

VANDERBURGH HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

(With Independent Accountant's Review Report Thereon)

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Vanderburgh Humane Society, Inc.

We have reviewed the accompanying financial statements of Vanderburgh Humane Society, Inc. (an Indiana nonprofit organization), which comprise the statements 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, except for the issue noted in the Known Departure From Accounting Principles Generally Accepted in the United States of America paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Known Departure from Accounting Principles Generally Accepted in the United States of America

As disclosed 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.

Riney Hancock CPAs PSC

Evansville, Indiana

February 22, 2021

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,931	\$ 48,005
Contributions receivable	11,923	4,923
Other current assets	<u>36,340</u>	<u>30,957</u>
Total current assets	113,194	83,885
Property and equipment, net	2,279,493	2,335,699
Other assets:		
Beneficial interests in assets held by others	544,689	478,196
Cash surrender value of life insurance	70,696	67,745
Other	<u>-</u>	<u>2,309</u>
Total other assets	<u>615,385</u>	<u>548,250</u>
Total assets	<u><u>\$ 3,008,072</u></u>	<u><u>\$ 2,967,834</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 36,754	\$ 24,054
Accounts payable	42,554	20,692
Accrued expenses	<u>30,091</u>	<u>25,276</u>
Total current liabilities	109,399	70,022
Long-term liabilities:		
Long-term debt	386,408	437,198
Other liabilities	<u>1,717</u>	<u>4,523</u>
Total long-term liabilities	<u>388,125</u>	<u>441,721</u>
Total liabilities	<u>497,524</u>	<u>511,743</u>
Net assets:		
Without donor restrictions	1,917,068	1,934,953
With donor restrictions	<u>593,480</u>	<u>521,138</u>
Total net assets	<u>2,510,548</u>	<u>2,456,091</u>
Total liabilities and net assets	<u><u>\$ 3,008,072</u></u>	<u><u>\$ 2,967,834</u></u>

See Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:						
Revenues and support:						
Adoption and surrender fees	\$ 186,322	\$ -	\$ 186,322	\$ 158,364	\$ -	\$ 158,364
Spay/neuter clinic fees	378,302	-	378,302	406,017	-	406,017
Contributions	801,758	48,791	850,549	579,548	42,942	622,490
Resale of donated items	86,080	-	86,080	69,037	-	69,037
Investment income	14,052	-	14,052	13,398	-	13,398
River Kitty Cat Café:						
Sales	12,480	-	12,480	-	-	-
Cost of goods sold	(5,067)	-	(5,067)	-	-	-
Net sales	7,413	-	7,413	-	-	-
Special events:						
Special events revenue	157,090	-	157,090	147,891	-	147,891
Cost of direct benefits to donors	(31,693)	-	(31,693)	(39,192)	-	(39,192)
Net special event revenue	125,397	-	125,397	108,699	-	108,699
Change in value of beneficial interest in assets held by others	-	76,410	76,410	-	(60,034)	(60,034)
Other	23,986	-	23,986	28,245	-	28,245
Net assets released from restrictions	52,859	(52,859)	-	24,217	(24,217)	-
Total revenues and support	1,676,169	72,342	1,748,511	1,387,525	(41,309)	1,346,216
Expenses:						
Program service	1,430,879	-	1,430,879	1,322,491	-	1,322,491
Supporting services:						
General and administrative	92,577	-	92,577	100,514	-	100,514
Fundraising	170,598	-	170,598	117,021	-	117,021
Total supporting services	263,175	-	263,175	217,535	-	217,535
Total expenses	1,694,054	-	1,694,054	1,540,026	-	1,540,026
Change in net assets	(17,885)	72,342	54,457	(152,501)	(41,309)	(193,810)
Net assets, beginning of year	1,934,953	521,138	2,456,091	2,087,454	562,447	2,649,901
Net assets, end of year	\$ 1,917,068	\$ 593,480	\$ 2,510,548	\$ 1,934,953	\$ 521,138	\$ 2,456,091

See Notes to Financial Statements.

VANDEBURGH HUMANE SOCIETY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2019 and 2018

	2019				2018			
	Program	General & Admin.	Fund- raising	Total	Program	General & Admin.	Fund- raising	Total
Advertising	\$ 994	\$ 737	\$ 812	\$ 2,543	\$ 3,568	\$ 3,155	\$ 906	\$ 7,629
Automobile	2,881	-	-	2,881	3,143	-	-	3,143
Bank charges	5,169	421	4,601	10,191	4,475	463	4,474	9,412
Depreciation & amortization	131,535	2,752	4,127	138,414	135,642	2,856	4,283	142,781
Direct mail	-	-	58,308	58,308	-	-	32,302	32,302
Dues & subscriptions	484	-	-	484	630	-	-	630
Employee benefits	54,720	3,823	4,137	62,680	37,993	3,092	3,093	44,178
Food & animal supplies	72,958	-	-	72,958	55,407	-	-	55,407
Insurance	35,507	934	935	37,376	30,101	792	792	31,685
Interest	24,775	652	652	26,079	28,225	743	743	29,711
Maintenance	60,230	1,569	1,569	63,368	56,271	1,481	1,481	59,233
Medical	151,531	-	-	151,531	150,715	-	-	150,715
Miscellaneous	11,052	4,765	6,968	22,785	10,617	4,733	6,271	21,621
Payroll taxes	54,983	3,842	4,157	62,982	50,215	4,087	4,087	58,389
Printing & postage	805	805	8,004	9,614	819	819	1,853	3,491
Professional fees	-	13,686	-	13,686	-	15,846	-	15,846
Rent	4,889	3,742	-	8,631	3,058	3,058	-	6,116
Salaries	713,743	49,872	53,960	817,575	654,883	53,304	53,305	761,492
Supplies	210	2,076	19,448	21,734	-	3,341	688	4,029
Telephone	3,502	245	265	4,012	3,603	293	293	4,189
Travel & education	-	-	-	-	-	-	-	-
Utilities	100,911	2,656	2,655	106,222	93,126	2,451	2,450	98,027
	<u>\$ 1,430,879</u>	<u>\$ 92,577</u>	<u>\$ 170,598</u>	<u>\$ 1,694,054</u>	<u>\$ 1,322,491</u>	<u>\$ 100,514</u>	<u>\$ 117,021</u>	<u>\$ 1,540,026</u>

See Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 54,457	\$ (193,810)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	139,259	144,464
Change in beneficial interests in assets held by others	(76,410)	60,034
Increase in cash surrender value of life insurance	(2,951)	(2,807)
Decrease (increase) in assets:		
Contributions receivable	(7,000)	24,667
Prepaid expenses	(5,383)	6,356
Increase (decrease) in liabilities:		
Accounts payable	21,862	(18,332)
Accrued expenses	4,815	4,514
Other liabilities	(497)	(2,852)
Net cash provided by operating activities	<u>128,152</u>	<u>22,234</u>
Cash flows from investing activities:		
Principal payments received from remainder trust	9,917	8,482
Purchases of property and equipment	(82,208)	-
Net cash provided by (used in) investing activities	<u>(72,291)</u>	<u>8,482</u>
Cash flows from financing activities:		
Proceeds from long-term debt	47,009	482,861
Repayments on long-term debt	(85,944)	(575,589)
Net cash used in financing activities	<u>(38,935)</u>	<u>(92,728)</u>
Net increase (decrease) in cash and cash equivalents	16,926	(62,012)
Cash and cash equivalents, beginning of year	<u>48,005</u>	<u>110,017</u>
Cash and cash equivalents, end of year	<u>\$ 64,931</u>	<u>\$ 48,005</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 25,234</u>	<u>\$ 30,102</u>

See Notes to Financial Statements.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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

Nature of Organization

Vanderburgh Humane Society, Inc. was founded in 1957 as a not-for-profit organization dedicated to the promotion of animal welfare in Vanderburgh County, Indiana, and surrounding areas. The Organization's programs are designed to prevent cruelty to animals, provide care and find homes for homeless animals, educate the public about humane treatment of animals and seek solutions to pet overpopulation. The Organization is supported primarily through donations, program fees, and fundraising events.

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, 2019 and 2018.

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. The Organization is the recipient of several bequests that the Organization has not recorded due to the inability to obtain sufficient information to properly value these bequests.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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 other program services, are recognized as earned when the service is provided. 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.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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 are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

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

A substantial number of volunteers donate significant amounts of their time to benefit the Organization's programs. However, the value of these services is not reflected in the financial statements, as it does not meet the criteria for recognition.

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.

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.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies, Continued

New Accounting Pronouncement

During the year, the Organization adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction. If no commensurate value is received by the grant maker, the transfer is a contribution. There was no material impact to the financial statements as a result of the adoption.

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>2019</u>	<u>2018</u>
Cash	\$ 16,140	\$ 5,063
Contributions receivable	11,923	4,923
Distributions from beneficial interest in assets held by others	3,115	5,570
Cash surrender value of life insurance	<u>70,696</u>	<u>67,745</u>
	<u>\$ 101,874</u>	<u>\$ 83,301</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, 2019 and 2018

3. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 315,279	\$ 315,279
Buildings and improvements	3,905,449	3,839,914
Equipment	193,945	177,271
Vehicles	<u>75,985</u>	<u>75,985</u>
Total cost	4,490,658	4,408,449
Less accumulated depreciation	<u>(2,211,165)</u>	<u>(2,072,750)</u>
Property and equipment, net	<u>\$ 2,279,493</u>	<u>\$ 2,335,699</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 \$497,134 and \$436,564 at December 31, 2019 and 2018, respectively. A gain of \$70,487 and a loss of \$52,512 were included in the change in net assets with donor restrictions for the years ended December 31, 2019 and 2018, 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 \$9,917 and \$8,482 were made to the Organization during the years ended December 31, 2019 and 2018, 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 \$47,555 and \$41,632 at December 31, 2019 and 2018, respectively. A gain of \$5,923 and a loss of \$7,522 were included in the change in net assets with donor restrictions for the years ended December 31, 2019 and 2018, respectively.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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, 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>
<u>December 31, 2018:</u>			
Beneficial interests in assets held by others	\$ 436,564	\$ 41,632	\$ 478,196
Cash surrender value of life insurance	<u>67,745</u>	<u>-</u>	<u>67,745</u>
	<u>\$ 504,309</u>	<u>\$ 41,632</u>	<u>\$ 545,941</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, 2019 and 2018, 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, 2019 and 2018. 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, 2019 and 2018

5. Fair Value Measurements, Continued

The table below presents information about fair value measurements that use significant unobservable inputs (Level 3) for the years ended December 31:

	<u>2019</u>	<u>2018</u>
<u>Beneficial interest in perpetual trust:</u>		
Beginning of year	\$ 41,632	\$ 49,154
Total gains (losses) recognized in the change in permanently restricted net assets:		
Change in value of perpetual trust	<u>5,923</u>	<u>(7,522)</u>
End of year	<u>\$ 47,555</u>	<u>\$ 41,632</u>

The Organization recognizes transfers in and out of levels at the end of the reporting period. There were no transfers between levels in 2019 and 2018.

At least annually, management and the Board of Directors review and approve the Organization's fair value measurement policies and procedures and determine if the valuation techniques used in fair value measurements are still appropriate.

6. Leases

The Organization leases equipment and facilities (River Kitty Cat Café) under cancelable and noncancelable operating lease agreements, which expire at various dates through December 2021. Total rent expense was \$8,631 and \$6,116 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

2020	\$ 43,876
2021	<u>42,768</u>
	<u>\$ 86,644</u>

The Organization subleases part of the River Kitty Cat Café building as this agreement was continued on from the previous owner of the property on a month-to-month basis. Total rents received under that rental agreement were \$2,100 for the year ended December 31, 2019. The organization had no rents received under this rental agreement for the year ended December 31, 2018.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

7. Long-Term Debt

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

	<u>2019</u>	<u>2018</u>
Note payable to bank, 4.65% interest, \$3,764 monthly through June 2023, when remaining balance is due, secured by all real estate	\$ 379,710	\$ 464,977
Note payable to bank, 5.50% interest, \$918.61 monthly through November 2024, when remaining balance is due, secured by all real estate	47,323	-
Less unamortized debt issuance cost	<u>(3,871)</u>	<u>(3,725)</u>
Debt, net of unamortized debt issuance cost	423,162	461,252
Less current maturities	<u>(36,754)</u>	<u>(24,054)</u>
Long-term debt	<u>\$ 386,408</u>	<u>\$ 437,198</u>

The Organization reports amortization of debt issuance costs as interest expense.

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

2020	\$ 36,754
2021	38,577
2022	40,491
2023	301,472
2024	<u>9,739</u>
	<u>\$ 427,033</u>

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

8. Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Debt reduction	\$ -	\$ 32,942
Animal care	-	2,400
Animal holding area	<u>48,791</u>	<u>7,600</u>
	48,791	42,942
Subject to the passage of time:		
Beneficial interest in remainder trust	497,134	436,564
Assets to be maintained in perpetuity:		
Beneficial interest in perpetual trust	<u>47,555</u>	<u>41,632</u>
	<u>\$ 593,480</u>	<u>\$ 521,138</u>

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

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Debt reduction	\$ 32,942	\$ 7,500
Animal care	2,400	760
Building improvements and repairs	7,600	7,475
Distributions of principal:		
Beneficial interest in remainder trust	<u>9,917</u>	<u>8,482</u>
	<u>\$ 52,859</u>	<u>\$ 24,217</u>

The Board had restricted \$1,902 at December 31, 2019 to be used for animal spays and neuters or animal medical emergencies. The Organization had no board restricted funds at December 31, 2018.

9. 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 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.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

10. 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.

11. 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 \$15,000.

12. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update requires entities to recognize revenue at amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services at the time of transfer. In doing so, entities will need to use more judgment and make more estimates in order to identify performance obligations in the contract, estimate the amount of variable consideration to include in the transaction price, and allocate the transaction price to each separate performance obligation. The amendments of this ASU are effective for reporting periods beginning after December 15, 2019.

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.

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

13. Subsequent Events

The Organization has evaluated subsequent events through February 22, 2021, the date the financial statements were available to be issued.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

13. Subsequent Events, Continued

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 ("COVID-19") outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. The COVID-19 outbreak has triggered volatility in financial markets and a significant negative impact on the global economy. The full impact of the economic disruption and shutdown which has been caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position and cash flows.

Subsequent to year end, the Organization applied for a loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was approved for \$179,000 and funded in April 2020. 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.

Subsequent to year end, the Organization applied for a loan under the Economic Injury Disaster Loan created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was approved for \$150,000 and funded in May 2020. The loan accrues interest at 2.75% and monthly payments of \$641 are to begin 12 months from the date of the loan, with the remaining balance due 30 years from the date of the loan. The loan is collateralized by all tangible and intangible personal property and is fully guaranteed by the Federal Government.