

WOODS HUMANE SOCIETY, INC.

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**For the Year Ended
June 30, 2019**

WOODS HUMANE SOCIETY, INC.
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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Independent Auditors' Report

Board of Directors
Woods Humane Society, Inc.
San Luis Obispo, CA

We have audited the accompanying financial statements of Woods Humane Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statement of activities, statement of functional expenses, and statement of 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 of material misstatements.

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

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

Woods Humane Society, Inc.
Independent Auditors' Report continued
For the year ended June 30, 2019

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woods Humane Society, Inc. as of June 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


BURKART & STEVENS,
an Accountancy Corporation

San Luis Obispo, CA
October 16, 2019

WOODS HUMANE SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Current assets:			
Cash and cash equivalents (Notes 2 and 3)	\$ 1,369,546	\$ -	\$ 1,369,546
Investments-Securities (Note 4)	8,012,660	-	8,012,660
Agency endowment fund (Note 5)	30,637	-	30,637
Accounts receivable	13,778	-	13,778
Inventory of supplies, at cost	34,052	-	34,052
Prepaid expenses	2,235	-	2,235
Deferred expense-Critter Camp	5,833	-	5,833
Total current assets	9,468,741	-	9,468,741
Property and equipment:			
Property and equipment - net (Notes 2 and 6)	5,522,950	-	5,522,950
Total assets	\$ 14,991,691	\$ -	\$ 14,991,691

LIABILITIES AND NET ASSETS	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Current liabilities:			
Accounts payable	\$ 31,720	\$ -	\$ 31,720
Accrued expenses	98,430	-	98,430
Deferred income-Critter Camp	33,722	-	33,722
Deferred grants (Note 7)	16,632	-	16,632
Deferred campaign (Note 8)	37,842	-	37,842
Total current liabilities	218,346	-	218,346
Net assets:			
Without donor restrictions:			
Undesignated (Note 9)	14,773,345	-	14,773,345
With donor restrictions	-	-	-
Total net assets	14,773,345	-	14,773,345
Total liabilities and net assets	\$ 14,991,691	\$ -	\$ 14,991,691

See independent auditors' report

The accompanying notes are an integral part of these financial statements

WOODS HUMANE SOCIETY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenues, gains and support:			
Donations	\$ 889,587	\$ 48,003	\$ 937,590
Legacies and bequests	576,891	-	576,891
Grants	132,175	29,839	162,014
Retail sales	71,170	-	71,170
Program revenue	708,363	-	708,363
Special event income	327,894	-	327,894
Interest/dividend income	290,704	-	290,704
Realized gain/(loss) on sale of securities	122,233	-	122,233
Unrealized gain/(loss) on securities	(133,968)	-	(133,968)
Total revenues, gains and support	2,985,049	77,842	3,062,891
Expenses:			
Program services	3,043,086	-	3,043,086
Management and general	259,960	-	259,960
Fundraising	385,225	-	385,225
Total expenses	3,688,271	-	3,688,271
Increase (decrease) in net assets from operations	(703,222)	77,842	(625,380)
Other changes:			
Net assets released from restriction (Note 11)	77,842	(77,842)	-
Change in net assets	\$ (625,380)	\$ -	\$ (625,380)

See independent auditors' report

The accompanying notes are an integral part of these financial statements

WOODS HUMANE SOCIETY, INC.

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended June 30, 2019

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
NET ASSETS - June 30, 2018	\$ 15,398,725	\$ -	\$ 15,398,725
Increase (decrease) in net assets	(625,380)	-	(625,380)
NET ASSETS - June 30, 2019	\$ 14,773,345	\$ -	\$ 14,773,345

See independent auditors' report

The accompanying notes are an integral part of these financial statements

WOODS HUMANE SOCIETY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

	2019
	<u>Totals</u>
<i>Cash flows from operating activities:</i>	
Change in net assets	\$ (625,380)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	246,184
(Increase) decrease in agency endowment fund	(1,008)
(Increase) decrease in accounts receivable	314
(Increase) decrease in prepaid expenses	563
(Increase) decrease in inventory of supplies	(13,013)
(Increase) decrease in deferred expense	(1,706)
Increase (decrease) in accounts payable	(49,288)
Increase (decrease) in accrued expenses	9,502
Increase (decrease) in deferred income	4,252
Increase (decrease) in deferred grants	(7,350)
Net cash provided (used) by operating activities	(436,930)
<i>Cash flows from investing activities:</i>	
Purchase of property and equipment	(558,689)
Loss on disposal of assets	1,509
Change in investments	949,527
Net cash provided (used) by investing activities	392,347
<i>Net increase (decrease) in cash and cash equivalents</i>	(44,583)
<i>Cash and cash equivalents at beginning of year</i>	1,414,129
<i>Cash and cash equivalents at end of year</i>	\$ 1,369,546

Supplementary Disclosures:

Cash paid for income taxes:	\$ 10
Cash paid for interest:	\$ -

See independent auditors' report
The accompanying notes are an integral part of these financial statements

WOODS HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	2019			
	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Totals</u>
Expenses:				
Salaries and wages	\$ 1,227,185	\$ 104,760	\$ 164,622	\$ 1,496,567
Employee benefits	107,050	8,816	10,075	125,941
Payroll taxes	99,502	8,652	-	108,154
Abandoned equipment	-	1,509	-	1,509
Accounting	2,848	503	-	3,350
Advertising and promotion	38,696	6,829	-	45,525
Auto expense	2,553	450	-	3,003
Bank charges	19,993	4,998	-	24,991
Computer expenses	23,547	4,155	-	27,702
Cost of sales	49,760	-	-	49,760
Conference and staff training	23,687	-	-	23,687
Depreciation (Note 6)	209,256	36,928	-	246,184
Donor recognition	17,140	-	-	17,140
Dues and subscriptions	7,338	-	-	7,338
Employee related expenses	16,097	-	-	16,097
Entertainment	1,161	205	-	1,366
Equipment lease	3,332	3,332	-	6,664
Fund raising expenses	-	-	115,796	115,796
Humane education	10,517	-	-	10,517
Insurance	59,818	10,556	-	70,374
Microchip expenses	14,261	-	-	14,261
Office supplies	8,899	7,119	1,780	17,798
Postage and printing	-	19,744	78,976	98,720
Professional fees	39,854	6,908	6,377	53,138
Repairs and maintenance	69,193	12,210	-	81,403
Spay/neuter/rabies expense	762,906	-	-	762,906
Supplies	103,427	5,444	-	108,871
Taxes, licenses and fees	242	-	-	242
Telephone	8,866	8,866	7,599	25,330
Travel	15,127	2,669	-	17,796
Utilities	100,834	5,307	-	106,141
Total expenses	\$ 3,043,086	\$ 259,960	\$ 385,225	\$ 3,688,271

See independent auditors' report
The accompanying notes are an integral part of these financial statements

WOODS HUMANE SOCIETY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 1: ORGANIZATION AND PURPOSE

The Woods Humane Society, Inc. (the Society) is a non-profit, non-stock corporation, organized to provide for the treatment, housing and placement of unwanted animals, and to further humane education and responsible pet ownership in the County of San Luis Obispo, California. The Society solicits donations to facilitate its purpose. It also provides adoptions for which it charges a fee to individuals. The Society was established in May 1955 and is located at 875 Oklahoma Avenue, San Luis Obispo, California. There is also a location at 2300 Ramona Road, Atascadero, California that was acquired in January 2017.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting. The financial resources are maintained in accordance with the principles of fund accounting.

Basis of Accounting

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) No. 2016-14, *Financial Statements of Not-for-Profit Entities*. Under ASU No. 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- Net assets without donor restrictions represent expendable funds available for operations which are not limited otherwise by donor restrictions and net assets released from those with donor restrictions are due to the terms of the restrictions or contingencies being met.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions or restrictions voluntarily approved and imposed by the Board of Directors. These restrictions are contingent upon specific performance of a future event or a specific passage of time.

Also included are those which are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

WOODS HUMANE SOCIETY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments

Investments in marketable equity securities and bonds with readily determinable fair values are stated at fair market value.

Inventory

Inventories are stated at the lower of cost or market using the first-in first-out method.

Property and Equipment

Acquisitions of property and equipment in excess of \$750 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Society currently does not have any permanently restricted assets.

The Society reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

WOODS HUMANE SOCIETY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Society is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Cal. Rev. & Tax. Dc. Sec. 23701(d).

Functional Allocation of Expenses

The costs of providing the various programs 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.

Donated Material and Services

The Society receives donations of time and services from members of the community and volunteers. The value of these donations is not reflected in the accompanying financial statements since no objective basis is available to measure the value of these services. In-kind donations of items used directly by the Society are valued at their appraised values at the time of the gift.

Advertising

Advertising costs are expenses as incurred. Advertising costs totaled \$ 45,525 for the year ended June 30, 2019.

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposited in checking accounts for operational purposes and funds in highly liquid money market accounts. Cash and cash equivalents consist of the following:

	<u>2019</u>
Cash on hand	\$ 876
Checking	828,817
Cash in money market accounts	<u>539,853</u>
Total cash and cash equivalents	<u>\$ 1,369,546</u>

WOODS HUMANE SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4: INVESTMENT SECURITIES

Investments are held with Charles Schwab and are made up of the following investments:

	2019
Bond funds	\$ 2,933,510
Equity funds	5,079,150
Total investment securities	\$ 8,012,660

NOTE 5: AGENCY ENDOWMENT FUND

The San Luis Obispo County Community Foundation establishes agency endowment funds for not-for-profit organizations based on donor specifications. The Foundation maintains variance power and legal ownership of agency endowment funds. The balance in the fund The Foundation currently holds for Woods Humane Society, Inc. is \$ 30,637 as of June 30, 2019.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019, consists of the following:

	2019
Vehicles	\$ 110,924
Equipment	521,347
Facility	6,746,128
Total property and equipment	7,378,399
Less: Accumulated depreciation	(1,907,874)
Property and equipment - Net	5,470,525
Land	52,425
Property and equipment	\$ 5,522,950

Depreciation expense was \$ 246,184 at June 30, 2019.

WOODS HUMANE SOCIETY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 7: DEFERRED GRANTS

Deferred grants are for the following purposes:

	<u>2019</u>
Project Meow	\$ 16,272
Other	<u>360</u>
Total deferred grants	<u>\$ 16,632</u>

NOTE 8: DEFERRED CAMPAIGN

Deferred campaign is for following purpose:

	<u>2019</u>
Future expansion	<u>\$ 37,842</u>

NOTE 9: NET ASSETS

As of June 30, 2019, net assets were comprised of the following:

Without donor restrictions:	
Undesignated	<u>\$ 14,773,345</u>
Total net assets without donor restrictions	<u>\$ 14,773,345</u>

WOODS HUMANE SOCIETY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 10: LIQUIDITY

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

Cash and cash equivalents	\$ 1,369,546
Investments appropriated for current use	400,633
Agency endowment fund	30,637
Accounts receivable	<u>13,778</u>
Total	<u>\$ 1,814,594</u>

As part of the Society'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 Society invests cash in excess of daily requirements in short-term investments. Should an unanticipated liquidity issue arise, the board of directors has approved a five-percent annual draw on investments that can be used to cover the Society's needs for general expenditure. This figure is represented above as Investments appropriate for current use.

NOTE 11: NET ASSETS RELEASED FROM RESTRICTIONS

The Organization's net assets released from restrictions consisted of the following:

Program purposes	<u>\$ 77,842</u>
Total	<u>\$ 77,842</u>

NOTE 12: RENTAL AGREEMENTS

The Society entered into an agreement on December 11, 2001 with the County of San Luis Obispo to build a new facility on land currently owned by the County. Cash rent is waived in exchange for the Society furnishing services to the San Luis Obispo County Sheriff's Department, Animal Services Division. The lease was amended on June 4, 2013 to extend the lease to forty years from the date of the original lease December 11, 2001, with two five year renewal options.

WOODS HUMANE SOCIETY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 13: COMMITMENTS

Phone system

On April 15, 2016, the Society entered into a sixty-month lease agreement with Avaya Financial Services for a phone system ending April 15, 2021. The lease calls for monthly rental payments of \$286 beginning May 15, 2016. Future minimum lease payments are as follows:

	<u>Year</u>	<u>Amount</u>
For the year ending June 30,	2020	\$ 3,432
	2021	<u>2,860</u>
Total		<u>\$ 6,292</u>

NOTE 14: CONCENTRATIONS

The Society maintains cash accounts at institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000. The cash balances from time to time can exceed this limit.

Balances at brokerage firms are insured up to \$ 500,000 (with a limit of \$100,000 for cash) by SIPC. During June 30, 2019 the securities balances exceeded the SIPC insurance limitations.

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 16, 2019, the date which the financial statements were available to be issued, and there were no subsequent events to report.