



PASADENA HUMANE

FINANCIAL STATEMENTS
(WITH SUPPLEMENTARY INFORMATION)
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Pasadena Humane

We have audited the accompanying financial statements of Pasadena Humane (a nonprofit organization) (the "Society"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, changes in net assets, cash flows and functional expenses, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pasadena Humane as of December 31, 2019 and 2018, 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.

Other Matter – Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the accompanying table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Pasadena, California
October 20, 2020

PASADENA HUMANESTATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 3,599,807	\$ 4,121,510
Investments	14,271,507	11,757,885
Accounts receivable	154,931	447,742
Note receivable	-	898
Contributions receivable, net	-	8,000
Other receivables	62,753	-
Inventory	91,201	52,442
Prepaid expenses and other current assets	<u>228,917</u>	<u>153,383</u>
Total current assets	<u>18,409,116</u>	<u>16,541,860</u>
Other assets		
Deferred rental income	30,239	28,781
Property and equipment, net	<u>23,866,568</u>	<u>24,716,346</u>
Total other assets	<u>23,896,807</u>	<u>24,745,127</u>
Total assets	<u><u>\$ 42,305,923</u></u>	<u><u>\$ 41,286,987</u></u>

PASADENA HUMANESTATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 439,012	\$ 534,056
Accrued expenses	615,281	602,524
Accrued pension	56,000	56,000
Capital lease, current	23,545	40,311
	<u>1,133,838</u>	<u>1,232,891</u>
Total current liabilities		
	<u>1,133,838</u>	<u>1,232,891</u>
Long-term liabilities		
Capital lease, net of current portion	99,064	64,527
	<u>99,064</u>	<u>64,527</u>
Total long-term liabilities		
	<u>99,064</u>	<u>64,527</u>
Total liabilities	<u>1,232,902</u>	<u>1,297,418</u>
Net assets		
Unrestricted: Operating Fund	25,905,629	27,251,366
Board Designated: Investment Fund	14,888,294	12,505,813
Board Designated: Capital Campaign Fund	-	8,000
Board Designated: Steve McNall Heart Fund	10,350	10,350
	<u>40,804,273</u>	<u>39,775,529</u>
Total net assets without donor restrictions		
	<u>40,804,273</u>	<u>39,775,529</u>
Net assets with donor restrictions	268,748	214,040
	<u>268,748</u>	<u>214,040</u>
Total net assets	<u>41,073,021</u>	<u>39,989,569</u>
Total liabilities and net assets	<u>\$ 42,305,923</u>	<u>\$ 41,286,987</u>

See accompanying notes to financial statements.

PASADENA HUMANE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Change in net assets without donor restrictions		
Support and revenue		
Animal control services	\$ 13,330	\$ 10,008
Adoption fees, net of discounts	329,760	337,225
Behavior fees	53,299	67,551
Boarding income, net of discounts	217,204	180,524
Contract income	3,281,460	3,168,310
Contributions and bequests	5,504,922	7,622,497
Gains on sale of fixed assets	43,866	4,697
Gifts-in-kind	149,750	145,542
Helping paws income, net of discounts	12,932	12,974
Humane education	38,379	40,648
Impound fees	8,639	8,001
Interest and dividends	381,970	302,852
Kids club	11,599	-
License fees	451,613	482,417
Outreach events	3,509	-
Rental income	160,970	161,999
Scout Sundays	630	-
Service fees, net of discounts	143,424	127,253
Special events - golf	227,196	242,648
Special events - Wiggle Waggle Walk	220,861	233,361
Store sales, net of discounts and cost of goods sold	130,327	137,996
Volunteer income	570	6,260
Wellness clinic, net of discounts	368,276	452,212
Gain on sale of investments	269,350	210,760
Unrealized gains (losses) on investments	1,990,954	(752,444)
Net assets released from restrictions	245,274	469,437
Total support and revenue without donor restrictions	<u>14,260,064</u>	<u>13,672,728</u>
Expenses		
Program	9,876,112	9,343,637
Management and general	1,922,578	1,435,603
Fundraising	1,432,630	1,328,064
Total expenses	<u>13,231,320</u>	<u>12,107,303</u>
Change in net assets without donor restrictions	<u>1,028,744</u>	<u>1,565,425</u>

See accompanying notes to financial statements.

PASADENA HUMANE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Change in net assets with donor restrictions		
Support and revenue		
Contributions and bequests	\$ 299,625	\$ 417,479
Interest and dividends	357	340
Net assets released from restrictions	<u>(245,274)</u>	<u>(469,437)</u>
Total support and revenue with donor restrictions	<u>54,708</u>	<u>(51,618)</u>
Expenses		
Program	-	-
Management and general	-	-
Fundraising	<u>-</u>	<u>-</u>
Total expenses	<u>-</u>	<u>-</u>
Change in net assets with donor restrictions	<u>54,708</u>	<u>(51,618)</u>
Increase in net assets	1,083,452	1,513,807
Net assets, beginning of year	<u>39,989,569</u>	<u>38,475,762</u>
Net assets, end of year	<u><u>\$ 41,073,021</u></u>	<u><u>\$ 39,989,569</u></u>

See accompanying notes to financial statements.

PASADENA HUMANE

**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, January 1, 2018	\$ 38,210,104	\$ 265,658	\$ 38,475,762
Change in net assets	<u>1,565,425</u>	<u>(51,618)</u>	<u>1,513,807</u>
Balance, December 31, 2018	39,775,529	214,040	39,989,569
Change in net assets	<u>1,028,744</u>	<u>54,708</u>	<u>1,083,452</u>
Balance, December 31, 2019	<u>\$ 40,804,273</u>	<u>\$ 268,748</u>	<u>\$ 41,073,021</u>

PASADENA HUMANE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,083,452	\$ 1,513,807
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,116,543	1,111,019
Losses on disposal of assets	19,561	4,697
Extinguishment of capital lease liability	70,643	-
Gain on sale of investments	(269,350)	(210,760)
Unrealized gain on investments	(2,548,063)	(557,108)
Increase (decrease) in cash and cash equivalents attributable to changes in operating assets and liabilities		
Accounts receivable	292,811	(135,772)
Contributions receivable	8,000	2,871
Other receivables	(62,753)	-
Inventory	(38,759)	11,395
Prepaid expenses and other current assets	(75,534)	(6,984)
Other assets	(1,458)	(6,122)
Accounts payable	(95,044)	71,912
Accrued expenses	12,757	294,890
Accrued pension	-	(300,000)
Total adjustments	<u>(1,570,646)</u>	<u>280,038</u>
Net cash provided by operating activities	<u>(487,194)</u>	<u>1,793,845</u>
Cash flows from investing activities		
Purchases of property and equipment	(233,069)	(329,150)
Net proceeds (purchases) on sale of investments	303,791	(646,137)
Proceeds from note receivable	898	31,602
Net cash provided (used) in investing activities	<u>71,620</u>	<u>(943,685)</u>
Cash flows from financing activities		
Payments on note payable	-	(865,927)
Payments on capital lease obligation	(106,129)	(37,020)
Net cash used in financing activities	<u>(106,129)</u>	<u>(902,947)</u>
Net increase (decrease) in cash and cash equivalents	(521,703)	(52,787)
Cash and cash equivalents, beginning of year	<u>4,121,510</u>	<u>4,174,297</u>
Cash and cash equivalents, end of year	<u>\$ 3,599,807</u>	<u>\$ 4,121,510</u>

See accompanying notes to financial statements.

PASADENA HUMANE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Supplemental disclosure of cash flows information		
Cash paid for interest	<u>\$ 7,889</u>	<u>\$ 22,890</u>
Noncash investing and financing activities		
Property and equipment acquired through capital lease	<u>\$ 125,000</u>	<u>\$ -</u>

PASADENA HUMANE

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating Fund				
Accounting	\$ -	\$ 58,665	\$ -	\$ 58,665
Adoption	12,977	-	-	12,977
Advertising	31,235	-	-	31,235
Alarm expense	10,060	782	335	11,177
Animal control	9,040	-	-	9,040
Bank charges	-	1,918	-	1,918
Behavior department	7,405	-	-	7,405
Board expenses	-	21,101	-	21,101
City license	194,828	-	-	194,828
Clinic medical supplies	31,915	-	-	31,915
Clinic permits	14,969	-	-	14,969
Computer	121,936	18,150	5,165	145,251
Credit card fees	-	51,047	2,394	53,441
Depreciation and amortization	1,004,889	78,158	33,496	1,116,543
Development	-	-	98,721	98,721
Disposal service	27,445	2,135	915	30,495
Dues	9,852	2,845	2,127	14,824
Employee benefits	-	1,875	-	1,875
Employee enrichment	20,747	3,996	2,131	26,874
Employee training	31,038	14,855	3,466	49,359
Employee travel	29,729	5,498	-	35,227
Facility rental	3,086	4,711	-	7,797
Fostering	33,836	-	-	33,836
Gifts-in-kind	268	-	205,100	205,368
Harris canine expense	52,164	-	-	52,164
Helping paws expenses	67,228	-	-	67,228
Human resource expenses	-	10	-	10
Humane education	8,169	-	-	8,169
Insurance - general	152,814	9,278	8,490	170,582
Insurance - group medical	674,972	114,008	43,214	832,194
Insurance - workers' compensation	223,851	40,178	22,959	286,988
Interest expense	7,090	412	387	7,889
Kennel food	25,935	-	-	25,935

See accompanying notes to financial statements.

PASADENA HUMANE**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating Fund				
Kennel supplies	96,689	-	-	96,689
Kitten nursery expenses	20,161	-	-	20,161
Landscape	27,044	2,104	902	30,050
Lease expenses	33,040	1,797	1,797	36,634
Legal fees	-	59,753	1,539	61,292
License fee	787	-	-	787
Licensing expense	10,034	-	-	10,034
Maintenance and repairs	184,237	11,698	5,013	200,948
Marketing	44,853	-	-	44,853
Mileage reimbursements	3,294	-	-	3,294
Miscellaneous	2,873	1,394	33	4,300
Office	17,103	4,188	960	22,251
Outreach	3,150	-	-	3,150
Parking lot rent	80,716	1,230	217	82,163
Payroll fee	84,634	19,714	8,504	112,852
Payroll taxes	414,504	66,982	43,485	524,971
Pension fees	-	5,615	-	5,615
Personnel expense	-	159,914	-	159,914
Pest control	11,772	916	392	13,080
Postage	463	46,761	93,025	140,249
Printing	18,806	1,234	201,126	221,166
Private cremations	13,610	-	-	13,610
Property taxes	28,911	2,366	964	32,241
Rental commissions expense	-	7,563	-	7,563
Retirement expense	208,546	41,476	28,879	278,901
Salaries	4,875,686	860,168	493,333	6,229,187
Sales taxes	1,599	-	-	1,599
Shelter expense	148,348	-	-	148,348
Signage	-	-	3,377	3,377
Special events - golf expenses	-	-	61,648	61,648
Special events - Wiggle Waggle Walk	-	-	47,868	47,868
State permit	-	20	-	20
Subscriptions	4,480	2,081	79	6,640

See accompanying notes to financial statements.

PASADENA HUMANE**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating Fund				
Summer camp supplies	1,296	-	-	1,296
Supplies - other	42	-	-	42
Taxes and licenses	4	-	-	4
Taxes- other	124	2,029	-	2,153
Telephone	40,747	6,506	3,459	50,712
Temporary services	-	66,317	-	66,317
Transfer expenses	1,755	-	-	1,755
Truck operations and maintenance	71,513	24	10	71,547
Uniforms	41,204	1,796	16	43,016
Utilities	213,130	16,577	7,104	236,811
Veterinary services	121,153	-	-	121,153
Volunteer services	47,886	-	-	47,886
Wellness clinic expenses	181,264	-	-	181,264
Wildlife	13,176	-	-	13,176
Total Operating Fund Expenses	<u>\$ 9,876,112</u>	<u>\$ 1,819,845</u>	<u>\$ 1,432,630</u>	<u>\$ 13,128,587</u>

PASADENA HUMANE**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating Fund				
Balance forward	<u>\$ 9,876,112</u>	<u>\$ 1,819,845</u>	<u>\$ 1,432,630</u>	<u>\$ 13,128,587</u>
Investment Fund				
Investment advisory and trustee fees	-	83,378	-	83,378
Miscellaneous	<u>-</u>	<u>19,355</u>	<u>-</u>	<u>19,355</u>
Total Investment Fund	<u>-</u>	<u>102,733</u>	<u>-</u>	<u>102,733</u>
Capital Campaign Fund				
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Campaign Fund Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Steve McNall Heart Fund				
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Campaign Fund Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u><u>\$ 9,876,112</u></u>	<u><u>\$ 1,922,578</u></u>	<u><u>\$ 1,432,630</u></u>	<u><u>\$ 13,231,320</u></u>

PASADENA HUMANE

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating Fund				
Accounting	\$ 52,438	\$ 5,687	\$ 2,913	\$ 61,038
Adoption	10,447	-	-	10,447
Advertising	21,031	-	-	21,031
Alarm expense	5,257	-	-	5,257
Animal control	7,678	-	-	7,678
Bank charges	4,197	494	247	4,938
Behavior department	9,260	-	-	9,260
Board expenses	-	1,445	-	1,445
Companion animal program expense	866	-	-	866
City license	169,063	-	-	169,063
Clinic medical supplies	26,450	-	-	26,450
Clinic permits	20,262	-	-	20,262
Computer	134,965	4,286	10,147	149,398
Credit card fees	48,775	-	16,896	65,671
Delivery charge	10	-	-	10
Depreciation and amortization	1,088,799	11,110	11,110	1,111,019
Development	-	-	85,027	85,027
Disposal service	24,001	1,333	1,333	26,668
Dues	7,896	988	1,031	9,914
Employee benefits	-	2,250	-	2,250
Employee enrichment	13,257	2,791	1,396	17,444
Employee training	21,796	1,622	-	23,418
Employee travel	13,996	716	1,047	15,759
Environmental fee	1,146	-	-	1,146
Facility rental	1,533	5,366	767	7,665
Fostering	19,359	-	-	19,359
Gifts-in-kind	-	-	191,310	191,310
Harris canine expense	60,413	-	-	60,413
Helping paws expenses	37,216	-	-	37,216
Human resource expenses	14,366	1,796	1,796	17,957
Humane education	5,453	-	-	5,453
Insurance - general	128,642	6,892	6,892	142,426

PASADENA HUMANE**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating Fund				
Insurance - group medical	663,628	129,813	34,882	828,323
Insurance - workers' compensation	286,339	59,499	26,031	371,869
Interest expense	20,631	1,130	1,130	22,890
Kennel food	14,146	-	-	14,146
Kennel supplies	69,082	-	-	69,082
Kitten nursery expenses	22,879	-	-	22,879
Landscape	15,505	-	-	15,505
Lease expenses	21,989	1,183	1,183	24,354
Legal fees	40,891	4,768	3,392	49,051
License fee	2,729	-	-	2,729
Licensing expense	8,234	-	-	8,234
Maintenance and repairs	206,524	-	-	206,524
Marketing	54,001	-	-	54,001
Mileage reimbursements	5,416	-	-	5,416
Miscellaneous	915	(31)	-	884
Neely cat center write off	(27,025)	-	-	(27,025)
Office	16,780	1,864	880	19,524
Outreach	3,866	-	-	3,866
Parking lot rent	66,230	268	305	66,803
Payroll fee	32,008	35,084	2,910	70,002
Payroll taxes	377,478	67,161	33,124	477,763
Pension fees	8,822	1,833	802	11,457
Personnel expense	2,890	600	263	3,753
Pest control	16,192	-	-	16,192
Postage	47,773	3,812	94,253	145,838
Printing	15,575	247	197,116	212,939
Private cremations	22,991	-	-	22,991
Property taxes	50,357	3,753	1,905	56,015
expense	-	7,563	-	7,563
Retirement expense	186,501	46,126	21,236	253,863
Salaries	4,198,116	872,559	402,957	5,473,632
Sales taxes	3,651	-	-	3,651
Shelter expense	187,990	-	-	187,990

See accompanying notes to financial statements.

PASADENA HUMANE**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating Fund				
Special events - golf expenses	-	-	83,808	83,808
Special events - Wiggle Waggle Walk	-	-	62,512	62,512
State permit	-	6	-	6
Subscriptions	12,328	1,029	248	13,605
Summer camp supplies	2,731	-	-	2,731
Supplies - other	142	-	-	142
Taxes and licenses	-	4	-	4
Telephone	45,074	2,820	6,534	54,428
Temporary services	16,763	40,923	11,581	69,267
Training	14,303	418	2,054	16,775
Transfer expenses	327	-	-	327
maintenance	73,844	-	-	73,844
Uniforms	25,304	59	120	25,482
Utilities	179,900	13,274	6,929	200,103
Veterinary services	129,338	-	-	129,338
Volunteer services	32,080	-	-	32,080
Wellness clinic expenses	212,670	-	-	212,670
Wildlife	7,156	-	-	7,156
Total Operating Fund Expenses	<u>\$ 9,343,637</u>	<u>\$ 1,342,540</u>	<u>\$ 1,328,064</u>	<u>\$ 12,014,240</u>

PASADENA HUMANE**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Operating Fund				
Balance forward	<u>\$ 9,343,637</u>	<u>\$ 1,342,540</u>	<u>\$ 1,328,064</u>	<u>\$ 12,014,240</u>
Investment Fund				
Investment advisory and trustee fees	-	86,572	-	86,572
Miscellaneous	<u>-</u>	<u>6,491</u>	<u>-</u>	<u>6,491</u>
Total Investment Fund	<u>-</u>	<u>93,063</u>	<u>-</u>	<u>93,063</u>
Capital Campaign Fund				
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Campaign Fund Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Steve McNall Heart Fund				
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Campaign Fund Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u><u>\$ 9,343,637</u></u>	<u><u>\$ 1,435,603</u></u>	<u><u>\$ 1,328,064</u></u>	<u><u>\$ 12,107,303</u></u>

PASADENA HUMANE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Pasadena Humane (the “Society”) is a California nonprofit corporation. The Society promotes the humane treatment of all animals, enforces California and local laws for the prevention of cruelty to animals and seeks to instill a humane public attitude toward animals. The Society provides services to the Southern California communities of Arcadia, Glendale, La Canada, Pasadena, San Marino, Sierra Madre, South Pasadena, Monrovia, Bradbury, and Los Angeles County.

Basis of Accounting

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

These financial statements have been approved by management and were available for issuance on October 20, 2020, and have been evaluated through this date.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents, for purposes of reporting cash flows, consists primarily of cash on hand, cash held in checking accounts and money market accounts held by the custodian of the investment accounts. The Society places its cash in high-quality financial institutions. At times, cash balances were in excess of federally insured limits. The Society believes no significant concentration of credit risk exists with respect to these cash balances.

Concentrations of Credit and Market Risk

The Society, at times, maintains cash balances in excess of the insured amount under the Federal Deposit Insurance Corporation (“FDIC”) of \$250,000. The Securities Investor Protection Corporation (“SIPC”) protects investors against broker-dealer failure up to \$500,000, including a \$250,000 limit for cash. The Society does not believe that it is exposed to any significant credit risk.

Contributions Receivable

Contributions receivable include unconditional promises to give and are recorded at their gross amount less a present value discount at an interest rate of 3.33% per annum for the years ended December 31, 2019 and 2018. On a periodic basis, management evaluates its contributions receivable and establishes an allowance for doubtful accounts, if necessary, based on a history of past write-offs, collections and credit conditions. Contributions receivable are written-off as uncollectible once the Society has exhausted its collection efforts. The Society considers all contributions receivable to be collectible at December 31, 2019 and 2018 and no allowance for doubtful accounts is deemed necessary.

PASADENA HUMANE

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition

The Society's primary source of revenue is from donor contributions and bequests, which are recorded as revenue upon receipt of cash or unconditional pledges. Contributions and bequests are considered available for unrestricted use unless specifically restricted by the donor. Another source of revenue is contracts with local cities to provide various animal control services. The Society also generates revenue by providing services to pet owners including adoption, spay and neutering, vaccinations and microchipping, behavior classes, boarding and a pet supply store.

Inventory

Inventory consists of animal food and supplies which are held for sale and is accounted for at cost, valued at the most recent purchase price for each item of inventory or net realizable value.

Property and Equipment

Property and equipment are recorded at cost. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not improve or extend the life significantly, are expensed currently. Depreciation and amortization is recorded using the straight-line method over the following useful lives:

	<u>Useful life</u>
Building and improvements	39 Years
Furniture and fixtures	7 Years
Equipment	5 - 7 Years
Vehicles	5 Years
Software	3 Years

In-Kind Contributions and Donated Services

Donated services, goods and facilities are recognized as contributions if the services, goods and facilities (a) create or enhance nonfinancial assets or (b) require specialized skills and are performed by people with those skills and would otherwise be purchased by the Society. The Society received services, goods and facilities that satisfied both conditions in the amount of \$205,368 and \$191,310 for the years ended December 31, 2019 and 2018, respectively, and is included in the accompanying statement of functional expenses.

Gift Cards

The Society engages in the sale and free distribution of gift cards to customers and patrons of the Society's pet store and facilities. The Society's gift cards are not subjected to administrative fees, gift cards sold do not expire, but gift cards distributed as gifts, incentives or rewards may expire. When distributed, the Society recognizes a liability for the gift card and recognizes revenue from the redemption of the gift card. The Society tracks its gift cards by assigning a serial number to each card. The Society recognized a gift card liability of \$4,427 and \$3,930 for the years ended December 31, 2019 and 2018, respectively, and is included in accrued expenses in the accompanying statements of financial position.

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

Investments

In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Society uses various valuation approaches. In accordance with GAAP, a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Society. Unobservable inputs reflect the Society’s assumptions about the inputs that 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:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in active markets, valuation of these securities does not entail a significant degree of judgement.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security and is affected by a wide variety of factors including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgement. Those estimates values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgement exercised by the Society in determining the fair value is greater for securities categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

PASADENA HUMANE

NOTES TO FINANCIAL STATEMENTS

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

Investments (continued)

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Society's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Society uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

The Society values investments in securities that are freely tradeable and are listed on national securities exchanges at their last sales price as of the last business day of the year.

The Society holds two parcels of land in remote areas of California; these are carried on the books at nominal values.

The Society has elected to establish a conservative investment strategy that is risk-averse and focuses on income and growth.

Classes of Net Assets

Separate net asset accounts are maintained to ensure that limitations or restrictions placed on contributions, endowments and gifts are used for their intended purpose. The Society uses the following classes of net assets:

Net assets without donor restrictions:

Net assets without donor restrictions are not subject to donor-imposed stipulations.

Net assets with donor restrictions:

Net assets with donor restrictions are subject to donor-imposed stipulations that will be met by actions of the Society and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets which have their restriction met in the same year are reported as unrestricted in the statement of activities.

Federal and State Income Taxes

The Society is incorporated as a nonprofit corporation under laws of the State of California and is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and is not subject to federal income taxes except for income from unrelated business activities.

Accounting principles generally accepted in the United States of America require that the Board of Directors evaluate tax positions taken by the Society and recognize a tax liability (or asset) if the Society has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service and the California Franchise Tax Board.

PASADENA HUMANE

NOTES TO FINANCIAL STATEMENTS

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

Federal and State Income Taxes (continued)

The Board of Directors of the Society has analyzed the tax positions taken by the Society and has concluded that, as of December 31, 2019, the tax positions in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. If there were interest and penalties associated with any uncertain tax positions the Society would record them as tax expense. The Society is subject to routine audits by taxing organizations, however there are currently no audits for any tax period in progress.

Description of Funds

Unrestricted net assets include:

- The Operating Fund, which is used to record all activity relating to the operations of the Society, other than those separately designated by the Board of Directors (the “Board”) or subject to temporary or permanent restrictions. This also includes net assets released from restriction through the satisfaction of program restrictions or the passage of time.
- The Investment Fund, which was established to hold the investments of the Society, as designated by the Board. The Society hires outside independent advisors to manage the underlying investments.
- The Capital Campaign Fund, Board designated funds to be used for the construction project at 309 Raymond Avenue.
- The Steve McNall Heart Fund, Board designated funds in honor of Steve McNall for his 36 years of service to be used for saving lives of animals in the community.

Temporarily restricted net assets include:

- The Falk Foundation, established in 1993 to assist in the funding of adoption counselors. A monthly contribution is received from the Elizabeth M. Falk Foundation.
- The Harris Trust Fund, established in 1990 by the Olga B. Harris Trust to assist in the funding of dog related veterinary services and the care of homeless dogs, to the extent that the funds exceed the veterinary expenses.
- The Glide Wildlife Fund, established by a grant given to the Society by the Thornton S. Glide and Katrina D. Glide Foundation in 1998 to assist in funding wildlife programs.
- The G Fund, established by an anonymous donor to fund specific projects designated by the donor.
- The POOCH Fund, established to fund a local animal park.

PASADENA HUMANE

NOTES TO FINANCIAL STATEMENTS

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

Description of Funds (continued)

- The HART Fund, established to raise funds to reduce euthanasia of animals. The funds are used for transportation and outside veterinary costs needed to aid the Society in transporting the animals to alternate shelters or rescues that will increase the opportunity for the animals to be adopted.
- The Neely Fund, established to fund the cattery construction project and the interactive cat toy project.
- The Operating Fund – temporarily restricted, established to fund specific designation requests of smaller designated contributions.

Joint Costs

The Society incurs costs that are shared by program, management and general fundraising activities. The amount allocated to each area depends on the purpose, audience and content of each program. The Society determined the allocation of joint costs based on current and historical data.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The new guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers ("ASC 606"). The FASB subsequently issued a one-year deferral of the effective date for ASC 606 for non-public entities that had not yet issued their financial statements. The Society has elected to adopt ASC 606 beginning January 1, 2020.

Subsequent Events

Management has evaluated subsequent events and updated its statements through October 20, 2020, the date the financial statements were available to be issued.

NOTE 2 – AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Society's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the investment fund that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted fund or investment fund for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

PASADENA HUMANE**NOTES TO FINANCIAL STATEMENTS****NOTE 2 – AVAILABILITY OF FINANCIAL ASSETS (continued)**

	<u>2019</u>	<u>2018</u>
Net assets, end of year	\$ 41,073,021	\$ 39,989,569
Less those unavailable for general expenditures within one year, due to :		
Donor-imposed restrictions	(268,748)	(214,040)
Board Designated: Investment Fund	(14,888,294)	(12,505,813)
Board Designated: Capital Campaign Fund	-	(8,000)
Board Designated: Steve McNall Heart Fund	<u>(10,350)</u>	<u>(10,350)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 25,905,629</u>	<u>\$ 27,251,366</u>

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Petty cash	\$ 2,613	\$ 2,613
Operating	2,761,084	2,797,251
Credit cards	112,476	244,472
Subtotal	<u>2,876,173</u>	<u>3,044,336</u>
Falk Foundation Fund	7,501	90,895
Harris Trust Fund	73,992	212,954
Neely Fund	25,352	25,397
Investment Fund	<u>616,789</u>	<u>747,928</u>
Total cash and cash equivalents	<u>\$ 3,599,807</u>	<u>\$ 4,121,510</u>

Cash and cash equivalents listed above totaling \$2,876,173 and \$3,044,336 as of December 31, 2019 and 2018, respectively, are allocated among the various funds listed below:

	<u>2019</u>	<u>2018</u>
Operating Fund	\$ 2,742,261	\$ 2,910,424
Glide Wildlife Fund	54,159	54,159
The G Fund	108,237	108,237
Pooch Fund	1,029	1,029
HART Fund	(39,863)	(39,863)
Steve McNall Heart Fund	<u>10,350</u>	<u>10,350</u>
	<u>\$ 2,876,173</u>	<u>\$ 3,044,336</u>

PASADENA HUMANE**NOTES TO FINANCIAL STATEMENTS****NOTE 3 – CASH AND CASH EQUIVALENTS (continued)**

Cash and cash equivalents included in temporarily restricted funds consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Falk Foundation Fund	\$ 7,501	\$ 90,895
Harris Trust Fund	73,992	212,954
Glide Wildlife Fund	54,159	54,159
The G Fund	108,237	108,237
Pooch Fund	1,029	1,029
HART Fund	(39,863)	(39,863)
Neely Fund	25,397	25,397
Operating Fund	35,000	-
	<u>\$ 265,452</u>	<u>\$ 452,808</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Capital Campaign Fund	\$ -	\$ 8,000
Less: Discount	-	-
Total contribution receivable, net	<u>\$ -</u>	<u>\$ 8,000</u>

Future contributions receivable consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Amounts due in less than one year	\$ -	\$ 8,000
Amounts due in one to five years	-	-
	<u>\$ -</u>	<u>\$ 8,000</u>

NOTE 5 – NOTE RECEIVABLE

On April 1, 2016, the Society loaned \$50,000 to their tenant, which is non-interest bearing for the costs of the leasehold improvements of the office space. The note receivable payments are included in the monthly base rent for the first five years of the lease. The note receivable balance was \$0 and \$898 at December 31, 2019 and 2018.

PASADENA HUMANE

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – INVESTMENTS

The Society's investments in equity and marketable debt securities with readily redeemable fair values are reported at their fair values based on quoted prices in active markets (Level 1 measurements).

The following is a summary of investments at December 31, 2019:

	<u>Adjusted Cost</u>	<u>Fair Value</u>
U.S. Obligations	\$ 1,296,468	\$ 1,359,266
Equities	6,015,692	8,522,424
Mutual Funds	<u>4,411,282</u>	<u>4,389,815</u>
	<u>\$ 11,723,442</u>	<u>\$ 14,271,505</u>

The following is a summary of investments at December 31, 2018:

	<u>Adjusted Cost</u>	<u>Fair Value</u>
U.S. Obligations	\$ 1,273,684	\$ 1,275,669
Equities	6,089,616	6,887,174
Mutual Funds	<u>3,837,475</u>	<u>3,595,040</u>
	<u>\$ 11,200,775</u>	<u>\$ 11,757,883</u>

The Society owns two parcels of undeveloped land of undetermined sizes which are carried on the books at a nominal value of \$1 per parcel for a total of \$2 for the years ended December 31, 2019 and 2018. Management has not established the fair value of the parcels.

The following is a summary of return on investments at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 382,327	\$ 303,192
Net Realized Gains	269,350	210,760
Unrealized Gains (Losses)	<u>1,990,954</u>	<u>(752,444)</u>
	<u>\$ 2,642,631</u>	<u>\$ (238,492)</u>

Investment fees expense was \$83,378 and \$86,572 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 – FAIR VALUE MEASUREMENTS

The Society's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP. See Note 1 for a discussion of the Society's policies.

PASADENA HUMANE**NOTES TO FINANCIAL STATEMENTS****NOTE 7 – FAIR VALUE MEASUREMENTS (continued)**

The following table presents information about the Society’s assets measured at fair value as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in fixed income at fair value (included in investments)	\$ 1,359,266	\$ -	\$ -	\$ 1,359,266
Investments in equities at fair value (included in investments)	8,522,424	-	-	8,522,424
Investments in mutual funds at fair value (included in investments)	4,389,815	-	-	4,389,815
Investments in land at nominal value (included in investments)	-	-	2	2
Total nonliquid investments	<u>14,271,505</u>	<u>-</u>	<u>2</u>	<u>14,271,507</u>
Plus: investments in money market at fair value (included in cash and cash equivalents)	22,540	-	-	22,540
	<u>\$ 14,294,045</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 14,294,047</u>

The following table presents information about the Society’s assets measured at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in fixed income at fair value (included in investments)	\$ 1,275,669	\$ -	\$ -	\$ 1,275,669
Investments in equities at fair value (included in investments)	6,887,174	-	-	6,887,174
Investments in mutual funds at fair value (included in investments)	3,595,040	-	-	3,595,040
Investments in land at nominal value (included in investments)	-	-	2	2
	<u>11,757,883</u>	<u>-</u>	<u>2</u>	<u>11,757,885</u>
Investments in money market at fair value (included in cash and cash equivalents)	747,928	-	-	747,928
	<u>\$ 12,505,811</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 12,505,813</u>

PASADENA HUMANE**NOTES TO FINANCIAL STATEMENTS****NOTE 8 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2019:

	Operating Fund	Falk Foundation Fund	Total
Land	\$ 3,487,138	\$ -	\$ 3,487,138
Buildings	25,179,344	-	25,179,344
Building improvements	1,027,531	-	1,027,531
Furniture and fixtures	1,110,930	-	1,110,930
Equipment	1,751,011	35,969	1,786,980
Vehicles	1,238,543	-	1,238,543
Software	10,436	-	10,436
	<u>33,804,933</u>	<u>35,969</u>	<u>33,840,902</u>
Less: Accumulated depreciation and amortization	<u>9,938,365</u>	<u>35,969</u>	<u>9,974,334</u>
	<u>\$ 23,866,568</u>	<u>\$ -</u>	<u>\$ 23,866,568</u>

Property and equipment consist of the following at December 31, 2018:

	Operating Fund	Falk Foundation Fund	Total
Land	\$ 3,487,138	\$ -	\$ 3,487,138
Buildings	25,179,344	-	25,179,344
Building improvements	1,027,531	-	1,027,531
Furniture and fixtures	1,067,379	-	1,067,379
Equipment	1,696,867	35,969	1,732,836
Vehicles	1,152,272	-	1,152,272
Software	10,436	-	10,436
	<u>33,620,967</u>	<u>35,969</u>	<u>33,656,936</u>
Less: Accumulated depreciation and amortization	<u>8,904,621</u>	<u>35,969</u>	<u>8,940,590</u>
	<u>\$ 24,716,346</u>	<u>\$ -</u>	<u>\$ 24,716,346</u>

Depreciation and amortization expense was \$1,116,543 and \$1,111,019 for the years ended December 31, 2019 and 2018, respectively.

PASADENA HUMANE

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – RETIREMENT PLANS

Defined Benefit Plan

The Society maintained a noncontributory defined benefit pension plan (the “Plan”) under Section 403(b) of the Internal Revenue Code covering all eligible employees. Employees became eligible at the attainment of age 21 and the completion of one year of service and enter the plan on January 1 or July 1 coincident with and/or following their completion of the eligibility requirements. Normal retirement age is the participant’s 65th birthday or the 5th anniversary from the participant’s entry date, if later.

The Society terminated the Plan on December 31, 2016 and accrued an estimated payment of \$1,164,000 due to the Plan. The Society paid \$0 and \$300,000 to the Plan for the accrued payment due during the years ended December 31, 2019 and 2018, respectively. The Society has an estimated balance of \$56,000 and \$56,000 due to the Plan as of December 31, 2019 and 2018, respectively.

403(b) Retirement Plan

Effective January 1, 2017, the Society has a qualified 403(b) retirement plan (the “Retirement Plan”) covering all eligible employees, as defined in the Society’s plan document. The Retirement Plan allows the Society to match the employees’ contributions up to certain statutory limits. The Society made contributions of \$278,901 and \$253,863 to the Retirement Plan for the years ended December 31, 2019 and 2018, respectively, and is included in the statement of functional expenses.

NOTE 10 – NOTE PAYABLE

During 2004, the Society signed an agreement with Community Bank, subsequently renamed Citizens Business Bank, (the “Bank”) to establish a Variable Interest Revolving Line of Credit (the “Line of Credit”) in the amount of \$2,500,000 to purchase real estate for future development. During 2012, the Society renegotiated the Line of Credit to increase the amount to \$5,000,000, with a maturity date of October 1, 2013.

During October 2013, the Society exercised the option to extend the Line of Credit and the Bank amended the terms of the agreement. The amended agreement increased the Line of Credit to \$8,000,000, with a maturity date of August 1, 2019 and is collateralized by the real property and related fixtures located at 76 East Del Mar Boulevard and 361 South Raymond Avenue, Pasadena, California. During the period, November 1, 2013 through July 31, 2014, the Society was to make interest only payments at a rate of not less than 1.75%. Beginning August 1, 2014, the Line of Credit was converted to a Promissory Note (the “Note”) bearing interest at a rate of 3.33% per annum with a maturity date of August 1, 2019.

Interest expense was \$25 and \$12,297 for the years ending December 31, 2019 and 2018, respectively, which is included in interest expense on the accompanying statement of functional expenses.

PASADENA HUMANE

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – CAPITAL LEASES

The Society leases certain equipment pursuant to non-cancelable capital leases, expiring at various dates through August 2025.

Capital leases consist of the following at December 31, 2019 and 2018, respectively:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 171,800	\$ 174,178
Less: Accumulated amortization	<u>56,092</u>	<u>134,837</u>
	<u>\$ 115,708</u>	<u>\$ 39,341</u>

The following is a schedule of future minimum payments under capital lease together with the present value of net minimum lease payments as of December 31, 2019:

Years ending December 31,

2020	\$ 26,618
2021	25,968
2022	25,968
2023	25,968
2024	25,968
Thereafter	<u>2,768</u>
Total minimum lease payments	133,258
Less: Amount representing interest	<u>10,649</u>
	122,609
Less: Current portion	<u>23,545</u>
	<u>\$ 99,064</u>

Interest expense was \$7,864 and \$10,593 for the years ending December 31, 2019 and 2018, respectively, which is included in interest expense on the accompanying statement of functional expenses.

NOTE 12 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization characterized the novel COVID-19 virus as a global pandemic. The spread of this virus has begun to cause significant business disruption across the Society's operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Society expects this matter to negatively impact its operating results, the extent of the related financial impact and duration cannot be reasonably estimated at this time.

In April 2020, the Society applied for the Paycheck Protection Program ("PPP") to help continue to fund payroll. The Society has received funds in the total amount of \$1,422,000 pursuant to the PPP loan agreement which matures in May 2022.

PASADENA HUMANE

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – SUBSEQUENT EVENTS (continued)

The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expense. The loan and accrued interest are forgivable if the proceeds are used for qualifying expenses. Qualifying expenses include payroll costs, costs used to continue group healthcare benefits, mortgage payments, rent and utilities.

Any unforgiven portion of the PPP loan is payable over two years, or up to five years if amended with the lender, at an interest rate of 1%, with a deferral of payments for the first six months. The Society intends to use the proceeds to purposes consistent with the PPP. While the Society currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, management cannot reasonably estimate the amount of actual forgiveness of the loan.

In July 2020, the Society changed their name from Pasadena Humane Society and S.P.C.A. to Pasadena Humane.

PASADENA HUMANE

STATEMENTS OF FINANCIAL POSITION
 NET ASSETS WITHOUT DONOR RESTRICTIONS
 DECEMBER 31, 2019

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Capital Campaign Fund</u>	<u>Steve McNall Heart Fund</u>	<u>Total</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 2,707,261	\$ 616,789	\$ -	\$ 10,350	\$ 3,334,400
Investments	-	14,271,505	-	-	14,271,505
Accounts receivable	154,931	-	-	-	154,931
Due from Falk Fund	-	-	-	-	-
Due from Harris Fund	-	-	-	-	-
Other receivables	62,753	-	-	-	62,753
Contributions receivable, net	-	-	-	-	-
Inventory	91,201	-	-	-	91,201
Prepaid expenses and other current assets	228,917	-	-	-	228,917
Total current assets	3,245,063	14,888,294	-	10,350	18,143,707
Deferred rental income	30,239	-	-	-	30,239
Property and equipment, net	23,866,568	-	-	-	23,866,568
Total assets	<u>\$ 27,141,870</u>	<u>\$ 14,888,294</u>	<u>\$ -</u>	<u>\$ 10,350</u>	<u>\$ 42,040,514</u>

See independent auditors' report.

PASADENA HUMANE

STATEMENTS OF FINANCIAL POSITION
 NET ASSETS WITHOUT DONOR RESTRICTIONS
 DECEMBER 31, 2019

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Capital Campaign Fund</u>	<u>Steve McNall Heart Fund</u>	<u>Total</u>
Liabilities and net assets					
Current liabilities					
Accounts payable	\$ 439,012	\$ -	\$ -	\$ -	\$ 439,012
Accrued expenses	618,620	-	-	-	618,620
Accrued pension	56,000	-	-	-	56,000
Capital lease, current	23,545	-	-	-	23,545
Total current liabilities	<u>1,137,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,137,177</u>
Long-Term liabilities					
Capital lease, net of current portion	99,064	-	-	-	99,064
Total long-term liabilities	<u>99,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,064</u>
Total liabilities	<u>1,236,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,236,241</u>
Net assets					
Without donor restrictions					
Operating	25,905,629	-	-	-	25,905,629
Investment Fund - Board Designated	-	14,888,294	-	-	14,888,294
Capital Campaign Fund	-	-	-	-	-
Steve McNall Heart Fund	-	-	-	10,350	10,350
Total net assets without donor restrictions	<u>25,905,629</u>	<u>14,888,294</u>	<u>-</u>	<u>10,350</u>	<u>40,804,273</u>
Total liabilities and net assets	<u>\$ 27,141,870</u>	<u>\$ 14,888,294</u>	<u>\$ -</u>	<u>\$ 10,350</u>	<u>\$ 42,040,514</u>

See independent auditors' report.

PASADENA HUMANESTATEMENTS OF FINANCIAL POSITION
NET ASSETS WITHOUT DONOR RESTRICTIONS
DECEMBER 31, 2018

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Capital Campaign Fund</u>	<u>Steve McNall Heart Fund</u>	<u>Total</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 2,910,424	\$ 747,928	\$ -	\$ 10,350	\$ 3,668,702
Investments	-	11,757,885	-	-	11,757,885
Accounts receivable	213,733	-	-	-	213,733
Due from Falk Fund	88,000	-	-	-	88,000
Due from Harris Fund	146,009	-	-	-	146,009
Note receivable	898	-	-	-	898
Contributions receivable, net	-	-	8,000	-	8,000
Inventory	52,442	-	-	-	52,442
Prepaid expenses and other current assets	153,383	-	-	-	153,383
Total current assets	3,564,889	12,505,813	8,000	10,350	16,089,052
Deferred rental income	28,781	-	-	-	28,781
Property and equipment, net	24,716,346	-	-	-	24,716,346
Total assets	<u>\$ 28,310,016</u>	<u>\$ 12,505,813</u>	<u>\$ 8,000</u>	<u>\$ 10,350</u>	<u>\$ 40,834,179</u>

See independent auditors' report.

PASADENA HUMANE

STATEMENTS OF FINANCIAL POSITION
 NET ASSETS WITHOUT DONOR RESTRICTIONS
 DECEMBER 31, 2018

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Capital Campaign Fund</u>	<u>Steve McNall Heart Fund</u>	<u>Total</u>
Liabilities and net assets					
Current liabilities					
Accounts payable	\$ 295,288	\$ -	\$ -	\$ -	\$ 295,288
Accrued expenses	602,524	-	-	-	602,524
Accrued pension	56,000	-	-	-	56,000
Capital lease, current	40,311	-	-	-	40,311
Total current liabilities	<u>994,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>994,123</u>
Long-Term liabilities					
Capital lease, net of current portion	64,527	-	-	-	64,527
Total long-term liabilities	<u>64,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,527</u>
Total liabilities	<u>1,058,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058,650</u>
Net assets					
Without donor restrictions					
Operating	27,251,366	-	-	-	27,251,366
Investment Fund - Board Designated	-	12,505,813	-	-	12,505,813
Capital Campaign Fund	-	-	8,000	-	8,000
Steve McNall Heart Fund	-	-	-	10,350	10,350
Total net assets without donor restrictions	<u>27,251,366</u>	<u>12,505,813</u>	<u>8,000</u>	<u>10,350</u>	<u>39,775,529</u>
Total liabilities and net assets	<u><u>\$ 28,310,016</u></u>	<u><u>\$ 12,505,813</u></u>	<u><u>\$ 8,000</u></u>	<u><u>\$ 10,350</u></u>	<u><u>\$ 40,834,179</u></u>

See independent auditors' report.

PASADENA HUMANE

STATEMENTS OF FUND ACTIVITIES
NET ASSETS WITHOUT DONOR RESTRICTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Operating Fund	Investment Fund	Capital Campaign Fund	Steve McNall Heart Fund	Total
Support and Revenue					
Animal control services	\$ 13,330	\$ -	\$ -	\$ -	\$ 13,330
Adoption fees, net of discounts	329,760	-	-	-	329,760
Behavior fees	53,299	-	-	-	53,299
Boarding income, net of discounts	217,204	-	-	-	217,204
Contract income	3,281,460	-	-	-	3,281,460
Contributions and bequests	5,504,922	-	-	-	5,504,922
Gains on disposal of fixed assets	43,866	-	-	-	43,866
Gifts-in-kind	149,750	-	-	-	149,750
Helping paws income, net of discounts	12,932	-	-	-	12,932
Humane education	38,379	-	-	-	38,379
Impound fees	8,639	-	-	-	8,639
Interest and dividends	-	381,970	-	-	381,970
Kids club	11,599	-	-	-	11,599
License fees	451,613	-	-	-	451,613
Outreach events	3,509	-	-	-	3,509
Rental income	160,970	-	-	-	160,970
Scout Sundays	630	-	-	-	630
Service fees, net of discounts	143,424	-	-	-	143,424
Special events - golf	227,196	-	-	-	227,196
Special events - Wiggle Waggle Walk	220,861	-	-	-	220,861
Store sales, net of discounts and cost of goods sold	130,327	-	-	-	130,327
Volunteer income	570	-	-	-	570
Wellness clinic, net of discounts	368,276	-	-	-	368,276
Net assets released from restriction	215,274	-	-	-	215,274
Total support and revenue	<u>11,587,790</u>	<u>381,970</u>	<u>-</u>	<u>-</u>	<u>11,969,760</u>

See independent auditors' report.

PASADENA HUMANE

STATEMENTS OF FUND ACTIVITIES
NET ASSETS WITHOUT DONOR RESTRICTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Capital Campaign Fund</u>	<u>Steve McNall Heart Fund</u>	<u>Total</u>
Expenses					
Program	9,876,112	-	-	-	9,876,112
Management and general	1,819,845	102,733	-	-	1,922,578
Fund raising	1,432,630	-	-	-	1,432,630
Total Expenses	<u>13,128,587</u>	<u>102,733</u>	<u>-</u>	<u>-</u>	<u>13,231,320</u>
Excess (deficiency) of support and revenue over expenses	(1,540,797)	279,237	-	-	(1,261,560)
Transfer from temporarily restricted	30,000	-	-	-	30,000
Interfund transfers	165,060	(157,060)	(8,000)	-	-
Gain on sale of investments	-	269,350	-	-	269,350
Unrealized gain on investments	-	1,990,954	-	-	1,990,954
Increase (Decrease) in net assets without donor restrictions	(1,345,737)	2,382,481	(8,000)	-	1,028,744
Net assets, beginning of year	<u>27,251,366</u>	<u>12,505,813</u>	<u>8,000</u>	<u>10,350</u>	<u>39,775,529</u>
Net assets, end of year	<u>\$ 25,905,629</u>	<u>\$ 14,888,294</u>	<u>\$ -</u>	<u>\$ 10,350</u>	<u>\$ 40,804,273</u>

See independent auditors' report.

PASADENA HUMANE

STATEMENTS OF FUND ACTIVITIES
NET ASSETS WITHOUT DONOR RESTRICTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Investment Fund	Capital Campaign Fund	Steve McNall Heart Fund	Total
Support and Revenue					
Animal control services	\$ 10,008	\$ -	\$ -	\$ -	\$ 10,008
Adoption fees, net of discounts	337,225	-	-	-	337,225
Behavior fees	67,551	-	-	-	67,551
Boarding income, net of discounts	180,524	-	-	-	180,524
Contract income	3,168,310	-	-	-	3,168,310
Contributions and bequests	7,622,368	-	129	-	7,622,497
Gains on disposal of fixed assets	4,697	-	-	-	4,697
Gifts-in-kind	145,542	-	-	-	145,542
Helping paws income, net of discounts	12,974	-	-	-	12,974
Humane education	40,648	-	-	-	40,648
Impound fees	8,001	-	-	-	8,001
Interest and dividends	-	302,852	-	-	302,852
License fees	482,417	-	-	-	482,417
Rental income	161,999	-	-	-	161,999
Service fees, net of discounts	127,253	-	-	-	127,253
Special events - golf	242,648	-	-	-	242,648
Special events - Wiggle Waggle Walk	233,361	-	-	-	233,361
Store sales, net of discounts and cost of goods sold	137,996	-	-	-	137,996
Volunteer income	6,260	-	-	-	6,260
Wellness clinic, net of discounts	452,212	-	-	-	452,212
Net assets released from restriction	439,437	-	-	-	439,437
Total support and revenue	<u>13,881,431</u>	<u>302,852</u>	<u>129</u>	<u>-</u>	<u>14,184,412</u>

See independent auditors' report.

PASADENA HUMANESTATEMENTS OF FUND ACTIVITIES
NET ASSETS WITHOUT DONOR RESTRICTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Operating Fund</u>	<u>Investment Fund</u>	<u>Capital Campaign Fund</u>	<u>Steve McNall Heart Fund</u>	<u>Total</u>
Expenses					
Program	9,343,637	-	-	-	9,343,637
Management and general	1,342,540	93,063	-	-	1,435,603
Fund raising	1,328,064	-	-	-	1,328,064
Total Expenses	<u>12,014,240</u>	<u>93,063</u>	<u>-</u>	<u>-</u>	<u>12,107,303</u>
Excess (deficiency) of support and revenue over expenses	1,867,191	209,789	129	-	2,077,109
Transfer from temporarily restricted	30,000	-	-	-	30,000
Interfund transfers	(1,146,944)	1,149,944	(3,000)	-	-
Gain on sale of investments	-	210,760	-	-	210,760
Unrealized gain on investments	-	(752,444)	-	-	(752,444)
Increase (Decrease) in net assets without donor restrictions	750,247	818,049	(2,871)	-	1,565,425
Net assets, beginning of year	<u>26,501,119</u>	<u>11,687,764</u>	<u>10,871</u>	<u>10,350</u>	<u>38,210,104</u>
Net assets, end of year	<u>\$ 27,251,366</u>	<u>\$ 12,505,813</u>	<u>\$ 8,000</u>	<u>\$ 10,350</u>	<u>\$ 39,775,529</u>

See independent auditors' report.

PASADENA HUMANE

STATEMENTS OF FINANCIAL POSITION
NET ASSETS WITH DONOR RESTRICTIONS
DECEMBER 31, 2019

	<u>Falk Foundation Fund</u>	<u>Harris Trust Fund</u>	<u>Glide Wildlife Fund</u>	<u>The G Fund</u>	<u>Pooch Fund</u>	<u>HART Fund</u>	<u>Neely Fund</u>	<u>Operating Fund</u>	<u>Total</u>
Assets									
Current assets									
Cash and cash equivalents	\$ 7,501	\$ 73,992	\$ 54,159	\$ 108,237	\$ 1,029	\$ (39,863)	\$ 25,397	\$ 35,000	\$ 265,452
Due from unrestricted operating fund	-	-	-	-	-	-	-	-	-
Contributions receivable, net of allowance	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	-	7,791	-	-	-	-	-	-	7,791
Total current assets	7,501	81,783	54,159	108,237	1,029	(39,863)	25,397	35,000	273,243
Property and equipment, net	-	-	-	-	-	-	-	-	-
Total assets	\$ 7,501	\$ 81,783	\$ 54,159	\$ 108,237	\$ 1,029	\$ (39,863)	\$ 25,397	\$ 35,000	\$ 273,243
Liabilities and net assets									
Liabilities									
Accounts payable	\$ 4,495	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,495
Due to unrestricted operating fund	-	-	-	-	-	-	-	-	-
Total liabilities	4,495	-	-	-	-	-	-	-	4,495
Net assets									
With donor restrictions	3,006	81,783	54,159	108,237	1,029	(39,863)	25,397	35,000	268,748
Total liabilities and net assets	\$ 7,501	\$ 81,783	\$ 54,159	\$ 108,237	\$ 1,029	\$ (39,863)	\$ 25,397	\$ 35,000	\$ 273,243

See independent auditors' report.

PASADENA HUMANE

STATEMENTS OF FINANCIAL POSITION
 NET ASSETS WITH DONOR RESTRICTIONS
 DECEMBER 31, 2018

	<u>Falk Foundation Fund</u>	<u>Harris Trust Fund</u>	<u>Glide Wildlife Fund</u>	<u>The G Fund</u>	<u>Pooch Fund</u>	<u>HART Fund</u>	<u>Neely Fund</u>	<u>Operating Fund</u>	<u>Total</u>
Assets									
Current assets									
Cash and cash equivalents	\$ 90,895	\$ 212,954	\$ 54,159	\$ 108,237	\$ 1,029	\$ (39,863)	\$ 25,397	\$ -	\$ 452,808
Due from unrestricted operating fund	-	-	-	-	-	-	-	-	-
Contributions receivable, net of allowance	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	-	-	-	-	-	-	-	-	-
Total current assets	90,895	212,954	54,159	108,237	1,029	(39,863)	25,397	-	452,808
Property and equipment, net	-	-	-	-	-	-	-	-	-
Total assets	\$ 90,895	\$ 212,954	\$ 54,159	\$ 108,237	\$ 1,029	\$ (39,863)	\$ 25,397	\$ -	\$ 452,808
Liabilities and net assets									
Liabilities									
Accounts payable	\$ -	\$ 4,759	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,759
Due to unrestricted operating fund	88,000	146,009	-	-	-	-	-	-	234,009
Total liabilities	88,000	150,768	-	-	-	-	-	-	238,768
Net assets									
With donor restrictions	2,895	62,186	54,159	108,237	1,029	(39,863)	25,397	-	214,040
Total liabilities and net assets	\$ 90,895	\$ 212,954	\$ 54,159	\$ 108,237	\$ 1,029	\$ (39,863)	\$ 25,397	\$ -	\$ 452,808

See independent auditors' report.

PASADENA HUMANE

STATEMENTS OF FUND ACTIVITIES

NET ASSETS WITH DONOR RESTRICTIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Falk Foundation Fund	Harris Trust Fund	Glide Wildlife Fund	The G Fund	Pooch Fund	HART Fund	Neely Fund	Operating Fund	Total
Support and revenue									
Contributions and bequests	\$ 30,000	\$ 71,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,110	\$ 299,625
Interest and dividends	111	246	-	-	-	-	-	-	357
Net assets released from restriction	-	(52,164)	-	-	-	-	-	(163,110)	(215,274)
Total support and revenue in excess (under) net assets released from restriction	<u>30,111</u>	<u>19,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>84,708</u>
Expenses									
Program	-	-	-	-	-	-	-	-	-
Management and general	-	-	-	-	-	-	-	-	-
Fund raising	-	-	-	-	-	-	-	-	-
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of support and revenue over expenses	30,111	19,597	-	-	-	-	-	35,000	84,708
Transfer to net assets without donor restrictions	(30,000)	-	-	-	-	-	-	-	(30,000)
Increase (Decrease) in net assets	111	19,597	-	-	-	-	-	35,000	54,708
Net assets, beginning of year	<u>2,895</u>	<u>62,186</u>	<u>54,159</u>	<u>108,237</u>	<u>1,029</u>	<u>(39,863)</u>	<u>25,397</u>	<u>-</u>	<u>214,040</u>
Net assets, end of year	<u>\$ 3,006</u>	<u>\$ 81,783</u>	<u>\$ 54,159</u>	<u>\$ 108,237</u>	<u>\$ 1,029</u>	<u>\$ (39,863)</u>	<u>\$ 25,397</u>	<u>\$ 35,000</u>	<u>\$ 268,748</u>

See independent auditors' report.

PASADENA HUMANE

STATEMENTS OF FUND ACTIVITIES

NET ASSETS WITH DONOR RESTRICTIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Falk Foundation Fund	Harris Trust Fund	Glide Wildlife Fund	The G Fund	Pooch Fund	HART Fund	Neely Fund	Operating Fund	Total
Support and revenue									
Contributions and bequests	\$ 30,000	\$ 69,308	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 318,171	\$ 417,479
Interest and dividends	115	225	-	-	-	-	-	-	340
Net assets released from restriction	-	(60,413)	(15)	-	-	-	27,025	(406,034)	(439,437)
Total support and revenue in excess (under) net assets released from restriction	<u>30,115</u>	<u>9,120</u>	<u>(15)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,025</u>	<u>(87,863)</u>	<u>(21,618)</u>
Expenses									
Program	-	-	-	-	-	-	-	-	-
Management and general	-	-	-	-	-	-	-	-	-
Fund raising	-	-	-	-	-	-	-	-	-
Total expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of support and revenue over expenses	30,115	9,120	(15)	-	-	-	27,025	(87,863)	(21,618)
Transfer to net assets without donor restrictions	(30,000)	-	-	-	-	-	-	-	(30,000)
Increase (Decrease) in net assets	115	9,120	(15)	-	-	-	27,025	(87,863)	(51,618)
Net assets, beginning of year	<u>2,780</u>	<u>53,066</u>	<u>54,174</u>	<u>108,237</u>	<u>1,029</u>	<u>(39,863)</u>	<u>(1,628)</u>	<u>87,863</u>	<u>265,658</u>
Net assets, end of year	<u>\$ 2,895</u>	<u>\$ 62,186</u>	<u>\$ 54,159</u>	<u>\$ 108,237</u>	<u>\$ 1,029</u>	<u>\$ (39,863)</u>	<u>\$ 25,397</u>	<u>\$ -</u>	<u>\$ 214,040</u>

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