

Spokane Humane Society

Financial Report
**December 31, 2021
and 2020**

**Spokane Humane Society
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December 31, 2021 and 2020**

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Independent Auditor's Report

Board of Directors
Spokane Humane Society
Spokane, Washington

Opinion

We have audited the accompanying financial statements of Spokane Humane Society (a nonprofit organization), which are comprised of the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spokane Humane Society as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Spokane Humane Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Spokane Humane Society'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

Our 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 our 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, we:

- 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 Spokane Humane Society'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Spokane Humane Society's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

DeCoria, Blair & Teague, PS

DeCoria, Blair & Teague, P.S.
Spokane, Washington

August 30, 2022

Spokane Humane Society
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 519,719	\$ 364,773
Contribution receivable	-	75,087
Annuity receivable, due within one year (Note 5)	1,325	15,906
Inventory	25,019	16,675
Deposits and other assets	37,697	27,479
Investments in marketable securities (Notes 6 and 11)	4,039,292	3,597,284
Total current assets	<u>4,623,052</u>	<u>4,097,204</u>
Noncurrent assets:		
Property and equipment, net (Note 7)	810,184	705,924
Beneficial interests in charitable remainder trusts (Notes 6 and 11)	491,790	458,683
Beneficial interest in foundation endowment (Notes 6 and 11)	1,061,398	988,911
Total noncurrent assets	<u>2,363,372</u>	<u>2,153,518</u>
Total assets	<u>\$ 6,986,424</u>	<u>\$ 6,250,722</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 106,756	\$ 60,745
Accrued payroll and related liabilities	91,704	78,173
Deferred revenue, to be amortized within one year (Note 5)	1,325	15,906
Unearned grant revenue	52,000	21,136
Capital lease obligation, due within one year (Note 8)	22,626	-
Total current liabilities	<u>274,411</u>	<u>175,960</u>
Noncurrent liabilities:		
Capital lease obligation, due after one year (Note 8)	5,954	-
Total noncurrent liabilities	<u>5,954</u>	<u>-</u>
Total liabilities	<u>280,365</u>	<u>175,960</u>
Commitments and contingencies (Note 12)		
Net assets (Note 11):		
Without donor restrictions	4,958,335	4,610,776
With donor restrictions	1,747,724	1,463,986
Total net assets	<u>6,706,059</u>	<u>6,074,762</u>
Total liabilities and net assets	<u>\$ 6,986,424</u>	<u>\$ 6,250,722</u>

Spokane Humane Society
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Support and revenue:			
Contributions	\$ 1,232,228	\$ 213,761	\$ 1,445,989
Animal services	566,503	-	566,503
Fundraising, general	541,294	-	541,294
In-kind contributions (Note 9)	59,836	-	59,836
Special fundraising events, net (Note 10)	293,084	-	293,084
	<u>2,692,945</u>	<u>213,761</u>	<u>2,906,706</u>
Total support and revenue before release of restrictions			
Net assets released from restrictions (Note 11)	93,773	(93,773)	-
	<u>2,786,718</u>	<u>119,988</u>	<u>2,906,706</u>
Total support and revenue			
Operating expenses:			
Program services	2,000,600	-	2,000,600
Support services	357,590	-	357,590
Fundraising	307,644	-	307,644
	<u>2,665,834</u>	<u>-</u>	<u>2,665,834</u>
Total operating expenses			
Changes in net assets from operating activities	120,884	119,988	240,872
Non-operating income:			
Interest and dividend income (Note 6)	95,974	-	95,974
Net realized and unrealized gains on investments (Note 6)	130,701	-	130,701
Net appreciation of beneficial interest in charitable remainder trusts (Note 6)	-	55,287	55,287
Net appreciation of beneficial interest in foundation endowment (Note 6)	-	108,463	108,463
	<u>226,675</u>	<u>163,750</u>	<u>390,425</u>
Total non-operating income, net			
Changes in net assets	347,559	283,738	631,297
Net assets, beginning of year	4,610,776	1,463,986	6,074,762
	<u>\$ 4,958,335</u>	<u>\$ 1,747,724</u>	<u>\$ 6,706,059</u>
Net assets, end of year			

Spokane Humane Society
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Support and revenue:			
Contributions	\$ 1,199,959	\$ 39,077	\$ 1,239,036
Animal services	578,668	-	578,668
Fundraising, general	487,731	-	487,731
In-kind contributions (Note 9)	72,061	-	72,061
Special fundraising events, net (Note 10)	141,439	-	141,439
	<u>2,479,858</u>	<u>39,077</u>	<u>2,518,935</u>
Total support and revenue before release of restrictions			
Net assets released from restrictions (Note 11)	108,476	(108,476)	-
	<u>2,588,334</u>	<u>(69,399)</u>	<u>2,518,935</u>
Total support and revenue			
Operating expenses:			
Program services	1,608,080	-	1,608,080
Support services	345,722	-	345,722
Fundraising	262,645	-	262,645
	<u>2,216,447</u>	<u>-</u>	<u>2,216,447</u>
Total operating expenses			
Changes in net assets from operating activities	371,887	(69,399)	302,488
Non-operating income:			
Interest and dividend income (Note 6)	79,293	-	79,293
Net realized and unrealized gains on investments (Note 6)	191,583	-	191,583
Net appreciation of beneficial interest in charitable remainder trusts (Note 6)	-	43,879	43,879
Net appreciation of beneficial interest in foundation endowment (Note 6)	-	100,384	100,384
	<u>270,876</u>	<u>144,263</u>	<u>415,139</u>
Total non-operating income, net			
Changes in net assets	642,763	74,864	717,627
Net assets, beginning of year	3,968,013	1,389,122	5,357,135
	<u>\$ 4,610,776</u>	<u>\$ 1,463,986</u>	<u>\$ 6,074,762</u>
Net assets, end of year			

Spokane Humane Society
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Support Services	Fundraising	Cost of Direct Benefits	Total 2021
Salaries and wages	\$ 956,446	\$ 211,175	\$ 126,652	\$ -	\$ 1,294,273
Payroll taxes	100,549	31,887	11,653	-	144,089
Employee benefits	108,173	8,673	5,202	-	122,048
Total payroll and related expenses	1,165,168	251,735	143,507	-	1,560,410
Animal food	49,044	-	-	-	49,044
Building repair and maintenance	45,399	11,656	-	-	57,055
Computer expense	29,070	9,097	11,653	-	49,820
Dues and subscriptions	-	5,180	-	-	5,180
Equipment repair and maintenance	17,229	6,863	-	-	24,092
Fundraising events/direct mail campaign	-	-	149,213	63,986	213,199
Grants to others	253,740	-	-	-	253,740
Grounds maintenance	3,694	-	-	-	3,694
Insurance	21,085	8,099	-	-	29,184
Interest and bank fees	24,286	9,328	-	-	33,614
Licenses and taxes	8,875	3,054	-	-	11,929
Marketing	5,540	1,269	859	-	7,668
Miscellaneous	-	5,803	-	-	5,803
Newsletter	-	730	-	-	730
Office expense	12,528	1,933	1,307	-	15,768
Outreach/special event	-	-	-	1,457	1,457
Postage and shipping	1,176	266	465	-	1,907
Printing	1,222	812	640	-	2,674
Professional fees	9,635	8,400	-	-	18,035
Shelter animal transport	595	-	-	-	595
Shelter expense	126,877	-	-	-	126,877
Spay and neuter clinic	82,329	-	-	-	82,329
Telephone	11,883	5,944	-	-	17,827
Training and travel	4,404	9,741	-	-	14,145
Utilities	42,974	4,571	-	-	47,545
Vehicle repairs and maintenance	3,406	45	-	-	3,451
Depreciation	80,441	13,064	-	-	93,505
Total functional expenses	2,000,600	357,590	307,644	65,443	2,731,277
Expenses included with revenue on the Statement of Activities:					
Cost of direct benefits to donors	-	-	-	(65,443)	(65,443)
Total expenses per the Statement of Activities and Changes in Net Assets	<u>\$ 2,000,600</u>	<u>\$ 357,590</u>	<u>\$ 307,644</u>	<u>\$ -</u>	<u>\$ 2,665,834</u>

**Spokane Humane Society
Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services	Support Services	Fundraising	Cost of Direct Benefits	Total 2020
Salaries and wages	\$ 787,039	\$ 212,245	\$ 109,012	\$ -	\$ 1,108,296
Payroll taxes	83,098	33,140	10,262	-	126,500
Employee benefits	98,462	2,299	12,685	-	113,446
Total payroll and related expenses	968,599	247,684	131,959	-	1,348,242
Animal food	66,451	-	-	-	66,451
Building repair and maintenance	39,660	8,022	-	-	47,682
Computer expense	19,498	6,102	7,815	-	33,415
Dues and subscriptions	-	8,023	-	-	8,023
Equipment repair and maintenance	13,061	2,104	-	-	15,165
Fundraising events/direct mail campaign	-	-	118,335	28,478	146,813
Grants to others	46,685	-	-	-	46,685
Grounds maintenance	6,897	-	-	-	6,897
Insurance	23,578	9,056	-	-	32,634
Interest and bank fees	17,676	6,789	-	-	24,465
Licenses and taxes	8,243	2,836	-	-	11,079
Marketing	6,750	1,546	1,046	-	9,342
Miscellaneous	-	15,628	-	-	15,628
Newsletter	2,711	2,789	-	-	5,500
Office expense	14,772	2,280	1,541	-	18,593
Outreach/special event	-	-	-	6,575	6,575
Postage and shipping	996	225	393	-	1,614
Printing	2,970	1,972	1,556	-	6,498
Professional fees	14,428	11,375	-	-	25,803
Shelter animal transport	933	-	-	-	933
Shelter expense	143,109	-	-	-	143,109
Spay and neuter clinic	89,856	-	-	-	89,856
Telephone	10,690	4,721	-	-	15,411
Training and travel	4,262	3,924	-	-	8,186
Utilities	42,325	4,884	-	-	47,209
Vehicle repairs and maintenance	2,857	31	-	-	2,888
Depreciation	61,073	5,731	-	-	66,804
Total functional expenses	1,608,080	345,722	262,645	35,053	2,251,500
Expenses included with revenue on the Statement of Activities:					
Cost of direct benefits to donors	-	-	-	(35,053)	(35,053)
Total expenses per the Statement of Activities and Changes in Net Assets	\$ 1,608,080	\$ 345,722	\$ 262,645	\$ -	\$ 2,216,447

Spokane Humane Society
Statements of Cash Flows
Year Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets	\$ 631,297	\$ 717,627
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	93,505	66,804
Donated property and equipment	(2,749)	(5,403)
Net realized and unrealized gains on investments in marketable securities	(130,701)	(191,583)
Net appreciation of beneficial interests in charitable remainder trusts and foundation endowment	(163,750)	(144,263)
Change in:		
Contribution receivable	75,087	(75,087)
Inventory	(8,344)	(8,091)
Deposits and other assets	(10,218)	(7,266)
Accounts payable	46,011	(4,562)
Accrued payroll and related liabilities	13,531	2,059
Unearned grant revenue	30,864	(28,950)
Contributions and donations restricted for long-term purposes	<u>(194,341)</u>	<u>(36,377)</u>
Net cash provided by operating activities	<u>380,192</u>	<u>284,908</u>
Cash flows from investing activities:		
Purchases of investments	(825,363)	(985,620)
Proceeds from sales of investments	514,056	640,032
Distributions from beneficial interest in charitable remainder trusts	22,180	21,756
Distributions from beneficial interest in foundation endowment	35,976	35,509
Purchases of property and equipment	(150,968)	(187,425)
Contributions and donations restricted for long-term purposes	<u>-</u>	<u>6,574</u>
Net cash used by investing activities	<u>(404,119)</u>	<u>(469,174)</u>
Cash flows from financing activities:		
Principal payments on capital lease obligation	(15,468)	-
Contributions and donations restricted for long-term purposes	<u>194,341</u>	<u>29,803</u>
Net cash provided by financing activities	<u>178,873</u>	<u>29,803</u>
Net increase (decrease) in cash and cash equivalents	154,946	(154,463)
Cash and cash equivalents, beginning of year	<u>364,773</u>	<u>519,236</u>
Cash and cash equivalents, end of year	<u>\$ 519,719</u>	<u>\$ 364,773</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 33,614</u>	<u>\$ 24,465</u>
Supplemental disclosures of non-cash flow information:		
Fixed assets acquired from capital lease	<u>\$ 44,048</u>	<u>\$ -</u>

Spokane Humane Society
Notes to Financial Statements
December 31, 2021 and 2020

1. Organization

Spokane Humane Society (“the Society”) is a nonprofit organization working for the prevention of cruelty to animals. The Society was incorporated in the state of Washington in 1897 and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Society’s primary sources of revenue include bequests, public donations, adoption fees and investment income. The Society’s major activity is animal services. Animal services expenses include the cost of providing animal shelter and food, veterinary services, and costs associated with providing other animal-related services, including spaying and neutering.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the American Institute of Certified Public Accountants’ *Audit and Accounting Guide for Not-for-Profit Organizations*. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized as incurred.

ASC Topic 958, *Not-For-Profit Entities*, establishes standards for external financial statements of not-for-profit organizations. During 2018, the Society adopted ASU 2016-14, which amended ASC Topic 958. It requires classification of net assets and revenues, expenses, gains and losses into two categories, based on the existence or absence of donor-imposed restrictions (see Note 11) and disclosure on liquid resources and the availability of financial assets to meet cash needs for general expenditures (see Note 3). In addition, the organization is required to present a statement of cash flows.

Recent Accounting Pronouncements Adopted

New accounting standards are now issued by the Financial Accounting Standards Board (FASB) through Accounting Standards Updates (ASUs) to the FASB Accounting Standards Codification (ASC). The FASB does not consider the updates authoritative on a standalone basis; they become authoritative when incorporated into the ASC.

In May 2014, the FASB issued ASU No. 2014-09, which amended ASC Topic 606, *Revenue from Contracts with Customers*, with the stated purpose of removing inconsistencies and weaknesses in revenue requirements and improve comparability of revenue recognition practices. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The adoption of ASU 2014-09 became effective in the fiscal year ended December 31, 2020 and was applied retrospectively to all periods presented. Implementation did not have any impact on net assets or previously issued financial statements.

Recent Accounting Pronouncements not yet Adopted

In order to give immediate relief to certain entities as a result of the widespread, adverse economic effects caused by the COVID-19 pandemic, on June 3, 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*. This ASU defers the effective dates of FASB ASC Topics 606 and 842 to fiscal years beginning after December 15, 2019 and December 15, 2021, respectively, for certain entities that had not issued their financial statements (or made them available for issuance) as of June 3, 2020.

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements not yet Adopted, Continued

In February 2016, the FASB issued ASU No. 2016-02, which created a new ASC Topic 842, *Leases*. This standard requires a lessee to recognize the lease assets and lease liabilities arising from operating leases in the Statement of Financial Position. Qualitative, along with specific quantitative disclosures, are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is now effective for fiscal years beginning after December 15, 2021 (see ASU No. 2020-05). The Society is currently evaluating the financial statement impact of adopting this ASU.

In September 2020, the FASB issued ASU No. 2020-07, which amended ASC Topic 958, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this Update apply to not-for-profit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. The Society is currently evaluating the financial statement impact of adopting this ASU.

In November 2021, the FASB issued ASU No. 2021-09, which amended ASC Topic 842, *Leases (Topic 842) Discount Rate for Lessees That Are Not Public Business Entities*. The amendments in this update allow lessees that are not public business entities to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose which asset classes it has elected to apply the rate. The amendments require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate regardless of whether it has made the risk-free rate election. Entities that have not yet adopted Topic 842 are required to adopt the amendments in this update at the same time they adopt Topic 842, which will be the fiscal year beginning January 1, 2022. The Society is currently evaluating the financial impact of adopting this ASU.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits in banks and other highly liquid investments which have original maturities of three months or less when purchased.

Investments

The Society carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at fair market value based upon quoted market prices. Gains, losses and income on investments are reported in the Statements of Activities and Changes in Net Assets as increases or decreases in net assets without donor restrictions unless their use is temporarily or permanently restricted by explicit donor stipulations.

These investment securities are exposed to various interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Investment Policy

The Society's investment policy intends for the Society to invest in assets that would produce results exceeding the investment's purchase price and incur a significant yield of return, while assuming a moderate level of investment risk. The Society expects the endowment fund, over time, to provide a reasonable rate of return. To satisfy the long-term rate of return objective, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on marketable equity and debt securities and money market accounts to achieve its long-term return objectives within prudent risk constraints.

Accounts Receivable

Accounts receivable, if any, are stated at the amount that management of the Society expects to collect from outstanding balances. If considered necessary, management provides for probable uncollectible amounts through an allowance for doubtful accounts. Additions to the allowance for doubtful accounts are based on management's judgment, considering historical write-offs, collections and current credit conditions. Generally, the Society considers accounts receivable past due after 30 days. Balances which remain outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to the applicable accounts receivable. Payments received subsequent to the time that an account is written off are considered bad debt recoveries and are recorded as an offset to expenses. Management expects all December 31, 2021 receivables to be fully collectible and, therefore, no allowance for doubtful accounts has been provided as of that date.

Inventory

Inventory consists of pet supplies available for sale, and is reported at the lower of cost (first in, first out method) or net realizable value.

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment, if any, are carried at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Expenditures for repairs and maintenance that represent betterments or substantially prolong the useful lives of assets are also capitalized. Only assets with a cost or value of \$2,500 or greater are capitalized as property and equipment. Normal maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gains or losses are recognized in the Statements of Activities and Changes in Net Assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the associated assets, which range from 3 to 40 years.

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Valuation of Long-Lived Assets

Management of the Society periodically reviews the net carrying value of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. These reviews consider the net realizable value of each asset to determine whether an impairment in value has occurred, and whether there is a need for an asset impairment write-down. Impaired assets are reported at the lower of cost or fair value. At December 31, 2021 and 2020, no assets were considered to be impaired.

Financial Instruments

ASC Topic 825, *Financial Instruments*, permits entities to choose to measure many financial assets and liabilities at fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. At December 31, 2021 and 2020, the carrying value of financial instruments, such as receivables, accounts payable and other current liabilities, approximated their fair values based on the short-term maturities of those instruments.

Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy for those assets and liabilities measured at fair value, that distinguishes between assumptions based on market data (observable inputs) and the organization's own assumptions (unobservable inputs). The hierarchy consists of: Level 1 – quoted market prices in active markets for identical instruments; Level 2 – inputs other than Level 1 inputs that are observable; and Level 3 – unobservable inputs developed using estimates and assumptions determined by the organization. The inputs and methodology used for valuing the Society's financial assets and liabilities are not indicators of the risks associated with those instruments.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's, if any, are not included in Level 1, 2 or 3, but are separately reported.

The fair value of the Society's beneficial interest in foundation endowment held by Innovia is based on the fair value of the investments as reported by Innovia. This is considered to be a Level 3 measurement.

At December 31, 2021 and 2020, the assets or liabilities of the Society that were measured at fair value on a recurring basis are summarized as follows:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in marketable securities	\$ 3,971,036	\$ --	\$ --	\$ 3,971,036
Cash equivalents in investment accounts	68,256	--	--	68,256
Beneficial interests in charitable remainder trusts	341,240	150,550	--	491,790
Beneficial interest in foundation endowment	--	--	1,061,398	1,061,398
	<u>\$ 4,380,532</u>	<u>\$ 150,550</u>	<u>\$ 1,061,398</u>	<u>\$ 5,592,480</u>

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in marketable securities	\$ 3,343,281	\$ --	\$ --	\$ 3,343,281
Cash equivalents in investment accounts	254,003	--	--	254,003
Beneficial interests in charitable remainder trusts	329,307	129,376	--	458,683
Beneficial interest in foundation endowment	--	--	988,911	988,911
	<u>\$ 3,926,591</u>	<u>\$ 129,376</u>	<u>\$ 988,911</u>	<u>\$ 5,044,878</u>

A reconciliation of the beginning and ending balance of the beneficial interest in foundation endowment held by Innovia, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2021 and 2020, is included in the table in Note 6.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The Society had no assets or liabilities measured at fair value on a nonrecurring basis during 2021 and 2020.

Revenue Recognition

Revenue from exchange transactions are recognized in accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Society records the following exchange transaction revenue in its Statements of Activities:

Animal Services – The Society provides limited veterinary and other animal related-services, and charges adoption fees to customers. The performance obligation is the delivery of the services or the adopted animal to the customer. The transaction price is established by the Society based on prices that are comparable to competing organizations. As each adopted animal and service is individually priced, no allocation of the transaction price is necessary. The Society recognizes revenue as the customer pays and takes possession of the animal or the service has been provided. Most items are sold without a right of return. However, if probable customer returns exist at the end of an accounting period, the Society estimates and records in its financial statements a liability for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of December 31, 2021 and 2020.

Special Fundraising Event Revenue – The Society conducts special events in which a portion of the gross proceeds paid by the 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 component 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 Statements of Activities. The performance obligation is delivery of the event. The event fee, if any, is set by the Society.

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

FASB ASU 2014-09 requires allocation of the transaction price to the performance obligations. Accordingly, the Society separately presents in its notes to financial statements the exchange and contribution components of the gross proceeds from special events (see Note 10). Special event fees collected by the Society in advance of its delivery are initially recognized as liabilities and recognized as special event revenue after delivery of the event. For special event fees and sponsorships received before year-end for an event to occur after year-end, if any, the Society follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Contributions and Recognition of Donor Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of cash and other assets with donor-imposed temporary restrictions, where the restrictions have been satisfied in the same reporting period as received, are reported as increases in net assets without donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted support that increases net assets with donor restrictions. When a temporary restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Donations of property and equipment, if any, are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Society reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Assets and Services

Donated property, marketable securities and other non-cash donations are recorded as contributions at their fair market value at the date of donation. The Society reports any donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services are recognized as contributions if the services either create or enhance non-financial assets or require specialized skills, which are performed by people with those skills, and would otherwise be purchased by the Society. Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. Some members of the Society and a substantial number of volunteers have donated significant amounts of their time in furthering the Society's programs and objectives. No amounts have been included in the financial statements for donated member or volunteer services since they did not meet the criteria for recognition under professional accounting standards.

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Functional Expenses

The costs associated with providing the various programs and supporting services of the Society have been summarized in the Statements of Activities and Changes in Net Assets. Most expenses can be directly allocated to one of the programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Any expenditures of the Society not directly chargeable to a specific program or supporting service are allocated based on management policies and estimates and the guidelines outlined in the grants and contracts, if any. Management has elected to use direct payroll as the primary basis for allocating indirect costs, unless otherwise outlined in grants and contracts. The financial statements report expenses by function in the Statements of Functional Expenses.

Income Taxes

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. However, the Society is subject to tax on unrelated business income, if any. The Society had no unrelated business income during 2021 and 2020.

The Society has not identified any uncertain income tax positions that would jeopardize its tax-exempt status. The Society's income tax returns are subject to review and examination by federal authorities. With few exceptions, the tax returns essentially remain open for possible examination by federal authorities for a period of three years after the respective filing deadlines of those returns.

Credit Risk

Financial instruments which potentially subject the Society to concentration of credit risk consist principally of cash and cash equivalents.

The Society maintains its cash and cash equivalents with high credit quality financial institutions and generally limits the amount of exposure to any one financial institution. The Society's cash in bank deposit accounts, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts and management believes the Society is not exposed to any significant credit risk on cash and cash equivalents.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of the Society to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates and affect the amounts reported in the financial statements.

Subsequent Events

Spokane Humane Society has evaluated subsequent events through August 30, 2022, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since December 31, 2021 that required recognition or disclosure in these financial statements.

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

3. Liquidity and Availability of Funds

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 519,719	\$ 364,773
Contribution receivable	--	75,087
Less: unearned grant revenue	(52,000)	(21,136)
Annuity receivable, due within one year	<u>1,325</u>	<u>15,906</u>
Financial assets available to meet general expenditures	<u>\$ 469,044</u>	<u>\$ 434,630</u>

The Society's net assets with donor restrictions consist of a permanently restricted endowment and two beneficial interests in annuity trusts (see Note 6) where the annual disbursements are at the discretion of the third-party administrators and, therefore, are not available for general expenditure. Additionally, certain board-designated assets that are included in short-term investments are designated for future capital expenditures and operating reserves (see Note 11). These board-designated funds have no specified spending rate. These assets are limited to use and are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As part of the Society's liquidity management, they have a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Society invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Society has a quasi-endowment of \$587,094 and reserves of \$3,452,198 (see Note 11). Although the Society does not intend to spend from the quasi-endowment other than the amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts could be made available if necessary.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of deposits held in checking, savings, money market and sweep accounts. Custodial credit risk is the risk that in the event of a bank failure, the Society's deposits may not be returned to it. Deposits held in checking, savings, money market and sweep accounts at the banks are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Association (NCUA) up to \$250,000 per institution.

The carrying amount of cash and cash equivalents on the Society's books at December 31, 2021 was \$519,719 and bank and credit union balances totaled \$544,990. The differences between the carrying amount of cash and cash equivalents on the Society's books and the bank and credit union balances consisted of outstanding checks and deposits not processed by the banks and credit unions as of December 31, 2021.

A summary of the total insured and uninsured bank balances at December 31, 2021 is as follows:

Total bank balances	\$ 544,990
Portion insured by FDIC	(9,405)
Portion insured by NCUA	<u>(250,000)</u>
Uninsured bank and credit union balances	<u>\$ 285,585</u>

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

5. Annuity Receivable

The Society is the beneficiary of an annuity that is being paid at the rate of \$1,325 per month. At December 31, 2021, there was 1 monthly payment remaining, totaling \$1,325. Accordingly, at December 31, 2021, the Society has recorded \$1,325 as a current annuity receivable. The entire amount has been recorded as deferred revenue. Each month when the annuity payment is received, the Society reduces the annuity receivable and recognizes revenue for the amount of the payment received.

6. Investments

Investments consist of marketable securities held by Innovia and TD Ameritrade, and beneficial interests in charitable remainder trusts administered by Washington Trust Bank and a foundation endowment held by Innovia. Investments at December 31, 2021 and 2020 consist of and appear in the financial statements as follows:

	<u>2021</u>	<u>2020</u>
Investments in marketable securities	\$ 4,039,292	\$ 3,597,284
Beneficial interests in charitable remainder trusts	491,790	458,683
Beneficial interest in foundation endowment	<u>1,061,398</u>	<u>988,911</u>
	<u>\$ 5,592,480</u>	<u>\$ 5,044,878</u>

The fair value and cost of investments in marketable securities at December 31, 2021 were as follows:

	<u>Fair Value</u>	<u>Cost</u>
Common stock	\$ 617,601	\$ 386,803
Mutual funds and exchange-traded funds	2,872,614	2,904,309
Exchange-traded funds	480,821	419,231
Investments in cash equivalents	<u>68,256</u>	<u>68,256</u>
	<u>\$ 4,039,292</u>	<u>\$ 3,778,599</u>

The fair value and cost of investments in marketable securities at December 31, 2020 were as follows:

	<u>Fair Value</u>	<u>Cost</u>
Common stock	\$ 587,980	\$ 422,638
Mutual funds	605,384	596,544
Exchange-traded funds	2,149,917	1,980,644
Investments in cash equivalents	<u>254,003</u>	<u>254,002</u>
	<u>\$ 3,597,284</u>	<u>\$ 3,253,828</u>

Return on investments in marketable securities for the years ended December 31, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 95,974	\$ 79,293
Realized gains (losses), net	116,745	(10,898)
Unrealized gains (losses), net	45,616	225,332
Investment management fees	<u>(31,660)</u>	<u>(22,851)</u>
	<u>\$ 226,675</u>	<u>\$ 270,876</u>

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

6. Investments, Continued

Beneficial Interest in Matsch Charitable Remainder Trust

In 2003, the Society was gifted a 20% interest in a charitable remainder trust established by John Matsch. The Society receives quarterly distributions from the earnings of the trust. In accordance with ASC 958, the fair value of the beneficial interest totaled \$256,643 and \$236,526 at December 31, 2021 and 2020, respectively.

Beneficial Interest in Gosnay Charitable Remainder Trust

In 2010, the Society was gifted a 14% interest in a charitable remainder trust established by Ernest C. and Marie K. Gosnay. The Society receives annual distributions from the earnings of the trust. In accordance with ASC 958, the fair value of the beneficial interest totaled \$235,147 and \$222,157 at December 31, 2021 and 2020, respectively.

Beneficial Interest in Foundation Endowment

The Society has a beneficial interest in an endowment fund held and managed by Innovia (formerly Inland Northwest Community Foundation). The Society was the beneficiary of a \$453,000 bequest made pursuant to a will. The Society's Board subsequently made a decision to contribute the funds to Innovia pursuant to a reciprocal transfer. Under the terms of the fund agreement with Innovia, the Society is the beneficiary of the fund and, subject to Innovia's spending policy, receives distributions of investment earnings from the fund. In accordance with ASC 958, the fair value of the beneficial interest totaled \$1,061,398 and \$988,911 at December 31, 2021 and 2020, respectively.

The following table shows the changes in beneficial interests for the years ended December 31, 2021 and 2020:

	<u>Matsch</u>	<u>Gosnay</u>	<u>Innovia</u>	<u>Total</u>
Balance at December 31, 2019	\$ 224,381	\$ 212,179	\$ 917,462	\$ 1,354,022
Contributions	--	--	6,574	6,574
Interest and dividend income	4,412	4,581	30,562	39,555
Realized and unrealized gains (losses), net	21,332	18,381	81,730	121,443
Investment management fees	<u>(2,556)</u>	<u>(2,271)</u>	<u>(11,908)</u>	<u>(16,735)</u>
Net appreciation in beneficial interests	<u>23,188</u>	<u>20,691</u>	<u>100,384</u>	<u>144,263</u>
Annual distributions	<u>(11,043)</u>	<u>(10,713)</u>	<u>(35,509)</u>	<u>(57,265)</u>
Balance at December 31, 2020	<u>236,526</u>	<u>222,157</u>	<u>988,911</u>	<u>1,447,594</u>
Contributions	--	--	--	--
Interest and dividend income	12,940	11,329	65,998	90,267
Realized and unrealized gains (losses), net	21,388	15,388	54,707	91,483
Investment management fees	<u>(3,139)</u>	<u>(2,619)</u>	<u>(12,242)</u>	<u>(18,000)</u>
Net appreciation in beneficial interests	<u>31,189</u>	<u>24,098</u>	<u>108,463</u>	<u>163,750</u>
Annual distributions	<u>(11,072)</u>	<u>(11,108)</u>	<u>(35,976)</u>	<u>(58,156)</u>
Balance at December 31, 2021	<u>\$ 256,643</u>	<u>\$ 235,147</u>	<u>\$ 1,061,398</u>	<u>\$ 1,553,188</u>

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

7. Property and Equipment

Property and equipment at December 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 321,990	\$ 321,990
Buildings and improvements	1,236,228	1,197,291
Vehicles	135,874	45,017
Office equipment and furniture	113,244	107,801
Operating equipment	214,525	214,525
Spay and neuter clinic equipment	155,467	105,577
Cages and enclosures	153,473	153,473
Website	<u>37,970</u>	<u>37,970</u>
	2,368,771	2,183,644
Less accumulated depreciation	<u>(1,571,225)</u>	<u>(1,477,720)</u>
	797,546	705,924
Construction in progress	<u>12,638</u>	<u>--</u>
	<u>\$ 810,184</u>	<u>\$ 705,924</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$93,505 and \$66,804, respectively.

Fixed assets, recorded within spay and neuter clinic equipment above, include leased equipment with a total cost of \$46,684, including installation and setup costs of \$2,636, and accumulated depreciation of \$7,003 at December 31, 2021 (see Note 8).

8. Long-Term Obligations

Capital Lease

During 2021, the Society entered into a capital lease agreement for the purchase of an X-ray machine for a total of \$44,048. The lease has a term of two years and calls for monthly payments of \$2,013, including interest of 8.53%.

Future minimum lease payments under the remaining capital lease obligation are as follows:

<u>Year ending December 31,</u>	
2022	\$ 24,156
2023	<u>6,039</u>
Total future minimum lease payments	30,195
Less amount representing interest	<u>(1,615)</u>
Present value of net minimum lease payments	28,580
Less amount due within one year	<u>(22,626)</u>
Amount due after one year	<u>\$ 5,954</u>

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

9. In-Kind Contributions

The Society receives donated animal food, labor, materials and miscellaneous supplies. The value of these goods and services totaled \$57,087 and \$66,658 for the years ended December 31, 2021 and 2020, respectively. In addition, during 2021 and 2020, the Society received donated property and equipment, including capitalized labor, totaling \$2,749 and \$5,403, respectively. These amounts have been recorded as in-kind contributions in the Statements of Activities and Changes in Net Assets.

10. Special Fundraising Event Revenue

Gross receipts from special fundraising events recorded by the Society in the Statements of Activities and Changes in Net Assets consist of exchange transaction revenue and contribution revenue. The components of this revenue at December 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Contributions	\$ 327,846	\$ 176,492
Event revenue	<u>30,681</u>	<u>--</u>
Special fundraising events, gross	358,527	176,492
Less: cost of direct benefit	<u>(65,443)</u>	<u>(35,053)</u>
Special fundraising events, net	<u>\$ 293,084</u>	<u>\$ 141,439</u>

11. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions include assets not subject to donor-imposed restrictions, either temporary or permanent, and consist of net assets received that are general in nature as to use and operating purposes. Gifts of long-lived assets without donor-imposed stipulations about how long the assets must be used are classified as unrestricted net assets. Board designated amounts are recorded as net assets without donor restrictions. At December 31, 2021 and 2020, the Board of Directors had designated a portion of net assets without donor restrictions for future purposes, as follows:

	<u>2021</u>	<u>2020</u>
Capital replacement and operations reserves	\$ 3,452,198	\$ 3,075,339
Board quasi-endowment	<u>587,094</u>	<u>521,945</u>
Total board designated net assets	<u>\$ 4,039,292</u>	<u>\$ 3,597,284</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions are those net assets that either have temporary or permanent restrictions placed upon them. Temporarily restricted net assets include assets subject to donor-imposed time or use restrictions that have not been met at the reporting date. Contributions of cash and other assets with donor-imposed temporary restrictions, where the restrictions have been satisfied in the same reporting period as received, are reported as increases in net assets without donor restrictions. Permanently restricted net assets include assets subject to donor-imposed restrictions whereby the principal assets or amounts must be maintained in perpetuity.

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

11. Net Assets, Continued

Net Assets With Donor Restrictions, Continued

Net assets with donor restrictions are restricted for the following purposes and/or periods:

	<u>2021</u>	<u>2020</u>
<i>Subject to external spending policy:</i>		
Beneficial interests in charitable remainder trusts	\$ 491,790	\$ 458,683
Beneficial interest in foundation endowment	<u>1,061,398</u>	<u>988,911</u>
Total spending policy restrictions	1,553,188	1,447,594
<i>Subject to expenditure for a specific purpose:</i>		
Capital campaign:		
Benson's Place cattery	181,702	--
Red Barn project	--	13,692
Low-income clinic programs	8,174	--
Other programs	<u>4,660</u>	<u>2,700</u>
Total net assets with donor restrictions	<u>\$ 1,747,724</u>	<u>\$ 1,463,986</u>

Net assets were released from donor restrictions during 2021 and 2020 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	<u>2021</u>	<u>2020</u>
Subject to external spending policy	\$ 58,156	\$ 57,265
Satisfaction of purpose restrictions	<u>35,617</u>	<u>51,211</u>
	<u>\$ 93,773</u>	<u>\$ 108,476</u>

12. Commitments and Contingencies

Professional Liability Insurance

The Society is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Society maintains professional liability insurance coverage through a policy with a commercial insurance carrier, which provides protection on a claims-made basis. Settled claims did not exceed insurance coverage during any of the past three fiscal years.

Grants and Contracts

The Society receives significant financial assistance from federal, state and local governmental agencies in the form of grants and contracts, which are governed by various rules and regulations of the grantor agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant and contract agreements and is subject to audit by the Society's independent auditors and other governmental auditors. Therefore, to the extent that the Society has not complied with the terms and conditions governing the grants, refunds of any money received may be required, and the collectability of any related receivables at December 31, 2021 may be impaired. Based on prior experience, management of the Society believes such amounts, if any, would be immaterial.

Spokane Humane Society
Notes to Financial Statements, Continued
December 31, 2021 and 2020

12. Commitments and Contingencies, Continued

COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, during March 2020, the Governor of the State of Washington issued proactive emergency declarations in response to the spread of COVID-19. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic; however, these declines were subsequently offset by significant increases in value, resulting in no long-term losses as of December 31, 2021. Management will continue to monitor its investment portfolio and its liquidity.

The extent of the impact of COVID-19 on the Society's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Society's donors, customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Society's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.