

**HUMANE SOCIETY OF VENTURA COUNTY**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

# **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 accompanying financial statements of Humane Society of Ventura County (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of Ventura County as of December 31, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Humane Society of Ventura County 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 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.

### **Auditors' 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 auditors' 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 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 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 black ink, appearing to read "Pauline Ann Hunsley". The signature is written in a cursive, flowing style.

Oxnard, CA

September 29, 2023

**HUMANE SOCIETY OF VENTURA COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**

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**ASSETS**

Cash and cash equivalents	\$ 627,564
Prepaid expense, inventories and other assets	62,616
Bequest receivable	5,215,527
Investments	29,384,535
Property and equipment, net	1,606,538
Beneficial interest in trust	5,195,887
Beneficial interest in assets held at VCCF	<u>745,992</u>

**TOTAL ASSETS** \$ 42,838,659

**LIABILITIES**

Accounts payable and accrued expenses	<u>\$ 202,399</u>
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**NET ASSETS**

Without donor restrictions	31,131,938
With donor restrictions	<u>11,504,322</u>
Total net assets	<u>42,636,260</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 42,838,659

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

**HUMANE SOCIETY OF VENTURA COUNTY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
<b>Revenue, gains and other support:</b>			
Grants and contributions	\$ 530,489	\$ 400,889	\$ 931,378
Legacies and bequests	14,934,555	4,317,080	19,251,635
Non-financial asset contributions	-	953,500	953,500
Merchandise sales and program fees	207,339	-	207,339
Interest and dividends	621,465	-	621,465
Change in value of beneficial interest in trust	-	(1,244,224)	(1,244,224)
Realized losses on investments	(58,843)	-	(58,843)
Unrealized losses on investments	(2,256,289)	-	(2,256,289)
Change in value of beneficial interest in assets held at VCCF	-	(121,574)	(121,574)
Fundraising	21,877	-	21,877
Other	184,869	-	184,869
Donor restrictions satisfied by payments	5,756,735	(5,756,735)	-
Total revenue, gains and other support	<u>19,942,197</u>	<u>(1,451,064)</u>	<u>18,491,133</u>
<b>EXPENSES</b>			
Program services	1,503,451	-	1,503,451
Management and general	810,561	-	810,561
Fundraising and development	54,270	-	54,270
Total functional expenses	<u>2,368,282</u>	<u>-</u>	<u>2,368,282</u>
<b>CHANGE IN NET ASSETS</b>	17,573,915	(1,451,064)	16,122,851
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>13,558,023</u>	<u>12,955,386</u>	<u>26,513,409</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 31,131,938</u>	<u>\$ 11,504,322</u>	<u>\$ 42,636,260</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, 2022**

	<b>Program Services</b>	<b>Supporting Services</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and payroll taxes	\$ 973,781	\$ 497,767	\$ 39,126	\$ 1,510,674
Bank fees	-	15,759	-	15,759
Contract labor	18,115	-	-	18,115
Conferences & training seminars	-	5,892	-	5,892
Cost of sales	8,320	-	-	8,320
Computer and technology	-	21,941	-	21,941
Depreciation	88,246	3,677	-	91,923
Dues and subscriptions	-	3,022	-	3,022
Equipment rental	-	20,365	-	20,365
Event expenses	-	-	13,196	13,196
Fees and permits	-	4,787	-	4,787
Office expense	-	19,853	1,009	20,862
Insurance	42,585	59,978	-	102,563
Maintenance and repairs	30,319	12,824	-	43,143
Marketing	1,760	13,022	-	14,782
Medical	26,915	-	-	26,915
Other	423	-	-	423
Postage and shipping	7,265	2,288	-	9,553
Printing	15,762	5,402	-	21,164
Professional fees	-	85,680	-	85,680
Property Taxes	3,977	166	-	4,143
Supplies: General	-	13,625	-	13,625
Supplies: Animal care	69,828	-	-	69,828
Supplies: Medical clinic	126,144	-	-	126,144
Utilities	61,847	19,791	825	82,463
Volunteer & education program	-	1,584	-	1,584
Vehicle expenses	19,628	407	-	20,035
Waste disposal	8,536	2,731	114	11,381
Total Expenses	<u>\$ 1,503,451</u>	<u>\$ 810,561</u>	<u>\$ 54,270</u>	<u>\$ 2,368,282</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, 2022**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 16,122,851
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	91,923
Net realized loss on investments	58,843
Net unrealized loss on investments	2,256,289
Net investment income	(366,276)
Change in value of beneficial interest in trust	1,244,224
Change in value of beneficial interest in assets held at VCCF	121,574
Changes in operating assets and liabilities:	
Bequest receivable	284,473
Prepaid expenses, inventories and other assets	(22,812)
Accounts payable and accrued expenses	93,846
<b>Net cash provided by operating activities</b>	<b><u>19,884,935</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from sales of investments	873,088
Purchase of securities	(20,460,053)
Acquisition of property and equipment	(289,439)
<b>Net cash used in investing activities</b>	<b><u>(19,876,404)</u></b>

**NET CHANGE IN CASH AND CASH EQUIVALENTS** 8,531

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 619,033

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 627,564

**NON-CASH INVESTING AND FINANCING TRANSACTIONS**

Sales and maturities of investments within money market accounts	<u>\$ 2,372,734</u>
Purchase of investments within money market accounts	<u><u>\$ (16,460,978)</u></u>

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



## HUMANE SOCIETY OF VENTURA COUNTY

### NOTES TO FINANCIAL STATEMENTS

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#### 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 any national animal welfare organizations and in general does not receive funding from them. The Society is governed by a board of trustees (“Board”).

##### **Program Services**

*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

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#### 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**

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#### **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 possessing 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 and Changes in Net Assets. 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**

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**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.

## **HUMANE SOCIETY OF VENTURA COUNTY**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Recently Adopted Accounting Guidance**

In February 2016, the Financial Accounting Standards Board (the “FASB”) issued new accounting guidance (“Topic 842”), as amended, Accounting Standards Update No. 2016-02 (“ASU 2016-02”), “Leases”, related to the accounting for leases. The new standard has replaced “Leases” Topic 840 and requires lessees to recognize a right-of-use (“ROU”) asset and a lease liability on the balance sheet. These assets and liabilities are recognized at the lease commencement date based on the present value of remaining lease payments over the lease term using the risk-free rate for a period comparable to the lease term (“discount rate”). Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the balance sheet. Options to extend on long-term operating lease agreements are also factored into the recognition of their respective assets and liabilities when appropriate based on management’s assessment of the probability that the options will be exercised.

The Society adopted this standard on January 1, 2022, using the optional transition method, which provided the option to not provide comparative period financial statements and instead apply the transition requirements as of the effective date of the new standard. As a result, the statement of financial position prior to January 1, 2022, was not restated and continues to be reported under Topic 840, “Leases”, which did not require the recognition of operating lease liabilities on the balance sheet. Pursuant to additional guidance under Topic 842, the Company elected the optional package of practical expedients, which allowed the Society to not reassess: (i) whether expired or existing contracts contain leases; (ii) lease classification for any expired or existing leases; (iii) in existing leases. The Society has also elected to combine lease and non-lease components.

The adoption of ASU 2016-02 did not have a significant impact on HSVC’s financial position, result of operations, or cash flows. As a result, no ROU asset and/or lease liability was recorded at December 31, 2022. There was no effect to opening net assets.

On January 1, 2022, the Society adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2020-07, Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU requires the Society to present gifts-in-kind as a separate line item in the statements of activities and changes in net assets, apart from contributions of cash and other financial assets. The ASU also requires additional disclosures related to contributed nonfinancial assets. The additional disclosure requirements include disclosing the Society’s policy about monetizing rather than utilizing contributed nonfinancial assets, description of any donor-imposed restrictions associated with the contributed nonfinancial asset, description of the valuation techniques and inputs used to arrive at a fair value measure of contributed nonfinancial assets, and to disclose the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

**HUMANE SOCIETY OF VENTURA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2: INVESTMENTS, BOARD-DESIGNATED RESERVE**

At December 31, 2022, Board-designated reserve investments consist of the following:

Money Market Funds	\$ 155,376
Equities	469,169
Bonds and Bond Funds	59,021
Mutual Funds	429,340
Unit Investment Trusts	82,758
Total Investments, Board-designated Reserve	<u>\$ 1,195,664</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, 2022, bequests receivable consisted of the following:

Receivable due in less than one year	\$ 5,215,527
Receivable due in more than one year	-
Total	<u>\$ 5,215,527</u>

**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%.

## **HUMANE SOCIETY OF VENTURA COUNTY**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **NOTE 4: BENEFICIAL INTEREST IN TRUST (CONTINUED)**

As of December 31, 2022, the Trust's fair value totaled \$5,195,887 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, 2022:

Balance, beginning of year	\$ 6,440,111
Change in fair value of beneficial interest	<u>(1,244,224)</u>
Balance, end of year	<u>\$ 5,195,887</u>

The change in fair value of beneficial interest in Trust is reflected separately on the accompanying Statement of Activities and Changes in Net Assets. The Society received interest income payments of \$255,093 from the Trust during the year ended December 31, 2022.

#### **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, 2022 include the beneficial interest in assets held by others as net assets with donor restrictions of \$745,992 related to these funds. The Statement of Activities and Changes in Net Assets include a decrease of \$121,574 for the year ended December 31, 2022 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.

The following schedule summarizes the activity of this endowment fund reported at fair value for the year end December 31, 2022 (Note 11):

Beginning balance	\$ 867,566
Interest/dividend income	18,903
Net realized and unrealized gains	(130,421)
Investment and support fees	<u>(10,056)</u>
Ending balance	<u>\$ 745,992</u>

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

**HUMANE SOCIETY OF VENTURA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2022, net assets with donor restrictions consist of:

Bequests Receivable	\$ 5,215,527
Beneficial interest in trusts	5,195,887
Beneficial interest in assets at VCCF	745,992
Misc. trusts	346,916
Total	<u>\$ 11,504,322</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, 2022.

Beginning balance:	\$ 1,359,535
Interest and dividends earned	31,491
Net realized and unrealized loss	(195,362)
Ending balance	<u>\$ 1,195,664</u>

**NOTE 8: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2022:

Land	\$ 20,190
Buildings and improvements	2,711,522
Furniture and equipment	367,916
Vehicles	236,562
Total cost	<u>3,336,190</u>
Accumulated depreciation	(1,943,148)
Construction in progress	213,496
Ending balance	<u>\$ 1,606,538</u>

Depreciation expense was \$91,923 for the year ending December 31, 2022.



**HUMANE SOCIETY OF VENTURA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 9: NON-FINANCIAL ASSET CONTRIBUTIONS**

The Society's non-financial asset contributions consists of the following during the year ended December 31, 2022.

Residential properties	<u>\$ 953,500</u>
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Residential properties contributed are recorded at their fair market value using third-party appraisals.

**NOTE 10: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Society's financial assets as of December 31, 2022, reduced by amounts not available for general use within one year of December 31, 2022, 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.

Financial assets:	
Cash and cash equivalents	\$ 627,564
Investments	29,384,535
Bequests receivable	<u>5,215,527</u>
	35,227,626
Less: Board-designated reserves	<u>(1,195,664)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 34,031,962</u>

# HUMANE SOCIETY OF VENTURA COUNTY

## NOTES TO FINANCIAL STATEMENTS

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### 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.

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, 2022:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Mutual Funds	\$ 6,744,141	\$ -	\$ -	\$ 6,744,141
Equities	4,116,579	-	-	4,116,579
Fixed Income Securities	15,906,820	-	-	15,906,820
Mutual Funds	1,400,205	-	-	1,400,205
Unit Investment Trusts	<u>1,216,790</u>	<u>-</u>	<u>-</u>	<u>1,216,790</u>
Total investments	29,384,535			29,384,535
Beneficial Interest in Trust (Note 4)	-	-	5,195,887	5,195,887
Beneficial Interest in Assets Held at VCCF (Note 5)	<u>-</u>	<u>-</u>	<u>745,992</u>	<u>745,992</u>
Total fair value assets measured on a recurring basis	\$ <u>29,384,535</u>	\$ <u>-</u>	\$ <u>5,941,879</u>	\$ <u>35,326,414</u>

**HUMANE SOCIETY OF VENTURA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 12: CONCENTRATIONS OF DEPOSIT AND CREDIT RISK**

The Society maintains cash balances at several banks insured by the Federal Deposit Insurance Corporations (FDIC) up to \$250,000. At times, balances may exceed federally insured limits. At December 31, 2022, uninsured cash and cash equivalent balances totaled approximately \$95,000. The Society maintains a majority of cash balances in money market funds. Such balances may not be fully insured.

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.

**NOTE 13: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 29, 2023, the date the financial statements were available to be issued.

During January 2023, the Society applied for the Employee Retention Credit (“ERC”) refundable credits totaling \$358,158 relating to its quarterly payroll periods ended March 31, 2020, June 30, 2020, and September 30, 2021. The ERC is a refundable payroll tax credit for employers who had operations fully or partially suspended due to orders from a governmental authority or whose revenues decreased by a specified threshold. When eligible, an entity can claim a refund in excess of the payroll taxes paid based upon the amount of qualified wages and health insurance paid. As of September 29, 2023, no ERC funds have been received.

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Company’s claim to the ERC.