

**BENTON FRANKLIN
HUMANE SOCIETY**

**Financial Statements and
Independent Accountants'
Review Report**

December 31, 2020

Benton Franklin Humane Society

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Benton Franklin Humane Society
Kennewick, Washington

We have reviewed the accompanying financial statements of Benton Franklin Humane Society (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows, for the year 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.

Accountants' 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 American Institute of Certified Public Accountants. 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.

Accountants' Conclusion

Based on our review, 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.

Northwest CPA Group PLLC

Tri-Cities, Washington
September 27, 2021

Benton Franklin Humane Society
Statement of Financial Position
December 31, 2020

ASSETS

CURRENT ASSETS:

Cash and cash equivalents		\$ 189,742
Prepaid expenses		3,734
Investments		477,952
Beneficial interest in assets held by a foundation, <i>current</i>		100,000
Total current assets		771,428

PROPERTY AND EQUIPMENT:

Buildings and improvements	\$ 1,674,254	
Vehicles and equipment	303,638	
	1,977,892	
Less accumulated depreciation	704,395	
	1,273,497	
Land	159,718	
	1,433,215	

OTHER ASSETS:

Beneficial interest in assets held by a foundation, <i>noncurrent</i>		2,488,402
		\$ 4,693,045

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable		\$ 3,052
Payroll liabilities		7,488
Total current liabilities		10,540

NET ASSETS:

Without donor restrictions	\$ 2,094,103	
With donor restrictions	2,588,402	
	4,682,505	
Total net assets		\$ 4,693,045

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

	Without Donor Restrictions	With Donor Restrictions	Total
<i>REVENUES AND SUPPORT:</i>			
Contributions and grants	\$ 517,209	\$ 99,554	\$ 616,763
Fundraising event revenue	30,340	-	30,340
Animal adoptions	170,411	-	170,411
Paycheck Protection Program grant	100,200	-	100,200
In-kind donations	24,404	-	24,404
Other revenue	34,972	-	34,972
	<u>877,536</u>	<u>99,554</u>	<u>977,090</u>
Net assets released from restrictions	100,000	(100,000)	-
	<u>977,536</u>	<u>(446)</u>	<u>977,090</u>
<i>EXPENSES:</i>			
Program services	613,389	-	613,389
Management and general	153,474	-	153,474
Fundraising	173,151	-	173,151
	<u>940,014</u>	<u>-</u>	<u>940,014</u>
<i>CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)</i>	<u>37,522</u>	<u>(446)</u>	<u>37,076</u>
<i>OTHER INCOME (EXPENSE):</i>			
Realized/unrealized gain on investments	24,645	-	24,645
Dividend income	7,587	-	7,587
Interest income	129	-	129
Investment fees	(2,558)	-	(2,558)
	<u>29,803</u>	<u>-</u>	<u>29,803</u>
<i>CHANGES IN NET ASSETS</i>	67,325	(446)	66,879
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>2,026,778</u>	<u>2,588,848</u>	<u>4,615,626</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 2,094,103</u>	<u>\$ 2,588,402</u>	<u>\$ 4,682,505</u>

Benton Franklin Humane Society Statement of Functional Expenses Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 304,585	\$ 113,363	\$ 95,468	\$ 513,416
Animal care	123,895	-	-	123,895
Depreciation expense	53,438	7,634	2,545	63,617
Payroll taxes	37,898	9,962	8,862	56,722
Professional fundraising services	5,654	-	50,004	55,658
Occupancy	29,809	7,215	1,079	38,103
Repairs and maintenance	13,464	186	4,486	18,136
Insurance	12,053	1,445	723	14,221
Employee benefits	7,522	2,800	2,358	12,680
Office expenses	9,653	1,149	341	11,143
Bank fees	6,286	876	421	7,583
Postage, delivery, and printing	2,391	1,471	2,468	6,330
Dues and subscriptions	2,843	1,345	772	4,960
Taxes, licenses, and permits	599	3,467	549	4,615
Fundraiser expenses	-	-	2,235	2,235
Professional fees	-	2,121	-	2,121
Advertising and promotion	439	-	840	1,279
Miscellaneous expense	2,860	440	-	3,300
	<u>\$ 613,389</u>	<u>\$ 153,474</u>	<u>\$ 173,151</u>	<u>\$ 940,014</u>

Benton Franklin Humane Society
Statement of Cash Flows
Year Ended December 31, 2020

INCREASE IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from grants and donors	\$	547,549
Cash received from operations		205,383
Cash received from the Paycheck Protection Program		100,200
Cash paid to suppliers and employees		(844,209)
Interest and dividends received		126
Net cash provided by operating activities		9,049

CASH FLOWS FROM INVESTING ACTIVITIES:

Receipts from beneficial interest in assets held by a foundation	\$	100,000
Net cash provided by investing activities		100,000

NET INCREASE IN CASH AND CASH EQUIVALENTS 109,049

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 80,693

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 189,742

Reconciliation of Changes in Net Assets

to Net Cash Provided by Operating Activities:

Changes in net assets	\$	66,879
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	\$	63,617
Realized loss on investments		5,767
Unrealized gain on investments		(30,412)
Interest, dividends, and fees reinvested		(7,590)
Investment fees paid from investment funds		2,558
Realized discount on beneficial interest in assets held by foundation		(99,554)
Increase in liabilities:		
Accounts payable		3,638
Payroll liabilities		4,146
Total adjustments		(57,830)
Net cash provided by operating activities	\$	9,049

Benton Franklin Humane Society

Notes to Financial Statements

Year Ended December 31, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Benton Franklin Humane Society (the Organization) is a not-for-profit charitable organization that provides support services for animals in Benton and Franklin Counties of Washington state, and surrounding areas. The Organization advocates for the humane treatment of animals through adoption counseling, educational outreach, and community services. Funding sources include shelter fees and donations from caring individuals and businesses.

Summary of Significant Accounting Policies:

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 of America.

Cash and cash equivalents – The Organization considers all highly liquid investments, with an original maturity of three months or less, to be cash equivalents. The Organization maintains its cash in bank deposit accounts with financial institutions. Cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation at various times during the year; management does not consider this to be a significant credit risk.

Investments – Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position. Investment securities consist of a highly-diversified portfolio of mutual funds and exchange-traded products. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, and investment expenses. The investments in marketable securities are subject to market risk.

Property and equipment – Property and equipment are stated at cost or, if donated, at their approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 39 years. The Organization capitalizes all property and equipment acquired in excess of \$1,000.

Beneficial interest in assets held by a foundation – The Organization is a beneficiary of a private foundation created in November 2007 to provide annual distributions over 150 years to five non-profit organizations. Annual distributions are received based on 5% of the foundation's assets, split equally with the four other nonprofit organizations. The Organization has valued the beneficial interest in assets held by a foundation at fair value based on future expected cash receipts from the foundation, discounted at 4%. The amounts ultimately realized could differ materially, and significant fluctuations in fair value could occur from year to year.

Financial instruments – At December 31, 2020, the carrying value of the Organization's financial instruments approximated fair value.

Benton Franklin Humane Society

Notes to Financial Statements

Year Ended December 31, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

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 net asset changes are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Revenue recognition – contributions:

Contributions – Contributions are recognized when cash, securities 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.

In-kind contributions – Donated goods are recorded at their estimated fair value when received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation. Gifts of property and equipment, and gifts of cash to be used to acquire property and equipment, are reported as restricted support, and classified to net assets without donor restrictions when placed into service.

Benton Franklin Humane Society

Notes to Financial Statements

Year Ended December 31, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Revenue recognition – contracts with customers:

The Organization derives revenues from the adoption of animals to individuals within the community. Revenues for these adoptions are recognized when the animal is transferred to the new home (at the time of adoption). All services are recognized at a point in time. The Organization does not have any significant financing components as payment is received at or shortly after the adoption.

Allocation of expenses – The costs of program and supporting service activities have been reported on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail by function. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Costs have been allocated between the various programs and support services on several bases and estimates. Occupancy costs have been allocated based on square footage. Salaries, wages, payroll taxes, and employee benefits have been allocated based on estimated time spent on specific job duties. Depreciation expense is based on the estimated usage of the underlying property and equipment. Office expense, repairs and maintenance, professional fees, postage, delivery and printing, insurance, bank fees, advertising and promotion, taxes, licenses and permits, and miscellaneous expense is based on estimated usage benefited by program services or supporting services.

Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Advertising – Advertising cost is expensed as incurred. Advertising expense for the year ended December 31, 2020, was \$1,279.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes – Under the provisions of Section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from federal income taxes, except for net income from unrelated business activities. For the year ended December 31, 2020, the Organization had no unrelated business activities subject to federal income tax. Management has evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustments to the financial statements.

Benton Franklin Humane Society

Notes to Financial Statements

Year Ended December 31, 2020

NOTE 2 – AVAILABILITY AND LIQUIDITY:

The Organization receives significant unrestricted contributions and program revenues to meet cash needs and fund general operating expenditures.

The Board of Directors continually assesses the Organization’s ability to meet general expenditure needs. The Organization makes every effort to maintain sufficient cash in its operating accounts to satisfy needs and draws from its investment account only when necessary. Draws from the investment account require Board approval.

The Organization’s financial assets available for general expenditure within one year of the balance sheet date are as follows:

Cash and cash equivalents	\$	189,742
Investments		477,952
Beneficial interest in assets held by a foundation		100,000
Total financial assets, available to meet cash needs for general expenditures within one year		\$ 767,694

NOTE 3 – INVESTMENTS:

Investments consisted of the following at December 31, 2020:

	Fair Value	Cost
Mutual funds	\$ 463,449	\$ 418,071
Exchange traded funds	10,048	8,679
Money market	4,455	4,455
	\$ 477,952	\$ 431,205

Benton Franklin Humane Society

Notes to Financial Statements

Year Ended December 31, 2020

NOTE 4 – FAIR VALUE MEASUREMENTS:

The Financial Accounting Standards Board has established a fair value measurement standard, which establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Quoted prices are available in active markets for identical investments as of the measurement date. The Organization does not adjust the quoted price for these investments.

Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the measurement date, but are not the same as those used in Level 1. Fair value is determined through quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire measurement in the hierarchy.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

Mutual Funds and Exchange Traded Funds (Level 1): Valued daily at the closing price as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds and exchange traded funds held by the Organization are deemed to be actively traded.

Beneficial interest in assets held by foundation (Level 3): Valued using an income approach by estimating annual distributions of \$100,000 through November 2156 and presented at net present value, at a discount rate of 4%. Any difference between annual estimated distributions of \$100,000 and actual amounts received is recorded as contributions in the Statement of Activities in the year received. During the year ended December 31, 2020, the actual amount received from the Foundation was \$115,838.

Benton Franklin Humane Society

Notes to Financial Statements

Year Ended December 31, 2020

NOTE 4 – FAIR VALUE MEASUREMENTS (continued):

The following table discloses by level within the fair value hierarchy the Organization’s fair value measurements at December 31, 2020:

	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Valued on a recurring basis:				
Investments:				
Money market	\$ 4,455	\$ -	\$ -	\$ 4,455
Mutual funds	463,449	-	-	463,449
Exchange traded funds	10,048	-	-	10,048
Total investments	\$ 477,952	\$ -	\$ -	\$ 477,952
Valued on a nonrecurring basis:				
Beneficial interest in assets held by a foundation	\$ -	\$ -	\$ 2,588,402	\$ 2,588,402

Beneficial interest in assets held by a foundation – The Organization has been named as a beneficiary of a charitable private foundation. Under conditions of the trust, the Organization, along with four other charitable organizations, will receive annual distributions based on 5% of the value of the foundation’s assets through November 2156. The discounted value of the total estimated annual distributions is included in the statement of financial position as beneficial interest in assets held by a foundation.

A roll forward of the fair value measurements using unobservable inputs (Level 3) as of December 31, 2020, is as follows:

	Beneficial Interest in Assets Held by Foundation
Balance, December 31, 2019	\$ 2,588,848
Estimated annual distribution	(100,000)
Present value discount	99,554
Balance, December 31, 2020	\$ 2,588,402

Benton Franklin Humane Society

Notes to Financial Statements

Year Ended December 31, 2020

NOTE 5 – PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN:

On April 15, 2020, the Organization received \$100,200 from Community First Bank under the Paycheck Protection Program (PPP). The PPP was included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed by the United States Congress in response to the COVID-19 crisis. The PPP authorizes forgivable loans to small businesses to incentivize retention of employees during the pandemic. The forgivable portion was determined based on the Organization's use of funds during the 24-week period after receiving the loan.

In December 2020, the Organization was notified that the full loan amount was forgiven. The Organization has elected to account for the loan as a grant that is recognized as revenue in accordance with guidance for conditional contributions; that is, revenue is recognized once the measurable performance or other barrier and right of return of the PPP loan no longer existed. As such, the entire PPP loan has been recognized as revenue during the year ended December 31, 2020.

NOTE 6 – NONCASH INVESTING ACTIVITIES:

Each year, the Organization purchases and sells within its investment account, with no resulting cash activity. In addition, income is also automatically reinvested and investment fees are paid. The following summarizes the noncash investing transactions for the year ended December 31, 2020:

Sales	\$ 435,646
Purchases	(445,415)
Interest and dividends reinvested	7,590
Investment fees	2,558

NOTE 7 – NET ASSET RESTRICTIONS:

Net assets with donor restrictions as of December 31, 2020, consisted of the following:

Subject to passage of time:

Beneficial interest in assets held by a foundation	\$ 2,588,402
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Net assets were released from donor restrictions through the passage of time as follows for the year ended December 31, 2020:

Expiration of time restriction:

Receipt from beneficial interest in assets held by a foundation	\$ 100,000
Realized discount on beneficial interest in assets held by a foundation	(99,554)
	<u>\$ 446</u>

Benton Franklin Humane Society

Notes to Financial Statements

Year Ended December 31, 2020

NOTE 8 – IN-KIND CONTRIBUTIONS:

In-kind contributions consisted of the following for the year ended December 31, 2020:

Animal food	\$ 11,967
Shelter supplies	11,382
Surgical suite supplies	738
Office Supplies and other	317
	<u>\$ 24,404</u>

NOTE 9 – CONCENTRATIONS:

During the year ended December 31, 2020, approximately 19% of revenue and support was received from two donors. This support was distributed from a trust and a charitable private foundation, each of which name the Organization as a qualified beneficiary.

Charitable Remainder Annuity Trust – The Organization has received contributions from a charitable remainder annuity trust. The trust provides for the payment of distributions to a designated beneficiary and five nonprofit organizations for the life of the beneficiary. Distributions of 5% of the total trust assets are made annually, with \$24,000 paid to the designated beneficiary and the remaining amount paid equally to the five nonprofit beneficiaries. At the end of the trust’s terms, the remaining assets will be distributed as stipulated by the trust agreement. Information necessary to accurately measure the Organization’s interest in the trust is not available, therefore, no related asset has been recorded in the financial statements.

Charitable Private Foundation – The Organization has also received contributions from a private foundation. Five percent of the assets of the foundation are distributed annually to the beneficiaries through November 2156. See also Note 1 and Note 4.

NOTE 10 – RISKS AND UNCERTAINTIES:

In March 2020, federal and state governments issued guidelines for businesses to limit the spread of the virus COVID-19. The impact of these guidelines is widespread and specific impacts on the Organization, its members, and its vendors cannot be predicted. Management is closely monitoring the situation and is limiting any potential negative impacts and disruptions to operations within their control. However, COVID-19 may affect future revenue and expenses, as well as the recognition and measurement of assets and liabilities of the Organization.

NOTE 11 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated by management through September 27, 2021, which is the date the financial statements were available to be issued.