

Humane Society Silicon Valley

Financial Statements

June 30, 2022

(With Comparative Totals for 2021)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5 - 6
Statement of Cash Flows	7 - 8
Notes to Financial Statements	9 - 35



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Humane Society Silicon Valley
Milpitas, California

Opinion

We have audited the accompanying financial statements of Humane Society Silicon Valley (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Society Silicon Valley as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Humane Society Silicon Valley and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Humane Society Silicon Valley's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Humane Society Silicon Valley's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Humane Society Silicon Valley's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Humane Society Silicon Valley's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

January 13, 2023

Humane Society Silicon Valley
Statement of Financial Position
June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,795,650	\$ 5,592,571
Accounts receivable	218,261	55,850
Unconditional promises to give, current portion	592,493	326,450
Inventory	81,915	93,039
Prepaid expenses	101,827	496,579
Short-term investments - other	500,000	500,000
Total current assets	<u>6,290,146</u>	<u>7,064,489</u>
Property and equipment, net	<u>18,778,196</u>	<u>19,079,430</u>
Other assets		
Investments	18,233,066	21,059,237
Long-term investments - other	6,161,973	6,234,249
Unconditional promises to give, net of current portion and allowance for doubtful promises	9,575,114	6,161,843
Cash and cash equivalents held for endowment purposes	200,208	105,929
Investments held for endowment purposes	4,119,474	4,753,900
Beneficial interest in perpetual trust	229,576	229,576
Total other assets	<u>38,519,411</u>	<u>38,544,734</u>
Total assets	<u>\$ 63,587,753</u>	<u>\$ 64,688,653</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 551,537	\$ 289,845
Bonds payable, current portion	450,000	450,000
Accrued payroll and related benefits	166,110	400,151
Accrued vacation	462,067	444,186
Deferred fees	125,385	81,856
Total current liabilities	<u>1,755,099</u>	<u>1,666,038</u>
Long-term liabilities		
Paycheck Protection Program forgivable loans	-	1,601,500
Bonds payable, net of current portion	<u>8,707,633</u>	<u>9,143,600</u>
Total long-term liabilities	<u>8,707,633</u>	<u>10,745,100</u>
Total liabilities	<u>10,462,732</u>	<u>12,411,138</u>
Net assets		
Without donor restrictions		
Undesignated	1,192,288	3,164,658
Board-designated for building and equipment repairs	2,587,033	2,587,033
Board-designated for operating reserve	9,733,945	9,733,945
Board-designated for program development	6,000,000	6,000,000
Property and equipment	18,778,196	19,079,430
Total without donor restrictions	<u>38,291,462</u>	<u>40,565,066</u>
With donor restrictions		
Net assets restricted to the passage of time	10,167,607	6,488,293
Net assets restricted for a specified purpose	116,694	134,751
Unappropriated earnings on endowment	515,108	1,293,843
Beneficial interest held in perpetual trust	229,576	229,576
Perpetual endowment	3,804,574	3,565,986
Total with donor restrictions	<u>14,833,559</u>	<u>11,712,449</u>
Total net assets	<u>53,125,021</u>	<u>52,277,515</u>
Total liabilities and net assets	<u>\$ 63,587,753</u>	<u>\$ 64,688,653</u>

The accompanying notes are an integral part of these financial statements.

Humane Society Silicon Valley
Statement of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Support and revenue				
Program services				
Program fees and charges	\$ 1,609,448	\$ -	\$ 1,609,448	\$ 1,342,603
Pet store and clinic sales, net	85,984	-	85,984	92,089
Total program services	<u>1,695,432</u>	<u>-</u>	<u>1,695,432</u>	<u>1,434,692</u>
Fundraising				
Contributions and grants	8,907,139	5,827,085	14,734,224	17,035,394
Forgiveness of Paycheck Protection Program loan	1,601,500	-	1,601,500	1,471,600
Contracts with governmental agencies	480,139	-	480,139	306,718
Special events, net of \$1,350,748 and \$138,692 of direct benefit expenses, respectively	125,023	-	125,023	(127,274)
In-kind contributions	98,594	-	98,594	188,766
Net assets released from restriction	<u>2,163,667</u>	<u>(2,163,667)</u>	<u>-</u>	<u>-</u>
Total fundraising	<u>13,376,062</u>	<u>3,663,418</u>	<u>17,039,480</u>	<u>18,875,204</u>
Other income (loss)				
Investment income (loss), net	(2,320,182)	(542,308)	(2,862,490)	3,794,415
Other income	18,163	-	18,163	33,285
Total other income (loss)	<u>(2,302,019)</u>	<u>(542,308)</u>	<u>(2,844,327)</u>	<u>3,827,700</u>
Total support and revenue	<u>12,769,475</u>	<u>3,121,110</u>	<u>15,890,585</u>	<u>24,137,596</u>
Functional expenses				
Program services				
Programs to Save Lives	9,647,548	-	9,647,548	9,410,806
Community Programs for People and Pets	1,689,903	-	1,689,903	1,070,291
Total program services	<u>11,337,451</u>	<u>-</u>	<u>11,337,451</u>	<u>10,481,097</u>
Support services				
Management and general	1,018,313	-	1,018,313	1,195,892
Fundraising	2,687,315	-	2,687,315	2,100,401
Total support services	<u>3,705,628</u>	<u>-</u>	<u>3,705,628</u>	<u>3,296,293</u>
Total functional expenses	<u>15,043,079</u>	<u>-</u>	<u>15,043,079</u>	<u>13,777,390</u>
Change in net assets	(2,273,604)	3,121,110	847,506	10,360,206
Net assets, beginning of year	<u>40,565,066</u>	<u>11,712,449</u>	<u>52,277,515</u>	<u>41,917,309</u>
Net assets, end of year	<u>\$ 38,291,462</u>	<u>\$ 14,833,559</u>	<u>\$ 53,125,021</u>	<u>\$ 52,277,515</u>

The accompanying notes are an integral part of these financial statements.

Humane Society Silicon Valley
Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Program Services	Support Services			2022 Total	2021 Total
		Management and General	Fundraising	Total Support Services		
Salaries and benefits	\$ 7,962,540	\$ 768,951	\$ 978,898	\$ 1,747,849	\$ 9,710,389	\$ 8,964,915
Direct mail, advertising and newsletter expenses	143,906	-	1,375,412	1,375,412	1,519,318	1,139,124
Operating supplies and services	899,922	128	15,868	15,996	915,918	860,962
Professional fees and contract services	521,286	113,570	136,445	250,015	771,301	964,683
Depreciation	645,211	34,591	22,057	56,648	701,859	679,526
Occupancy expenses	449,032	28,475	14,534	43,009	492,041	449,462
Management information systems	260,436	27,867	32,993	60,860	321,296	252,806
Other expenses	183,702	18,460	69,234	87,694	271,396	196,993
Interest, fees and amortization on bonds	129,490	6,942	4,427	11,369	140,859	128,388
Office supplies and services	76,785	14,521	31,295	45,816	122,601	83,343
Automobile, travel and meetings	65,141	4,808	6,152	10,960	76,101	57,188
	<u>\$ 11,337,451</u>	<u>\$ 1,018,313</u>	<u>\$ 2,687,315</u>	<u>\$ 3,705,628</u>	<u>\$ 15,043,079</u>	<u>\$ 13,777,390</u>
Percentage of total	<u>75 %</u>	<u>7 %</u>	<u>18 %</u>	<u>25 %</u>	<u>100 %</u>	

The accompanying notes are an integral part of these financial statements.

Humane Society Silicon Valley
Statement of Functional Expenses - Program Services
For the Year Ended June 30, 2022

	<u>Programs to Save Lives</u>				<u>Total Programs to Save Lives</u>	<u>Community Programs for People and Pets</u>	<u>Total Program Services</u>
	<u>Adoptions and Animal Care</u>	<u>Medical Services</u>	<u>Mutual Rescue</u>				
Salaries and benefits	\$ 3,969,772	\$ 2,566,778	\$ 349,399	\$	6,885,949	\$ 1,076,591	\$ 7,962,540
Direct mail, advertising and newsletter expenses	1,450	-	7,061		8,511	135,395	143,906
Operating supplies and services	286,037	581,754	30,018		897,809	2,113	899,922
Professional fees and contract services	87,764	155,195	98,756		341,715	179,571	521,286
Depreciation	429,284	102,634	456		532,374	112,837	645,211
Occupancy expenses	282,324	92,183	308		374,815	74,217	449,032
Management information systems	122,549	87,366	9,168		219,083	41,353	260,436
Other expenses	111,187	46,158	2,406		159,751	23,951	183,702
Interest, fees and amortization on bonds	86,155	20,598	91		106,844	22,646	129,490
Office supplies and services	37,204	25,048	2,151		64,403	12,382	76,785
Automobile, travel and meetings	28,614	25,398	2,282		56,294	8,847	65,141
	<u>\$ 5,442,340</u>	<u>\$ 3,703,112</u>	<u>\$ 502,096</u>	<u>\$</u>	<u>9,647,548</u>	<u>\$ 1,689,903</u>	<u>\$ 11,337,451</u>

The accompanying notes are an integral part of these financial statements.

Humane Society Silicon Valley
Statement of Cash Flows
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 847,506	\$ 10,360,206
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	701,859	679,526
Amortization of bond origination costs	14,033	14,034
Donated securities	(476,398)	(384,775)
Proceeds from sale of donated investments	468,246	385,510
Net realized and unrealized (gains) losses on investments	3,312,130	(3,296,671)
Contributions restricted for long-term purposes	(238,588)	(57,940)
Forgiveness of Paycheck Protection Program loan	(1,601,500)	(1,471,600)
Changes in operating assets and liabilities		
Accounts receivable	(162,411)	56,595
Unconditional promises to give	(3,679,314)	(6,079,244)
Inventory	11,124	16,276
Prepaid expenses	394,752	27,999
Accounts payable and accrued expenses	261,692	(69,350)
Accrued payroll and related benefits	(234,041)	43,975
Accrued vacation	17,881	(44,127)
Deferred fees	43,529	(82,885)
Net cash provided by (used in) operating activities	<u>(319,500)</u>	<u>97,529</u>
Cash flows from investing activities		
Purchases of property and equipment	(400,625)	(215,159)
Proceeds from sale of investments	10,236,820	20,406,112
Purchases of investments	(10,007,925)	(22,603,827)
Net cash used in investing activities	<u>(171,730)</u>	<u>(2,412,874)</u>
Cash flows from financing activities		
Payments on bonds	(450,000)	(450,000)
Contributions restricted for long-term purposes	238,588	57,940
Proceeds from Paycheck Protection Program loans	-	1,601,500
Net cash provided by (used in) financing activities	<u>(211,412)</u>	<u>1,209,440</u>
Net decrease in cash, cash equivalents and restricted cash	(702,642)	(1,105,905)
Cash, cash equivalents and restricted cash, beginning of year	<u>5,698,500</u>	<u>6,804,405</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 4,995,858</u>	<u>\$ 5,698,500</u>

The accompanying notes are an integral part of these financial statements.

Humane Society Silicon Valley
Statement of Cash Flows
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 4,795,650	\$ 5,592,571
Cash and cash equivalents held for endowment purposes	<u>200,208</u>	<u>105,929</u>
	<u>\$ 4,995,858</u>	<u>\$ 5,698,500</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 18,306	\$ 11,988
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The accompanying notes are an integral part of these financial statements.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

1. ORGANIZATION

Humane Society Silicon Valley (the "Organization") is a California nonprofit public benefit corporation that has operated continuously since 1929. The focus of the Organization is companion animal rescue and homelessness prevention, providing animals in the community and beyond with expert care. The Organization serves as a safety net for both pets and people in need of resources and programs to keep them happy, healthy, and safe. It sets a national example for innovation and seeks to transform human lives through deeper connections to animals. The Organization is the first organization ever to meet the model shelter standard-of-care guidelines put forth by the Association of Shelter Veterinarians. The impact achieved reflects the quality of the Organization and its people.

Impact *

Humane Society Silicon Valley delivers its mission impact through accountability, engagement, innovation and transparency. The Organization invests resources across three key areas: programs to save the lives of animals; community programs for pets and their people; and advancing animal welfare. Specifically, the Organization:

- Saves 100% of all healthy animals in the Organization's care and has done so since 2006. During the year ended June 30, 2022, the Organization saved 95% of *all* animals that came through its doors, including many needing rehabilitation or extended treatment. Save rate is calculated using the total number of animals that entered the shelter, adoptions, animals returned to owners, animals transferred to other agencies or colonies, animals euthanized, and animals that died in care.
- Takes in more than 6,800 animals per year, including over 3,100 animals brought in from shelters through the Regional Rescue Program.
- In addition to finding homes for over 6,100 animals across multiple adoption locations, 44 were reunited with their families and over 170 were transferred out to rescue groups and managed cat colonies.
- Performs more than 7,300 spay/neuter surgeries per year.

Support People & Animals in Our Community: The Organization improves access to veterinary care and provides support for pet owners in need, keeping bonded families together through integrated services that impact both human and animal lives and providing value to our community well into the future.

- Addresses the key issues facing under-served individuals who consider pets part of their family to improve peoples' lives and increase mission results. Programs range from emergency boarding to wellness clinics.
- Keeps animals in homes by:
 - Providing post adoption support, including behavior support.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

1. ORGANIZATION (continued)

- Providing free pet food to community members who cannot afford to feed their pets through the Pet Pantry.
- Implanting microchips and providing vaccination services at a low cost to public client animals.
- Elevates the cause of animal welfare through Mutual Rescue, a national initiative created to bring the causes of people and animals together through authentic storytelling, drive engagement with local shelters nationally through programs like Doggy Day Out, and drive more funds into the animal welfare sector through corporate sponsorships.

Expand Lifesaving Impact: With the Organization's regional rescue partnerships, direct medical support, and spay/neuter programs, it is committed to helping California eliminate euthanasia for all healthy and treatable pets.

- Expanding its Regional Rescue Program, aimed at reducing euthanasia by identifying animals at shelters within our community and beyond that need more care or that are housed in overcrowded shelters. By working with partner shelters throughout California, the Organization is working to save vulnerable animals and increase California's save rate. The Organization's Foster Program supports rescue efforts by increasing the space and capacity available to take in and care for animals in need. In the year ended June 30, 2022, over 2,500 animals were placed in foster care. As Silicon Valley has become more self-sustaining, the Organization has expanded its geographic reach to help animals throughout California. Through the Regional Rescue Program, the Organization brought in 875 animals from within Silicon Valley and over 3,100 animals from outside of Silicon Valley during the year ended June 30, 2022.
- Leads an inter-agency coalition (WeCARE) to save the lives of companion animals in Silicon Valley. The Organization founded this coalition to provide a platform for public animal care agencies to work together as a community to save lives.
- Is a core member of a six organization coalition called the California Humane Animal Transition Team (CHATT), which consists of animal control agencies and rescue groups whose goal is to increase lifesaving and improve animal welfare in California's Central Valley. CHATT is committed to improving the flow of animals from Central Valley shelters to destination shelters using standardized processes, building sustainable improvement in the Central Valley through resource sharing, and widening lifesaving capacity through data collection, information sharing, protocol development, and safety nets.
- Prevents unintended births through a range of targeted spay/neuter programs.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

1. ORGANIZATION (continued)

- Preventing Unintended Pregnancies (PUP) Program allows members of the public to surrender healthy, unintended litters of puppies and kittens with no surrender fee, and the Organization also spays or neuters the mother and father at no charge and returns them to the owners. Twenty-three spay/neuter surgeries were completed through this program during the year ended June 30, 2022.
- Humane Society Silicon Valley provides multiple free trap, neuter and release (TNR) services. To lower the number of homeless cats in Santa Clara County, 1,147 spay/neuter surgeries were provided to homeless community cats through the TNR Program during the year ended June 30, 2022.

Advance Animal Welfare: Through innovation in shelter medicine, teaching programs, and mentorship for shelter partners, the Organization is empowering others to improve standards of care and build capacity to save lives.

- Provides consultations to under-resourced shelters to share best practices and improve their standards of care and capacity to save lives.
- Provides education to future and current shelter veterinarians, veterinary technicians, and animal shelter employees.

* Statistics unaudited

2. PROGRAM SERVICES

The Organization's programs are as follows:

Community Programs for People and Pets *

- *Dog Training* provides obedience training focused on developing the human-canine bond with special attention on new adopters. Programs promote a positive, force-free philosophy to dog training. During the year ended June 30, 2022, over 1,200 participants attended classes.
- *Pet Store* offers products and information in areas like nutrition, basic behavior and training tools, grooming, developmental toys, supplements, and other products.
- *Animal Behavior Counseling* counsels post-adoption and pre-surrender pet owners experiencing behavioral challenges with their pets. Support is provided via email, telephone and in person. The Organization's team educates pet owners on behavior management and training options.
- *Lost and Found* provides proactive services for people who have either lost a beloved pet or found an animal, including lost pet recovery counseling, lost and found tours, and other resources.
- *Pet Pantry* provides dog food, cat food and other supplies at no charge to community members who cannot afford to feed their pets or homeless cat colonies.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

2. PROGRAM SERVICES (continued)

- *Temporary Emergency Pet Boarding* provides pet boarding for people looking to remove themselves from domestic violence situations or people experiencing homelessness who are hospitalized for medical treatment or rehabilitation.
- *Wellness Clinics* are held monthly to provide spay/neuter and other wellness services to animals belonging to people experiencing homelessness in the community.
- *Grief Counseling* offers, on a regular basis, a support group facilitated by a licensed marriage and family practitioner for people who have suffered the loss of a companion animal.
- *Volunteer Programs* engage community members in a partnership to save and enhance the lives of animals. This partnership is achieved by including volunteers in nearly every aspect of the Organization through a variety of volunteer positions. The Volunteer Board members serve as leaders in the Organization, and volunteers also assist as animal socializers, adoption assistants, medical center assistants, foster parents, animal transporters, and special event coordinators.
- *Education* offers a variety of programs, including a virtual summer camp, virtual field trips, and a program for high school students to volunteer in a range of roles.
- *Mutual Rescue* is a national initiative created by Humane Society Silicon Valley to change the conversation around animal welfare from “people OR animals” to “people AND animals.” Mutual Rescue brings stories about how shelter animals have changed the lives of people for the better to the world stage. It raises awareness that when people donate to a local animal shelter, they are helping to transform the lives of people in their community for the better through life-changing, human-animal relationships. It also drives engagement with local shelters throughout the country by promoting programs like Doggy Day Out that benefit both animals and humans.

Programs to Save Lives: Adoptions and Animal Care *

- *Adoptions* facilitates adoptions by matching prospective pet owners with the right pet for their family, supplying information on pet care to ensure a successful adoption placement, and providing post adoption support to adopters. Adoptions take place at multiple locations, including the Animal Community Center in Milpitas and the Petco Neighborhood Adoption Center in West San Jose. The Organization provides several ongoing discounts to make adoption more affordable to members of the public, including:
 - 60+ Discount offers half-priced adoption fees to adopters who are age 60 and older and adopt a senior pet.
 - Veterans Discount waives the adoption fee of one feline and/or canine within a six-month period for military personnel and veterans.
 - Mommy & Me Pricing when adopting a mother cat, adopters can also take home one of her kittens at no additional cost.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

2. PROGRAM SERVICES (continued)

- FeLV+ Cats (Feline Leukemia Virus) positive cats have an adoption fee of \$10.
- *Behavior* performs behavior assessments on all shelter animals to assist with matching individual animals' needs with new families and determining when behavior modifications can help an animal's behavior improve in preparation for adoption. Assists the adoptions process by providing pre-adoption counseling to adopters considering adopting an animal with challenging behaviors.
- *Animal Care* furnishes food, exercise, training, care, enrichment and support for animals awaiting adoption.
- *Intake* provides shelter for animals, including incoming stray animals brought in under contract with the City of Sunnyvale. Assists in providing shelter services to other organizations impacted by local disasters. Offers pet surrender services to the public by appointment as well as pet retention and rehoming counseling. Provides end of life services for pets owned by members of the public.

Programs to Save Lives: Medical Services *

- *Hospital and Triage* performs initial health exams, vaccinations, microchipping, and if needed, long-term medical care for all incoming adoptable shelter animals.
- *Medical Center Clinic* provides low cost medical services to the public, including spay and neuter surgeries, vaccinations, disease testing, deworming, microchipping and other medical procedures.
- Free Spay and Neuter Services
 - Portia's Targeted Spay/Neuter Program provides free spay/neuter, vaccination and microchip services to pets of owners living in five targeted zip codes in order to decrease the numbers of unwanted animals entering shelters in Santa Clara County. This program is fulfilled at Humane Society Silicon Valley's Medical Center and through mobile clinics.
 - The Prevent Unwanted Pregnancies (PUP) Program allows members of the public to surrender healthy, unintended litters of puppies and kittens with no surrender fee, and the Organization also spays or neuters the mother and father at no charge and returns them to the owners. Humane Society Silicon Valley finds homes for the surrendered puppies and kittens after providing vet care and spay/neuter surgeries.
 - Homeless Client Services provides spay/neuter and wellness services to the pets of people experiencing homelessness in the community.
 - Trap-Neuter-Return (TNR) services for community cats includes spay/neuter surgery, FVRCP (feline distemper combo) and rabies vaccinations, internal/external parasite treatment, an ear tip, and optional microchip and/or FeLV/FIC combination testing.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

2. PROGRAM SERVICES (continued)

Programs to Advance Animal Welfare: Apprenticeships for Knowledge Transfer *

- The Organization, through the Chief of Medicine and staff, provided consultations for a range of organizations, from national education programs to local shelters across the country. Topics ranged from medical protocols and practices, to shelter processes and operations, and COVID-related adaptations to programs and processes.

* Statistics unaudited

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of Humane Society Silicon Valley have been prepared on the accrual basis of accounting.

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), the Organization reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an undesignated fund, property and equipment fund plus net assets designated by the Board for the specific purposes.
- *Net assets with donor restrictions* - include those assets which are subject to donor-imposed stipulations that will be met by actions of the Organization, and/or the passage of time or are maintained in perpetuity by the Organization. When the donor-imposed stipulation ends or the Organization satisfies an action, the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions.

Adoption of accounting standards updated

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including fixed assets, supplies, services, and other items. The update includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Organization adopted ASU 2020-07 with a date of the initial application of July 1, 2021, using the full retrospective method.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Revenue recognition and deferred revenue

The Organization follows the following steps to determine revenue recognition:

- Identifying the contract(s) with a customer,
- Identifying the performance obligations in the contract(s),
- Determining the transaction price,
- Allocating the transaction price to the performance obligations in the contract(s), and
- Recognizing revenue when, or as, the Organization satisfies a performance obligation.

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided. Contract revenue is recognized ratably over the term of the contract. Revenue for clinic fees, some of which are received in advance of performance of services, is recognized at the time of service. Any amounts received for services not yet performed are included in deferred fees.

Contributions and grants

Contributions and grants are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions and grants are recorded as with donor restrictions or without donor restrictions depending on the nature of the donor restrictions. Restricted contributions and grants are reported as increases in net assets with donor restrictions. When the restriction is met on a contribution or grant received in a prior fiscal period, the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which required a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also received donated services that are central to the Organization's operations. While these contributed services are not reflected in the financial statements, the estimated value of these services is disclosed in Note 12.

Cash and cash equivalents

Cash equivalents include highly liquid investments and investments with an original maturity of three months or less. The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Inventory

Inventory consists of items for sale in the Pet Store and Clinic and are stated at average cost (which approximates the first in, first out method) or the lower of cost or net realizable value.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Net realized and unrealized gains or losses are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by the donor.

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Promises to give

Unconditional promises to give are recognized as contribution support in the period received and as assets, decrease in liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at present value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give are recorded at fair value.

The Organization's fair value method uses a market interest rate to discount the promises to give. Management believes the market rate already factors in much of the credit risk. However, to account for additional risk, a specific identification method is also used to account for the promises considered uncollectible. Allowance for doubtful promises to give as of June 30, 2022 and 2021, was \$252,108 and \$151,596, respectively.

Investments - other

Certificates of deposit held for investment that are not debt securities are included in "investments - other".

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 50 years. Equipment purchases for \$3,000 and over are capitalized. Amounts expended for maintenance and repairs are charged to operations as incurred.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30. Accrued vacation as of June 30, 2022 and 2021, totaled \$462,067 and \$444,186, respectively.

Functional expenses

Directly identifiable expenses are charged to programs and support services. Expenses related to more than one function are charged to programs and support services based on an analysis of personnel time, and equipment and facilities utilized for the related activities.

Income tax status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

Uncertainty in income taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Organization files information returns in the U.S. federal jurisdiction and state of California. The Organization's federal returns for the years ended June 30, 2019 and beyond remain subject to possible examination by the Internal Revenue Service. The Organization's California returns of the tax years ended June 30, 2018 and beyond remain subject to possible examination by the Franchise Tax Board.

Advertising costs

Advertising costs are charged to operations when incurred. Advertising costs for the years ended June 30, 2022 and 2021, totaled \$83,739 and \$77,887, respectively.

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2022 or potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required disclosure in the financial statements for the year ended June 30, 2022. Subsequent events have been evaluated through the date the financial statements became available to be issued, January 13, 2023.

4. CONCENTRATIONS AND RISK

Credit risks

Financial instruments which potentially expose the Organization to credit risk include cash and cash equivalents, investments, accounts receivable, unconditional promises to give, prepaid expenses and cash and cash equivalents held for endowment purposes.

The Organization attempts to limit its credit risk associated with its investments by utilizing outside investment managers to place the Organization's investments with highly rated corporate and financial institutions in accordance with the Organization's written investment policy statements. In addition, the efforts of the investment managers are monitored by the Organization's Investment Committee of the Board of Directors at least quarterly. Management believes the risk assumed is commensurate with the investment objectives specified in the investment policy statements.

Unconditional promises to give result from pledges by donors located primarily in the San Francisco Bay area. The Organization routinely assesses the financial strength of these various parties. Management does not believe significant risk exists in connection with the Organization's concentration of credit risk for unconditional promises to give at June 30, 2022.

Management does not believe significant risk exists in connection with the other financial instruments identified above at June 30, 2022.

Other risks

Future economic and other conditions including reduction in bequests, reduction in the amounts received through fundraising efforts, reduction in investment income, increase in bond interest expense, natural disasters or other events diverting contributions, changes in life expectancy on bequests, changes in the regulatory environment, union disruptions, inability to negotiate a new union contract, and changes in the demand for humane society type services may adversely affect income and receipts of the Organization. Changes in the near term are not expected to materially affect the amounts reported in the financial statements.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

5. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE

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.

Long-term investments include endowment funds consisting of donor-restricted endowments. Unless otherwise stated by donors, income from donor-restricted endowments is restricted until appropriated in accordance with the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, therefore, is not available for general expenditure until appropriated. As described in Note 17, the endowment has a spending rate of up to 7%. Accordingly, \$236,427 of unappropriated earnings on endowment will be available within the next 12 months.

The Organization expects that accounts receivables from program service fee revenue will be collected and available within 90 days of the fiscal year end.

Short-term contributions receivable consists of grants, bequests and pledges receivable expected to be received within one year from June 30, 2022. Unrestricted short-term grants, bequests and pledges receivable will be available to support general operations of the Organization.

Assets, excluding investments, serve as collateral on the bonds payable. Bonds payable balance at June 30, 2022 is \$9,450,000. Additionally, a letter of credit covenant requires that the Organization maintain \$10,000,000 in liquid assets.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2022 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 4,995,858
Investments	24,895,039
Accounts receivable	218,261
Unconditional promises to give	10,167,607
Investments held for endowment purposes	4,119,474
	<u>44,396,239</u>
Less: amounts unavailable for general expenditure within one year	
Net assets restricted to the passage of time (\$10,167,607 less amount to be collected within one year \$592,493)	(9,575,114)
Net assets restricted for a specified purpose	(116,694)
Unappropriated earnings on endowment	(515,108)
Perpetual endowment	(3,804,574)
Investments held for long-term purposes	(24,395,039)
	<u>(38,406,529)</u>
	<u>\$ 5,989,710</u>

In addition, investments held for long-term purposes could be made available if needed.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

6. INVESTMENTS

Investment composition by type of fund as of June 30, 2022 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Certificates of deposit	\$ 6,661,973	\$ -	\$ 6,661,973
Fixed income securities	10,139,267	1,276,757	11,416,024
Equity mutual funds	<u>8,093,799</u>	<u>2,842,717</u>	<u>10,936,516</u>
	<u>\$ 24,895,039</u>	<u>\$ 4,119,474</u>	<u>\$ 29,014,513</u>

Investment composition by type of fund as of June 30, 2021 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Certificates of deposit	\$ 6,734,249	\$ -	\$ 6,734,249
Fixed income securities	11,534,202	1,389,551	12,923,753
Equity mutual funds	<u>9,525,035</u>	<u>3,364,349</u>	<u>12,889,384</u>
	<u>\$ 27,793,486</u>	<u>\$ 4,753,900</u>	<u>\$ 32,547,386</u>

Investment loss for the year ended June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 481,438	\$ 87,016	\$ 568,454
Unrealized losses, net	(2,604,184)	(606,128)	(3,210,312)
Realized gains (losses), net	(103,909)	2,091	(101,818)
Investment management fees	<u>(93,527)</u>	<u>(25,287)</u>	<u>(118,814)</u>
	<u>\$ (2,320,182)</u>	<u>\$ (542,308)</u>	<u>\$ (2,862,490)</u>

Investment income for the year ended June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 482,174	\$ 85,070	\$ 567,244
Unrealized gains, net	1,421,165	778,088	2,199,253
Realized gains, net	892,106	205,312	1,097,418
Investment management fees	<u>(47,132)</u>	<u>(22,368)</u>	<u>(69,500)</u>
	<u>\$ 2,748,313</u>	<u>\$ 1,046,102</u>	<u>\$ 3,794,415</u>

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

6. INVESTMENTS (continued)

The Organization has implemented formal Investment Policy Statements for working capital funds, investments held for endowment purposes, funds raised for the new building campaign to be used for bond debt service, and investments of unrestricted operating funds.

7. UNCONDITIONAL PROMISES TO GIVE

For unconditional promises to give expected to be collected in more than one year a present value discount is estimated based on the risk free rate (appropriate U.S. Treasury Bond Rate) at the time of the grant as adjusted for credit and other donor specific risks. The risk-adjusted discount rate on contributions receivable as of June 30, 2022 ranged from 1.77% to 5%.

Unconditional promises to give consisted of the following:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 828,561	\$ 486,570
Receivable in more than one year	<u>13,787,974</u>	<u>9,485,191</u>
	<u>14,616,535</u>	<u>9,971,761</u>
Less: discounts to net present value	(4,196,820)	(3,331,872)
Less: allowance for uncollectible promises to give	<u>(252,108)</u>	<u>(151,596)</u>
Net unconditional promises to give	10,167,607	6,488,293
Less: current portion of unconditional promises to give	<u>(592,493)</u>	<u>(326,450)</u>
	<u><u>\$ 9,575,114</u></u>	<u><u>\$ 6,161,843</u></u>

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 5,146,351	\$ 5,146,351
Land improvements	3,012,837	2,615,308
Buildings	16,403,741	16,467,902
Machinery, equipment, furniture, and fixtures	1,839,024	1,786,670
Trucks and vans	<u>497,999</u>	<u>497,999</u>
	26,899,952	26,514,230
Accumulated depreciation	<u>(8,121,756)</u>	<u>(7,434,800)</u>
	<u><u>\$ 18,778,196</u></u>	<u><u>\$ 19,079,430</u></u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$701,859 and \$679,526, respectively.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

9. BONDS PAYABLE

Bonds payable consist of the following:

	<u>2022</u>	<u>2021</u>
Bonds payable	\$ 9,450,000	\$ 9,900,000
Unamortized bond issuance costs	<u>(292,367)</u>	<u>(306,400)</u>
	9,157,633	9,593,600
Less: current portion of bonds payable	<u>(450,000)</u>	<u>(450,000)</u>
	<u><u>\$ 8,707,633</u></u>	<u><u>\$ 9,143,600</u></u>

On April 30, 2008, the California Enterprise Development Authority, a public entity, issued \$16,000,000 of tax exempt variable rate demand revenue bonds to finance the construction, equipping and furnishing of the Animal Community Center. The bond principal and interest are secured by an irrevocable direct pay letter of credit issued by First Republic Bank. During the year ended June 30, 2017, this letter of credit was renewed, extending the expiration date to April 29, 2022. During the year ended June 30, 2022, the Organization renewed, extending the expiration date to April 30, 2025. The bonds are subject to mandatory redemption upon termination of the letter of credit if an alternative letter of credit is not obtained prior to expiration. The bonds mature on May 1, 2043. The bonds were rated AA+ effective as of August 11, 2011.

Substantially all of the assets are pledged as collateral for the letter of credit except for securities, investments or other funds held solely for investment purposes provided these assets are not pledged as security for any other debt without the consent of the bank.

Interest on the bonds is determined each week by the remarketing agent based on the minimum interest rate which would enable the remarketing agent to sell the bonds on the date the rate becomes effective at a price equal to the principal amount plus accrued interest, if any, with a maximum rate of 12%. Interest is payable monthly. Subject to the terms and conditions of the indenture, the bonds can be converted from a weekly variable interest rate to a fixed rate for the remaining term of the bonds. During the fiscal year ended June 30, 2022, the fees for the letter of credit, administration, and interest rate ranged from 1.02% to 1.98%, with an average of 1.24%. During the fiscal year ended June 30, 2021, the fees for the letter of credit, administration, and interest rate ranged from 1.03% to 1.22%, with an average of 1.08%.

Under the indenture, the bonds are not subject to mandatory sinking fund requirements. However, under certain conditions, the bonds are subject to optional and mandatory redemption prior to maturity on May 1, 2043.

Debt issuance costs are being amortized as interest expense on a straight-line basis over the life of the bonds.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

9. BONDS PAYABLE (continued)

The future maturities of the bonds payable are as follows:

<u>Year ending June 30,</u>	
2023	\$ 450,000
2024	450,000
2025	450,000
2026	450,000
2027	450,000
Thereafter	<u>7,200,000</u>
	<u><u>\$ 9,450,000</u></u>

Covenants under the letter of credit reimbursement agreement require that the debt service coverage ratio equal or exceed 1.10 to 1 calculated annually and that liquid assets as of the second and fourth quarters of each fiscal year exceed \$10,000,000. The Organization was in compliance with these covenants at June 30, 2022 and 2021, and for the fiscal years ended June 30, 2022 and 2021.

See Note 16 for fair value on the bonds payable.

10. PAYCHECK PROTECTION PROGRAM LOANS

On April 17, 2020, the Organization received loan proceeds of \$1,471,600 from a promissory note issued by CRF Small Business Loan Company, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and is administered by the U.S. Small Business Administration. The term on the loan is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan proceeds. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Organization recorded the PPP following the accounting guidance for debt as of year end.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

10. PAYCHECK PROTECTION PROGRAM LOANS (continued)

On June 5, 2020, the Paycheck Protection Program Flexibility Act ("PPPFA") was signed into law, and was followed by revised forgiveness applications on June 16, 2020 and revised interim final rules ("IFRS") on June 22, 2020. The enactment of PPPFA and subsequent releases of the related IFRS and forgiveness applications provided several structural changes to the program aimed to provide businesses with added flexibility to utilize the funds and to be able to obtain forgiveness. The Primary modifications include: a reduction from 75% to 60% the percent of a borrower's loan proceeds which must be used for payroll costs; an increase from 8 weeks to 24 weeks the covered period, which is the period eligible costs can qualify for forgiveness; an extension of the deferral period for principal and interest on the loan to the date SBA remits the loan forgiveness amount to the lender or ten months after the loan forgiveness covered period if the borrower has not applied for forgiveness.

On January 15, 2021, the SBA granted full forgiveness of the PPP loan. As a result, the Organization recognized the \$1,471,600 of PPP loan proceeds as income and included the amount as Forgiveness of Paycheck Protection Program loan in the accompanying statement of activities for the year ended June 30, 2021.

On February 11, 2021, the Organization received a Second Draw PPP ("Second PPP") loan in the amount of \$1,601,500. The Organization accounted for the Second PPP following the accounting guidance for debt. The Second PPP bears interest at an annual rate of 1% and the balance of all unpaid principal and interest is due five years from date of first disbursement of the loan.

On July 21, 2021, the SBA granted full forgiveness of the Second PPP loan. As a result, the Organization recognized the \$1,601,501 of the Second PPP loan proceeds as income and included the amount as Forgiveness of Paycheck Protection Program loan in the accompanying statement of activities for the year ended June 30, 2022.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent contributions receivable for general support for future periods and funds held with specific donor restrictions.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

11. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions consisted of the following:

	Balance at June 30, 2021	Additions	Releases	Balance at June 30, 2022
Time restricted	\$ 6,488,293	\$ 4,745,051	\$ (1,065,737)	\$ 10,167,607
Purpose restricted	134,751	843,446	(861,503)	116,694
Unappropriated earnings on endowment	1,293,843	(542,308)	(236,427)	515,108
Beneficial interest held in perpetual trust	229,576	-	-	229,576
Perpetual endowment	<u>3,565,986</u>	<u>238,588</u>	<u>-</u>	<u>3,804,574</u>
	<u>\$ 11,712,449</u>	<u>\$ 5,284,777</u>	<u>\$ (2,163,667)</u>	<u>\$ 14,833,559</u>

12. IN-KIND CONTRIBUTIONS

The estimated fair value of donated supplies and expert services received are recorded as contributions.

In-kind contributions received during the year were as follows:

	2022	2021
Donated pro bono legal services	\$ 34,835	\$ 127,844
Donated supplies	<u>63,759</u>	<u>60,922</u>
	98,594	188,766
Special events supplies and auction items	<u>15,813</u>	<u>5,803</u>
	<u>\$ 114,407</u>	<u>\$ 194,569</u>

The Organization recognized contributed nonfinancial assets within revenue, including contributed professional services, supplies, and auction items. Unless otherwise noted, contributed non-financial assets did not have donor-imposed restrictions. The donated professional services consisted of legal services. The value of these professional services are measured using the estimated hourly rate for the attorney providing the services. Donated supplies and auction items are valued at the price paid by the donor to acquire these items.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

12. IN-KIND CONTRIBUTIONS (continued)

The Organization also received donated services that are central to the Organization's operations. During the years ended June 30, 2022 and 2021, approximately 2,000 and 950 active volunteers donated approximately 147,000 and 192,000 hours of time valued at approximately \$4,397,000 and \$5,468,000, respectively to the Organization. The value of volunteer time is based on the estimated hourly value of volunteer time in the United States as determined by Independent Sector (independentsector.org). Independent Sector estimates this hourly average based on average annual wages of non-management, non-agricultural workers, as provided by the Bureau of Labor Statistics, increased by 15.7% for estimated fringe benefits. Active volunteers are now defined as any person, including corporate volunteers, who gives any amount of volunteer service hours in a one-year period. Starting with the fiscal year ended June 30, 2018, the active volunteer numbers include regular volunteers that log into the Organization's volunteer software, in addition to corporate, doggy day out and youth volunteers.

13. RETIREMENT PLAN

Humane Society Silicon Valley maintains a tax deferred 403(b) retirement plan (the "Plan") to provide retirement benefits for all eligible employees. Starting during the fiscal year ended June 30, 2006, the Organization implemented an employer matching program for all eligible employees who are contributing to their tax deferred plan. The Organization is matching 100% of the employee's contributions, up to a maximum of 1.75% of the employee's payroll compensation. The Organization's contributions for the years ended June 30, 2022 and 2021, totaled \$166,398 and \$111,206, respectively.

14. CONTRACTS WITH GOVERNMENTAL AGENCIES

In April 2007, the Organization entered into a stray animal sheltering contract with the City of Sunnyvale that has a potential term of twenty years.

The Organization also entered into agreements for the year ended June 30, 2020 with the County of Santa Clara to subsidize spay and neuter surgeries for county residents and to handle surgeries for the County of Santa Clara's San Martin shelter animals. The contract with the County was not renewed after June 30, 2021.

During the years ended June 30, 2022 and 2021, contract revenue from these agreements totaled \$480,139 and \$306,718, respectively.

15. COLLECTIVE BARGAINING UNIT

Approximately 45% of the Organization employees are covered by a collective bargaining union agreement with the Services Employees International Union, Local 521. It was renewed in October 2018 and expires four years thereafter on June 30, 2022. It shall be renewed from year to year thereafter unless either party gives written notice of a desire to change the agreement at least ninety days prior to expiration. It is typically renewed for a period of four years.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

16. FAIR VALUE

For cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and other current liabilities, the carrying amount approximates the fair value because of the immediate or short-term nature of those instruments.

The fair value of the bonds payable at June 30, 2022, was estimated to be \$9,419,000. The fair value is based on the discounted cash flow of the interest rate differential between the bonds and the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index for bonds with similar characteristics. Also included is an adjustment for nonperformance risk. The Organization does not include any additional input into its present value technique for risk or profit that a market participant might require for compensation for assuming the liability. Since the bonds are a financial liability, the Organization believes the interest rate of the bonds already captures the risk or profit that a market participant would require for compensation for assuming the liability. Furthermore, the Organization does not adjust its present value technique for the existence of a restriction preventing it from transferring the liability.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Certificates of deposit	\$ 6,661,973	\$ -	\$ -	\$ 6,661,973
Fixed income securities	11,416,024	-	-	11,416,024
Equity mutual funds	<u>10,936,516</u>	<u>-</u>	<u>-</u>	<u>10,936,516</u>
	<u>\$ 29,014,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,014,513</u>
Unconditional promises to give, current portion				
Campaign pledges	\$ -	\$ -	\$ 255,536	\$ 255,536
Operating pledges without donor restrictions	-	-	334,151	334,151
Special events pledges	<u>-</u>	<u>-</u>	<u>2,806</u>	<u>2,806</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 592,493</u>	<u>\$ 592,493</u>
Unconditional promises to give, net of current portion				
Campaign pledges	\$ -	\$ -	\$ 5,975,464	\$ 5,975,464
Operating pledges without donor restrictions	<u>-</u>	<u>-</u>	<u>3,599,650</u>	<u>3,599,650</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,575,114</u>	<u>\$ 9,575,114</u>

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

16. FAIR VALUE (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Investments				
Certificates of deposit	\$ 6,734,249	\$ -	\$ -	\$ 6,734,249
Fixed income securities	12,923,753	-	-	12,923,753
Equity mutual funds	12,889,384	-	-	12,889,384
	<u>\$ 32,547,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,547,386</u>
Unconditional promises to give, current portion				
Campaign pledges	\$ -	\$ -	\$ 275,494	\$ 275,494
Operating pledges without donor restrictions	-	-	46,092	46,092
Special events pledges	-	-	4,864	4,864
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,450</u>	<u>\$ 326,450</u>
Unconditional promises to give, net of current portion				
Campaign pledges	\$ -	\$ -	\$ 6,145,489	\$ 6,145,489
Operating pledges without donor restrictions	-	-	16,167	16,167
Special events pledges	-	-	187	187
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,161,843</u>	<u>\$ 6,161,843</u>

The Organization has irrevocably elected to use fair value as the initial and subsequent measure of unconditional promises to give under ASC 825-10 in order to improve financial reporting by mitigating the volatility in reported changes in net assets caused by measuring promises to give differently. The Organization uses a present value technique to measure fair value so the discount rate assumptions and all other elements of the measurement are revised at each measurement date to reflect current market conditions. If necessary, the fair value is adjusted to reflect specific uncollectible promises. Any restrictions that are an attribute of the asset and, therefore, would transfer to a market participant are the only restrictions reflected in fair value. Donor restrictions that are specific to the donee are reflected in the classification of net assets, not in the measurement of fair value.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

16. FAIR VALUE (continued)

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ended June 30, 2022:

	Unconditional Promises to Give
Balance, June 30, 2021	\$ 6,488,293
New promises to give, net of present value adjustments	4,584,717
Payments on promises to give, net of present value adjustments	(804,892)
Decrease in allowance for doubtful accounts	<u>(100,511)</u>
Balance, June 30, 2022	<u>\$ 10,167,607</u>

The following table sets forth a summary of changes in the fair value of Level 3 assets for the year ended June 30, 2021:

	Unconditional Promises to Give
Balance, June 30, 2020	\$ 409,049
New promises to give, net of present value adjustments	6,735,353
Payments on promises to give, net of present value adjustments	(516,484)
Decrease in allowance for doubtful accounts	<u>(139,625)</u>
Balance, June 30, 2021	<u>\$ 6,488,293</u>

Gains and losses (realized and unrealized) related to unconditional promises to give as included in the statement of activities for the fiscal year ended June 30, 2022 and are reported in support and revenue as follows:

	New Promises to Give, net	NPV Discount on Promises Paid	(Increase) Decrease in Allowance	Total
Support and revenue				
Contributions and grants	\$ 4,579,717	\$ (865,072)	\$ (100,542)	\$ 3,614,103
Special events, net	<u>5,000</u>	<u>123</u>	<u>31</u>	<u>5,154</u>
	<u>\$ 4,584,717</u>	<u>\$ (864,949)</u>	<u>\$ (100,511)</u>	<u>\$ 3,619,257</u>

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

16. FAIR VALUE (continued)

Gains and losses (realized and unrealized) related to unconditional promises to give as included in the statement of activities for the fiscal year ended June 30, 2021 and are reported in support and revenue as follows:

	New Promises to Give, net	NPV Discount on Promises Paid	(Increase) Decrease in Allowance	Total
Support and revenue				
Contributions and grants	\$ 6,730,029	\$ 18,744	\$ (139,701)	\$ 6,609,072
Special events, net	<u>5,324</u>	<u>290</u>	<u>76</u>	<u>5,690</u>
	<u>\$ 6,735,353</u>	<u>\$ 19,034</u>	<u>\$ (139,625)</u>	<u>\$ 6,614,762</u>

The carrying values and fair values of the Organization's financial instruments at June 30, 2022:

	Carrying Amount	Fair Value
Financial assets		
Cash and cash equivalents	\$ 4,795,650	\$ 4,795,650
Accounts receivable	218,261	218,261
Unconditional promises to give, current portion	592,493	592,493
Short-term investments - other	500,000	500,000
Investments	18,233,066	18,233,066
Long-term investments - other	6,161,973	6,161,973
Unconditional promises to give, net of current portion	9,575,114	9,575,114
Cash and cash equivalents held for endowment purposes	200,208	200,208
Investments held for endowment purposes	<u>4,119,474</u>	<u>4,119,474</u>
	<u>\$ 44,396,239</u>	<u>\$ 44,396,239</u>
Financial liabilities		
Current liabilities, excluding bonds payable	\$ 1,305,099	\$ 1,305,099
Bonds payable	<u>9,450,000</u>	<u>9,419,000</u>
	10,755,099	10,724,099
Unamortized bond issuance costs	<u>(292,367)</u>	<u>(292,367)</u>
	<u>\$ 10,462,732</u>	<u>\$ 10,431,732</u>

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

16. FAIR VALUE (continued)

The carrying values and fair values of the Organization's financial instruments at June 30, 2021:

	Carrying Amount	Fair Value
Financial assets		
Cash and cash equivalents	\$ 5,592,571	\$ 5,592,571
Accounts receivable	55,850	55,850
Unconditional promises to give, current portion	326,450	326,450
Short-term investments - other	500,000	500,000
Investments	21,059,237	21,059,237
Long-term investments - other	6,234,249	6,234,249
Unconditional promises to give, net of current portion	6,161,843	6,161,843
Cash and cash equivalents held for endowment purposes	105,929	105,929
Investments held for endowment purposes	4,753,900	4,753,900
	<u>\$ 44,790,029</u>	<u>\$ 44,790,029</u>
Financial liabilities		
Current liabilities, excluding bonds payable	\$ 1,216,038	\$ 1,216,038
Bonds payable	9,900,000	9,855,000
	11,116,038	11,071,038
Unamortized bond issuance costs	(306,400)	(306,400)
	<u>\$ 10,809,638</u>	<u>\$ 10,764,638</u>

17. ENDOWMENT

The Organization endowment consists of three donor-restricted endowment fund categories. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of Humane Society Silicon Valley has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the California version of UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

17. ENDOWMENT (continued)

Interpretation of relevant law (continued)

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Funds with deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2022 and 2021.

Investment return objectives, risk parameters, strategies and how the investment objectives relate to the spending policy

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets in order to assure compliance with UPMIFA and the Board's policies on investment and expenditure of the earnings, protect the fund assets, increase the likelihood that the investment of the funds will be able to meet the financial needs of the Organization, establish a relevant investment horizon for which the fund assets will be invested, provide guidance and limitations to all investment managers regarding the investment of the fund assets and establish a basis for evaluation of investment results. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceed the annual spending appropriation of up to 7% of the fund with acceptable levels of risk. Beginning July 1, 2010, the Organization engaged professional managers to invest these funds in accordance with the Organization's Investment Policy Statement for the Donor-Restricted Endowment Fund.

Spending policy

In the absence of explicit instructions by the donor, the Organization has a policy of appropriating for expenditure all amounts in the endowment up to 7% of the fair value of the original gift as defined by the Board. Any earnings in excess of 7% are net assets with donor restrictions and are available for appropriation in future years in accordance with the Board's policy. If the endowment fund is less than the original gift as of the gift date, although the Board is permitted to determine and continue a prudent payout amount, no amounts are appropriated for expenditure without additional Board review and direction.

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

17. ENDOWMENT (continued)

Spending policy (continued)

Investments and cash and cash equivalents are carried at fair value and investment earnings are reflected in the statement of activities.

Endowment composition

Endowment assets consisted of the following:

	<u>2022</u>	<u>2021</u>
Investments held for endowment purposes	\$ 4,119,474	\$ 4,753,900
Cash and cash equivalents held for endowment purposes	<u>200,208</u>	<u>105,929</u>
	<u>\$ 4,319,682</u>	<u>\$ 4,859,829</u>

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	<u>Unappropriated Earnings on Endowment</u>	<u>Perpetual Endowment</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 515,108</u>	<u>\$ 3,804,574</u>	<u>\$ 4,319,682</u>

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	<u>Unappropriated Earnings on Endowment</u>	<u>Perpetual Endowment</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 1,293,843</u>	<u>\$ 3,565,986</u>	<u>\$ 4,859,829</u>

Humane Society Silicon Valley
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

17. ENDOWMENT (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2022 is as follows:

	Unappropriated Earnings on Endowment	Perpetual Endowment	Total
Balance, June 30, 2021	<u>\$ 1,293,843</u>	<u>\$ 3,565,986</u>	<u>\$ 4,859,829</u>
Investment return			
Interest and dividend income	87,016	-	87,016
Net losses (realized and unrealized)	(604,037)	-	(604,037)
Investment management fees	<u>(25,287)</u>	<u>-</u>	<u>(25,287)</u>
Total investment return	(542,308)	-	(542,308)
Contributions	-	238,588	238,588
Appropriation of earnings for expenditure	<u>(236,427)</u>	<u>-</u>	<u>(236,427)</u>
	<u>(778,735)</u>	<u>238,588</u>	<u>(540,147)</u>
Balance, June 30, 2022	<u><u>\$ 515,108</u></u>	<u><u>\$ 3,804,574</u></u>	<u><u>\$ 4,319,682</u></u>

Changes in endowment net assets for the fiscal year ended June 30, 2021 is as follows:

	Unappropriated Earnings on Endowment	Perpetual Endowment	Total
Balance, June 30, 2020	<u>\$ 471,363</u>	<u>\$ 3,508,046</u>	<u>\$ 3,979,409</u>
Investment return			
Interest and dividend income	85,070	-	85,070
Net gains (realized and unrealized)	983,400	-	983,400
Investment management fees	<u>(22,368)</u>	<u>-</u>	<u>(22,368)</u>
Total investment return	1,046,102	-	1,046,102
Contributions	-	57,940	57,940
Appropriation of earnings for expenditure	<u>(223,622)</u>	<u>-</u>	<u>(223,622)</u>
	<u>822,480</u>	<u>57,940</u>	<u>880,420</u>
Balance, June 30, 2021	<u><u>\$ 1,293,843</u></u>	<u><u>\$ 3,565,986</u></u>	<u><u>\$ 4,859,829</u></u>

18. RELATED PARTY TRANSACTIONS

Contributions, including new pledges, received from members of the Organization's Board of Directors totaled approximately \$1,693,000 and \$10,403,000, for the years ended June 30, 2022 and 2021, respectively.