

NORTHWEST ORGANIZATION FOR ANIMAL HELP

Financial Statements

December 31, 2022

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Matt Smith, CPA
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Jason Mallon, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwest Organization for Animal Help
Stanwood, Washington

Opinion

We have audited the accompanying financial statements of Northwest Organization for Animal Help (NOAH, a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NOAH 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NOAH 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 NOAH's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.

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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 NOAH'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 NOAH'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.

Greenwood Ohlund

Seattle, Washington
August 3, 2023

NORTHWEST ORGANIZATION FOR ANIMAL HELP

STATEMENT OF FINANCIAL POSITION

December 31, 2022

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,428,088
Investments	4,652,994
Contributions receivable	1,717
Inventory	19,547
Prepaid expenses	16,263

Total current assets 6,118,609

Cash and Cash Equivalents Restricted for Vet Clinic Remodel	933,927
Investments Held for Endowment	10,118,658
Investments Restricted for Vet Clinic Remodel	1,000,000
Property and Equipment, net	1,651,017

Total assets \$ 19,822,211

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 58,641
Accrued wages and benefits	146,066

Total current liabilities 204,707

Net Assets

Without donor restrictions	12,993,893
With donor restrictions	6,623,611

Total net assets 19,617,504

Total liabilities and net assets \$ 19,822,211

See accompanying notes to financial statements.

NORTHWEST ORGANIZATION FOR ANIMAL HELP

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 1,507,110	\$ 192,472	1,699,582
Special events - revenue	380,310	-	380,310
Special events - direct benefit to donors	(113,319)	-	(113,319)
Program service fees	1,128,251	-	1,128,251
Retail sales	124,565	-	124,565
Retail sales - cost of goods sold	(73,210)	-	(73,210)
Other income	2,468	-	2,468
	2,956,175	192,472	3,148,647
Expenses			
Program services	1,957,868	-	1,957,868
Management and general	72,642	-	72,642
Fundraising	226,690	-	226,690
	2,257,200	-	2,257,200
Change in net assets before investment return	698,975	192,472	891,447
Investment Return	(711,303)	-	(711,303)
Change in net assets	(12,328)	192,472	180,144
Net Assets, beginning of year	13,006,221	6,431,139	19,437,360
Net Assets, end of year	\$ 12,993,893	\$ 6,623,611	\$ 19,617,504

See accompanying notes to financial statements.

NORTHWEST ORGANIZATION FOR ANIMAL HELP

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Wages, benefits and taxes	\$ 1,383,658	\$ 39,746	\$ 172,272	\$ 1,595,676
Depreciation	164,595	6,921	8,651	180,167
Medical supplies	139,124	-	-	139,124
Event meals and entertainment	-	-	113,319	113,319
Retail sales - cost of goods sold	73,210	-	-	73,210
Occupancy	62,979	-	-	62,979
Kennel and cleaning supplies	53,320	-	-	53,320
Surgical supplies	52,827	-	-	52,827
Bank charges and other	19,538	(111)	18,962	38,389
Insurance	27,017	3,308	-	30,325
Professional fees	850	20,818	5,850	27,518
Office supplies	17,845	1,337	2,707	21,889
Postage and printing	1,234	200	12,835	14,269
Repairs and maintenance	13,782	-	-	13,782
Dues and licenses	4,743	413	1,776	6,932
Marketing and advertising	2,011	-	3,512	5,523
Automobile expense	4,986	-	-	4,986
Volunteer coordination	4,827	-	-	4,827
Human resources	4,532	10	125	4,667
Total expenses	2,031,078	72,642	340,009	2,443,729
Less: direct benefit to donor	-	-	(113,319)	(113,319)
Less: retail sales - cost of goods sold	(73,210)	-	-	(73,210)
	\$ 1,957,868	\$ 72,642	\$ 226,690	\$ 2,257,200

See accompanying notes to financial statements.

NORTHWEST ORGANIZATION FOR ANIMAL HELP

STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2022

Cash Flows from Operating Activities	
Change in net assets	\$ 180,144
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	180,167
Realized and unrealized loss on investments	1,042,980
Changes in operating assets and liabilities:	
Accounts receivable	1,315
Inventory	2,887
Accounts payable	39,443
Accrued wages and benefits	11,660
	1,458,596
Net cash flows from operating activities	1,458,596
 Cash Flows from Investing Activities	
Purchases of investments	(2,818,347)
Purchases of property and equipment	(53,902)
	(2,872,249)
Net cash flows from investing activities	(2,872,249)
Net change in cash and cash equivalents	(1,413,653)
 Cash and Cash Equivalents, beginning of the year	3,775,668
Cash and Cash Equivalents, end of the year	\$ 2,362,015
 Cash and Cash Equivalents, as presented on the statement of financial position	
Cash and cash equivalents	\$ 1,428,088
Cash and cash equivalents restricted for vet clinic remodel	933,927
	\$ 2,362,015

See accompanying notes to financial statements.

NORTHWEST ORGANIZATION FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Programs

Northwest Organization for Animal Help (NOAH) is dedicated to stopping the euthanasia of healthy, adoptable and treatable homeless dogs and cats. We are committed to high quality spay and neuter programs available for low income residents, family friendly pet adoptions, humane education and volunteer programs through our state-of-the-art facilities and Spay/Neuter Center. The NOAH facility, completed in 2003, can provide temporary housing for approximately 40 dogs and 80 cats and provides the following programs:

Adoption: Dogs and cats arrive at NOAH only from overcrowded animal shelters where they may be facing euthanasia. Each animal receives a medical and behavioral evaluation either before coming to NOAH or upon arrival. NOAH ensures that each animal is spayed or neutered, vaccinated, given a microchip identification, collar, and 1.D. tag. When made available for adoption, MatchMaking is performed with potential adopters to find the most suitable home. A \$50 to \$425 adoption donation is set for each animal with adoption incentives for dogs or cats that have resided at NOAH for more than a few weeks.

Spay/Neuter: Adoption will never stop the need for euthanasia due to severe over population, so NOAH provides spay/neuter services for pets of low-income families. This target population may not otherwise be able to afford the surgical procedure and has historically been responsible for most unwanted litters of dogs and cats. NOAH offers spay and neuter service 7 days a week for a minimal fee to the pet owner.

Feral Cats: Feral (wild) cats plague most communities in the United States and this trend is also apparent in Northwestern Washington. Offering an alternative to euthanasia of these cats, NOAH supports "Trap - Neuter - Return". Feral cats are spayed or neutered for free for any member of the community. Humane traps are made available for safe capture and release.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation

In accordance with accounting principles generally accepted in the United States of America, NOAH is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are available for support of NOAH's operations. The Board of Directors has designated certain net assets without donor restrictions as a quasi-endowment as described later in Note 3.

NORTHWEST ORGANIZATION FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of net assets subject to donor-imposed stipulations that will be met by the actions of NOAH, including net assets that have donor-imposed restrictions that are perpetual (endowments). Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted purpose.

Net assets with donor restrictions are available for the following purposes at December 31, 2022:

Net assets with purpose restrictions	
Vet clinic	\$ 2,081,079
Scholarships - Helen M Draper	<u>42,532</u>
	2,123,611
Net assets with endowment restrictions	
Perpetual endowment restrictions	<u>4,500,000</u>
	<u>4,500,000</u>
	<u>\$ 6,623,611</u>

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. 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 net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., land acquisition, building construction and improvements, furniture, fixtures, and equipment) are reported as net assets with donor restrictions. When the long-lived asset is placed into service, NOAH reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

Cash and Cash Equivalents

NOAH considers all short-term debt securities with an original maturity of three months or less to be cash equivalents. NOAH has amounts deposited with financial institutions in excess of federally insured limits. Certain cash and cash equivalents are restricted by the original donor for endowments (classified within investments) or property and equipment (vet clinic remodel).

NORTHWEST ORGANIZATION FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Investments

Investments in corporate and municipal bonds are stated at fair value using Level 1 inputs in the fair value hierarchy (observable market inputs such as quoted prices in active markets for identical assets).

Investments consist of the following at December 31, 2022:

Cash and cash equivalents	\$	126,060
Municipal bonds		3,281,763
Corporate bonds		<u>12,363,829</u>
	\$	<u>15,771,652</u>

Investments are presented in the statement of financial position as follows at December 31, 2022:

Investments	\$	4,652,994
Investments held for endowment		10,118,658
Investments held for Vet Clinic remodel		<u>1,000,000</u>
	\$	<u>15,771,652</u>

Investment return (consisting of realized and unrealized gains and losses, and dividends and interest) are reported on the statements of activities as increases or decreases in net assets without donor restrictions unless a donor restricts its use.

Contributions Receivable

Unconditional promises to give (pledges) are recognized as revenues in the period the pledge is received. Management reviews the collectability of accounts receivable on a periodic basis and determines the amount estimated to be uncollectible. A reserve for doubtful accounts is then established. NOAH charges off receivables against the allowance when management determines that a receivable is not collectible. No allowance for receivables was considered necessary at December 31, 2022.

NORTHWEST ORGANIZATION FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

Inventory

Inventory is stated at the lower of average cost or net realizable value and consists solely of finished goods held for retail sales. Cost is determined using the average cost method.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value at the time of the donation, if donated. NOAH capitalizes all items with a cost or fair value over \$1,000 with a useful life of more than one year.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of property and equipment are as follows:

Building	5 to 29.5 years
Furniture, fixtures and equipment	3 to 5 years
Vehicles	5 years

Property and equipment consist of the following at December 31:

Building	\$	4,007,813
Furniture, fixtures and equipment		344,644
Vehicles		<u>114,734</u>
		4,467,191
Less: Accumulated depreciation		<u>(3,104,045)</u>
		1,363,146
Construction in progress - vet clinic remodel		147,151
Land and land improvements		<u>140,720</u>
	\$	<u><u>1,651,017</u></u>

Revenue Recognition

Contributions (including those received through special events) are recorded when unconditionally pledged as without donor restrictions and with donor restrictions, depending on the existence and/or nature of any donor restrictions. During the year ended December 31, 2022, 25% of contributions were received from a board member.

Program service fees consist of fees for pet adoptions and vet clinic services. NOAH recognizes revenue from program fees based on contracted prices as the performance obligations are met under the contract, or when the service is provided to the customer. There are no significant judgements affecting the determination of amount and timing of program service fees.

NOAH recognizes retail sales based on listed prices when the sale has occurred.

NORTHWEST ORGANIZATION FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

In-Kind Contributions

In-kind contributions consist primarily of program related goods and services and are recorded at their fair values. NOAH recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers made significant contributions of their time to carry out programs and activities of NOAH. The estimated value of the volunteer services is not included in these financial statements because it does not meet the accounting criteria for recording.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Wages, benefits and taxes, bank charges and other, events, insurance, professional fees, and other expenses are allocated based on estimates of time and effort. Depreciation is allocated based on estimates of use of the property and equipment.

Federal Income Taxes

NOAH is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements, as NOAH has no activities subject to unrelated business income tax.

Subsequent Events

Management of NOAH has evaluated subsequent events through the date these financial statements were available to be issued, which was August 3, 2023.

Note 2 – Liquidity and Availability of Resources

NOAH strives to maintain liquid financial assets and reserves sufficient to cover general expenditures. Financial assets in excess of daily cash requirements are invested.

Financial assets available include board-designated investments for a quasi-endowment, as in the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts available to meet general expenditures within one year have been reduced by net assets with donor restrictions at December 31, 2022.

NORTHWEST ORGANIZATION FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2022, the following table shows the total financial assets held by NOAH, less those amounts not available to cover general expenditures within one year:

Financial Assets at Year-End	
Cash and cash equivalents	\$ 2,362,015
Accounts receivable	1,717
Inventory	19,547
Investments	<u>15,771,652</u>
	18,154,931
Less: Amounts Not Available to be Used Within One Year	
Net assets with donor restrictions	<u>(6,623,611)</u>
	<u>\$ 11,531,320</u>

Note 3 – Endowment

NOAH's endowment consists of a board-designated quasi-endowment and a donor restricted endowment, established to support the general operations of NOAH. As required by generally accepted accounting principles and as disclosed below, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

NOAH complies with the Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NOAH classifies as net assets with perpetual endowment restrictions as (a) the original value of gifts donated to the perpetual endowment, and (b) the original value of subsequent gifts to the perpetual endowment. The remaining portion of the donor-restricted endowment fund that is not classified as perpetually restricted net assets is classified as net assets with donor restriction until those amounts are appropriated for expenditure by NOAH in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, NOAH considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of NOAH and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of NOAH
- The investment policies of NOAH

NORTHWEST ORGANIZATION FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets are as follows for the years ending December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual	
Endowment net assets, December 31, 2021	\$ 6,343,291	-	\$ 4,500,000	\$ 10,843,291
Investment return	(724,633)	-	-	(724,633)
Endowment net assets, December 31, 2022	\$ 5,618,658	\$ -	\$ 4,500,000	\$ 10,118,658

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, NOAH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NOAH's endowment is invested in cash and cash equivalents, and municipal and corporate bonds.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

NOAH has a policy of appropriating for distribution each year a discretionary amount set by the Board of Directors. This amount takes into account the expected total return on the investments, the overall financial performance of NOAH, and goals of building and growing a source of stable return from the endowment.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor contributed. There were no such deficiencies as of December 31, 2022.