

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

**For The Years Ended December 31, 2018 and 2017**



**Eric L. Anderson, C.P.A., Inc., P.S.  
Certified Public Accountant**

# **WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Whidbey Animals' Improvement Foundation  
Coupeville, WA**

I have audited the accompanying financial statements of Whidbey Animals' Improvement Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses for the years then ended, 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.

### **Auditor's Responsibility**

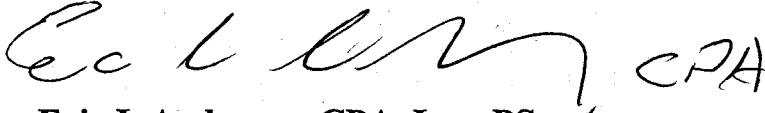
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whidbey Animals' Improvement Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature of Eric L Anderson, CPA, in black ink. The signature is cursive and includes the letters 'CPA' at the end.

**Eric L Anderson, CPA, Inc., PS**

Everett, WA

January 10, 2020

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 1,897,195	\$ 902,091
Restricted cash	43,061	115,066
Accounts receivable	4,167	8,500
Promises to give, current portion	-	2,388
Notes receivable, current portion	-	78,551
Inventories	12,935	14,750
Prepaid expenses and deposits	11,527	7,600
Donated land held for sale	10,000	10,000
Total current assets	<u>1,978,885</u>	<u>1,138,946</u>
Property, plant and equipment		
Building, equipment and fixtures net of accumulated depreciation of \$529,970 and \$397,013, respectively	4,305,464	3,526,675
Land	<u>260,192</u>	<u>85,192</u>
Net property, plant and equipment	<u>4,565,656</u>	<u>3,611,867</u>
Other assets		
Notes receivable	<u>226,758</u>	<u>207,411</u>
Total other assets	<u>226,758</u>	<u>207,411</u>
Total assets	<u>\$ 6,771,299</u>	<u>\$ 4,958,224</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 27,236	\$ 22,099
Current portion, long-term debt	519,340	6,183
Other accrued liabilities	<u>84,219</u>	<u>96,071</u>
Total current liabilities	<u>630,795</u>	<u>124,353</u>
Long-term debt, net of current portion	<u>-</u>	<u>1,993</u>
Total liabilities	<u>630,795</u>	<u>126,346</u>
<b>NET ASSETS:</b>		
Without donor restrictions	6,097,443	4,716,812
With donor restrictions	<u>43,061</u>	<u>115,066</u>
Total net assets	<u>6,140,504</u>	<u>4,831,878</u>
Total liabilities and net assets	<u>\$ 6,771,299</u>	<u>\$ 4,958,224</u>

See accompanying notes to financial statements.

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Donations:			
Cash	\$ 2,003,413	\$ 152,868	\$ 2,156,281
Noncash	32,546	-	32,546
Thrift shop, merchandise sales and other fundraising revenue	693,919	-	693,919
Shelter program revenue	187,738	-	187,738
Miscellaneous income	740	-	740
Interest & dividends	-	31,826	31,826
Total	<u>2,918,356</u>	<u>184,694</u>	<u>3,103,050</u>
Net assets released from restrictions-			
Satisfaction of program restrictions	<u>256,699</u>	<u>(256,699)</u>	<u>-</u>
Total support and revenue	<u>3,175,055</u>	<u>(72,005)</u>	<u>3,103,050</u>
Expenses:			
Program services	804,290	-	804,290
Management and general	119,672	-	119,672
Thrift store operations	734,426	-	734,426
Fundraising	136,036	-	136,036
Total expenses	<u>1,794,424</u>	<u>-</u>	<u>1,794,424</u>
Change in net assets	1,380,631	(72,005)	1,308,626
Net assets, beginning of year	<u>4,716,812</u>	<u>115,066</u>	<u>4,831,878</u>
Net assets, end of year	<u>\$ 6,097,443</u>	<u>\$ 43,061</u>	<u>\$ 6,140,504</u>

See accompanying notes to financial statements.

**2017**

Without Donor Restrictions	With Donor Restrictions	Total
\$ 542,061	\$ 42,234	\$ 584,295
52,003	-	52,003
788,757	-	788,757
200,995	-	200,995
588	-	588
-	27,334	27,334
1,584,404	69,568	1,653,972
73,722	(73,722)	-
1,658,126	(4,154)	1,653,972
777,635	-	777,635
139,306	-	139,306
672,922	-	672,922
145,085	-	145,085
1,734,948	-	1,734,948
(76,822)	(4,154)	(80,976)
4,793,634	119,220	4,912,854
\$ 4,716,812	\$ 115,066	\$ 4,831,878

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 1,308,626	\$ (80,976)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	136,637	116,067
Accrued interest on notes receivable	(23,347)	(18,940)
Net (increase) decrease in accounts receivable	4,333	-
Net (increase) decrease in pledges receivable	2,388	4,170
Net (increase) decrease in inventory and prepaid expenses	(2,109)	1,927
Net increase (decrease) in accounts payable	5,137	520
Net increase (decrease) in accrued liabilities	(11,852)	34,106
Contributions restricted for long-term purposes	-	(73,722)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>1,419,813</u>	<u>(16,848)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments received from note receivable	78,851	1,227
Purchases of property and equipment	(546,659)	(46,587)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(467,808)</u>	<u>(45,360)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(28,906)	(3,783)
Contributions restricted for long-term purposes	-	73,722
<b>NET CASH PROVIDED (USED) BY FINANCING</b>	<u>(28,906)</u>	<u>69,939</u>
<b>NET INCREASE IN CASH AND RESTRICTED CASH</b>	923,099	7,731
<b>CASH AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<u>1,017,157</u>	<u>1,009,426</u>
<b>CASH AND RESTRICTED CASH AT END OF YEAR</b>	<u>\$ 1,940,256</u>	<u>\$ 1,017,157</u>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Cash paid for interest during the year	<u>\$ 23,496</u>	<u>\$ 6,314</u>

See accompanying notes to financial statements.



**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services				Supporting Services				Total Expenses
	Outreach	Adoption Centers	Animal Shelters	Total Program Services	Management and General	Thrift Store Operations	Fundraising	Total Supporting Services	
<b>Employee Compensation:</b>									
Salaries/labor	\$ 37,842	\$ 64,872	\$ 248,435	\$ 351,149	\$ 78,407	\$ 447,929	\$ 93,908	\$ 620,304	\$ 971,453
Payroll taxes	3,320	9,137	33,997	46,454	6,551	71,571	8,094	86,216	132,670
Total salaries and related expenses	41,162	74,009	282,432	397,603	84,958	519,500	102,062	706,520	1,104,123
<b>Other Expenses:</b>									
Accounting and legal fees	149	297	5,121	5,567	9,318	5,052	3,418	17,788	23,355
Advertising	10,058	131	440	10,629	-	482	1,229	1,711	12,340
Automobile expenses	43	1,016	3,448	4,507	-	5,573	-	5,573	10,080
B&O taxes	-	36	2,789	2,825	-	2,860	5	2,865	5,690
Bank charges and bad debts	-	692	1,330	2,022	1,038	11,732	2,568	15,338	17,360
Development and events expenses	1,268	-	-	1,268	-	-	1,103	1,103	2,371
Consultants	-	-	-	-	-	-	-	-	-
Insurance	-	1,115	9,663	10,778	2,879	9,591	1,752	14,222	25,000
Interest	96	3,467	96	3,659	97	19,646	93	19,836	23,495
In-kind expense	-	443	19,843	20,286	-	2,310	1,513	3,823	24,109
License, permits, taxes	-	-	100	100	322	75	-	397	497
Meetings, dues and education	353	34	1,087	1,474	2,935	191	885	4,011	5,485
Miscellaneous	-	635	666	1,301	121	831	29	981	2,282
Occupancy and storage	-	25,688	31,398	57,086	-	123,864	1,481	125,345	182,431
Postage	1,795	-	80	1,875	376	-	6,507	6,883	8,758
Printing and publications	8,688	-	1,232	9,920	-	130	6,629	6,759	16,679
Small equipment and signage	1,320	800	1,458	3,578	2,914	3,629	1,512	8,055	11,633
Supplies	782	11,112	60,511	72,405	966	3,102	2,353	6,421	78,826
Telephone, internet and website	3,039	3,927	13,440	20,406	12	8,652	683	9,347	29,753
Travel	29	-	-	29	-	63	-	63	92
Veterinary fees	-	100	73,328	73,428	-	-	-	-	73,428
Total expenses before depreciation	68,782	123,502	508,462	700,746	105,936	717,283	133,822	957,041	1,657,787
Depreciation	5,520	9,056	88,968	103,544	13,736	17,143	2,214	33,093	136,637
Total expenses	\$ 74,302	\$ 132,558	\$ 597,430	\$ 804,290	\$ 119,672	\$ 734,426	\$ 136,036	\$ 990,134	\$ 1,794,424

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services				Supporting Services				Total Expenses
	Outreach	Cat Adoption Centers	Animal Shelters	Total Program Services	Management and General	Thrift Store Operations	Fundraising	Total Supporting Services	
<b>Employee Compensation:</b>									
Salaries/labor	\$ 36,080	\$ 52,057	\$ 223,931	\$ 312,068	\$ 89,388	\$ 448,693	\$ 93,639	\$ 631,720	\$ 943,788
Payroll taxes	4,123	7,661	31,399	43,183	6,937	69,140	8,537	84,614	127,797
Total salaries and related expenses	40,203	59,718	255,330	355,251	96,325	517,833	102,176	716,334	1,071,585
<b>Other Expenses:</b>									
Accounting and legal fees	137	275	4,948	5,360	10,175	4,673	3,161	18,009	23,369
Advertising	9,561	310	1,505	11,376	-	1,033	5,644	6,677	18,053
Automobile expenses	45	930	1,907	2,882	300	3,271	-	3,571	6,453
B&O taxes	-	40	2,977	3,017	-	3,262	6	3,268	6,285
Bank charges and bad debts	-	699	1,686	2,385	298	12,507	4,732	17,537	19,922
Development and events expenses	2,299	-	-	2,299	-	-	5,543	5,543	7,842
Consultants	-	-	10,480	10,480	1,525	-	-	1,525	12,005
Insurance	-	994	8,949	9,943	5,217	8,551	1,392	15,160	25,103
Interest	-	-	-	-	6,317	-	-	6,317	6,317
In-kind expense	-	-	-	-	1,259	1,635	-	2,894	2,894
License and permits	993	40	1,008	2,041	188	663	18	869	2,910
Meetings, dues and education	732	22	1,526	2,280	2,493	165	1,431	4,089	6,369
Miscellaneous	-	-	810	810	923	32	22	977	1,787
Occupancy and storage	-	22,721	37,136	59,857	-	104,240	786	105,026	164,883
Postage	2,601	-	160	2,761	302	-	5,799	6,101	8,862
Printing and publications	7,955	296	975	9,226	-	292	5,545	5,837	15,063
Small equipment and signage	1,153	178	2,085	3,416	1,514	341	3,753	5,608	9,024
Supplies	415	9,665	88,832	98,912	-	3,655	2,621	6,276	105,188
Telephone, internet and website	4,976	3,064	13,418	21,458	-	7,694	552	8,246	29,704
Travel	-	-	17	17	138	71	46	255	272
Veterinary fees	126	-	74,865	74,991	-	-	-	-	74,991
Total expenses before depreciation	71,196	98,952	508,614	678,762	126,974	669,918	143,227	940,119	1,618,881
Depreciation	5,271	7,367	86,235	98,873	12,332	3,004	1,858	17,194	116,067
Total expenses	\$ 76,467	\$ 106,319	\$ 594,849	\$ 777,635	\$ 139,306	\$ 672,922	\$ 145,085	\$ 957,313	\$ 1,734,948

See accompanying notes to financial statements.

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended December 31, 2018 and 2017**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Whidbey Animals' Improvement Foundation (the Foundation), a nonprofit Washington corporation, is dedicated to provide support for interim care given by animal shelters and foster care personnel to stray, lost, abandoned, free roaming or surrendered companion animals on Whidbey Island, Washington.

The Foundation has four major programs:

**Animal Shelter** -The Foundation works to improve the quality of lives of animals at the shelter by providing food, heat, medication, veterinary services and general animal care. They maintain a minimum kill facility in Coupeville by facilitating adoptions of shelter animals by advertising the availability of animals in publications, placing posters in local businesses, posting information on the WAIF website and using various social media posts.

**Cat Adoption Center** -The Foundation maintains locations in Oak Harbor and Freeland for the adoption of cats. These locations provide adoption opportunities for cats.

**Community Outreach** -The Foundation provides educational materials to be distributed to the public on the benefits of spaying and neutering and responsible pet care. They also distribute coupons to needy pet owners to defray the cost of spaying and neutering their pets.

**Spay/Neuter Suite** -The Foundation provides spay and neuter services to the homeless animals in the shelter in their own surgery suite. Local veterinarians provide these services through contracts and donations of their time. The goal of this program is that all animals adopted through the Foundation will be altered.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Foundation's management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Basis of Presentation**

Financial presentation follows the recommendations of the Financial Accounting Standards Board in its ASC 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: *without donor restrictions*; net assets that are not subject to grantor or donor imposed stipulations, *with donor restrictions*; net assets subject to grantor or donor imposed stipulations. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization.

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended December 31, 2018 and 2017**

**NOTE A - (Continued)**

**Liquidity**

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. As of December 31, 2018 and 2017, all net assets with donor restrictions are available for payment of qualifying expenditures. Likewise, as of December 31, 2018 and 2017, all net assets without donor restrictions are available to meet cash needs for general expenditures of the organization within one year.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in various types of bank accounts including checking and money market accounts. The Foundation maintains cash balances with various financial institutions that may at times exceed insured limits.

Restricted cash consists of cash in various types of bank accounts, including checking and savings accounts, where the Foundation keeps restricted cash donations, including those designated for the New Shelter campaign.

**Accounts Receivable**

The Foundation extends credit to its customers in the normal course of business and performs ongoing credit evaluations of its customers. Accounts 30 days or more past due are not assessed finance charges. Management considers accounts receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts at December 31, 2018 and 2017, which does not materially differ from the allowance method.

**Inventories**

The Foundation records inventories at the lower of donated value or market. The Foundation records other inventory at the lower of cost or market on a first-in, first-out basis (FIFO).

**Contributions Received and Made**

Under FASB ASC 958-605, *Revenue Recognition - Contributions Received*, contributions are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions in the period that the promise is made.

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
For The Years Ended December 31, 2018 and 2017**

**NOTE A - (Continued)**

**Depreciation and Capitalization Policy**

The cost of purchased fixtures and equipment or fair market values of donated assets are being depreciated using the straight-line method over a period of five to thirty-nine years. The Foundation capitalizes fixtures and equipment with an aggregate cost greater than \$500 and a useful life of one year or greater. Depreciation expense totaled \$136,637 and \$116,067 for 2018 and 2017, respectively.

**Sales Tax**

The state of Washington imposes a sales tax on all of the Foundation's non-exempt sales. The Foundation collects sales tax from customers and remits the entire amount to the state. The Foundation's accounting policy is to exclude the tax collected and remitted to the state from non-exempt sales.

**Joint Fundraising Costs**

The Foundation sends out newsletters that contain donation requests. A portion of the costs of these newsletters has been allocated to fundraising. The functional expense categories that include allocated costs to fundraising are printing and publications, supplies and postage.

**Advertising**

The Foundation uses advertising to promote its programs among the audiences it services. The costs of advertising are expensed as incurred.

**Allocation of Functional Expenses**

The Foundation allocates all functional expenses to each program based on management's best estimates of program utilization after analysis of the current year budget and prior year's history. Where no prior information is available, expenses are allocated on a consistent basis which appears most reasonable to management.

**Fair Value of Financial Instruments**

Generally accepted accounting principles require disclosure of an estimate of fair value for certain financial instruments. The Foundation's significant financial instruments are cash, accounts/grants receivable, promises to give and other short-term assets and liabilities. For these financial instruments, carrying value approximates fair value.

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended December 31, 2018 and 2017**

**NOTE B - PROMISES TO GIVE-CAPITAL CAMPAIGN**

In 2010, the Foundation began a capital campaign for the construction of a new shelter. The following is included in pledges receivable and restricted contributions as of December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Promises to give in less than one year	\$ 0	\$ 2,388
Promises to give over one year	0	--
Total	<u>\$ 0</u>	<u>\$ 2,388</u>

**NOTE C – NOTES RECEIVABLE**

Notes receivable consists of two judgements in favor of the Foundation, both the result of a bequest, totaling \$155,646. The judgements bear interest at the rate of 12% per annum. Payments on the judgements began in December 2016 and have been \$500 per month in 2018. The total amount receivable at December 31, 2018, including accrued interest is \$226,758.

**NOTE D - INVENTORY**

People in the community donate used clothing and household items to the Foundation and these items are sold in the thrift shops, located in Freeland, Coupeville and in Oak Harbor as part of the Foundation's fundraising efforts. Fair market value of the donated items is equal to what the Foundation can sell them for. The value of the items donated for the year ended December 31, 2018 was \$569,697. The used inventory held for resale has been consistently valued at approximately 1.5 % of sales.

The Foundation also purchases sweatshirts and other small items with the Foundation's logo and sells them at the Animal Shelter. In addition to inventory for resale, the Foundation maintains an inventory of supplies and medications for use at the shelter. The inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventory at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Used inventory held for resale	\$ 12,860	\$ 14,675
Purchased inventory for resale	75	75
Total inventory	<u>\$ 12,935</u>	<u>\$ 14,750</u>

**NOTE E – IN-KIND CONTRIBUTIONS**

The Foundation recognizes contributed property, facilities and services in accordance with Financial Accounting Standards Board ASC 958-605-25-16, *Contributed Services*, the Foundation recognizes contributions of services only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills and are provided by individuals that possess those skills, and would need to be purchased if not provided by donation. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended December 31, 2018 and 2017**

**NOTE E - (Continued)**

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily or permanently restricted contributions depending on the restriction. The Foundation reports expirations of donor temporarily restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation also recognizes the donation of other noncash items of expense that the Foundation would have to purchase in the open market. Donated services and facilities are reflected in the financial statements at the amount that the Foundation would have had to purchase them on the open market.

During the years ended December 31, 2018 and 2017, in-kind contributions consisted of the following:

	<u>2018</u>	<u>2017</u>
Property and stock	\$ 0	\$ 10,775
Shelter food, supplies and materials	32,546	25,753
Total	<u>\$ 32,546</u>	<u>\$ 52,003</u>

In addition, the Foundation received donations of used clothing and household goods valued at \$569,697 and \$680,293 for the years ended December 31, 2018 and 2017, respectively.

The Foundation also had a substantial number of unpaid volunteers who donated significant amounts of time. The value of this contributed time is not reflected in the accompanying financial statements since there is no objective basis available to measure the value of such time and it does not meet the criteria for recognition under FASB ASC 958-605-25-16, *Contributed Services*.

**NOTE F – LONG-TERM DEBT**

The Foundation entered into a capital lease to purchase a telephone system. Payments are \$363 per month with maturity in December 2018. The lease is secured with the equipment acquired. The remaining balance due as of December 31, 2018 is \$364 and all current.

In June 2017 the Foundation purchased a copier and financed the purchase with a capital lease with US Bank. Payments are \$244 per month with maturity in April 2020. The lease is secured with the copier. The remaining balance due as of December 31, 2018 is \$1,993 and all current.

In January 2018 the Foundation borrowed \$540,000 to acquire a building in Oak Harbor to house its Thrift Store and cat adoption center. Payments are \$4,191.82 per month and carries interest at a rate of 4.6% payable over 25 years. The outstanding loan balance as of December 31, 2018 is \$516,913.19. This loan was paid in full on January 29, 2019, therefore the entire balance is deemed to be current.

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
For The Years Ended December 31, 2018 and 2017**

**NOTE G - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Fund-A-Need	\$ 42,506	\$ 0
Daisy Reward Fund	555	555
Shelter sustaining fund	0	100,403
Petsmart grant	0	14,108
Total	<u>\$ 43,061</u>	<u>\$ 115,066</u>

**NOTE H - SHELTER PROGRAM REVENUE**

The Foundation manages the Whidbey Island Animal Shelter under a contract with Island County for a minimum monthly fee of \$5,406. The Foundation also manages an animal shelter for the City of Oak Harbor under a contract for a minimum monthly fee of \$8,500 through October 2018 when the City closed its holding facility. The Foundation continues to provide sheltering services to the City of Oak Harbor at their Coupeville facility at a monthly fee of \$4,166.67 per month. The loss of these funding sources would have a negative effect on the operations of the Foundation, and could put the future of the Foundation in jeopardy. In addition, medical and other fees are charged to individuals who use the shelter facilities to adopt or surrender animals. Program revenue is summarized as follows:

	<u>2018</u>	<u>2017</u>
City of Oak Harbor management contract	\$ 93,333	\$ 102,000
Island County management contract	64,875	64,875
Medical and miscellaneous fees	29,530	34,120
Total program revenue	<u>\$ 187,738</u>	<u>\$ 200,995</u>

**NOTE I - OPERATING LEASES**

The Foundation leases three buildings and one parking lot on Whidbey Island, Washington. The first building, which serves as a thrift shop and cat adoption center, is located in Oak Harbor. This lease terminates July 15, 2020, with one successive extension remaining on this lease to be exercised for a period of five years. The lease for the parking lot adjacent to the Oak Harbor thrift shop and cat adoption center, which began July 16, 2016, also expires July 15, 2020. The second building, which serves as a thrift shop, is located in Freeland. The Freeland thrift shop lease expired July 31, 2017, and is now month to month. The third building, which serves as a cat adoption center, is also located in Freeland, and expired August 31, 2014 and is now month to month. In the normal course of business, operating leases are generally renewed or replaced by other operating leases. All of these leases require the lessee to pay all utility costs.



**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Years Ended December 31, 2018 and 2017**

**NOTE I – (Continued)**

Minimum future payments under these operating lease agreements for the remaining terms of the leases are as follows:

For the years ending December 31,	
2019	\$ 63,890
2020	<u>29,940</u>
Total minimum lease rental	<u>\$ 93,830</u>

Rental expenses under operating leases and month to month arrangements were \$104,664 and \$103,500 for 2018 and 2017, respectively.

**NOTE J – INCOME TAXES**

The Foundation is a not-for-profit organization that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation does not conduct any activities that would result in unrelated business income and therefore is not required to file Form 990T, Exempt Organization Business Tax Return. Therefore, no provision for income tax is included in these financial statements. The Foundation's tax filings are subject to audit by various taxing authorities. The Foundation's open audit periods are 2014-2018, generally for three years after they were filed. At December 31, 2018 and 2017, and for the years then ended the Foundation recognized \$0 in interest and penalties in relation to income taxes in the accompanying financial statements.

**NOTE K - SUBSEQUENT EVENTS**

In January 2019 the Foundation retired the mortgage payable to Heritage Bank used to finance the purchase of the building in Oak Harbor. Management has evaluated subsequent events through January 10, 2020, the date the financial statements were available to be issued.