

WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION

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

For The Years Ended December 31, 2022 and 2021



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

WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION

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

Member of:
American Institute of Certified Public Accountants
Washington Society of Certified Public Accountants
Private Companies Practice Section of Firms of AICPA

INDEPENDENT AUDITOR'S REPORT

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

Opinion

I have audited the accompanying financial statements of the Whidbey Animals' Improvement Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Whidbey Animals' Improvement Foundation as of December 31, 2022 and 2021, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of Whidbey Animal's Improvement Foundation and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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.

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 Whidbey Animals' Improvement Foundation 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

My 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, internal omissions, misrepresentations, or the override of the internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- 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 Whidbey Animals' Improvement Foundation 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Whidbey Animals' Improvement Foundation ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.



Eric L Anderson, CPA, Inc., PS

Everett, WA

January 31, 2024

WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash	\$ 1,024,207	\$ 1,096,196
Restricted cash	341	5,799
Inventories	20,773	18,725
Prepaid expenses and deposits	15,335	13,868
Total current assets	<u>1,060,656</u>	<u>1,134,588</u>
Property, plant and equipment		
Building, equipment and fixtures net of accumulated depreciation of \$1,032,929 and \$901,035, respectively	3,801,438	3,920,759
Land	260,192	260,192
Net property, plant and equipment	<u>4,061,630</u>	<u>4,180,951</u>
Other assets		
Note receivable	263,539	250,873
Total other assets	<u>263,539</u>	<u>250,873</u>
Total assets	<u>\$ 5,385,825</u>	<u>\$ 5,566,412</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 46,355	\$ 19,357
Other accrued liabilities	77,823	66,667
Total current liabilities	<u>124,178</u>	<u>86,024</u>
Total liabilities	<u>124,178</u>	<u>86,024</u>
NET ASSETS:		
Without donor restrictions	5,261,306	5,474,589
With donor restrictions	341	5,799
Total net assets	<u>5,261,647</u>	<u>5,480,388</u>
Total liabilities and net assets	<u>\$ 5,385,825</u>	<u>\$ 5,566,412</u>

See accompanying notes to financial statements.

WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Donations:			
Cash	\$ 1,104,297	\$ 14,362	\$ 1,118,659
Noncash	17,940	-	17,940
Thrift shop, merchandise sales and other fundraising revenue	738,817	-	738,817
Shelter program revenue	146,068	-	146,068
Interest & dividends	16,494	-	16,494
Total	<u>2,023,616</u>	<u>14,362</u>	<u>2,037,978</u>
Net assets released from restrictions- Satisfaction of program restrictions	<u>19,820</u>	<u>(19,820)</u>	<u>-</u>
Total support and revenue	<u>2,043,436</u>	<u>(5,458)</u>	<u>2,037,978</u>
Expenses:			
Program services	862,285	-	862,285
Management and general	133,265	-	133,265
Thrift store operations	613,728	-	613,728
General-donations	600,000	-	600,000
Fundraising	47,441	-	47,441
Total expenses	<u>2,256,719</u>	<u>-</u>	<u>2,256,719</u>
Change in net assets	(213,283)	(5,458)	(218,741)
Net assets, beginning of year	<u>5,474,589</u>	<u>5,799</u>	<u>5,480,388</u>
Net assets, end of year	<u>\$ 5,261,306</u>	<u>\$ 341</u>	<u>\$ 5,261,647</u>

See accompanying notes to financial statements.

2021

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 909,831	\$ 156,662	\$ 1,066,493
23,381	-	23,381
631,387	-	631,387
138,702	-	138,702
22,311	-	22,311
<u>1,725,612</u>	<u>156,662</u>	<u>1,882,274</u>
<u>151,758</u>	<u>(151,758)</u>	<u>-</u>
<u>1,877,370</u>	<u>4,904</u>	<u>1,882,274</u>
731,980	-	731,980
126,575	-	126,575
548,717	-	548,717
250,000	-	250,000
35,881	-	35,881
<u>1,693,153</u>	<u>-</u>	<u>1,693,153</u>
184,217	4,904	189,121
<u>5,290,372</u>	<u>895</u>	<u>5,291,267</u>
<u>\$ 5,474,589</u>	<u>\$ 5,799</u>	<u>\$ 5,480,388</u>

WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (218,741)	\$ 189,121
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	143,654	143,179
Net (increase) decrease in inventory and prepaid expenses	(3,692)	(5,069)
Net increase (decrease) in accounts payable	26,998	(650)
Net increase (decrease) in accrued liabilities	11,156	(6,187)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(40,625)</u>	<u>320,394</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Accrued interest on note receivable	(12,666)	(23,562)
Purchases of property and equipment	(24,156)	(10,011)
NET CASH USED BY INVESTING ACTIVITIES	<u>(36,822)</u>	<u>(33,573)</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(77,447)	286,821
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>1,101,995</u>	<u>815,174</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,024,548</u>	<u>\$ 1,101,995</u>
SUPPLEMENTAL DISCLOSURE:		
Non-cash acquisition of assets	\$ -	\$ 5,800
Cash paid for interest during the year	<u>-</u>	<u>-</u>

See accompanying notes to financial statements.

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services				Supporting Services				Total Expenses	
	Cat		Animal Shelters	Total Program Services	Management and General	Thrift Store Operations		Fundraising		Total Supporting Services
	Outreach	Adoption Centers								
Employee Compensation:	\$ 20,966	\$ 33,189	\$ 293,875	\$ 348,030	\$ 95,501	\$ 408,859	\$ 11,157	\$ 515,517	\$ 863,547	
Salaries/labor	2,293	4,827	33,560	40,680	10,969	43,589	1,171	55,729	96,409	
Payroll taxes										
Total salaries and related expenses	23,259	38,016	327,435	388,710	106,470	452,448	12,328	571,246	959,956	
Other Expenses:										
Accounting and legal fees	182	364	4,015	4,561	8,554	5,455	4,820	18,829	23,390	
Advertising	12,300	-	3,761	16,061	-	202	893	1,095	17,156	
Automobile expenses	47	-	2,775	2,822	-	977	-	977	3,799	
B&O taxes	-	-	2,191	2,191	450	3,265	-	3,715	5,906	
Bank charges and bad debts	-	1,521	1,322	2,843	486	13,128	3,121	16,735	19,578	
Development and events expenses	836	-	-	836	-	-	6,419	6,419	7,255	
Consultants	-	-	3,217	3,217	-	-	-	-	3,217	
Insurance	3,135	7,523	4,389	15,047	5,721	10,344	3,135	19,200	34,247	
Interest	-	-	-	-	-	-	-	-	-	
In-kind expense	-	-	15,512	15,512	-	-	-	-	15,512	
Licenses, permits, taxes	-	-	988	988	110	5,521	60	5,691	6,679	
Meetings, dues and education	174	95	2,628	2,897	812	350	-	1,162	4,059	
Miscellaneous	128	68	1,451	1,647	825	570	495	1,890	3,537	
Occupancy and storage	12	19,116	50,188	69,316	-	88,193	-	88,193	157,509	
Postage	1,800	-	178	1,978	176	-	3,199	3,375	5,353	
Printing and publications	11,380	-	1,973	13,353	-	-	5,481	5,481	18,834	
Small equipment and signage	1,456	-	2,382	3,838	430	470	2,023	2,923	6,761	
Supplies	1,486	50	6,267	7,803	346	4,635	2,059	7,040	14,843	
Telephone, internet and website	1,034	9,051	21,273	31,358	10	9,141	859	10,010	41,368	
Travel	-	-	34	34	27	-	-	27	61	
Veterinary fees	-	1,453	162,592	164,045	-	-	-	-	164,045	
Total expenses before depreciation	57,229	77,257	614,571	749,057	124,417	594,699	44,892	764,008	1,513,065	
Depreciation	8,599	7,776	96,853	113,228	8,848	19,029	2,549	30,426	143,654	
Total expenses	\$ 65,828	\$ 85,033	\$ 711,424	\$ 862,285	\$ 133,265	\$ 613,728	\$ 47,441	\$ 794,434	\$ 1,656,719	

**WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services					Supporting Services			Total Expenses
	Outreach	Adoption Centers	Animal Shelters	Total Program Services	Management and General	Thrift Store Operations	Fundraising	Total Supporting Services	
Employee Compensation:									
Salaries/labor	\$ -	\$ 40,801	\$ 233,404	\$ 274,205	\$ 92,874	\$ 376,218	\$ 10,479	\$ 479,571	\$ 753,776
Payroll taxes	-	3,497	23,756	27,253	5,611	38,101	503	44,215	71,468
Total salaries and related expenses	-	44,298	257,160	301,458	98,485	414,319	10,982	523,786	825,244
Other Expenses:									
Accounting and legal fees	114	229	3,035	3,378	7,354	3,435	3,035	13,824	17,202
Advertising	5,900	-	2,454	8,354	-	957	240	1,197	9,551
Automobile expenses	40	379	2,698	3,117	-	2,014	-	2,014	5,131
B&O taxes	-	8	763	771	-	4,332	-	4,332	5,103
Bank charges and bad debts	-	1,941	1,277	3,218	10	11,915	2,855	14,780	17,998
Development and events expenses	174	-	-	174	-	-	1,938	1,938	2,112
Consultants	-	-	7,725	7,725	-	-	-	-	7,725
Insurance	2,724	6,537	3,814	13,075	5,352	8,989	2,724	17,065	30,140
Interest	-	-	-	-	-	-	-	-	-
In-kind expense	-	-	7,657	7,657	-	-	-	-	7,657
License, permits, taxes	-	-	100	100	694	4,944	-	5,638	5,738
Meetings, dues and education	359	-	601	960	564	-	574	1,138	2,098
Miscellaneous	83	68	3,118	3,269	1,755	212	22	1,989	5,258
Occupancy and storage	-	21,102	45,177	66,279	-	63,189	-	63,189	129,468
Postage	77	-	342	419	388	-	4,330	4,718	5,137
Printing and publications	17,151	168	1,207	18,526	14	505	3,859	4,378	22,904
Small equipment and signage	613	456	806	1,875	2,804	417	1,622	4,843	6,718
Supplies	1,789	2,525	54,897	59,211	609	3,323	1,110	5,042	64,253
Telephone, internet and website	1,508	7,978	20,357	29,843	-	10,545	349	10,894	40,737
Travel	-	375	78	453	-	90	-	90	543
Veterinary fees	-	300	88,957	89,257	-	-	-	-	89,257
Total expenses before depreciation	30,532	86,364	502,223	619,119	118,029	529,186	33,640	680,855	1,299,974
Depreciation	8,223	7,738	96,900	112,861	8,546	19,531	2,241	30,318	143,179
Total expenses	\$ 38,755	\$ 94,102	\$ 599,123	\$ 731,980	\$ 126,575	\$ 548,717	\$ 35,881	\$ 711,173	\$ 1,443,153

See accompanying notes to financial statements.

WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For The Years Ended December 31, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021, all net assets with donor restrictions are available for payment of qualifying expenditures. Likewise, as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 net realizable value 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 or restricted support, depending on the existence or nature of any donor-imposed restrictions in the period that the promise is made.

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 \$143,654 and \$143,179 for 2022 and 2021, respectively.

WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For The Years Ended December 31, 2022 and 2021

NOTE A - (Continued)

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.

NOTE B – 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 had been \$500 per month. The debtor ceased making payments in 2019 and 2020, and started again at \$500 per month in May of 2021. The judgements are collectible for 10 years with an option to extend collection for another ten year term. The Foundation is currently reviewing its options to pursue these judgements. The total amount receivable at December 31, 2022, including accrued interest is \$263,539 and was \$250,873 at December 31, 2021.

WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For The Years Ended December 31, 2022 and 2021

NOTE C - 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, 2022 and 2021 was \$689,937 and \$621,704, respectively. The used inventory held for resale has been consistently valued at approximately 2% 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, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Used inventory held for resale	\$ 20,698	\$ 18,650
Purchased inventory for resale	75	75
Total inventory	<u>\$ 20,773</u>	<u>\$ 18,725</u>

NOTE D – 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.

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 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, 2022 and 2021, in-kind contributions consisted of the following:

	<u>2022</u>	<u>2021</u>
Shelter food, supplies and materials	\$ 17,940	\$ 8,984
Property and stock	0	14,397
Total	<u>\$ 17,940</u>	<u>\$ 23,381</u>

In addition, the Foundation received donations of used clothing and household goods valued at \$689,937 and \$621,704 for the years ended December 31, 2022 and 2021, respectively.

WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For The Years Ended December 31, 2022 and 2021

NOTE D - (Continued)

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 E – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Adoption Fees	\$ 200	\$ 200
Pet Food Bank	86	26
Daisy Reward fund	55	55
CatSNIP	0	1,800
Nick's Crisis Care	0	3,718
Total	<u>\$ 341</u>	<u>\$ 5,799</u>

NOTE G - 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 is also under a contract to provide sheltering services to the City of Oak Harbor for a monthly fee of \$4,167. 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>2022</u>	<u>2021</u>
City of Oak Harbor management contract	\$ 50,000	\$ 50,000
Island County management contract	70,281	70,281
Medical and miscellaneous fees	25,787	18,421
Total program revenue	<u>\$ 146,068</u>	<u>\$ 138,702</u>

NOTE H - OPERATING LEASES

The Foundation leases two buildings on Whidbey Island, Washington.

The first building, which serves as a thrift shop, is located in Freeland. Beginning January 2021, there was a twelve month lease at \$3,065 per month. This lease was renewed in January 2022 for another twelve months. Electrical service and water & sewer expenses are included as part of the rent.

WHIDBEY ANIMALS' IMPROVEMENT FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For The Years Ended December 31, 2022 and 2021

NOTE H – (Continued)

The second building, which serves as a cat adoption center, is also located in Freeland, and expired August 31, 2014, however, the lease term was extended through August 31, 2021 and month to month thereafter until the lease was renewed in September 2022 for a period of twelve months at \$850 per month. This lease requires the lessee to pay all utility costs.

In the normal course of business, these leases are generally renewed. Minimum future payments under the existing operating lease agreements for the remaining terms of the leases are as follows:

For the year ending December 31, 2022	<u>\$ 16,665</u>
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Rental expenses under operating leases and month to month arrangements were \$46,580 and \$46,380 for 2022 and 2021, respectively.

NOTE I – 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 2018-2022, generally for three years after they were filed. At December 31, 2022 and 2021, 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 J - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 31, 2024, the date the financial statements were available to be issued.