

**ANIMAL SHELTER OF THE
WOOD RIVER VALLEY
DBA MOUNTAIN HUMANE**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

DRAFT

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Independent Auditor's Report

To the Board of Directors
Animal Shelter of the Wood River Valley
dba Mountain Humane
Hailey, ID 83333

We have audited the accompanying financial statements of Mountain Humane (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain Humane as of December 31, 2018 and 2017, 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.

Arritt Robins Waters CPAs PLLC
Arritt Robins Waters CPAs PLLC
Burley, Idaho

March 25, 2019

MOUNTAIN HUMANE

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current Assets		
Cash & Cash Equivalents	392,993	374,750
Investments	2,051,704	7,952,230
Pledges/Accounts Receivable - net of discount	762,349	2,379,262
Prepaid Expenses	10,413	13,715
Inventory	45,900	44,560
Total Current Assets	<u>3,263,360</u>	<u>10,764,517</u>
Property and Equipment		
Land	404,641	404,641
Construction in Progress	13,620,287	5,074,164
Buildings & Improvements	659,297	658,023
Equipment	458,117	395,914
Less Accumulated Depreciation	(783,333)	(713,503)
Net Property and Equipment	<u>14,359,008</u>	<u>5,819,239</u>
Non Current Assets		
Investments	-	42,035
Pledges Receivable - non current portion	<u>938,333</u>	<u>1,110,974</u>
Total Assets	<u><u>18,560,701</u></u>	<u><u>17,736,765</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	647,528	897,757
Accrued Payroll Liabilities	145,749	110,489
Line of Credit	852,571	-
Total Current Liabilities	<u>1,645,848</u>	<u>1,008,246</u>
Total Liabilities	1,645,848	1,008,246
Net Assets		
Without donor restrictions		
Available for program and supporting activities	2,001,034	2,229,199
Net investment in fixed assets	<u>14,359,008</u>	<u>5,819,239</u>
Total without donor restrictions	16,360,042	8,048,438
With donor restrictions	<u>554,810</u>	<u>8,680,081</u>
Total Net Assets	<u>16,914,852</u>	<u>16,728,519</u>
Total Liabilities and Net Assets	<u><u>18,560,701</u></u>	<u><u>17,736,765</u></u>

See accompanying notes to the financial statements.

MOUNTAIN HUMANE

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Monetary Contributions	510,024	1,217,472	1,727,496	523,582	2,458,865	2,982,447
Contributed Goods and Services	380,079	181,301	561,380	332,886	-	332,886
Non-Government Grants	1,000	341,500	342,500	3,750	1,163,590	1,167,340
Auction Revenue (Net of direct costs)	221,529	15,868	237,397	213,473	10,115	223,588
Sales - Thrift Store	317,305	-	317,305	321,690	-	321,690
Program Service Revenue	108,059	-	108,059	108,271	-	108,271
Investment Income	17,618	52,625	70,243	26,799	51,466	78,265
Other Revenue	59,385	-	59,385	3,044	-	3,044
Total Revenues	1,614,998	1,808,767	3,423,765	1,533,496	3,684,037	5,217,533
Net Asset Restriction Transfers						
Use for restricted purpose	9,906,295	(9,906,295)	-	5,032,554	(5,032,554)	-
Expenses						
Program Services	1,957,198	-	1,957,198	1,517,535	-	1,517,535
Supporting Services						
Thrift Store	305,709	-	305,709	295,770	-	295,770
Fund Raising	176,323	-	176,323	188,904	-	188,904
Capital Campaign	452,645	-	452,645	312,512	-	312,512
General & Administrative	234,918	-	234,918	209,468	-	209,468
Total Supporting Services	1,169,595	-	1,169,595	1,006,654	-	1,006,654
Total Expenses	3,126,792	-	3,126,792	2,524,188	-	2,524,188
Change in Net Assets from Operations	8,394,501	(8,097,528)	296,973	4,041,862	(1,348,517)	2,693,344
Non-operating Income						
Gains(Losses) on Investments	(82,896)	(27,743)	(110,639)	208,524	76,315	284,839
Total Change in Net Assets	8,311,604	(8,125,271)	186,333	4,250,385	(1,272,203)	2,978,183
Beginning Net Assets	8,048,438	8,680,081	16,728,519	3,798,053	9,952,283	13,750,336
Ending Net Assets	16,360,042	554,810	16,914,852	8,048,438	8,680,081	16,728,519

See accompanying notes to the financial statements.

MOUNTAIN HUMANE

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

2018						
	Program Services	Supporting Services				Total
		Thrift Store	Fund Raising	Capital Campaign	General & Administrative	
Wages and Benefits	1,429,965	182,757	112,358	192,717	170,448	2,088,245
Contract Services	11,808	625	1,198	4,756	19,261	37,646
Marketing & Communications	41,315	3,524	26,778	37,406	1,044	110,066
Nonpersonnel Expenses	67,425	6,565	14,672	4,803	4,392	97,857
Facility & Equipment Expenses	47,247	49,105	8,476	28,328	7,649	140,805
Travel & Meeting	10,791	448	2,779	245	462	14,727
Other Client Specific Expenses	161,843	-	15	-	-	161,858
Other Expenses	29,135	9,815	79	11,549	6,073	56,651
In Kind Goods & Services	116,121	45,887	5,945	160,801	20,353	349,107
Depreciation Expense	41,549	6,983	4,022	12,039	5,237	69,830
Total	1,957,198	305,709	176,323	452,645	234,918	3,126,792
2017						
	Program Services	Supporting Services				Total
		Thrift Store	Fund Raising	Capital Campaign	General & Administrative	
Wages and Benefits	1,068,580	180,925	115,220	219,181	149,978	1,733,885
Contract Services	3,351	1,881	-	1,458	16,984	23,673
Marketing & Communications	27,150	3,207	28,752	13,925	1,849	74,884
Nonpersonnel Expenses	45,158	2,804	11,447	3,199	4,017	66,626
Facility & Equipment Expenses	53,002	42,732	8,565	28,728	7,507	140,534
Travel & Meeting	10,152	684	4,203	3,940	247	19,226
Other Client Specific Expenses	159,613	-	50	25	-	159,688
Other Expenses	22,641	8,112	5,767	8,652	4,744	49,917
In Kind Goods & Services	87,627	46,700	2,149	33,404	18,773	188,654
Depreciation Expense	40,262	8,723	12,750	-	5,368	67,103
Total	1,517,535	295,770	188,904	312,512	209,468	2,524,188

See accompanying notes to the financial statements.

MOUNTAIN HUMANE

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in Net Assets	186,333	2,978,183
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	69,830	67,103
(Increase) Decrease in accounts receivable	1,789,553	491,660
(Increase) Decrease in inventory	(1,340)	(1,300)
(Increase) Decrease in prepaid expenses	3,302	(6,502)
Increase (Decrease) in accounts payable	(250,229)	836,960
Increase (Decrease) in payroll liabilities	35,260	30,455
Cash Flows Provided (Used) By Operating Activities	<u>1,832,710</u>	<u>4,396,558</u>
Cash Flows From Investing Activities		
(Increase) Decrease in Investments	5,942,561	75,515
Acquisition/Sale of fixed assets	<u>(8,609,599)</u>	<u>(4,612,182)</u>
Cash Flows Provided (Used) By Investing Activities	<u>(2,667,038)</u>	<u>(4,536,666)</u>
Cash Flows From Financing Activities		
Increase (Decrease) in Line of Credit	852,571	-
New Long Term Debt	-	-
Payments on Long Term Debt	<u>-</u>	<u>-</u>
Cash Flows Provided (Used) By Financing Activities	<u>852,571</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,243	(140,108)
Cash and Cash Equivalents at Beginning of Period	<u>374,750</u>	<u>514,858</u>
Cash and Cash Equivalents at Ending of Period	<u><u>392,992</u></u>	<u><u>374,750</u></u>
Supplemental disclosure		
Interest paid in cash.	\$ -	\$ -

See accompanying notes to the financial statements.

MOUNTAIN HUMANE

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity – Animal Shelter of the Wood River Valley dba Mountain Humane, located in Hailey, Idaho, is a non-profit organization that provides temporary shelter for homeless pets and adoption to qualified homes. The Organization also promotes animal welfare through community education and spay/neuter services. The Shelter serves as the impound facility for the Blaine County Animal Control Program. The Organization also operates a thrift store (Barkin Basement) in Hailey to support shelter operations.

The Organization is governed by its board of directors, as dictated by its bylaws.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – The Organization considers all highly liquid deposits with a maturity of three months or less to be cash and cash equivalents.

Recognition of Donor Restrictions – The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated revenue. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are shown on the financial statements as unrestricted contributions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

In 2018 the Organization changed its reporting of restricted funds. Restricted funds will continue to be accounted for as restricted revenue, expense, and net assets, but current balances will not reported as restrictions to specific asset classes such as cash, investment, or pledges receivable.

Donated Goods and Services – Donated goods and specialized services are recorded as in kind revenue and corresponding expense at their estimated market value. A number of volunteers have contributed their time to the activities of the Organization without compensation which has not been recorded on the financial statements.

Inventory – Consists of donated goods at the thrift store. Inventory is recorded at estimated market value.

Property and Equipment and Depreciation – Fixed assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of donated assets. Items under the Organization's capitalization threshold are expensed in the period of purchase or donation. Capitalized items are depreciated on a straight-line basis over their estimated useful lives.

Income Taxes - The Organization is a non-profit organization which is not a private foundation. Mountain Humane has obtained exemption from federal and state income taxes under I.R.C. Section 501 (c)(3) and related Idaho State code provisions. Accordingly, no provision for income taxes has been made in the financial statements.

FASB ASC 740-10 requires disclosure of uncertain tax positions and their corresponding estimated values. As of period end, the Company had no reportable uncertain positions. Open tax years are calendar years 2015 through 2018.

Functional expense allocation - Direct expenses are costed directly to the related function. Indirect expenses are allocated based on standard percentages to estimate the benefit to each function.

ASU 2016-14 implementation - The Organization is adopting ASU 2016-14, Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities as of January 1, 2018.

Subsequent Events - Any subsequent events have been evaluated as of March 25, 2019 the date the audited financial statements were available to be issued.

NOTE 2 - CASH

Cash and cash equivalents at years' end are summarized as follows:

	2018		2017	
	FDIC Insured	Uninsured	FDIC Insured	Uninsured
Zions Bank	92,210	-	232,322	-
DL Evans Bank	250,000	49,892	136,006	-
Cash on Hand/Undeposited Funds	-	890	-	6,422
Total Cash	<u>\$ 342,210</u>	<u>\$ 50,783</u>	<u>\$ 368,329</u>	<u>\$ 6,422</u>

NOTE 3 – INVESTMENTS

The Organization applies the provisions of ASC 820 for fair value measurements of investments. It has investments valued only under Level 1, quoted prices for identical assets or liabilities in an active market. The quoted prices and related fair market values are as of fiscal year end, as follows:

	2018	2017
Cash/Money market	1,389,693	4,907,452
Common stocks and options	-	1,026,796
Corporate bonds	-	91,140
Mutual funds	545,929	1,715,530
Other investments	116,081	253,347
	<u>\$ 2,051,704</u>	<u>\$ 7,994,265</u>

Corporate bonds with maturities of greater than one year are classified as non-current.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the statement of financial position. However, the diversification of the Organization's invested assets, as dictated by its written investment policy, should mitigate the impact of any dramatic change in market values.

Investment income includes interest, dividends and net gains and losses from sales of securities. The amount of net unrealized gains (losses) included in investment income was (\$110,639) and \$284,839 for 2018 and 2017, respectively. Investment income was reported net of \$11,127 and \$13,004 related investment expense, for years 2018 and 2017, respectively.

The significant decrease in investment balances from year end 2017 to 2018 is due to spending down the funds previously held that were restricted for building the new animal adoption and humane education center which have since been used for that purpose.

NOTE 4 – PLEDGES/ACCOUNTS RECEIVABLE

Receivables at year end were as follows:

	2018	2017
Contracts/other receivables	14,168	7,370
Pledges Receivables	1,709,972	3,524,538
Discount (rates: 2.5% 2018, 1.6% 2017)	(23,458)	(41,672)
	<u>1,700,682</u>	<u>3,490,236</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Changes in property and equipment during 2018 and 2017 were as follows:

	<u>Beg Bal</u>	<u>Additions</u>	<u>Disposals</u>	<u>End Bal</u>
2018				
Land	404,641	-	-	404,641
Construction In Progress	5,074,163	8,546,123	-	13,620,287
Buildings/Improvements	658,023	1,274	-	659,297
Equipment	395,914	62,202	-	458,116
Accumulated Depreciation	(713,503)	(69,830)	-	(783,333)
	<u>5,819,239</u>	<u>8,539,769</u>	-	<u>14,359,008</u>
2017				
Land	404,641	-	-	404,641
Construction In Progress	511,193	4,562,971	-	5,074,163
Buildings/Improvements	645,008	13,016	-	658,023
Equipment	359,719	36,195	-	395,914
Accumulated Depreciation	(646,400)	(67,103)	-	(713,503)
	<u>1,274,160</u>	<u>4,545,078</u>	-	<u>5,819,239</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows:

	<u>2018</u>	<u>2017</u>
Animal medical/surgical care	\$ 7,748	\$ 479,894
Animal nutrition	5,981	12,314
Regional outreach	46,544	54,913
Capital - new facility	483,204	8,115,928
Other specific animal needs	11,333	17,032
	<u>\$ 554,810</u>	<u>\$ 8,680,081</u>

NOTE 7 - RETIREMENT PLAN

The Organization sponsors a 403(b) plan under which it contributes 3% of eligible employees' compensation. The company contributed \$40,945, \$37,823, and \$29,775 to the plan during 2018, 2017, and 2016, respectively.

NOTE 8 – CAPITAL CAMPAIGN/NEW FACILITY

The purpose of the Organization's capital campaign has been to be build a new facility, which was essentially completed in January 2019. Campaign contributions and grants are funds restricted to that specific purpose. The budget is projected to increase with the operations moving to the new facility, which will necessitate increased fundraising and other income growth.

NOTE 9 - LINE OF CREDIT

A construction bridge loan has been extended to the Organization from Zions Bank. The interest rate is 4.04%. The maximum loan committment is \$5.4 million. The loan is secured by specific investment accounts of the Organization.