Region Community Foundation and are invested in a well diversified asset mix, which includes mutual funds, stocks and bonds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of appropriating for distributions in support of general operating costs and programming of Capital Area Humane Society while growing the funds if possible. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment fund which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a rate which will enable these distributions. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment assets as of December 31, 2020 are as follows:

	With Donor Restrictions		<u>Total</u>
	<u>Accumulated Gains and Contributions</u>	<u>Original Gift in Perpetuity by Donor</u>	
Endowment assets, beginning of year	\$ 129,330	243,056	372,386
Investment income	8,132	-	8,132
Net appreciation (depreciation)	34,829	-	34,829
Appropriated for expenditure	(13,725)	-	(13,725)
Administrative fees	(3,360)	-	(3,360)
 Endowment assets, end of year	 \$ 155,206	 243,056	 398,262

Changes in endowment assets as of December 31, 2019 are as follows:

	With Donor Restrictions		<u>Total</u>
	<u>Accumulated Gains and Contributions</u>	<u>Original Gift in Perpetuity by Donor</u>	
Endowment assets, beginning of year	\$ 81,427	243,056	324,483
Investment income	17,623	-	17,623
Net appreciation (depreciation)	46,852	-	46,852
Appropriated for expenditure	(13,258)	-	(13,258)
Administrative fees	(3,314)	-	(3,314)
 Endowment assets, end of year	 \$ 129,330	 243,056	 372,386

6. DEFINED CONTRIBUTION PLAN:

The Organization has a defined contribution plan (the Plan) covering all employees with at least one year of service, who agree to make contributions to the Plan. The Organization matches 50% of participants' contributions to the Plan up to 3% of the individual participant's compensation. In addition, the Organization may elect to contribute an additional discretionary matching contribution in any Plan year. Total expense, net of forfeitures and plan fees for the years ending December 31, 2020 and 2019 was \$14,693 and \$16,236, respectively.

7. DONOR RESTRICTED NET ASSETS:

Donor restricted net assets are available for the following purposes:

	<u>Balance</u> <u>1/1/2020</u>	<u>Revenues</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>12/31/2020</u>
Wellness program	\$ 9,691	34,000	43,691	-
Adoptions	-	13,200	13,200	-
Low income spay/neuter assistance	2,566	21,190	7,876	15,880
Special care	61,057	83,873	40,474	104,456
Cat benches	146	-	-	146
Foster program	353	-	-	353
Community cats program	8,750	24,217	19,458	13,509
Conference travel stipends	-	1,000	1,000	-
PJ Pups	-	1,000	-	1,000
Behavior	-	900	900	-
Covid-19 relief vaccine	-	500	500	-
Capital campaign	<u>683,715</u>	<u>79,240</u>	<u>30,733</u>	<u>732,222</u>
	766,278	259,120	157,832	867,566
Beneficial interest in assets held at Capital Region Community Foundation	129,330	25,876	-	155,206
Perpetually restricted assets held at Capital Region Community Foundation	<u>243,056</u>	<u>-</u>	<u>-</u>	<u>243,056</u>
	<u>\$ 1,138,664</u>	<u>284,996</u>	<u>157,832</u>	<u>1,265,828</u>

	<u>Balance</u> <u>1/1/2019</u>	<u>Revenues</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>12/31/2019</u>
Equipment	\$ -	500	500	-
Wellness program	-	10,000	309	9,691
Adoptions	-	3,600	3,600	-
Low income spay/neuter assistance	45,693	29,689	72,816	2,566
Special care	58,150	67,173	64,266	61,057
Foster program	3,490	-	3,137	353
Cat benches	146	-	-	146
Community cats program	-	8,750	-	8,750
Dog enrichment	-	1,000	1,000	-
Capital campaign	<u>29,867</u>	<u>792,630</u>	<u>138,782</u>	<u>683,715</u>
	137,346	913,342	284,410	766,278
Beneficial interest in assets held at Capital Region Community Foundation	81,427	47,903	-	129,330
Perpetually restricted assets held at Capital Region Community Foundation	<u>243,056</u>	<u>-</u>	<u>-</u>	<u>243,056</u>
	<u>\$ 461,829</u>	<u>963,545</u>	<u>286,710</u>	<u>1,138,664</u>

8. NON-CASH DONATIONS

:
Non-cash donations are recognized at their estimated fair market value at the date of donation. For the year ended December 31, 2020 and 2019, non-cash donations consisted of the following:

	<u>2020</u>	<u>2019</u>
Gift certificates	\$ 785	1,630
Leased vehicle	<u>4,620</u>	<u>4,626</u>
	<u>\$ 5,405</u>	<u>6,256</u>

9. LEASES:

The Organization entered into a 66 month operating lease on September 1, 2010 for an offsite clinic location with three options to extend the lease for successive additional 5 year terms. The Organization entered into the first extension in February 2016. The Organization has the option to purchase the premises at any time during the lease for \$250,000 cash adjusted (upward only) to compensate for any loss in the purchasing power of the USA dollar since September 1, 2010. Lease expense for the years ended December 31, 2020 and 2019 was \$27,950 and \$25,800, respectively.

Future minimum lease payments in excess of one year are as follows:

Year ending	Amount
December 31, 2021	\$4,500

10. INCOME TAX STATUS:

The Organization is exempt under Section (501) (c)(3) of the Internal Revenue Code. Taxes are recorded and paid on business income that is not substantially related to the Organization exempt purposes. The Organization is not classified as a private foundation by the Internal Revenue Service.

Professional standards prescribe a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization’s financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2020.

11. LIQUIDITY AND AVAILABILITY:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures. The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,363,594	1,055,270
Certificates of deposit	55,680	54,938
Accounts receivable	1,600	10,475
Promises to give	128,400	150,365
Investments	1,346,497	1,200,938
Beneficial interest in assets held at Capital Region Community Foundation	<u>398,262</u>	<u>372,386</u>
	4,294,033	2,844,372
Less donor restricted net assets	<u>(1,265,828)</u>	<u>(1,138,664)</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u>3,028,205</u>	<u>1,705,708</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Organization is substantially supported by contribution revenue. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those requirements. Therefore, certain financial assets may not be available for general expenditure within one year. The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in certificates of deposit and mutual funds.

12. RECENT PRONOUNCEMENTS:

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset with a corresponding lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending December 31, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

13. PAYCHECK PROTECTION PROGRAM:

During 2020, the Organization received the first round of the Paycheck Protection Program (PPP) loan for \$335,372. Under the terms of the loan, all or a portion of the borrowings may be forgiven in accordance with program requirements, including applicable provisions of the Coronavirus Aid, Relief and Economic Security Act. The loan is recorded as a liability in accordance with the debt model and will be reclassified as other income when forgiven. Subsequent to the date of the financial statements, the Organization received notification that the first round of the PPP loan was forgiven in full.

Subsequent to the date of the financial statements, the Organization applied for and received the second round of the PPP loan for \$335,370. The forgiveness of this loan will be dependent on incurring qualifying expenditures.