

MOUNTAIN HUMANE

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

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Independent Auditor's Report

To the Board of Directors
Animal Shelter of the Wood River Valley, Inc.
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, 2019 and 2018, 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, 2019 and 2018, 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

April 9, 2020

MOUNTAIN HUMANE

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets		
Cash & Cash Equivalents	2,050,549	392,993
Investments	20,143	2,051,704
Pledges/Accounts Receivable - net of discount	221,809	762,349
Prepaid Expenses	21,414	10,413
Inventory	93,850	45,900
Total Current Assets	<u>2,407,765</u>	<u>3,263,360</u>
Property and Equipment		
Land	344,231	404,641
Construction in Progress	-	13,620,287
Buildings & Improvements	17,802,114	659,297
Equipment	990,218	458,117
Less Accumulated Depreciation	(1,098,626)	(783,333)
Net Property and Equipment	<u>18,037,937</u>	<u>14,359,008</u>
Other Assets		
Pledges Receivable - non current portion	<u>362,098</u>	<u>938,333</u>
Total Assets	<u><u>20,807,800</u></u>	<u><u>18,560,701</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	108,891	647,528
Accrued Payroll Liabilities	149,503	145,749
Line of Credit	-	852,571
Current Portion of Long-Term Debt	216,000	-
Total Current Liabilities	<u>474,393</u>	<u>1,645,848</u>
Long Term Debt - Net of Current Portion	<u>5,184,000</u>	<u>-</u>
Total Liabilities	5,658,393	1,645,848
Net Assets		
Without donor restrictions		
Available for program and supporting activities	2,320,301	2,001,034
Net investment in fixed assets	12,637,937	14,359,008
Total without donor restrictions	14,958,238	16,360,042
With donor restrictions	191,168	554,810
Total Net Assets	<u>15,149,406</u>	<u>16,914,852</u>
Total Liabilities and Net Assets	<u><u>20,807,800</u></u>	<u><u>18,560,701</u></u>

See accompanying notes to the financial statements.

MOUNTAIN HUMANE

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Monetary Contributions	127,242	562,377	689,620	510,024	1,217,472	1,727,496
Contributed Goods and Services	279,506	27,246	306,752	380,079	181,301	561,380
Non-Government Grants	5,275	273,050	278,325	1,000	341,500	342,500
Auction Revenue (Net of direct costs)	371,211	4,825	376,036	221,529	15,868	237,397
Sales - Thrift Store	296,138	-	296,138	317,305	-	317,305
Program Service Revenue	193,764	-	193,764	108,059	-	108,059
Investment Income	10,419	15,961	26,380	17,618	52,625	70,243
Other Revenue	(18,129)	-	(18,129)	59,385	-	59,385
Total Revenues	1,265,427	883,459	2,148,886	1,614,998	1,808,767	3,423,765
Net Asset Restriction Transfers						
Use for restricted purpose	1,195,473	(1,195,473)	-	9,906,295	(9,906,295)	-
Expenses						
Program Services						
Animal Shelter	2,932,187	-	2,932,187	1,957,198	-	1,957,198
Thrift Store	308,033	-	308,033	305,709	-	305,709
Total Program Services	3,240,220	-	3,240,220	2,262,907	-	2,262,907
Supporting Services						
Fund Raising	218,993	-	218,993	176,323	-	176,323
Capital Campaign	194,467	-	194,467	452,645	-	452,645
General & Administrative	202,538	-	202,538	234,918	-	234,918
Total Supporting Services	615,998	-	615,998	863,885	-	863,885
Total Expenses	3,856,218	-	3,856,218	3,126,792	-	3,126,792
Change in Net Assets from Operations	(1,395,318)	(312,014)	(1,707,332)	8,394,501	(8,097,528)	296,973
Non-operating Income						
Gains(Losses) on Investments	(6,487)	(51,628)	(58,115)	(82,896)	(27,743)	(110,639)
Total Change in Net Assets	(1,401,805)	(363,642)	(1,765,447)	8,311,604	(8,125,271)	186,333
Beginning Net Assets	16,360,042	554,810	16,914,852	8,048,438	8,680,081	16,728,519
Ending Net Assets	14,958,238	191,168	15,149,406	16,360,042	554,810	16,914,852

See accompanying notes to the financial statements.

MOUNTAIN HUMANE

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019					Total
	Program Services		Supporting Services			
	Animal Shelter	Thrift Store	Fund Raising	Capital Campaign	General & Admin	
Wages and Benefits	2,081,345	208,566	139,292	143,001	125,011	2,697,215
Contract Services	17,061	6,294	(2,870)	3,258	24,590	48,333
Marketing & Communications	49,896	5,844	31,245	10,288	755	98,028
Nonpersonnel Expenses	74,951	5,196	7,295	3,269	4,028	94,739
Facility & Equipment Expenses	158,654	25,949	860	1,455	1,077	187,995
Travel & Meeting	10,404	346	49	728	-	11,527
Other Client Specific Expenses	198,495	-	5	47	-	198,547
Other Expenses	18,132	4,888	8,161	32,420	8,488	72,090
In Kind Goods & Services	17,142	27,859	-	-	3,961	48,962
Interest Expense	60,445	-	-	-	17,632	78,077
Depreciation Expense	245,661	23,091	34,957	-	16,997	320,706
Total	<u>2,932,187</u>	<u>308,033</u>	<u>218,993</u>	<u>194,467</u>	<u>202,538</u>	<u>3,856,218</u>
	2018					
	Program Services		Supporting Services			Total
	Animal Shelter	Thrift Store	Fund Raising	Capital Campaign	General & Admin	
	Wages and Benefits	1,429,965	182,757	112,358	192,717	
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	<u>1,957,198</u>	<u>305,709</u>	<u>176,323</u>	<u>452,645</u>	<u>234,918</u>	<u>3,126,792</u>

See accompanying notes to the financial statements.

MOUNTAIN HUMANE

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in Net Assets	(1,765,447)	186,333
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	320,706	69,830
(Gain) Loss on disposal of fixed assets	(5,412)	-
(Increase) Decrease in accounts receivable	1,116,776	1,789,553
(Increase) Decrease in inventory	(47,950)	(1,340)
(Increase) Decrease in prepaid expenses	(11,001)	3,302
Increase (Decrease) in accounts payable	(538,638)	(250,229)
Increase (Decrease) in payroll liabilities	3,754	35,260
	<u>(927,212)</u>	<u>1,832,710</u>
Cash Flows From Investing Activities		
(Increase) Decrease in Investments	2,031,561	5,942,561
(Acquisition) Disposition of fixed assets	<u>(3,994,222)</u>	<u>(8,609,599)</u>
	(1,962,661)	(2,667,038)
Cash Flows From Financing Activities		
Increase (Decrease) in Line of Credit	(852,571)	852,571
New Long Term Debt	5,400,000	-
Payments on Long Term Debt	<u>-</u>	<u>-</u>
	4,547,429	852,571
Net Increase (Decrease) in Cash and Cash Equivalents		
	1,657,556	18,243
Cash and Cash Equivalents at Beginning of Period		
	<u>392,993</u>	<u>374,750</u>
Cash and Cash Equivalents at Ending of Period		
	<u><u>2,050,549</u></u>	<u><u>392,993</u></u>
Supplemental disclosure		
Interest paid in cash.	\$ 78,007	\$ -

See accompanying notes to the financial statements.

MOUNTAIN HUMANE

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity – Animal Shelter of the Wood River Valley, Inc. 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 promote and support shelter operations. The Organization is governed by its board of directors, as dictated by its bylaws.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States for not-for-profit organizations, as codified by the Financial Accounting Standards Board. Those principles require reporting amounts for an organization's total assets, liabilities, and net assets in a statement of financial position; reporting the change in an organization's net assets in a statement of activities; and reporting the change in its cash and cash equivalents in a statement of cash flows.

Those principles also require classification of an organization's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions into two separate classes of net assets - those with donor restrictions and those without donor restrictions.

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.

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

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 for sale at the thrift store and donated art work for sale. 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 2016 through 2019.

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.

New Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, Revenue Recognition, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Organization is implementing this standard as of January 1, 2019, but has no related changes to its financial statements.

On June 21, 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in this update is permitted. The Organization is currently evaluating the impact of the provisions of ASU Topic 958.

ASU 2016-14 implementation - The Organization adopted 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 April 9, 2010 the date the audited financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

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

	2019		2018	
	FDIC Insured	Uninsured	FDIC Insured	Uninsured
Zions Bank	\$ 250,000	\$ 176,248	\$ 92,210	\$ -
DL Evans Bank	113,417	-	250,000	49,892
Schwab - Cash Equivalents	299,798	1,209,649	-	-
Cash on Hand/Undeposited Funds	-	937	-	890
Total Cash	<u>\$ 663,216</u>	<u>\$ 1,386,833</u>	<u>\$ 342,210</u>	<u>\$ 50,783</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:

	2019	2018
Money Market/Sweep Accounts	\$ -	\$ 1,389,693
Common stocks and options	-	-
Corporate bonds	-	-
Mutual funds	20,143	545,929
Other investments	-	116,081
	<u>\$ 20,143</u>	<u>\$ 2,051,704</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 (\$58,115) and (\$110,639) for 2019 and 2018, respectively. Investment income was reported net of \$4,079 and \$11,127 related investment expense, for years 2019 and 2018, respectively.

The significant decrease in investment balances from year end 2018 to 2019 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. Also, money market and sweep accounts at 2019 year end, are classified as cash equivalents as they are expected to be available for use within 3 months.

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general expenditures within one year of the statement of financial position date, comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and equivalents	\$ 2,050,549	\$ 392,993
Investment securities	20,143	2,051,704
Total	<u>2,070,692</u>	<u>2,444,697</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	191,168	554,810
Lender required minimum balance	500,000	500,000
Board-designated quasi-endowment funds	-	-
Total	<u>691,168</u>	<u>1,054,810</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 1,379,524</u>	<u>\$ 1,389,887</u>

NOTE 5 – PLEDGES/ACCOUNTS RECEIVABLE

Receivables at year end were as follows:

	<u>2019</u>	<u>2018</u>
Contracts/other receivables	12,169	14,168
Pledges Receivables	592,115	1,709,972
Discount (rate 2.5%)	<u>(20,377)</u>	<u>(23,458)</u>
	<u>583,907</u>	<u>1,700,682</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Changes in property and equipment during 2019 and 2018 were as follows:

	<u>Beg Bal</u>	<u>Additions</u>	<u>Disposals</u>	<u>End Bal</u>
2019				
Land	404,641	-	(60,410)	344,231
Construction In Progress	13,620,287		(13,620,287)	-
Buildings/Improvements	659,297	17,154,271	(11,454)	17,802,114
Equipment	458,116	540,129	(8,027)	990,218
Accumulated Depreciation	(783,333)	(320,706)	5,413	(1,098,626)
	14,359,008	17,373,694	(13,694,764)	18,037,937
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)
	5,819,239	8,539,769	-	14,359,008

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Animal medical/surgical care	\$ 9,766	\$ 7,748
Animal nutrition	4,558	5,981
Regional/Community outreach	112,455	46,544
Capital - new facility	-	483,204
Property Lease	42,047	-
Youth Education	20,331	-
Other specific animal needs	2,011	11,333
	\$ 191,168	\$ 554,810

NOTE 8 - RETIREMENT PLAN

The Organization sponsors a 403(b) plan under which it contributed 3% of eligible employees' compensation through 2019. The company contributed \$50,575, \$40,945, and \$37,823 to the plan during 2019, 2018, and 2017, respectively. The Organization suspended company contributions to the plan in 2020.

NOTE 9 – CAPITAL CAMPAIGN/NEW FACILITY

The Organization's capital campaign was for its new facility - which was completed in 2019.

NOTE 10 - LONG TERM DEBT

The Organization has a term loan from Zions Bank with the following terms: 3.19% variable rate, maturity on April 1, 2029, secured by real property and \$500,000 minimum balance in investment securities. Required principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2020	\$ 216,000	\$ 165,005	\$ 381,005
2021	216,000	158,270	\$ 374,270
2022	216,000	151,535	\$ 367,535
2023	216,000	144,800	\$ 360,800
2024	216,000	138,065	\$ 354,065
Later	4,320,000	537,949	4,857,949
Total	\$ 5,400,000	\$ 1,295,623	\$ 6,695,623

NOTE 11 - CHANGE IN ACCOUNTING CLASSIFICATION

The Organization has determined that expenses related to its thrift store are more appropriately classified as program services, instead of supporting services on the statement of functional expenses. This determination is based on the increased animal welfare education and promotion activities of the thrift store relative to financial support activities.