

HUMANE SOCIETY OF VENTURA COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2021

HUMANE SOCIETY OF VENTURA COUNTY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Humane Society of Ventura County:

Opinion

We have audited the financial statements of the Humane Society of Ventura County, which comprise the statements of financial position, as of December 31, 2021 and the related statements of activities, functional expenses and cash flows, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Humane Society of Ventura County as of December 31, 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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, the Humane Society of Ventura County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Humane Society of Ventura County's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 (GAAS) 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, 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 the Humane Society of Ventura County'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 the Humane Society of Ventura County'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.

A handwritten signature in dark ink, appearing to read "Farber Hass Hurley, LLP", written in a cursive, flowing style.

Farber Hass Hurley, LLP
Oxnard, CA
September 30, 2022

HUMANE SOCIETY OF VENTURA COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Cash and cash equivalents	\$ 619,033
Prepaid expense, inventories and other assets	39,804
Bequest receivable	5,500,000
Investments	11,746,427
Property and equipment, net	1,421,514
Beneficial interest in trust	6,440,111
Beneficial interest in assets held at VCCF	<u>867,566</u>

TOTAL ASSETS \$ 26,634,455

LIABILITIES

Accounts payable and accrued expenses	<u>\$ 121,046</u>
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NET ASSETS

Without donor restrictions	13,558,023
With donor restrictions	<u>12,955,386</u>
Total net assets	<u>26,513,409</u>

TOTAL LIABILITIES AND NET ASSETS \$ 26,634,455

**HUMANE SOCIETY OF VENTURA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Revenue, gains and other support:			
Grants and contributions	\$ 817,502	\$ -	\$ 817,502
Legacies and bequests	1,188,881	5,500,000	6,688,881
Merchandise sales and program fees	198,637	-	198,637
Interest and dividends	475,705	-	475,705
Change in value of beneficial interest in trust	-	210,762	210,762
Unrealized & realized loss on investments	1,156,691	-	1,156,691
Change in value of beneficial interest in assets held at VCCF	-	95,208	95,208
Fundraising	13,675	-	13,675
Other	523,785	-	523,785
Donor restrictions satisfied by payments	59,231	(59,231)	-
Total revenue, gains and other support	<u>4,434,107</u>	<u>5,746,739</u>	<u>10,180,846</u>
EXPENSES			
Program services	1,174,835	-	1,174,835
Management and general	584,939	-	584,939
Fundraising and development	34,121	-	34,121
Total functional expenses	<u>1,793,895</u>	<u>-</u>	<u>1,793,895</u>
CHANGE IN NET ASSETS	2,640,212	5,746,739	8,386,951
NET ASSETS, BEGINNING OF YEAR	<u>10,917,811</u>	<u>7,208,647</u>	<u>18,126,458</u>
NET ASSETS, END OF YEAR	<u>\$ 13,558,023</u>	<u>\$ 12,955,386</u>	<u>\$ 26,513,409</u>

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

HUMANE SOCIETY OF VENTURA COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services	Fundraising	Total
Salaries and payroll taxes	\$ 636,742	\$ 434,924	\$ 25,632	\$ 1,097,298
Bank fees	-	14,153	-	14,153
Contract labor	35,854	-	-	35,854
Conferences & training seminars	-	3,211	-	3,211
Cost of sales	5,446	-	-	5,446
Computer and technology	-	16,712	-	16,712
Depreciation	82,440	1,681	-	84,121
Dues and subscriptions	-	2,160	-	2,160
Equipment rental	-	3,145	-	3,145
Event expenses	253	-	7,493	7,746
Fees and permits	-	947	-	947
Office expense	4,143	17,706	161	22,010
Insurance	24,602	22,554	-	47,156
Maintenance and repairs	25,754	14,095	-	39,849
Marketing	761	9,965	-	10,726
Medical	10,037	-	-	10,037
Postage and shipping	8,812	2,492	-	11,304
Printing	15,281	2,198	-	17,479
Professional fees	-	11,600	-	11,600
Property Taxes	6,056	252	-	6,308
Remodeling	113,426	-	-	113,426
Supplies: General	81	5,174	-	5,255
Supplies: Animal care	32,967	-	-	32,967
Supplies: Medical clinic	98,446	-	-	98,446
Travel	12	-	-	12
Utilities	55,542	17,773	741	74,056
Volunteer & education program	-	725	-	725
Vehicle expenses	11,108	1,209	-	12,317
Waste disposal	7,072	2,263	94	9,429
Total Expenses	<u>\$ 1,174,835</u>	<u>\$ 584,939</u>	<u>\$ 34,121</u>	<u>\$ 1,793,895</u>

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

**HUMANE SOCIETY OF VENTURA COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 8,386,951
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	84,121
Forgiveness of Paycheck Protection Program loan	(392,760)
Net realized and unrealized loss on investments	(1,205,416)
Gain on sale of assets	(26,275)
Net investment income	(227,954)
Change in value of beneficial interest in trust	(210,762)
Change in value of beneficial interest in assets held at VCCF	(95,208)
Changes in operating assets and liabilities:	
Bequest receivable	(5,500,000)
Prepaid expenses, inventories and other assets	(32,252)
Accounts payable and accrued expenses	24,809
Net cash provided by operating activities	805,254

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sales of investments	194,007
Deposits to investments	(1,000,000)
Acquisition of property and equipment	(158,909)
Proceeds from sales of property and equipment	26,275
Net cash used in investing activities	(938,627)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Paycheck Protection Program	202,330
Net cash provided by financing activities	202,330

NET CHANGE IN CASH AND CASH EQUIVALENTS 68,957

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 550,076

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 619,033

NON-CASH INVESTING AND FINANCING TRANSACTIONS

Sales and maturities of investments within money market accounts	\$ 1,988,223
Purchase of investments within money market accounts	\$ (3,025,671)

HUMANE SOCIETY OF VENTURA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Humane Society of Ventura County (“Society” or “HSVC”) is a private not-for-profit organization founded in 1932. The Society is dedicated to promoting the health, safety, welfare, compassionate care and protection of all animals throughout Ventura County. In that regard HSVC operates a Shelter/Adoption Center, an Animal Health Clinic, provides various outreach and assistance programs, and investigates allegations of animal cruelty and neglect. The Society is predominately supported by contributions from the public. Notably, HSVC is not an affiliate of national animal welfare organizations and in general does not receive funding from them. The Society is governed by a board of trustees (“Board”).

Shelter/Adoption Center services include preventive medical care, treatment of illness and injury, pet microchipping, and spaying /neutering of all animals prior to adoption.

Animal Health Clinic services include a spay/neuter clinic and veterinary clinic for pets. The spay/neuter clinic provides sterilization and basic vaccines for dogs and cats to all pet owners at reduced costs.

Community Outreach programs include:

- Food assistance program provides free pet food to low-income pet guardians so they can keep their pets rather than turn them in to a shelter.
- Humane education and adventure camps teach students the needs of pets and how to live safely and responsibly alongside wildlife.
- Pet assisted therapy which arranges for volunteers to take their own pets or animals from the shelter to visit patients in the area’s assisted living facilities and hospitals.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

Financial statements of not-for-profit organizations measure net assets and net asset activity based on the absence or existence of donor-imposed restrictions. Net assets are classified pursuant to donor-imposed restrictions and applicable law. Brief explanations of the net asset categories are presented below:

Net assets without donor restrictions – This category includes net assets that are not subject to donor-imposed restrictions, as well as investments designated by the Board to function as endowments (“quasi-endowments”).

HUMANE SOCIETY OF VENTURA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets with donor restrictions – This category includes net assets that are subject to explicit donor-imposed restrictions. When restrictions expire due to the passage of time or the incurrence of expenditures that satisfy the donor-imposed restrictions, net assets are reclassified to net assets without donor restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions are reported as reclassifications between the applicable classes of net assets. The Society has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that the donor restrictions were met in the year the contribution was received.

Revenue Recognition

Adoptions, Animal Care Services and Veterinary Health Clinic Services

Fee for service revenue is recognized at a point in time that the service is performed and billed. The service is considered to be the performance obligation, which is fulfilled in real time and paid for at the time of service.

Retail Sales

Revenue is recognized from sales at the Society's store at a point in time when the goods are handed to the buyer. Returns and refunds are minimal and are recognized at a point in time when the refund is given.

Fundraising Events

Proceeds from fundraising events are recognized as revenue during the period that the fundraising events occur.

Contributions

All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Bequests are recorded as revenue at the time the Society has an established right to the bequest and the proceeds are measurable.

HUMANE SOCIETY OF VENTURA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Outstanding Legacies

The Society is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. HSVC's share of such bequests is recorded when the probate court has declared the testamentary instruments valid and the proceeds are measurable.

Donated Materials, Goods and Services

The Society receives donated services from a variety of unpaid volunteers who assist with programs and in non-specialized roles. The value of services contributed by these volunteers is not reflected in the financial statements since these services do not meet the criteria for recognition.

The Society records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are proved by individuals processing those skills, and would typically need to be purchased if not provided by donation. Contributions of goods and property are recognized at fair market value when received

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Society considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents held as part of the Society's investment portfolio, and where management's intention is to use the cash to acquire investments to be held long-term, are classified as investments.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are stated at their fair values in the Statement of Financial Position. The net change in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the Statement of Activities. Investment income is accrued as earned and reported net of investment advisory and custodial fees. Security transactions are recorded on a trade date basis. The Society has some exposure to investment risks, including interest rate, market and credit risks, for marketable securities. Due to risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Inventory

Inventory consists of pet supplies sold at a store located within the Society's facility. Inventory is valued at the lower of cost or net realizable value on a first-in first-out basis.

HUMANE SOCIETY OF VENTURA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 15 to 39 years for buildings and improvements and 3 to 7 years for furniture and equipment.

Functional Expense Allocation

Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one function are allocated to programs and supporting services based on the ratio of employee time spent in different areas and the ratio of each activity's direct costs to total direct costs for all activities. These are called shared costs and include office supplies, general liability insurance, internet, website access, utilities, and building repairs and maintenance.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments that affect reported amounts and disclosures. Significant estimates made by management include the valuation of investments and the estimated net realizable value of receivables. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts reported in the Statement of Financial Position for cash, prepaid expense, inventories, other assets, accounts payable and accrued expenses approximate fair values because of their short-term nature.

Income Taxes

No provision for income taxes is included in the accompanying financial statements. The Society has received a determination letter from the Internal Revenue Service that recognizes it as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. The federal exemption from income tax is recognized by state authorities.

Change in Accounting Principle

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance. Revenue from contributions and investment income are not impacted by the new standard. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. HSVC adopted ASU 2014-09 January 1, 2020 using the full retrospective method.

HUMANE SOCIETY OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The adoption of ASU 2014-09 did not have a significant impact on HSVC's financial position, result of operations, or cash flows. The majority of HSVC's fee for service revenue arrangements consists of a single performance obligation to transfer promised goods or services at a point in time. Based on HSVC's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenue as a result of the adoption of ASU 2014-09.

NOTE 2: INVESTMENTS, BOARD-DESIGNATED RESERVE

At December 31, 2021, Board-designated reserve investments consist of the following:

Money Market Funds	\$ 63,735
Equities	632,105
Bonds and Bond Funds	61,727
Mutual Funds	499,779
Unit Investment Trusts	102,189
Total Investments, Board-designated Reserve	<u>\$ 1,359,535</u>

NOTE 3: BEQUESTS RECEIVABLE

Bequests are an individual's charitable contribution from their estate at the time of their death. The Society generally realizes bequest contributions after a will or trust document, or excerpt thereto is received from the estate's representative and the amount that is expected to be received can be reasonably estimated and is not being contested. Management believes all bequests receivable are collectible; therefore, no allowance for uncollectible bequests receivable has been recorded.

At December 31, 2021, bequests receivable consisted of the following:

Receivable due in less than one year	\$ 5,500,000
Receivable due in more than one year	-
Total Investments, Board-designated Reserve	<u>\$ 5,500,000</u>

HUMANE SOCIETY OF VENTURA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4: BENEFICIAL INTEREST IN TRUST

The Society is the sole beneficiary of a trust (the “Trust”) which is administered by an independent financial institution. Under the terms of the Trust agreement, the Society shall receive the net income of the Trust, which consists primarily of interest and dividends, on a quarterly basis, and the balance of the assets in the Trust in 2031. The Society does not control the assets held by the outside Trust. Moreover, the trustee has the ability to replace HSVC as beneficiary if the Society fails to be a qualified charitable organization. The Society believes that it will continue to be a qualified charitable organization in the future; and accordingly, HSVC has chosen to report on the Statement of Financial Position its beneficial interest in this trust at fair value, estimated as the net present value of the estimated future amount to be received. The present value of the payments is calculated by using the remaining term of the Trust and risk-adjusted discount rate of 7.5%

As of December 31, 2021, the Trust’s fair value totaled \$6,440,111 and is classified as Level 3 within the fair value hierarchy (Note 11). The table below sets forth a summary of the change in value of the Society’s beneficial interest in trust for the year ended December 31, 2021:

Balance, beginning of year	\$ 6,229,349
Change in fair value of beneficial interest	<u>210,762</u>
Balance, end of year	<u><u>\$ 6,440,111</u></u>

The change in fair value of beneficial interest in Trust is reflected separately on the accompanying Statement of Activities. The Society received payments of \$252,979 from the Trust during the year ended December 31, 2021.

NOTE 5: BENEFICIAL INTEREST IN ASSETS HELD AT VCCF

In previous years, the Society transferred funds to the Ventura County Community Foundation (VCCF) and specified itself as the beneficiary of the funds. This endowment fund is used by the VCCF as the source of unrestricted grants for HSVC. The agreement with VCCF stipulates VCCF maintains variance power over the fund and that the fund shall be held and owned by the VCCF. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community.

The Statement of Financial Position as of December 31, 2021 include the beneficial interest in assets held by others as net assets with donor restrictions of \$867,566 related to these funds. The Statement of Activities include a increase of \$95,208 for the year ended December 31, 2021 related to the change in value of the Society’s beneficial interest in the assets held by others. Annually, a distribution from the fund is available to the Society according to the VCCF’s spending policy.

HUMANE SOCIETY OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 5: BENEFICIAL INTEREST IN ASSETS HELD AT VCCF (CONTINUED)

The following schedule summarizes the activity of this endowment fund reported at fair value for the year end December 31, 2021 (Note 11):

Beginning balance	\$ 772,358
Interest/dividend income	14,091
Net realized and unrealized gains	94,037
Investment and support fees	<u>(12,920)</u>
Ending balance	<u>\$ 867,566</u>

The change in fair value of beneficial interest in assets held by others is reflected separately on the accompanying Statement of Activities.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2021, net assets with donor restrictions consist of:

Bequests Receivable	\$ 5,500,000
Beneficial interest in trusts	6,440,111
Beneficial interest in assets at VCCF	867,566
Misc. trusts	<u>147,709</u>
Total	<u>\$ 12,955,386</u>

NOTE 7: NET ASSETS WITHOUT DONOR RESTRICTIONS, BOARD-DESIGNATED RESERVE

A portion of the net assets without donor restrictions of the Society is managed as a Board-designated reserve for future capital improvement and maintenance projects. The following schedule summarizes the activity of this reserve for the year ended December 31, 2021.

Beginning balance:	\$ 1,152,282
Interest and dividends earned	26,883
Net realized and unrealized gain	<u>180,370</u>
Ending balance	<u>\$ 1,359,535</u>

HUMANE SOCIETY OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021:

Land	\$ 20,190
Buildings and improvements	2,676,973
Furniture and equipment	272,037
Vehicles	<u>223,815</u>
Total cost	3,193,015
Accumulated depreciation	(1,825,985)
Construction in progress	<u>54,484</u>
Property and equipment, net	<u>\$ 1,421,514</u>

Depreciation expense was \$84,121 for the year ending December 31, 2021.

NOTE 9: LEASES

The Society leases office equipment, expiring at various dates through and of 2027. Total rent expense under these leases for the year ended December 31, 2021 was \$1,926. Future minimum lease payments under these leases are as follows:

Year Ended December 31,	
2022	\$ 648
2023	1,296
2024	1,296
2025	1,296
Thereafter	<u>1,944</u>
Total	<u>\$ 6,480</u>

HUMANE SOCIETY OF VENTURA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Society's financial assets as of December 31, 2021, reduced by amounts not available for general use within one year of December 31, 2021, because of contractual donor-imposed restriction or internal designations. Amounts available include donor-restricted amounts that are available for expenditures in the following years. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Society approves the action.

Cash and cash equivalents	\$ 619,033
Investments	11,746,427
Bequests receivable	5,500,000
Board-designated reserves	<u>(1,359,535)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 16,505,925</u></u>

NOTE 11: FAIR VALUE MEASUREMENTS

The Society's investments are stated at fair value in accordance with FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*. Fair value is a market-based measurement based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy has been established which prioritizes the inputs used in measuring fair value. ASC 820 describes the three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices for identical assets and liabilities in active markets. Market price data is generally obtained from relevant exchange or dealer markets.

Level 2 – Inputs, other than quoted prices in active markets, that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable.

Level 3 – Unobservable inputs where there is little or no market data, requiring the Society to develop its own assumptions using pricing models, discounted cash flow methodologies, or similar techniques.

HUMANE SOCIETY OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 11: FAIR VALUE MEASUREMENTS (Continued)

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to management's perceived risk of that instrument.

The following tables summarize the Society's investments as of December 31, 2021:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Mutual Funds	\$ 363,889	\$ -	\$ -	\$ 363,889
Equities	5,337,579	-	-	5,337,579
Fixed Income Securities	3,074,590	-	-	3,074,590
Mutual Funds	1,659,944	-	-	1,659,944
Unit Investment Trusts	1,310,424	-	-	1,310,424
Total investments	11,746,427			11,746,427
Beneficial Interest in Trust (Note 4)	-	-	6,440,111	6,440,111
Beneficial Interest in Assets Held at VCCF (Note 5)	-	-	867,566	867,566
Total fair value assets measured on a recurring basis	<u>\$ 11,746,427</u>	<u>\$ -</u>	<u>\$ 7,307,677</u>	<u>\$ 19,054,104</u>

NOTE 12: CONCENTRATIONS OF DEPOSIT AND CREDIT RISK

The Society maintains cash accounts at a local bank, which retain balances that total more than the maximum federally insured amount of \$250,000. The Society has not experienced any losses in the accounts and management believes it is not exposed to any significant risk on the cash accounts.

The Society maintains its investments with a local brokerage firm. Management has elected to have the funds invested in various individual funds that invest in equity funds, exchanged traded funds, stocks, fixed income, alternatives and cash and cash equivalents. Management continues to monitor the accounts to minimize risk.

HUMANE SOCIETY OF VENTURA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 13: PAYCHECK PROTECTION PROGRAM LOAN

On August 3, 2020 and April 5, 2021, the Society received loan proceeds of \$190,430 and \$202,330, respectively, under the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP1") with interest of 1% per annum. Any unforgiven portion of the PPP loan is due two years from the disbursement date.

The Society has determined that the loan proceeds constitute a conditional contribution under ASU 2018-08 and that final approval of the waiver of the loan from the SBA and the lender constitutes a significant barrier. As a result, the Society has recorded a refundable advance liability for the full amount of the loan upon receipt.

On and July 8, 2021 and October 25, 2021, the SBA approved forgiveness of the Society's PPP loans in the amount of \$190,430 and \$202,330, respectively. The Society recognized the full amount of the forgiven loans as a contribution made in the year ended December 31, 2021.

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September, 30, 2022, the date the financial statements were available to be issued, and has determined that there have been no subsequent events requiring adjustment to the financial statements.