



**FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**



**Leaf & Cole, LLP**  
*Certified Public Accountants*

**RANCHO COASTAL HUMANE SOCIETY  
FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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Leaf & Cole, LLP  
Certified Public Accountants  
A Partnership of Professional Corporations

## Independent Auditor's Report

To the Board of Directors  
Rancho Coastal Humane Society

### Report on the Financial Statements

We have audited the accompanying financial statements of Rancho Coastal Humane Society, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows 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*

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 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, 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.

To the Board of Directors  
Rancho Coastal Humane Society

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*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rancho Coastal Humane Society as of June 30, 2020 and 2019, 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.

Leaf & Cole LLP

San Diego, California  
November 5, 2020

**RANCHO COASTAL HUMANE SOCIETY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019**

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b><u>Current Assets:</u></b> (Notes 2, 4 and 5)		
Cash and cash equivalents	\$ 2,332,815	\$ 462,340
Investments	7,820,453	5,913,362
Accounts receivable	23	2,537
Deposits and prepaid expenses	67,842	58,842
Total Current Assets	<u>10,221,133</u>	<u>6,437,081</u>
<b><u>Noncurrent Assets:</u></b> (Notes 2, 4, 6 and 7)		
Property and equipment, net	1,072,386	1,053,827
Beneficial interest in endowment funds	587,530	581,963
Total Noncurrent Assets	<u>1,659,916</u>	<u>1,635,790</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,881,049</u>	<u>\$ 8,072,871</u>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Notes 2 and 11)		
Accounts payable and accrued expenses	\$ 101,896	\$ 16,284
Compensated absences	74,900	60,998
Deferred revenue	451,480	-
Total Current Liabilities	<u>628,276</u>	<u>77,282</u>
<b><u>Commitments and Contingencies</u></b> (Note 11)		
<b><u>Net Assets:</u></b> (Notes 2, 8 and 9)		
Without donor restrictions	<u>10,211,094</u>	<u>7,036,796</u>
With donor restrictions:		
Purpose restrictions	454,149	376,830
Perpetual in nature	587,530	581,963
Total With Donor Restrictions	<u>1,041,679</u>	<u>958,793</u>
Total Net Assets	<u>11,252,773</u>	<u>7,995,589</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,881,049</u>	<u>\$ 8,072,871</u>

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

**RANCHO COASTAL HUMANE SOCIETY  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues:</b>						
Contributions	\$ 5,271,804	\$ 270,008	\$ 5,541,812	\$ 1,637,030	\$ 277,768	\$ 1,914,798
Thrift shop revenue	879,701	-	879,701	1,194,616	-	1,194,616
Special events	148,878	-	148,878	185,355	-	185,355
Adoption, kennel and retail store	139,354	-	139,354	159,925	-	159,925
Rental income	65,493	-	65,493	62,434	-	62,434
Investment income	54,811	5,567	60,378	363,750	19,729	383,479
Camps	14,200	-	14,200	40,683	-	40,683
Other income	5,337	-	5,337	6,619	-	6,619
Net assets released from restrictions	192,689	(192,689)	-	216,433	(216,433)	-
<b>Total Support and Revenues</b>	<u>6,772,267</u>	<u>82,886</u>	<u>6,855,153</u>	<u>3,866,845</u>	<u>81,064</u>	<u>3,947,909</u>
<b>Expenses:</b>						
<b>Program Services:</b>						
Animal programs	2,112,477	-	2,112,477	1,827,151	-	1,827,151
Thrift store	733,791	-	733,791	808,869	-	808,869
Volunteer	129,222	-	129,222	85,828	-	85,828
Education	98,061	-	98,061	89,078	-	89,078
Animal Safehouse	66,627	-	66,627	61,127	-	61,127
Wildlife Center	49,668	-	49,668	418,929	-	418,929
<b>Total Program Services</b>	<u>3,189,846</u>	<u>-</u>	<u>3,189,846</u>	<u>3,290,982</u>	<u>-</u>	<u>3,290,982</u>
<b>Supporting Services:</b>						
Management and general	272,926	-	272,926	226,150	-	226,150
Fundraising	135,197	-	135,197	192,344	-	192,344
<b>Total Supporting Services</b>	<u>408,123</u>	<u>-</u>	<u>408,123</u>	<u>418,494</u>	<u>-</u>	<u>418,494</u>
<b>Total Expenses</b>	<u>3,597,969</u>	<u>-</u>	<u>3,597,969</u>	<u>3,709,476</u>	<u>-</u>	<u>3,709,476</u>
Change in Net Assets	3,174,298	82,886	3,257,184	157,369	81,064	238,433
Net Assets at Beginning of Year	7,036,796	958,793	7,995,589	6,879,427	877,729	7,757,156
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 10,211,094</u>	<u>\$ 1,041,679</u>	<u>\$ 11,252,773</u>	<u>\$ 7,036,796</u>	<u>\$ 958,793</u>	<u>\$ 7,995,589</u>

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

**RANCHO COASTAL HUMANE SOCIETY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services						Supporting Services				
	Animal Programs	Wildlife Center	Education	Volunteer	Animal Safehouse	Thrift Store	Total	Management and General	Fundraising	Total	Total
<b>Salaries and Related Expenses:</b>											
Salaries and wages	\$ 1,142,624	\$ -	\$ 63,546	\$ 105,910	\$ 52,320	\$ 378,943	\$ 1,743,343	\$ 203,701	\$ 39,736	\$ 243,437	\$ 1,986,780
Payroll taxes and employee benefits	398,186	-	6,366	10,609	4,279	30,265	449,705	17,044	9,883	26,927	476,632
Total Salaries and Related Expenses	<u>1,540,810</u>	<u>-</u>	<u>69,912</u>	<u>116,519</u>	<u>56,599</u>	<u>409,208</u>	<u>2,193,048</u>	<u>220,745</u>	<u>49,619</u>	<u>270,364</u>	<u>2,463,412</u>
<b>Operating Expenses:</b>											
Adoption and retail expenses	19,620	-	-	-	-	-	19,620	-	-	-	19,620
Adoption promotion	49,420	-	-	-	-	-	49,420	-	-	-	49,420
Advertising	8,715	-	-	-	-	3,435	12,150	6,210	-	6,210	18,360
Automobile expense	23,024	2,018	-	67	-	2,936	28,045	-	-	-	28,045
Bank charges	8,541	-	-	-	-	18,786	27,327	-	-	-	27,327
Community events	6,145	-	-	-	-	-	6,145	-	-	-	6,145
Cost of goods sold	13,229	-	-	-	-	-	13,229	-	-	-	13,229
Depreciation	71,619	23,873	-	-	-	-	95,492	-	-	-	95,492
Dues and subscriptions	4,000	-	-	1,560	-	-	5,560	1,291	-	1,291	6,851
Equipment rental	5,370	-	2,396	-	975	2,572	11,313	1,730	-	1,730	13,043
In-kind expenses	12,081	-	-	-	-	-	12,081	-	-	-	12,081
Insurance	792	63	-	1,235	-	924	3,014	9,663	-	9,663	12,677
Kennel expense	42,671	-	-	-	-	-	42,671	-	-	-	42,671
Miscellaneous	-	-	-	-	-	-	-	2,940	-	2,940	2,940
Office expense	11,319	-	-	297	-	1,278	12,894	7,160	-	7,160	20,054
Postage	-	-	-	-	-	-	-	1,109	10,091	11,200	11,200
Printing and publication	2,674	-	-	-	-	882	3,556	-	-	-	3,556
Professional services	39,472	-	6,925	6,925	-	-	53,322	12,465	3,462	15,927	69,249
Rent	-	14,628	-	-	-	237,965	252,593	-	-	-	252,593
Repairs and maintenance	-	7,717	2,395	975	975	10,344	22,406	-	-	-	22,406
Shelter cleaning and maintenance	47,495	-	9,141	678	-	1,836	59,150	2,276	-	2,276	61,426
Special event expenses	-	-	-	-	-	-	-	-	72,025	72,025	72,025
Staff expense	-	-	-	-	-	803	803	-	-	-	803
Supplies and program costs	3,975	-	4,157	-	6,223	24,799	39,154	2,483	-	2,483	41,637
Taxes and licenses	386	-	1,629	-	-	24	2,039	209	-	209	2,248
Telephone, web and internet	9,076	-	1,506	966	1,855	1,793	15,196	966	-	966	16,162
Utilities and trash removal	40,510	1,369	-	-	-	16,206	58,085	3,679	-	3,679	61,764
Veterinary care and medicine	151,533	-	-	-	-	-	151,533	-	-	-	151,533
Total Operating Expenses	<u>571,667</u>	<u>49,668</u>	<u>28,149</u>	<u>12,703</u>	<u>10,028</u>	<u>324,583</u>	<u>996,798</u>	<u>52,181</u>	<u>85,578</u>	<u>137,759</u>	<u>1,134,557</u>
<b>Total Expenses</b>	<u>\$ 2,112,477</u>	<u>\$ 49,668</u>	<u>\$ 98,061</u>	<u>\$ 129,222</u>	<u>\$ 66,627</u>	<u>\$ 733,791</u>	<u>\$ 3,189,846</u>	<u>\$ 272,926</u>	<u>\$ 135,197</u>	<u>\$ 408,123</u>	<u>\$ 3,597,969</u>

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

**RANCHO COASTAL HUMANE SOCIETY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services						Supporting Services				
	Animal Programs	Wildlife Center	Education	Volunteer	Animal Safehouse	Thrift Store	Total	Management and General	Fundraising	Total	Total
<b>Salaries and Related Expenses:</b>											
Salaries and wages	\$ 1,087,701	\$ 253,842	\$ 59,400	\$ 59,793	\$ 47,090	\$ 420,054	\$ 1,927,880	\$ 129,451	\$ 51,002	\$ 180,453	\$ 2,108,333
Payroll taxes and employee benefits	234,341	62,352	16,056	16,721	5,189	103,075	437,734	35,535	5,432	40,967	478,701
Total Salaries and Related Expenses	<u>1,322,042</u>	<u>316,194</u>	<u>75,456</u>	<u>76,514</u>	<u>52,279</u>	<u>523,129</u>	<u>2,365,614</u>	<u>164,986</u>	<u>56,434</u>	<u>221,420</u>	<u>2,587,034</u>
<b>Operating Expenses:</b>											
Adoption and retail expenses	10,284	-	-	-	-	-	10,284	-	-	-	10,284
Adoption promotion	50,180	-	-	-	-	-	50,180	-	-	-	50,180
Advertising	5,903	-	-	-	-	2,469	8,372	-	31,428	31,428	39,800
Automobile expense	11,989	4,398	-	-	177	7,678	24,242	1,313	-	1,313	25,555
Bank charges	6,725	795	-	-	-	26,334	33,854	33	10,421	10,454	44,308
Community events	6,383	-	-	-	-	-	6,383	-	-	-	6,383
Cost of goods sold	14,220	-	-	-	-	-	14,220	-	-	-	14,220
Depreciation	67,070	22,356	-	-	-	-	89,426	-	-	-	89,426
Dues and subscriptions	1,587	-	-	-	-	24	1,611	204	129	333	1,944
Equipment rental	3,821	-	2,039	847	847	1,447	9,001	846	-	846	9,847
In-kind expenses	2,087	300	-	-	-	-	2,387	-	-	-	2,387
Insurance	-	949	-	600	-	1,937	3,486	9,144	-	9,144	12,630
Kennel expense	43,088	-	-	-	-	-	43,088	-	-	-	43,088
Miscellaneous	202	-	-	-	-	-	202	288	-	288	490
Office expense	6,245	-	-	134	-	-	6,379	5,927	2,410	8,337	14,716
Postage	452	274	-	-	-	-	726	8	2,520	2,528	3,254
Printing and publication	1,749	-	-	-	-	633	2,382	-	-	-	2,382
Professional services	-	-	-	-	-	242	242	37,309	14,367	51,676	51,918
Rent	-	31,632	-	-	-	182,902	214,534	-	-	-	214,534
Repairs and maintenance	2,419	964	-	-	-	2,863	6,246	-	-	-	6,246
Shelter cleaning and maintenance	78,348	2,771	5,230	-	-	3,632	89,981	-	-	-	89,981
Special event expenses	-	-	-	-	-	-	-	-	74,635	74,635	74,635
Staff expense	574	-	-	-	-	-	574	-	-	-	574
Supplies and program costs	-	26,393	4,973	6,749	6,063	36,653	80,831	-	-	-	80,831
Taxes and licenses	-	-	-	-	-	-	-	2,213	-	2,213	2,213
Telephone, web and internet	10,179	3,133	1,380	984	1,761	1,906	19,343	1,483	-	1,483	20,826
Utilities and trash removal	51,202	8,770	-	-	-	17,020	76,992	2,396	-	2,396	79,388
Veterinary care and medicine	130,402	-	-	-	-	-	130,402	-	-	-	130,402
Total Operating Expenses	<u>505,109</u>	<u>102,735</u>	<u>13,622</u>	<u>9,314</u>	<u>8,848</u>	<u>285,740</u>	<u>925,368</u>	<u>61,164</u>	<u>135,910</u>	<u>197,074</u>	<u>1,122,442</u>
<b>Total Expenses</b>	<u>\$ 1,827,151</u>	<u>\$ 418,929</u>	<u>\$ 89,078</u>	<u>\$ 85,828</u>	<u>\$ 61,127</u>	<u>\$ 808,869</u>	<u>\$ 3,290,982</u>	<u>\$ 226,150</u>	<u>\$ 192,344</u>	<u>\$ 418,494</u>	<u>\$ 3,709,476</u>

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



**RANCHO COASTAL HUMANE SOCIETY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 3,257,184	\$ 238,433
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	95,492	89,426
Net realized and unrealized losses (gains) on investments	152,344	(202,579)
Endowment investment income	(5,567)	(19,729)
<b>(Increase) Decrease in:</b>		
Accounts receivable	2,514	(913)
Deposits and prepaid expenses	(9,000)	(330)
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	85,612	14,373
Compensated absences	13,902	8,575
Deferred revenue	451,480	-
Net Cash Provided by Operating Activities	<u>4,043,961</u>	<u>127,256</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment (purchases) and sales, net	(2,059,435)	234,977
Purchase of property and equipment	(114,051)	(79,508)
Beneficial interest in endowment funds	(5,567)	(19,729)
Net Cash (Used in) Provided by Investing Activities	<u>(2,179,053)</u>	<u>135,740</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Endowment investment income	5,567	19,729
Net Cash Provided by Financing Activities	<u>5,567</u>	<u>19,729</u>
Net Increase in Cash and Cash Equivalents	1,870,475	282,725
Cash and Cash Equivalents at Beginning of Year	<u>462,340</u>	<u>179,615</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 2,332,815</u></u>	<u><u>\$ 462,340</u></u>

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

**RANCHO COASTAL HUMANE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**Note 1 - Organization:**

Rancho Coastal Humane Society (“Rancho Coastal”) was incorporated in 1960 as a Nonprofit Corporation. The goal of Rancho Coastal is to care for the homeless animal population of San Diego County, and to educate the public about pet over-population and responsible companion animal care. Rancho Coastal is dedicated to the rescue and shelter of abandoned companion animals. It encourages adoptions into loving homes, and provides educational and community outreach programs designed to enhance the human-animal bond. Rancho Coastal primarily serves San Diego County, California. Rancho Coastal’s funding comes primarily from adoptions and relinquishment fees, bequests, contributions, and Thrift Shop revenues.

The following is a brief description of the Rancho Coastal’s core programs:

**Animal Programs**

Rancho Coastal’s adoptions and animal care program finds new homes for dogs, cats, and domestic rabbits surrendered by their owners, transferred from regional animal shelters, and rescued from disaster areas. During their stay at the shelter, all of Rancho Coastal’s animals receive excellent medical care, and staff and volunteers work on improved socialization to ensure successful adoptions. Rancho Coastal offers educational programs regarding humane treatment of animals and responsible care of pets, as well as a Seniors-to-Seniors program that incentivizes and supports adoptions of senior pets by persons over the age of 60. Rancho Coastal’s foster volunteer program provides care and comfort of neo-natal kittens, puppies, and bunnies in homes throughout San Diego County, allowing Rancho Coastal to increase the number of adoptable animals in its care beyond its kennel capacity.

**Kids Programs/Animal Camps**

Animals are a source of great fascination for children of all ages. Rancho Coastal encourages children to share their passion for animals. The Humane Education programs focus on teaching children the importance of proper care and compassion toward the animals that share our world. All of the education programs offered are geared towards embracing children’s natural love and curiosity about animals, while fostering a sense of respect and kindness for all life.

Rancho Coastal offers programs for children, including the Kids Community Service program (KCS) for students in grades 6 through 12, birthday parties, shelter tours, and classroom presentations.

Rancho Coastal has a whole line-up of camps to excite and educate children. Camps are held during spring, summer, and fall school breaks, and are age-appropriate for children 6-14 years old. Camps run in themed, week-long sessions, and are conducted by trained Rancho Coastal educators. Using hands-on games, activities, arts and crafts, guest speakers, and of course live animals, children are taught about animals and their importance in our world.

**RANCHO COASTAL HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**Note 1 - Organization: (Continued)**

**FOCAS Program**

The FOCAS program gives pets from other shelters a second chance to be adopted. This program is the result of the merger of Friends of County Animal Shelters (FOCAS) with Rancho Coastal. Rancho Coastal has continued the partnership started by FOCAS with the three County Animal Shelters, and has expanded the FOCAS program by taking dogs, cats, and domestic rabbits from Chula Vista Animal Control, El Centro Humane Society, The San Diego House Rabbit Society, the Department of Animal Services, Animal Friends of the Valley (AFV), and from other shelters in parts of the country or the world where euthanasia practices continue. Rancho Coastal is a limited admission shelter, which enables it to keep adoptable animals until they can be placed with their new families. Each of the dogs, cats, and rabbits is given a “second chance” for adoption, and a new opportunity to find a loving home.

**Pet Food Bank**

Rancho Coastal provides food and other supplies for people on fixed incomes, the sick and disabled, working families that struggle financially, military families, and the homeless.

**Animal Safehouse Program**

The Animal Safehouse Program (ASP) provides temporary care for pets of domestic violence victims. The program provides a support service to domestic violence shelters which are unable to accept pets. Rancho Coastal actively collaborates with domestic violence shelters, the San Diego Domestic Violence Council, the County of San Diego Department of Animal Services, city and municipal animal shelters, the San Diego Family Justice Center, San Diego Domestic Violence Response Teams, social services, mental health services, law enforcement, educational facilities, military, and many other agencies and individuals who want to eradicate abuse and help break the cycle of family violence. This program has been expanded to include temporary care for pets of veterans who require hospitalization, but decline treatment because they have no one to care for their “companions.” By accepting their pets into the program, Rancho Coastal is helping veterans pursue essential medical care at VA hospitals and treatment centers. This year, Rancho Coastal extended ASP to provide temporary care for pets of seniors facing emergency hospitalization, and COVID-19 patients admitted for treatment.

**Pet Assisted Therapy**

Rancho Coastal’s Pet Assisted Therapy (PAT) Program brings the unconditional love of animals to people in need at special needs and at-risk youth programs, senior centers, skilled nursing and residential facilities, hospice, veteran centers, college campuses, schools, libraries, and local businesses.

**Pet Loss Support**

Rancho Coastal launched its Pet Loss Support Program (PLSP) in October 2019, to help people suffering the sadness and grief of losing a beloved pet. The program offered group meetings twice a month, with weekday and weekend options, led by a team of professional grief counselors. A lending library, resource materials, and a referral list of therapists were created to support the healing process. During the pandemic, the program has provided one-on-one counseling sessions by appointment.

**RANCHO COASTAL HUMANE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**Note 1 - Organization: (Continued)**

**Thrift Store**

Rancho Coastal operates a Thrift Shop located in Cardiff, California. Donations of new or gently used merchandise are accepted at the shop during regular business hours. The Thrift Shop offers furniture, antiques and collectibles, electronics, clothing, jewelry, and fashion accessories. Volunteers and staff sort, stock, intake, price, organize, and sell donations.

**Note 2 - Significant Accounting Policies:**

**Accounting Method**

The financial statements of Rancho Coastal have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Financial Statement Presentation**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**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 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.

**Risks and Uncertainties**

Rancho Coastal invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term, and such changes could materially affect the amounts reported in the statements of financial position.

**RANCHO COASTAL HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**Note 2 - Significant Accounting Policies: (Continued)**

**Fair Value Measurements**

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

Rancho Coastal's statements of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual and index funds are considered Level 1 assets, and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Beneficial interest in endowment funds held by San Diego Foundation is considered a Level 3 asset, which represents the fair value of the underlying assets as reported by San Diego Foundation (Note 7).

**Allowance for Doubtful Accounts**

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts receivable were fully collectible; therefore, no allowance for doubtful accounts receivable was recorded at June 30, 2020 and 2019.

**Capitalization and Depreciation**

Rancho Coastal capitalizes all expenditures in excess of \$5,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions, 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 support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, Rancho Coastal reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Rancho Coastal reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**RANCHO COASTAL HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**Note 2 - Significant Accounting Policies: (Continued)**

**Capitalization and Depreciation (Continued)**

Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Land improvements	5 - 15 years
Buildings and improvements	7 - 39 years
Machinery and equipment	7 - 10 years
Office equipment	5 - 7 years
Vehicles	5 years

Depreciation totaled \$95,492 and \$89,426 for the years ended June 30, 2020 and 2019, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

**Impairment of Real Estate**

Rancho Coastal reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted net cash flows expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2020 and 2019.

**Compensated Absences**

Accumulated unpaid vacation totaling \$74,900 and \$60,998 at June 30, 2020 and 2019, respectively, is accrued when incurred.

**Revenue Recognition**

Contributions are recognized when the donor makes a promise to give to Rancho Coastal that is in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Thrift shop revenue, adoption, kennel, retail store, rental income and camps revenue are recognized as revenue when the sale transaction occurs or in the period in which the service is provided or facility is rented.

**RANCHO COASTAL HUMANE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 2 - Significant Accounting Policies: (Continued)**

**Donated Services and Materials**

Rancho Coastal utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2020 and 2019 did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

In-kind contributions of materials used for program services with an estimated fair value totaling \$12,081 and \$2,387 the years ended June 30, 2020 and 2019, respectively, are included in in-kind contributions and program expenses in the statements of activities. In addition, Rancho Coastal has received substantial donations of materials, clothing, and household items that are received at its thrift store, where they are sorted and sold. These items have not been included as in-kind contributions.

**Functional Allocation of Expenses**

The statements of functional expenses present expenses by function and natural classification. Rancho Coastal allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by Rancho Coastal's management.

**Income Taxes**

Rancho Coastal is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Rancho Coastal believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. Rancho Coastal is not a private foundation.

Rancho Coastal's Return of Organization Exempt from Income Tax for the years ended June 30, 2020, 2019, 2018 and 2017 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

**Concentration of Credit Risk**

Rancho Coastal maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Rancho Coastal has not experienced any losses in such accounts. Rancho Coastal believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, Rancho Coastal considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**RANCHO COASTAL HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**Note 2 - Significant Accounting Policies: (Continued)**

**Accounting Pronouncements Adopted**

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis, which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended June 30, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 for the year ended June 30, 2020 had no effect on the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

**Subsequent Events**

In preparing these financial statements, Rancho Coastal has evaluated events and transactions for potential recognition or disclosure through November 5, 2020, the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed.

**Note 3 - Liquidity and Availability**

Rancho Coastal regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Rancho Coastal considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Rancho Coastal considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. The table below presents financial assets available for general expenditures within one year at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,332,815	\$ 462,340
Investments	7,820,453	5,913,362
Accounts receivable	<u>23</u>	<u>2,537</u>
Financial assets available to meet general expenditures within one year	<u>\$ 10,153,291</u>	<u>\$ 6,378,239</u>

In addition to financial assets available to meet general expenditures over the next 12 months, Rancho Coastal operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Endowment funds consist of a beneficial interest in endowment funds. Appropriations of endowment funds are made in accordance with the spending policy, as described in Note 9.



**RANCHO COASTAL HUMANE SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**Note 4 - Fair Value Measurements:**

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30:

	2020			Balance at June 30, 2020
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual and index funds:				
Domestic index	\$ 3,328,586	\$ -	\$ -	\$ 3,328,586
Fixed income funds	2,576,033	-	-	2,576,033
Growth funds	1,214,232	-	-	1,214,232
REIT index	275,546	-	-	275,546
International index	226,544	-	-	226,544
International REIT index	199,512	-	-	199,512
Beneficial interest in endowment funds (Note 7)	-	-	587,530	587,530
	<u>\$ 7,820,453</u>	<u>\$ -</u>	<u>\$ 587,530</u>	<u>\$ 8,407,983</u>
	2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Mutual and index funds:				
Domestic index	\$ 2,388,479	\$ -	\$ -	\$ 2,388,479
Fixed income funds	1,823,092	-	-	1,823,092
Growth funds	1,073,859	-	-	1,073,859
REIT index	257,240	-	-	257,240
International REIT index	191,358	-	-	191,358
International index	179,334	-	-	179,334
Beneficial interest in endowment funds (Note 7)	-	-	581,963	581,963
	<u>\$ 5,913,362</u>	<u>\$ -</u>	<u>\$ 581,963</u>	<u>\$ 6,495,325</u>

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in Note 7, as indicated above.

**RANCHO COASTAL HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**Note 4 - Fair Value Measurements: (Continued)**

The following table represents Rancho Coastal's Level 3 financial instrument, the valuation techniques used to measure the fair value of the financial instrument, and the significant unobservable inputs and the range of values for those inputs for the years ended June 30:

2020				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 587,530	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
2019				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 581,963	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A

**Note 5 - Investments:**

Investments consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Index funds	\$ 4,030,188	\$ 3,016,411
Mutual funds	3,790,265	2,896,951
Total Investments	\$ 7,82,0453	\$ 5,913,362

Investment income is summarized as follows for the years ended June 30:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 207,155	\$ -	\$ 207,155
Realized and unrealized (losses) gains	(152,344)	5,567	(146,777)
Total Investment Income	\$ 54,811	\$ 5,567	\$ 60,378

**RANCHO COASTAL HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**Note 5 - Investments: (Continued)**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 161,171	\$ -	\$ 161,171
Realized and unrealized gains	202,579	19,729	222,308
Total Investment Income	\$ 363,750	\$ 19,729	\$ 383,479

**Note 6 - Property and Equipment:**

Property and equipment consists of the following at June 30:

	2020	2019
Land and land improvements	\$ 156,058	\$ 156,058
Buildings and improvements	1,968,325	1,938,262
Machinery and equipment	107,630	76,242
Office equipment	46,990	46,990
Vehicles	208,575	175,532
Construction in progress	248,101	228,544
Subtotal	2,735,679	2,621,628
Less: Accumulated depreciation	(1,663,293)	(1,567,801)
Property and Equipment, Net	\$ 1,072,386	\$ 1,053,827

**Note 7 - Beneficial Interest in Endowment Funds:**

Rancho Coastal has a beneficial interest in endowment funds held by San Diego Foundation, which is classified as with donor restrictions and must be maintained in perpetuity. The beneficial interest in endowment funds held by San Diego Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term total return consisting of 25% international equities, 28% domestic equities, 22% alternative investments, 17% fixed income, 6% real estate, and 2% commodities. The activity in the beneficial interest in endowment funds consisted of the following for the years ended June 30:

	2020	2019
Balance, Beginning of Year	\$ 581,963	\$ 562,234
Investment income	5,567	19,729
Balance, End of Year	\$ 587,530	\$ 581,963

**RANCHO COASTAL HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
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**Note 8 - Net Assets With Donor Restrictions:**

Net assets with donor restrictions represent contributions received or receivable by Rancho Coastal, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
<b>Subject to Expenditure for Specified Purpose:</b>		
Shelter improvements	\$ 385,566	\$ 305,123
Adoption and training of resident companion animals	37,978	-
Foster program	16,120	-
Animal safehouse	10,000	33,858
Spay/Neuter program	4,485	-
Vehicle	-	37,849
Total Subject to Expenditure for Specified Purpose	<u>454,149</u>	<u>376,830</u>
<b>Perpetual in Nature:</b>		
Beneficial interest in endowment funds	<u>587,530</u>	<u>581,963</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,041,679</u>	<u>\$ 958,793</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
<b>Purpose Restrictions Fulfilled:</b>		
Animal programs	\$ 65,000	\$ 9,981
Animal safehouse	33,858	49,841
Catio	27,000	-
Vehicle	24,293	-
Shelter improvements	19,558	13,030
Vehicle	16,555	60,444
Foster program	3,880	-
Adoption and training of resident companion animals	2,020	-
Spay/Neuter program	525	-
Wildlife center	-	81,297
Pet food	-	1,790
Education	-	50
Total Net Assets Released from Restrictions	<u>\$ 192,689</u>	<u>\$ 216,433</u>

**Note 9 - Endowment Net Assets:**

The beneficial interest in endowment funds held by San Diego Foundation (the "Foundation") is managed in accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The Foundation's objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require Rancho Coastal to retain as a fund of perpetual duration.

**RANCHO COASTAL HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
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**Note 9 - Endowment Net Assets: (Continued)**

Rancho Coastal classifies donor-restricted net assets of a perpetual nature held by the Foundation as:

- The original value of gifts donated to the fund
- The original value of Rancho Coastal funds transferred to the fund
- The original value of subsequent gifts donated to the fund
- Investment income, and realized and unrealized gains and losses on investments
- Distributions from the fund in accordance with the spending policy

The Foundation has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives, while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

The Foundation's endowment funds are invested in a diversified portfolio of equity and debt securities, which is structured for long-term total rate. The Foundation's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received.

Endowment composition by type of fund and changes in endowment net assets as of, and for, the years ended June 30:

	<u>2020</u>	<u>2019</u>
Endowment Net Assets at Beginning of Year	\$ 581,963	\$ 562,234
Investment income	5,567	19,729
Endowment Net Assets at End of Year	<u>\$ 587,530</u>	<u>\$ 581,963</u>

**Note 10 - Lease:**

Rancho Coastal leases the Doggie Daycare facility under an operating lease through May 31, 2023. Rental income totaled \$65,493 and \$62,434 for the years ended June 30, 2020 and 2019, respectively. The following is a schedule of future minimum lease payments to be received under the lease:

<u>Years Ended June 30</u>	
2021	\$ 68,434
2022	71,434
2023	68,002
Total	<u>\$ 207,870</u>

**RANCHO COASTAL HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
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**Note 11 – Commitments and Contingencies:**

**Retirement Plan**

Rancho Coastal has a SIMPLE IRA Retirement Plan for the benefit of eligible employees. The benefit is based on an employee’s service and level of compensation and is 100% vested immediately. Rancho Coastal, at its discretion, can elect to make contributions equal to 3% of compensation. Rancho Coastal’s contributions totaled \$32,541 and \$29,212 for the years ended June 30, 2020 and 2019, respectively.

**Operating Leases**

Rancho Coastal operates its thrift shop facility under a series of three lease agreements, the first of which expires on October 31, 2022, the second on January 8, 2022, and the third on March 31, 2024. Rancho Coastal also holds a lease to a storage facility which supports its thrift shop, under a lease agreement that expires on June 30, 2021. Rent expense for these facilities totaled \$252,593 and \$214,534 for the years ended June 30, 2020 and 2019, respectively.

Rancho Coastal leases a copier under a five-year lease agreement that expires on March 31, 2022.

The following is a schedule of future minimum lease payments under the leases:

Years Ended June 30		
2021	\$	180,097
2022		147,190
2023		63,864
2024		26,325
Total	\$	417,476

**Payroll Protection Program Loan**

In May 2020, Rancho Coastal received a loan totaling \$451,480 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that Rancho Coastal meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1%, and is due in May 2022. Rancho Coastal has included the loan totaling \$451,480 in deferred revenue at June 30, 2020. Rancho Coastal expects to satisfy the terms and conditions of forgiveness of the PPP, and will recognize the \$451,480 as revenue when forgiveness is granted, which is expected to occur during the year ended June 30, 2021.

**Coronavirus Pandemic Contingency**

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses. Rancho Coastal was required to close the Thrift Shop for ninety (90) days and cease in-person adoptions at the shelters. The potential impacts to Rancho Coastal include disruptions or restrictions on employees’ ability to work; suspension of in-person programs; and temporary closure of the Thrift Shop. Changes to the operating environment may also be impacted, and may have an impact on operating costs. The future effects of these issues are unknown.