



FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



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

**RANCHO COASTAL HUMANE SOCIETY
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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Independent Auditor's Report

To the Board of Directors
Rancho Coastal Humane Society

Opinion

We have audited the accompanying financial statements of Rancho Coastal Humane Society, which comprise the statements of financial position as of June 30, 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 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, 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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rancho Coastal Humane Society, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rancho Coastal Humane Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rancho Coastal Humane Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rancho Coastal Humane Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Leaf & Cole LLP

San Diego, California
November 7, 2022

**RANCHO COASTAL HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

ASSETS

	<u>2022</u>	<u>2021</u>
<u>Current Assets:</u> (Notes 2, 4 and 6)		
Cash and cash equivalents	\$ 2,353,025	\$ 406,234
Investments	10,179,724	12,199,398
Accounts receivable	-	1,354
Other receivable	244,465	457,982
Pledges receivable	175,000	-
Deposits and prepaid expenses	38,690	45,938
Total Current Assets	<u>12,990,904</u>	<u>13,110,906</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 7 and 9)		
Pledges receivable, net	198,238	-
Property and equipment, net	1,476,119	1,086,196
Beneficial interest in endowment funds	731,162	762,302
Total Noncurrent Assets	<u>2,405,519</u>	<u>1,848,498</u>
TOTAL ASSETS	\$ <u>15,396,423</u>	\$ <u>14,959,404</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 13)		
Accounts payable and accrued expenses	\$ 262,124	\$ 296,705
Compensated absences	94,277	111,524
Total Current Liabilities	<u>356,401</u>	<u>408,229</u>
Total Liabilities	<u>356,401</u>	<u>408,229</u>
<u>Commitments and Contingencies</u> (Note 12)		
<u>Net Assets:</u> (Notes 2, 8, 10 and 11)		
Without donor restrictions:		
Undesignated	2,229,208	2,460,925
Board designated	9,185,153	10,862,737
Total Without Donor Restrictions	<u>11,414,361</u>	<u>13,323,662</u>
With donor restrictions:		
Purpose restrictions	2,894,499	465,211
Perpetual in nature	731,162	762,302
Total With Donor Restrictions	<u>3,625,661</u>	<u>1,227,513</u>
Total Net Assets	<u>15,040,022</u>	<u>14,551,175</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>15,396,423</u>	\$ <u>14,959,404</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, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:						
Contributions	\$ 1,855,737	\$ 2,551,919	\$ 4,407,656	\$ 2,887,922	\$ 168,651	\$ 3,056,573
In-kind contributions	1,423,948	-	1,423,948	1,138,567	-	1,138,567
Thrift shop revenue	1,367,569	-	1,367,569	1,095,353	-	1,095,353
Adoption, kennel and retail store	98,544	-	98,544	106,397	-	106,397
Rental income	70,884	-	70,884	67,792	-	67,792
Camps	31,196	-	31,196	24,180	-	24,180
Other income	30,503	-	30,503	465,534	-	465,534
Investment (loss) income	(1,524,003)	(31,140)	(1,555,143)	2,211,124	174,772	2,385,896
Net assets released from restrictions	122,631	(122,631)	-	157,589	(157,589)	-
Total Revenues and Support	<u>3,477,009</u>	<u>2,398,148</u>	<u>5,875,157</u>	<u>8,154,458</u>	<u>185,834</u>	<u>8,340,292</u>
Expenses:						
Program Services:						
Animal programs	2,485,534	-	2,485,534	2,361,382	-	2,361,382
Thrift store	2,186,003	-	2,186,003	1,902,579	-	1,902,579
Education	115,114	-	115,114	117,538	-	117,538
Volunteer	95,982	-	95,982	90,672	-	90,672
Animal Safehouse	72,328	-	72,328	30,896	-	30,896
Total Program Services	<u>4,954,961</u>	<u>-</u>	<u>4,954,961</u>	<u>4,503,067</u>	<u>-</u>	<u>4,503,067</u>
Supporting Services:						
Management and general	288,118	-	288,118	368,769	-	368,769
Fundraising	143,231	-	143,231	170,054	-	170,054
Total Supporting Services	<u>431,349</u>	<u>-</u>	<u>431,349</u>	<u>538,823</u>	<u>-</u>	<u>538,823</u>
Total Expenses	<u>5,386,310</u>	<u>-</u>	<u>5,386,310</u>	<u>5,041,890</u>	<u>-</u>	<u>5,041,890</u>
Change in Net Assets	(1,909,301)	2,398,148	488,847	3,112,568	185,834	3,298,402
Net Assets at Beginning of Year	<u>13,323,662</u>	<u>1,227,513</u>	<u>14,551,175</u>	<u>10,211,094</u>	<u>1,041,679</u>	<u>11,252,773</u>
NET ASSETS AT END OF YEAR	<u>\$ 11,414,361</u>	<u>\$ 3,625,661</u>	<u>\$ 15,040,022</u>	<u>\$ 13,323,662</u>	<u>\$ 1,227,513</u>	<u>\$ 14,551,175</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, 2022**

	Program Services					Supporting Services				
	Animal Programs	Education	Volunteer	Animal Safehouse	Thrift Store	Total	Management and General	Fundraising	Total	Total
Salaries and Related Expenses:										
Salaries and wages	\$ 1,322,293	\$ 80,352	\$ 76,740	\$ 53,850	\$ 413,106	\$ 1,946,341	\$ 65,036	\$ 46,165	\$ 111,201	\$ 2,057,542
Payroll taxes and employee benefits	271,535	16,070	15,347	3,683	82,618	389,253	13,439	9,232	22,671	411,924
Total Salaries and Related Expenses	<u>1,593,828</u>	<u>96,422</u>	<u>92,087</u>	<u>57,533</u>	<u>495,724</u>	<u>2,335,594</u>	<u>78,475</u>	<u>55,397</u>	<u>133,872</u>	<u>2,469,466</u>
Operating Expenses:										
Adoption and retail expenses	9,940	-	-	-	-	9,940	-	-	-	9,940
Advertising	63,971	-	-	-	-	63,971	-	12,312	12,312	76,283
Automobile expense	6,396	-	-	-	3,955	10,351	-	-	-	10,351
Bank charges	3,738	1,397	-	-	26,781	31,916	3,975	-	3,975	35,891
Community events	132	-	-	-	-	132	720	-	720	852
Cost of goods sold	4,085	-	-	-	2,917	7,002	-	-	-	7,002
Depreciation	91,593	-	-	-	-	91,593	3,469	-	3,469	95,062
Dues and subscriptions	7,083	1,015	1,704	-	663	10,465	3,012	11,899	14,911	25,376
Equipment rental	12,180	3,973	1,175	1,175	1,551	20,054	1,209	520	1,729	21,783
In-kind expenses	56,379	-	-	-	1,367,569	1,423,948	-	-	-	1,423,948
Insurance	-	-	-	-	-	-	37,634	-	37,634	37,634
Kennel expense	54,464	-	-	-	-	54,464	-	-	-	54,464
Office expense	22,362	-	-	1,385	3,225	26,972	1,294	6,951	8,245	35,217
Postage	2,726	-	-	-	863	3,589	1,562	11,527	13,089	16,678
Printing and publication	6,814	124	242	82	642	7,904	-	129	129	8,033
Professional services	118,927	-	-	424	2,759	122,110	143,660	620	144,280	266,390
Rent	-	-	-	-	232,026	232,026	-	-	-	232,026
Repairs and maintenance	3,521	-	-	19	1,056	4,596	-	-	-	4,596
Shelter cleaning and maintenance	51,310	5,538	128	-	3,671	60,647	750	-	750	61,397
Special event expenses	-	-	-	-	-	-	-	43,876	43,876	43,876
Staff expense	583	-	-	-	441	1,024	1,825	-	1,825	2,849
Supplies and program costs	193,673	4,979	646	9,884	14,178	223,360	9	-	9	223,369
Taxes and licenses	-	-	-	-	-	-	2,216	-	2,216	2,216
Telephone, web and internet	9,788	1,666	-	1,826	2,663	15,943	1,149	-	1,149	17,092
Utilities and trash removal	50,208	-	-	-	25,319	75,527	7,159	-	7,159	82,686
Veterinary care and medicine	121,833	-	-	-	-	121,833	-	-	-	121,833
Total Operating Expenses	<u>891,706</u>	<u>18,692</u>	<u>3,895</u>	<u>14,795</u>	<u>1,690,279</u>	<u>2,619,367</u>	<u>209,643</u>	<u>87,834</u>	<u>297,477</u>	<u>2,916,844</u>
Total Expenses	<u>\$ 2,485,534</u>	<u>\$ 115,114</u>	<u>\$ 95,982</u>	<u>\$ 72,328</u>	<u>\$ 2,186,003</u>	<u>\$ 4,954,961</u>	<u>\$ 288,118</u>	<u>\$ 143,231</u>	<u>\$ 431,349</u>	<u>\$ 5,386,310</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, 2021**

	Program Services					Supporting Services				Total
	Animal Programs	Education	Volunteer	Animal Safehouse	Thrift Store	Total	Management and General	Fundraising	Total	
Salaries and Related Expenses:										
Salaries and wages	\$ 1,317,958	\$ 70,497	\$ 65,902	\$ -	\$ 414,589	\$ 1,868,946	\$ 167,960	\$ 40,420	\$ 208,380	\$ 2,077,326
Payroll taxes and employee benefits	300,028	12,017	20,390	-	83,164	415,599	15,116	7,889	23,005	438,604
Total Salaries and Related Expenses	<u>1,617,986</u>	<u>82,514</u>	<u>86,292</u>	<u>-</u>	<u>497,753</u>	<u>2,284,545</u>	<u>183,076</u>	<u>48,309</u>	<u>231,385</u>	<u>2,515,930</u>
Operating Expenses:										
Adoption and retail expenses	16,256	-	-	-	-	16,256	-	-	-	16,256
Adoption promotion	68,015	-	-	-	-	68,015	-	-	-	68,015
Advertising	1,989	-	-	-	1,601	3,590	1,259	46,626	47,885	51,475
Automobile expense	3,711	-	-	-	17,480	21,191	22	-	22	21,213
Bank charges	5,791	955	-	-	19,585	26,331	7,080	173	7,253	33,584
Community events	-	-	-	-	-	-	-	1,873	1,873	1,873
Cost of goods sold	8,056	-	-	-	-	8,056	-	-	-	8,056
Depreciation	68,695	22,898	-	-	-	91,593	-	-	-	91,593
Dues and subscriptions	5,169	272	1,308	-	-	6,749	8,953	8,599	17,552	24,301
Equipment rental	12,375	2,650	1,118	-	1,154	17,297	1,118	-	1,118	18,415
In-kind expenses	43,214	-	-	-	1,095,353	1,138,567	-	-	-	1,138,567
Insurance	5,857	975	-	-	24	6,856	27,057	20	27,077	33,933
Kennel expense	35,728	-	-	-	-	35,728	-	-	-	35,728
Miscellaneous	252	-	-	-	528	780	156	-	156	936
Office expense	16,212	141	-	-	5,012	21,365	7,843	1,089	8,932	30,297
Postage	28	-	-	-	53	81	2,293	4,526	6,819	6,900
Printing and publication	-	-	-	-	669	669	-	-	-	669
Professional services	148,005	379	-	-	-	148,384	118,990	58,623	177,613	325,997
Rent	-	-	-	-	240,641	240,641	-	-	-	240,641
Repairs and maintenance	8,946	4,990	-	-	2,005	15,941	-	-	-	15,941
Shelter cleaning and maintenance	80,115	-	-	-	-	80,115	-	-	-	80,115
Special event expenses	-	-	-	-	-	-	-	216	216	216
Staff expense	149	-	-	-	-	149	-	-	-	149
Supplies and program costs	27,887	-	1,954	-	18,587	48,428	-	-	-	48,428
Taxes and licenses	-	-	-	-	-	-	2,140	-	2,140	2,140
Telephone, web and internet	11,524	1,764	-	-	2,134	15,422	1,615	-	1,615	17,037
Utilities and trash removal	41,529	-	-	30,896	-	72,425	7,167	-	7,167	79,592
Veterinary care and medicine	133,893	-	-	-	-	133,893	-	-	-	133,893
Total Operating Expenses	<u>743,396</u>	<u>35,024</u>	<u>4,380</u>	<u>30,896</u>	<u>1,404,826</u>	<u>2,218,522</u>	<u>185,693</u>	<u>121,745</u>	<u>307,438</u>	<u>2,525,960</u>
Total Expenses	<u>\$ 2,361,382</u>	<u>\$ 117,538</u>	<u>\$ 90,672</u>	<u>\$ 30,896</u>	<u>\$ 1,902,579</u>	<u>\$ 4,503,067</u>	<u>\$ 368,769</u>	<u>\$ 170,054</u>	<u>\$ 538,823</u>	<u>\$ 5,041,890</u>

**RANCHO COASTAL HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 488,847	\$ 3,298,402
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	95,062	91,593
Net realized and unrealized losses (gains) on investments	1,788,575	(1,904,386)
Endowment investment loss (income)	31,140	(174,772)
(Increase) Decrease in:		
Accounts receivable	1,354	(1,331)
Other receivable	213,517	(457,982)
Pledges receivable, net	(373,238)	-
Deposits and prepaid expenses	7,248	21,904
Increase (Decrease) in:		
Accounts payable and accrued expenses	(34,581)	125,736
Compensated absences	(17,247)	36,624
Deferred revenue	-	(451,480)
Net Cash Provided by Operating Activities	<u>2,200,677</u>	<u>584,308</u>
<u>Cash Flows From Investing Activities:</u>		
Investment sales and (purchases), net	231,099	(2,474,559)
Purchase of property and equipment	(484,985)	(36,330)
Beneficial interest in endowment funds	31,140	(174,772)
Net Cash Used in Investing Activities	<u>(222,746)</u>	<u>(2,685,661)</u>
<u>Cash Flows From Financing Activities:</u>		
Endowment investment (loss) income	(31,140)	174,772
Net Cash (Used in) Provided by Financing Activities	<u>(31,140)</u>	<u>174,772</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,946,791	(1,926,581)
Cash and Cash Equivalents at Beginning of Year	<u>406,234</u>	<u>2,332,815</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,353,025</u>	<u>\$ 406,234</u>

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

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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, grants and foundations, 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 and engage in enrichment activities 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 co-existing with wildlife and the importance of companion and native animals in our world.

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 pet food and supplies for pet owners on fixed incomes, the sick and disabled, working families that struggle financially, military families, and the homeless. Since April 2020, the Pet Food Bank has participated in weekly food bank events at a local church, opened its doors every Saturday, and hosted numerous special events to support this community.

Animal Safehouse Program

The Animal Safehouse Program (ASP) provides temporary care for pets of domestic violence victims. This 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. ASP 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. In March 2020, Rancho Coastal extended ASP to provide temporary care for pets of seniors facing emergency hospitalization and COVID-19 patients admitted for treatment. In December 2021, ASP became a partner at One Safe Place, The North County Family Justice Center, providing pet supplies and resources, donating children’s clothing, and organizing temporary housing for pets of domestic violence clients receiving support services from this multi-disciplinary agency.

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. The PAT Program has been re-energized in 2021, once COVID restrictions were lightened to allow onsite visitation.

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 1 - Organization: (Continued)

Pet Loss Support

Rancho Coastal's Pet Loss Support Program (PLSP) helps 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. PLSP continues to provide one-on-one counseling sessions by appointment, and expects to resume group meetings in early 2023.

Vet Care Program

Rancho Coastal launched its Vet Care Program in January 2021. Original funding was provided by a grant, and several funding sources have been developed since inception. This Program provides financial assistance, resources, and support for seniors (60+) and their adult pets. Applicants must be on a fixed or limited income, live in San Diego County, and provide proof of income and a written estimate from a licensed veterinary hospital. Financial coverage is considered for urgent/emergency veterinary care, x-rays and diagnostic testing, medication, and certain ongoing or chronic conditions.

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 donated goods.

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. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.
- 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.

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

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.

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 9).

Other Receivable

Other receivable consists of the Employee Retention Tax Credit (ERTC) applied for by Rancho Coastal totaling \$244,465 and \$457,982 at June 30, 2022 and 2021, respectively.

RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

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 and other receivable were fully collectible; therefore, no allowance for doubtful accounts and other receivable was recorded at June 30, 2022 and 2021.

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.

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 \$95,062 and \$91,593 for the years ended June 30, 2022 and 2021, 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 2022 and 2021.

Compensated Absences

Accumulated unpaid vacation totaling \$94,277 and \$111,524 at June 30, 2022 and 2021, respectively, is accrued when incurred.

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

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.

Donated Services and Materials

Rancho Coastal received the following in-kind contributions for the year ending June 30:

	<u>2022</u>	<u>2021</u>
Thrift shop merchandise	\$ 1,367,569	\$ 1,095,353
Supplies	55,079	34,107
Gift cards	<u>1,300</u>	<u>9,107</u>
Total In-kind Contributions	<u>\$ 1,423,948</u>	<u>\$ 1,138,567</u>

Contributed thrift shop merchandise received by Rancho Coastal is recorded as in-kind contribution revenue with a corresponding increase to in-kind expenses. It is Rancho Coastal's policy to sell these donated items at its thrift shop with gross proceeds used to support ongoing program activities. Rancho Coastal values the merchandise using the current average price located on a publicly available website for similar items.

Contributed supplies and gift cards received by Rancho Coastal are recorded as in-kind contribution revenue with a corresponding increase to in-kind expenses. It is Rancho Coastal's policy to use these donated items to support ongoing program activities. Rancho Coastal values the supplies using the current average price located on a publicly available website for similar items. Gifts cards are valued at the actual dollar value of the gift cards.

In addition, many individuals volunteer their time and perform a variety of tasks that assist Rancho Coastal with specific programs. 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 by volunteers for the years ended June 30, 2022 and 2021 did not meet the requirements above; therefore, no amounts were recognized in the financial statements for volunteer time.

RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

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, 2022, 2021, 2020, and 2019 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.

Accounting Pronouncement Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis.

Subsequent Events

In preparing these financial statements, Rancho Coastal has evaluated events and transactions for potential recognition or disclosure through November 7, 2022, the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed.

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,353,025	\$ 406,234
Investments	10,179,724	12,199,398
Accounts receivable	-	1,354
Other receivable	244,465	457,982
Pledges receivable	<u>175,000</u>	<u>-</u>
Total financial assets	12,952,214	13,064,968
Less assets unavailable for general expenditures:		
Cash and investments held for board-designated purposes	<u>(9,185,153)</u>	<u>(10,862,737)</u>
Total financial assets not available to be used within one year	<u>(9,185,153)</u>	<u>(10,862,737)</u>
Financial assets available to meet cash needs for general expenditures for one year	<u>\$ 3,767,061</u>	<u>\$ 2,202,231</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's governing board has designated a portion of its resources without donor restrictions for a Quasi-Endowment Fund, as described in Note 8. The amounts not expected to be used for operations within one year are identified as cash and investments held for board-designated purposes in the table above.

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 4 - Pledges Receivable:

Pledges receivable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Current:		
Due in less than one year	\$ 175,000	\$ -
Total Current	175,000	-
Noncurrent:		
Due in one-to-five years	210,000	-
Less: Discounts to present value	(11,762)	-
Total Noncurrent, Net	198,238	-
Total Pledges Receivable, Net	\$ 373,238	\$ -

The contributions receivable have been discounted to their present value using a discount rates of 2.99% - 3.01% at June 30, 2022.

Note 5 - Fair Value Measurements:

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

	2022			
	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, 2022
Mutual and index funds:				
Domestic index	\$ 2,401,077	\$ -	\$ -	\$ 2,401,077
Fixed income funds	4,185,575	-	-	4,185,575
International index	3,593,072	-	-	3,593,072
Beneficial interest in endowment funds (Note 9)	-	-	731,162	731,162
	\$ 10,179,724	\$ -	\$ 731,162	\$ 10,910,886

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 5 - Fair Value Measurements: (Continued)

	2021			Balance at June 30, 2021
	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	\$ 4,395,184	\$ -	\$ -	\$ 4,395,184
Fixed income funds	4,826,549	-	-	4,826,549
International REIT index	2,977,665	-	-	2,977,665
Beneficial interest in endowment funds (Note 9)	-	-	762,302	762,302
	\$ 12,199,398	\$ -	\$ 762,302	\$ 12,961,700

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in Note 9, as indicated above.

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:

2022				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 731,162	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A

2021				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 762,302	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A

Note 6 - Investments:

Investments consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Index funds	\$ 6,586,652	\$ 2,977,665
Mutual funds	3,593,072	9,221,733
Total Investments	\$ 10,179,724	\$ 12,199,398

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 6 - Investments: (Continued)

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 264,572	\$ -	\$ 264,572
Realized and unrealized (losses) gains	(1,788,575)	31,140	(1,819,715)
Total Investment (Loss) Income	\$ (1,524,003)	\$ 31,140	\$ (1,555,143)
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 306,738	\$ -	\$ 306,738
Realized and unrealized gains	1,904,386	174,772	2,079,158
Total Investment Income	\$ 2,211,124	\$ 174,772	\$ 2,385,896

Note 7 - Property and Equipment:

Property and equipment consists of the following at June 30:

	2022	2021
Land and land improvements	\$ 156,058	\$ 156,058
Buildings and improvements	2,034,582	2,021,164
Machinery and equipment	101,951	107,630
Office equipment	72,176	46,990
Vehicles	208,575	208,575
Construction in progress	752,725	300,665
Subtotal	3,326,067	2,841,082
Less: Accumulated depreciation	(1,849,948)	(1,754,886)
Property and Equipment, Net	\$ 1,476,119	\$ 1,086,196

Note 8 - Board-Designated Quasi-Endowment Fund

In February 2020, Rancho Coastal established the Board-Designated Quasi-Endowment Fund (the "Fund"). The purpose of the Fund is to grow assets that support the strategic initiatives of Rancho Coastal. The Fund is intended to provide an ongoing and consistent source of funding to support Rancho Coastal programs and general operating expenses. Rancho Coastal may borrow up to 20% of the value of the assets in the Fund at the time of borrowing upon approval by the Finance Committee and full Board of Directors. The percentage rate that can be annually withdrawn from the Endowment will not exceed three percent (3%) of the average market value of trailing twelve quarters, provided it does not invade the corpus. The corpus is calculated as the value of the Endowment as of June 30, 2020, plus any subsequent contributions to the endowment.

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 8 - Board-Designated Quasi-Endowment Fund (Continued)

The Fund will be maintained in segregated accounts, and not commingled with the general cash and investment accounts of Rancho Coastal. The Fund will be funded with surplus operating funds without donor restriction, or a specific source of revenue set aside for the Fund. The Fund is invested in accordance with the Rancho Coastal Investment Policy Statement.

As stated above, the primary objective of the Fund is to grow assets and provide additional financial support for the mission of Rancho Coastal. Annual interest and dividends generated by the Fund shall be kept in the Fund. The Fund totaled \$9,185,153 and \$10,862,737 at June 30, 2022 and 2021, respectively.

Note 9 - 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 39% international equity, 15% hedge, 14% private equity, 11% fixed income, 10% real estate, 7% real assets, and 4% private credit. The activity in the beneficial interest in endowment funds consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Balance, Beginning of Year	\$ 762,302	\$ 587,530
Investment (loss) income	<u>(31,140)</u>	<u>174,772</u>
Balance, End of Year	<u>\$ 731,162</u>	<u>\$ 762,302</u>

Note 10 - 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>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Shelter improvements	\$ 2,850,799	\$ 415,811
Capital improvements	43,700	43,700
Senior pet adoptions	-	5,700
Total Subject to Expenditure for Specified Purpose	<u>2,894,499</u>	<u>465,211</u>
Perpetual in Nature:		
Beneficial interest in endowment funds	<u>731,162</u>	<u>762,302</u>
Total Net Assets with Donor Restrictions	<u>\$ 3,625,661</u>	<u>\$ 1,227,513</u>

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 10 - Net Assets With Donor Restrictions: (Continued)

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>2022</u>	<u>2021</u>
Purpose Restrictions Fulfilled:		
iHeart Radio	\$ 51,000	\$ -
Adoption and training of resident companion animals	21,200	43,479
Vet services	19,000	-
Kennel heaters	10,731	-
Tees for tails	10,000	-
Food bank	5,700	70,000
Foster program	5,000	16,120
Animal safehouse	-	21,000
Spay/Neuter program	-	6,990
Total Net Assets Released from Restrictions	<u>\$ 122,631</u>	<u>\$ 157,589</u>

Note 11 - 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 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

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 11 - Endowment Net Assets: (Continued)

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>2022</u>	<u>2021</u>
Endowment Net Assets at Beginning of Year	\$ 762,302	\$ 587,530
Investment (loss) income	<u>(31,140)</u>	<u>174,772</u>
Endowment Net Assets at End of Year	<u>\$ 731,162</u>	<u>\$ 762,302</u>

Note 12 - Lease:

Rancho Coastal leases the Doggie Daycare facility under an operating lease through May 31, 2023. Rental income totaled \$70,884 and \$67,792 for the years ended June 30, 2022 and 2021, respectively. The following is a schedule of future minimum lease payments to be received under the lease:

<u>Years Ended June 30</u>	
2023	\$ <u>68,002</u>
Total	<u>\$ 68,002</u>

Note 13 - 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 \$36,511 and \$114,148 for the years ended June 30, 2022 and 2021, 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 March 31, 2024, and the third on January 8, 2027. Subsequent to year-end, the lease which expires on October 31, 2022 was extended to October 31, 2027. Rancho Coastal also holds a lease to a storage facility which supports its thrift shop, under a lease agreement that expires on June 30, 2023. Rent expense for these facilities totaled \$232,026 and \$240,641 for the years ended June 30, 2022 and 2021, respectively.

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 13 - Commitments and Contingencies: (Continued)

Operating Leases (Continued)

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

<u>Years Ended June 30</u>	
2023	\$ 118,045
2024	62,452
2025	36,127
2026	36,127
2027	18,063
Total	<u>\$ 270,814</u>

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 recognized \$-0- and \$451,480 as revenue for the year ended June 30, 2022 and 2021, respectively, due to forgiveness being granted by the U.S. Small Business Administration on January 26, 2021.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Rancho Coastal is closely monitoring its liquidity, and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on Rancho Coastal’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Rancho Coastal’s donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact Rancho Coastal’s financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**RANCHO COASTAL HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 14 - Restatement:

An adjustment resulting in an increase in revenue and support and expenses at June 30, 2021 was made during the current year, which resulted in a restatement of previously reported amounts as follows as of, and for, the year ended June 30, 2021:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Statement of Activities:			
Total Revenue and Support	\$ 7,244,939	\$ 1,095,353	\$ 8,340,292
Total Expenses	\$ 3,946,537	\$ 1,095,353	\$ 5,041,890
Change in net assets for the year ended June 30, 2021	\$ 3,298,402	\$ -	\$ 3,298,402