

VANDEBURGH HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 16



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vanderburgh Humane Society, Inc.

We have audited the accompanying financial statements of Vanderburgh Humane Society, Inc. (an Indiana nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 4 to the financial statements, the Organization has excluded certain beneficial interests in assets held by others in the financial statements due to its inability to obtain fair value information. In our opinion, accounting principles generally accepted in the United States of America require that such beneficial interests in assets held by others be recorded at fair value at the date of notification of existence. Quantification of the effects on the financial statements of the preceding practice is not practicable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Vanderburgh Humane Society, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2019 financial statements were reviewed by us, and our report thereon, dated February 22, 2021, stated except for excluding certain beneficial interests in assets held by others in the financial statements due to the inability to obtain fair value information, we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements

Riney Hancock CPAs PSC

Evansville, Indiana
October 15, 2021

VANDEBURGH HUMANE SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 (Audited) and 2019 (Reviewed)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 136,892	\$ 64,931
Contributions receivable	105,822	11,923
Other current assets	<u>46,434</u>	<u>36,340</u>
Total current assets	289,148	113,194
Property and equipment, net	2,198,183	2,279,493
Other assets:		
Beneficial interests in assets held by others	556,491	544,689
Cash surrender value of life insurance	<u>73,761</u>	<u>70,696</u>
Total other assets	<u>630,252</u>	<u>615,385</u>
Total assets	<u><u>\$ 3,117,583</u></u>	<u><u>\$ 3,008,072</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 39,364	\$ 36,754
Accounts payable	41,024	42,554
Accrued expenses	<u>53,431</u>	<u>31,808</u>
Total current liabilities	133,819	111,116
Long-term debt	<u>480,378</u>	<u>386,408</u>
Total liabilities	<u>614,197</u>	<u>497,524</u>
Net assets:		
Without donor restrictions	1,946,895	1,917,068
With donor restrictions	<u>556,491</u>	<u>593,480</u>
Total net assets	<u>2,503,386</u>	<u>2,510,548</u>
Total liabilities and net assets	<u><u>\$ 3,117,583</u></u>	<u><u>\$ 3,008,072</u></u>

See Notes to Financial Statements.

VANDEBURGH HUMANE SOCIETY, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions	\$ 740,085	\$ -	\$ 740,085	\$ 794,286	\$ 48,791	\$ 843,077
PPP loan forgiven	179,000	-	179,000	-	-	-
Adoption and surrender fees	199,452	-	199,452	186,322	-	186,322
Spay/neuter clinic fees	343,995	-	343,995	378,302	-	378,302
Thrifty shop	107,470	-	107,470	86,080	-	86,080
River Kitty Cat Café:						
Lounge fees	43,666	-	43,666	7,472	-	7,472
Food and merchandise sales	86,659	-	86,659	12,480.00	-	12,480
Cost of goods sold	(39,628)	-	(39,628)	(5,067)	-	(5,067)
Net sales	47,031	-	47,031	7,413	-	7,413
Special events:						
Special events revenue	75,816	-	75,816	157,090	-	157,090
Cost of direct benefits to donors	(11,461)	-	(11,461)	(31,693)	-	(31,693)
Net special event revenue	64,355	-	64,355	125,397	-	125,397
Change in value of beneficial interest in assets held by others	-	23,014	23,014	-	76,410	76,410
Investment income	16,815	-	16,815	17,003	-	17,003
Other	18,621	-	18,621	21,035	-	21,035
Net assets released from restrictions	60,003	(60,003)	-	52,859	(52,859)	-
Total revenues and support	<u>1,820,493</u>	<u>(36,989)</u>	<u>1,783,504</u>	<u>1,676,169</u>	<u>72,342</u>	<u>1,748,511</u>
Expenses:						
Program services:						
Adoption/shelter	879,892	-	879,892	898,311	-	898,311
Spay/neuter & medical clinic	468,660	-	468,660	466,136	-	466,136
River Kitty Café	131,523	-	131,523	13,015	-	13,015
Education and other	53,699	-	53,699	49,932	-	49,932
Total program services	1,533,774	-	1,533,774	1,427,394	-	1,427,394
Supporting services:						
General and administrative	99,346	-	99,346	101,345	-	101,345
Fundraising	157,546	-	157,546	165,315	-	165,315
Total supporting services	256,892	-	256,892	266,660	-	266,660
Total expenses	<u>1,790,666</u>	<u>-</u>	<u>1,790,666</u>	<u>1,694,054</u>	<u>-</u>	<u>1,694,054</u>
Change in net assets	29,827	(36,989)	(7,162)	(17,885)	72,342	54,457
Net assets, beginning of year	<u>1,917,068</u>	<u>593,480</u>	<u>2,510,548</u>	<u>1,934,953</u>	<u>521,138</u>	<u>2,456,091</u>
Net assets, end of year	<u>\$ 1,946,895</u>	<u>\$ 556,491</u>	<u>\$ 2,503,386</u>	<u>\$ 1,917,068</u>	<u>\$ 593,480</u>	<u>\$ 2,510,548</u>

See Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

	2020							
	Program Services					Supporting Services		
	Adoption/ Shelter	Spay/Neuter & Medical Clinic	River Kitty Cat Café	Education & Other	Total	General & Admin.	Fund- raising	Total
Salaries	\$ 381,681	\$ 246,317	\$ 76,188	\$ 35,505	\$ 739,691	\$ 50,606	\$ 53,136	\$ 843,433
Employee benefits	43,498	28,071	8,683	4,046	84,298	5,767	6,056	96,121
Payroll taxes	29,160	18,818	5,821	2,713	56,512	3,866	4,060	64,438
Animal supplies	55,267	14,290	135	-	69,692	-	-	69,692
Medical & vet	64,183	113,785	-	-	177,968	-	-	177,968
Advertising	-	-	102	-	102	386	1,738	2,226
Bank charges	2,741	8,584	4,123	-	15,448	555	-	16,003
Depreciation	99,126	13,292	3,776	3,250	119,444	3,250	6,327	129,021
Direct mail	-	-	-	-	-	-	63,994	63,994
Insurance	34,654	3,965	2,048	1,031	41,698	1,043	1,043	43,784
Interest	20,222	-	2,473	-	22,695	4,156	-	26,851
Maintenance	55,827	6,388	2,064	1,660	65,939	1,681	1,681	69,301
Miscellaneous	901	-	262	357	1,520	1,764	171	3,455
Printing & postage	-	-	2	-	2	2,537	4,585	7,124
Professional fees	-	-	-	-	-	12,101	-	12,101
Rent	-	-	14,176	-	14,176	5,581	-	19,757
Software	4,904	814	-	1,020	6,738	-	6,537	13,275
Supplies	1,256	3,801	4,468	-	9,525	3,342	5,496	18,363
Telephone	1,672	1,079	334	156	3,241	222	233	3,696
Travel & education	2,153	-	-	1,502	3,655	-	-	3,655
Utilities	82,647	9,456	6,868	2,459	101,430	2,489	2,489	106,408
	<u>\$ 879,892</u>	<u>\$ 468,660</u>	<u>\$ 131,523</u>	<u>\$ 53,699</u>	<u>\$ 1,533,774</u>	<u>\$ 99,346</u>	<u>\$ 157,546</u>	<u>\$ 1,790,666</u>
	2019							
	Program Services					Supporting Services		
	Adoption/ Shelter	Spay/Neuter & Medical Clinic	River Kitty Cat Café	Education & Other	Total	General & Admin.	Fund- raising	Total
Salaries	\$ 405,406	\$ 267,654	\$ 6,424	\$ 34,259	\$ 713,743	\$ 49,872	\$ 53,960	\$ 817,575
Employee benefits	31,081	20,520	492	2,627	54,720	3,823	4,137	62,680
Payroll taxes	31,230	20,619	495	2,639	54,983	3,842	4,157	62,982
Animal supplies	59,810	15,625	-	-	75,435	-	-	75,435
Medical & vet	54,516	92,908	-	-	147,424	-	-	147,424
Advertising	994	-	-	-	994	737	812	2,543
Bank charges	1,062	9,142	568	-	10,772	481	-	11,253
Depreciation	111,028	15,822	833	3,852	131,535	2,752	4,127	138,414
Direct mail	-	-	-	-	-	-	58,308	58,308
Insurance	31,034	3,551	-	923	35,508	934	934	37,376
Interest	21,218	-	17	-	21,235	4,844	-	26,079
Maintenance	51,107	5,848	615	1,520	59,090	1,539	1,539	62,168
Miscellaneous	608	-	1,951	600	3,159	4,765	801	8,725
Printing & postage	-	-	-	-	-	1,610	8,004	9,614
Professional fees	-	-	-	-	-	13,686	-	13,686
Rent	-	-	1,148	-	1,148	7,483	-	8,631
Software	4,952	1,150	-	720	6,822	-	6,167	12,989
Supplies	1,200	1,893	210	-	3,303	2,076	19,448	24,827
Telephone	1,989	1,313	32	168	3,502	245	265	4,012
Travel & education	2,881	-	-	-	2,881	-	-	2,881
Utilities	88,195	10,091	230	2,624	101,140	2,656	2,656	106,452
	<u>\$ 898,311</u>	<u>\$ 466,136</u>	<u>\$ 13,015</u>	<u>\$ 49,932</u>	<u>\$ 1,427,394</u>	<u>\$ 101,345</u>	<u>\$ 165,315</u>	<u>\$ 1,694,054</u>

See Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (7,162)	\$ 54,457
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	129,949	139,259
Change in beneficial interests in assets held by others	(23,014)	(76,410)
Increase in cash surrender value of life insurance	(3,065)	(2,951)
Decrease (increase) in assets:		
Contributions receivable	(93,899)	(7,000)
Prepaid expenses	(10,094)	(5,383)
Increase (decrease) in liabilities:		
Accounts payable	(1,530)	21,862
Accrued expenses	21,623	4,318
	<u>12,808</u>	<u>128,152</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Principal payments received from remainder trust	11,212	9,917
Purchases of property and equipment	(47,711)	(82,208)
	<u>(36,499)</u>	<u>(72,291)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from long-term debt	150,000	47,009
Repayments on long-term debt	(54,348)	(85,944)
	<u>95,652</u>	<u>(38,935)</u>
Net cash provided by (used in) financing activities		
Net increase in cash and cash equivalents	71,961	16,926
Cash and cash equivalents, beginning of year	64,931	48,005
Cash and cash equivalents, end of year	<u>\$ 136,892</u>	<u>\$ 64,931</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 23,525</u>	<u>\$ 25,234</u>

See Notes to Financial Statements.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

1. **Organization and Summary of Significant Accounting Policies**

Nature of Organization

Vanderburgh Humane Society, Inc. is a not-for-profit organization that was founded in 1957 to provide protection for homeless animals, intervention for animals in abusive environments, and community education to encourage prevention of animal abuse and pet overpopulation in Vanderburgh County, Indiana and the surrounding areas. The Organization serves as a surrender and adoption agency for unwanted pets. The Organization also operates a low-cost spay & neuter clinic, which has prevented hundreds of thousands of unwanted litters, further contributing to the greater number of lives saved, and provides medical services to animals. In 2019, the Organization purchased River Kitty Cat Café in downtown Evansville, Indiana. In addition to selling food and beverages, the café operates a lounge that displays cats available for adoption and allows the public to interact with these cats through various activities.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid investments with an original maturity of less than 90 days to be cash equivalents. Cash and highly liquid financial instruments restricted to long-term purposes are excluded from this definition. Cash that has donor-imposed restrictions limiting its use to long-term purposes is reported as restricted cash in the financial statements. The Organization had no restricted cash at December 31, 2020 and 2019.

Contributions Receivable

Contributions receivable consist of unconditional promises to give, including bequests, which are recognized as revenues in the period received. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Management utilizes the allowance method of accounting for uncollectible accounts. The allowance is based on historical collection experience and changes in current economic conditions in the area. Management believes all contributions receivable will be collected in full, therefore no allowance has been recorded.

Beneficial Interest in Assets Held by Others

Beneficial interests in assets held by others are carried at fair market value, if determinable. Assets donated with explicit restrictions regarding their use are reported as restricted support until such restrictions expire. Absent donor stipulations, contributions of beneficial interests in assets held by others are recorded as unrestricted support.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

1. Organization and Summary of Significant Accounting Policies, Continued

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Acquisitions of property and equipment in excess of \$500 and with estimated useful lives in excess of one year are capitalized.

Donated property and equipment are recorded as contributions at their estimated values at the date of receipt. If donors stipulate a time period during which the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Net Assets

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

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. All contributions are considered available for the Organization's general programs unless specifically restricted by the donor.

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Revenue and Revenue Recognition

Program service revenues, which include adoption fees, clinic service fees, and sale of medical supplies, are recognized as earned when the service is provided or supplies are delivered, and payment is due at that time. The Organization also operates a retail thrift store and a café. Revenue from these sales is recognized at the point of sale. Sales taxes collected from customers are excluded from revenue. The Organization recognizes special event revenue equal to the fair value of the direct benefits to donors and contribution revenue for the difference when the event takes place.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

1. **Organization and Summary of Significant Accounting Policies, Continued**

Contributions

Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Amounts received prior to incurring qualifying expenditures or conditions are reported as deferred revenue in the statement of financial position.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year ended December 31, 2020 and 2019.

Advertising

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing various services and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, benefits, payroll taxes and office expenses have been allocated based on time and effort. Occupancy, insurance, interest, and depreciation expenses have been allocated based on square footage of building.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

1. Organization and Summary of Significant Accounting Policies, Continued

Use of Estimates

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

New Accounting Pronouncement

The Organization adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended, during the year. Management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously identified audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

2. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date were as follows at December 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 136,892	\$ 16,140
Contributions receivable	105,822	11,923
Distributions from beneficial interest in assets held by others	2,862	3,115
Other current assets	9,423	-
Cash surrender value of life insurance	<u>73,761</u>	<u>70,696</u>
	<u>\$ 328,760</u>	<u>\$ 101,874</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments, including money market accounts and certificates of deposit.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

3. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 315,279	\$ 315,279
Buildings and improvements	3,905,449	3,905,449
Equipment	214,287	178,945
Vehicles	<u>75,985</u>	<u>75,985</u>
Total cost	4,511,000	4,490,658
Less accumulated depreciation	<u>(2,312,817)</u>	<u>(2,211,165)</u>
Property and equipment, net	<u>\$ 2,198,183</u>	<u>\$ 2,279,493</u>

4. Beneficial Interests in Assets Held by Others

Beneficial Interest in Remainder Trust

The Organization is a beneficiary of a charitable remainder trust, the assets of which are held by a local bank. The Organization has the irrevocable right to receive one seventh of the distributable net income until termination of the trust in June 2025, at which time the Organization will receive 15% of principal, without restrictions. The fair market value of this interest was \$506,172 and \$497,134 at December 31, 2020 and 2019, respectively. A gain of \$20,250 and \$70,487 were included in the change in net assets with donor restrictions for the years ended December 31, 2020 and 2019, respectively.

This trust is a private foundation under the IRS tax code. As a result, a minimum of 5% of the trust's fair market value is required to be distributed to the charitable beneficiaries annually, and a principal distributions of \$11,212 and \$9,917 were made to the Organization during the years ended December 31, 2020 and 2019, respectively.

Beneficial Interest in Perpetual Trust

The Organization is a beneficiary of a perpetual trust, the assets of which are held by a local bank. The Organization has the irrevocable right to receive one fifty-eighth of the distributable net income in perpetuity, without restrictions. The fair market value of this interest was \$50,319 and \$47,555 at December 31, 2020 and 2019, respectively. A gain of \$2,764 and \$5,923 were included in the change in net assets with donor restrictions for the years ended December 31, 2020 and 2019, respectively.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

4. Beneficial Interests in Assets Held by Others, Continued

Other Estates and Charitable Remainder Trusts

The Organization is also a beneficiary of various other estates and charitable remainder trusts. Due to the difficulty the Organization has encountered in obtaining current fair value information, the Organization has not been able to reasonably value and record its interest in all of these trusts and estates, as required by U. S. generally accepted accounting principles.

5. Fair Value Measurements

Fair value of assets measured on a recurring basis was as follows:

	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>December 31, 2020:</u>			
Beneficial interests in assets held by others	\$ 506,172	\$ 50,319	\$ 556,491
Cash surrender value of life insurance	<u>73,761</u>	<u>-</u>	<u>73,761</u>
	<u>\$ 579,933</u>	<u>\$ 50,319</u>	<u>\$ 630,252</u>
<u>December 31, 2019:</u>			
Beneficial interests in assets held by others	\$ 497,134	\$ 47,555	\$ 544,689
Cash surrender value of life insurance	<u>70,696</u>	<u>-</u>	<u>70,696</u>
	<u>\$ 567,830</u>	<u>\$ 47,555</u>	<u>\$ 615,385</u>

Fair value for the cash surrender value of life insurance is determined by the amount that could be realized under the insurance contract and is considered a Level 2 input.

Fair value of the beneficial interest in a remainder trust is measured using the fair value of the assets held in the trust as reported by the trustee as of December 31, 2020 and 2019, which approximates the present value of the expected future cash flows, discounted at 2.5%, and is considered a Level 2 input.

Fair value of the beneficial interest in a perpetual trust is measured using the fair value of the assets held in the trust as reported by the trustee as of December 31, 2020 and 2019. The Organization considers the measurement of this trust to be a Level 3 input because even though that measurement is based on unadjusted fair values of the trust assets, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

6. Long-Term Debt

Long-term debt consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Note payable to bank, 4.65% interest, \$3,764 monthly through June 2023, when remaining balance is due, secured by all real estate	\$ 332,141	\$ 379,710
Note payable to bank, 5.50% interest, \$919 monthly through November 2024, when remaining balance is due, secured by all real estate	40,545	47,323
Note payable to Small Business Administration, 2.75% interest, \$641 beginning in May 2021, then monthly through May 2050, secured by all tangible and intangible personal property, fully guaranteed by the Federal Government	<u>150,000</u>	<u>-</u>
Long-term debt	522,686	427,033
Less deferred loan fees	<u>(2,944)</u>	<u>(3,871)</u>
Long-term debt, net of deferred loan fees	519,742	423,162
Less current maturities	<u>(39,364)</u>	<u>(36,754)</u>
Long-term debt, net of current portion	<u>\$ 480,378</u>	<u>\$ 386,408</u>

The Organization reports amortization of deferred loan fees as interest expense.

Scheduled long-term debt maturities are as follows for the years ended December 31:

2021	\$ 39,364
2022	43,387
2023	283,684
2024	14,383
2025	5,259
Thereafter	<u>136,609</u>
	<u>\$ 522,686</u>

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

7. Leases

The Organization leases equipment and facilities under cancelable and noncancelable operating lease agreements, which expire at various dates through December 2021. Total rent expense was \$19,757 and \$8,631 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease payments are \$45,744 for the year ended December 31, 2021.

The Organization subleases part of the leased facilities on a month-to-month basis. Total rents received were \$25,200 and \$2,100 for the years ended December 31, 2020 and 2019, respectively.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows at December 31:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Animal holding area	\$ -	\$ 48,791
Subject to the passage of time:		
Beneficial interest in remainder trust	506,172	497,134
Assets to be maintained in perpetuity:		
Beneficial interest in perpetual trust	<u>50,319</u>	<u>47,555</u>
	<u>\$ 556,491</u>	<u>\$ 593,480</u>

Net assets released from donor restrictions were as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Debt reduction	\$ -	\$ 32,942
Animal care	-	2,400
Building improvements and repairs	48,791	7,600
Distributions of principal:		
Beneficial interest in remainder trust	<u>11,212</u>	<u>9,917</u>
	<u>\$ 60,003</u>	<u>\$ 52,859</u>

The Board had restricted \$5,217 at December 31, 2020 to be used for animal spays and neuters or animal medical emergencies. The Organization had no board restricted funds at December 31, 2019.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

9. Payroll Protection Program (PPP) Loan

In April 2020, the Organization qualified and received a loan in the amount of \$179,000 pursuant to the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrued interest at 1%. The Organization received loan forgiveness in November 2020, for the full amount of this loan. The Organization accounted for the PPP Loan in accordance with FASB ASC 958-605 as contribution revenue for the year ended December 31, 2020.

10. Income Taxes

The Organization is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The income derived from thrift shop sales are exempt from unrelated business income tax because substantially all sales consist of merchandise that the Organization received as contributions. The Organization believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

11. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of cash on deposit at financial institutions and contributions receivable. Cash in banks may, at times, exceed federal deposit insurance limits. The Organization attempts to minimize this risk by using high-credit quality financial institutions. Contributions receivable are periodically reviewed by management for their collectability and an allowance for doubtful accounts is established, as deemed necessary.

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The extent of the impact of COVID-19 on the Organization's business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Organization operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

12. Business Acquisition

In November 2019, the Organization purchased 100% of the ownership of River Kitty Cat Cafe. The primary purpose of the café is to increase the visibility and adoption of cats that are available for adoption while offering a limited menu to customers. The organization acquired leasehold improvements for \$50,000 and equipment for \$14,000.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 (Audited) and 2019 (Reviewed)

13. Recently Issued Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments and a right-to-use asset representing its right to use the underlying asset for the lease term for all leases with a lease term of more than 12 months. The amendments of this ASU are effective for reporting periods beginning after December 15, 2020.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The standard is effective for annual reporting periods beginning after June 15, 2021 and should be applied on a retrospective basis.

Management is currently assessing the impact the adoption of these ASUs will have on its financial statements.

14. Subsequent Events

The Organization has evaluated subsequent events through October 15, 2021, the date the financial statements were available to be issued.

Subsequent to year end, the Organization applied for a second loan under the Paycheck Protection Program administered by the Small Business Administration. The loan was approved for \$188,349 and funded in January 2021. The loan accrues interest at 1%. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal Government.