Financial Statements
December 31, 20X1

Save Our Little Charities

(With Comparative Totals for 20X0)

This publication provides illustrative financial statements and related disclosures and is organized to be used as a reference tool for nongovernmental, not-for-profit entities other than health care providers. The example contained herein is fictitious. Any resemblance or similarities to real entities is entirely coincidental and beyond the intent of the author and the AICPA. Further, the content is intended as nonauthoritative guidance only.

This publication includes relevant guidance effective on December 31, 2019, including the NFP financial statement presentation and revenue recognition standards. However, it is not a substitute for the authoritative pronouncements. Users of this publication are urged to refer directly to the applicable authoritative pronouncements for further guidance.

This example was developed for smaller NFPs that do not typically encounter split-interest agreements, beneficial interests in trusts or community foundations or complex investments and endowments. Please visit AICPA Not-for-Profit Section for a comprehensive example of Save Our Charities financial statements that include such instruments.

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[1] [Note: All not-for-profit entities are required to report information about expenses in one location—on the face of the statement of activities, as a schedule in the notes to the financial statements, or in a separate financial statement—as discussed in FASB *Accounting Standards Codification* (ASC) 958-205-45-6 and 958-720-45-15. This requirement can be fulfilled by presenting a statement of functional expenses or providing the equivalent information in the notes to the financial statements. Presenting this information as supplementary information does not meet the requirement.]

Important Note: The AICPA Auditing Standards Board (ASB) has issued a suite of standards that principally affect the auditor's report, Statements on Auditing Standards (SAS) Nos. 134 through 140. SAS No. 141 delayed the effective date of those standards, making them generally effective for audits of financial statements for periods ending on or after December 15, 2021. Early implementation is permitted, and the ASB recommends implementing the SAS Nos. 134-140 at the same time. The report below has not been updated to reflect the new standards due to the delayed effective date. If you are early adopting SAS Nos. 134-140, please refer to this sample auditor's report illustrating implementation of the new reporting suite.

Independent Auditor's Report

The Board of Directors
Save Our Little Charities
City, State

Report on the Financial Statements
We have audited the accompanying financial statements of Save Our Little Charities (SOLC), which comprise the statement of financial position as of December 31, 20X1, and the related statement of activities, functional expenses [if presented], and cash flows for the year 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 audit. We conducted our audit 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Save Our Little Charities as of December 31, 20X, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited Save Our Little Charities 20X0 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated Month Day, 20X1. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 20X0 is consistent, in all material respects, with the audited financial statements from which it has been derived.

[Note: This example illustrates an entity that presents a single year financial statements with summarized comparative information. If the entity chooses to present two full years of financial information, the paragraph above would be omitted and references to the prior year in both the opinion paragraph and the opening paragraph would have to be added. See Save Our Charities financial statements for such example]

Audit Firm Signature

City, State
Month Day, 20X2

[NFPs also have the option to prepare a classified Statement of Financial Position]

Save Our Little Charities

Statement of Financial Position

December 31, 20X1

(with comparative totals for 20X0)

	20X1	20X0
Assets		
Cash and cash equivalents	$ 890,000	$ 820,000
Investments	858,000	677,000
Accounts receivable, net	15,000	20,000
Promises to give, net	359,000	204,000
Prepaid expenses and other assets	170,000	158,000
Cash restricted to building project	250,000	100,000
Property and equipment, net	765,000	743,000
Total assets	$ 3,307,000	$ 2,722,000
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 373,000	$ 219,000
Deferred revenue	40,000	43,000
Line of credit	157,000	200,000
Total liabilities	570,000	462,000
Net Assets		
Without donor restrictions	2,120,000	1,975,000
With donor restrictions	617,000	285,000
Total net assets	2,737,000	2,260,000
Total liabilities and net assets	$ 3,307,000	$ 2,722,000

See Notes to Financial Statements

[NFPs have multiple presentation options, such as pancake and columnar. This NFP is preparing a columnar statement.]

Save Our Little Charities

Statement of Activities

Year Ended December 31, 20X1

(with comparative totals for 20X0)

	20X1			
	Without Donor Restrictions	With Donor Restrictions	Total	20X0
Revenue, Support, and Gains				
Adoption fees	$ 1,367,000	$ -	$ 1,367,000	$ 1,189,000
Education programs	850,000	-	850,000	840,000
Contributions and grants	587,000	398,000	985,000	872,000
Gross special events revenue	274,000	28,000	302,000	268,000
Less cost of direct benefits to donors	(69,000)	-	(69,000)	(57,000)
Net special event revenue	205,000	28,000	233,000	211,000
Net investment return (loss)	44,000	-	44,000	(7,000)
Net assets released from restrictions	94,000	(94,000)	-	-
Total revenue, support, and gains	3,147,000	332,000	3,479,000	3,105,000
Expenses				
Program services expense				
Animal care	1,262,000	-	1,262,000	1,247,000
Education and outreach	831,000	-	831,000	816,000
Total program service expenses	2,093,000	-	2,093,000	2,063,000
Supporting services expense				
Management and General	592,000	-	592,000	583,000
Fundraising and development	317,000	-	317,000	220,000
Total supporting services expenses	909,000	-	909,000	803,000
Total expenses	3,002,000	-	3,002,000	2,866,000
Change in Net Assets	145,000	332,000	477,000	239,000
Net Assets, Beginning of Year	1,975,000	285,000	2,260,000	2,021,000
Net Assets, End of Year	$ 2,120,000	$ 617,000	$ 2,737,000	$ 2,260,000

[All NFPs are required to report information about expenses in one location, either on the face of the statement of activities, as a schedule in the notes to the financial statements, or as a separate financial statement. Presenting this information as supplementary information does not meet the requirement.]

Save Our Little Charities

Statement of Functional Expenses

Year Ended December 31, 20X1

(with comparative totals for 20X0)

	Program Services							
	Animal Care	Education and Outreach	Total	Management and General	Fundraising and Development	Cost of Direct Benefits to Donors	20X1	20X0
Salaries and wages	$ 630,000	$ 480,000	$ 1,110,000	$ 342,000	$ 183,000	$ -	$ 1,635,000	$ 1,708,000
Animal food and supplies	362,000	-	362,000	-	-	-	362,000	340,000
Employee benefits	98,000	72,000	170,000	51,000	28,000	-	249,000	256,000
Payroll taxes and fees	48,000	37,000	85,000	27,000	14,000	-	126,000	127,000
Professional services	20,000	-	20,000	49,000	50,000	-	119,000	40,000
Grants	-	100,000	100,000	-	-	-	100,000	80,000
Printing and postage	2,000	34,000	36,000	28,000	9,000		73,000	52,000
Meals and entertainment	-	-	-	-	-	69,000	69,000	57,000
Occupancy	37,000	16,000	53,000	10,000	4,000	-	67,000	58,000
Advertising and public awareness	-	35,000	35,000	28,000	-	-	63,000	11,000
Depreciation	33,000	14,000	47,000	8,000	3,000	-	58,000	55,000
Travel	4,000	30,000	34,000	10,000	6,000	-	50,000	43,000
Information technology	3,000	1,000	4,000	22,000	16,000	-	42,000	43,000
Insurance	15,000	8,000	23,000	6,000	3,000	-	32,000	27,000
Interest	7,000	3,000	10,000	2,000	1,000	-	13,000	15,000
Other	3,000	1,000	4,000	9,000	-	-	13,000	11,000
Total expenses by function	1,262,000	831,000	2,093,000	592,000	317,000	69,000	3,071,000	2,923,000
Less expenses included with revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	(69,000)	(69,000)	(57,000)
Total expenses included in expense section on the statement of activities	$ 1,262,000	$ 831,000	$ 2,093,000	$ 592,000	$ 317,000	$ -	$ 3,002,000	$ 2,866,000

[An NFP may choose to report cash flows from operating activities under either the direct or indirect method. If the direct method is used, a reconciliation of the change in net assets from operating activities may be reported but is not required.]

Save Our Little Charities

Statement of Cash Flows
Year Ended December 31, 20X1
(with comparative totals for 20X0)

Direct Method:

	20X1	20X0
Cash Flows from Operating Activities		
Program service payments received	$ 2,219,000	$ 2,032,000
Contributions and grants received	830,000	768,000
Receipts from special events	302,000	268,000
Other cash receipts	4,000	3,000
Payments for salaries, benefits and payroll taxes	(1,890,000)	(1,991,000)
Payments to vendors	(968,000)	(1,167,000)
Interest paid	(13,000)	(15,000)
Net Cash from (used for) Operating Activities	484,000	(102,000)
Cash Flows from Investing Activities		
Purchases of investments	(301,000)	(180,000)
Proceeds from sales of investments	160,000	32,000
Purchases of property and equipment	(80,000)	(30,000)
Net Cash used for Investing Activities	(221,000)	(178,000)
Cash Flows from Financing Activities		
Net borrowings (repayments) under line of credit	(43,000)	200,000
Net Cash from (used for) Financing Activities	(43,000)	200,000
Net Change in Cash, Cash Equivalents, and Restricted Cash	220,000	(80,000)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	920,000	1,000,000
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 1,140,000	$ 920,000

See Notes to Financial Statements

[An NFP may choose to report cash flows from operating activities under either the direct or indirect method. If the direct method is used, a reconciliation of the change in net assets from operating activities may be reported but is not required.]

Save Our Little Charities

Statement of Cash Flows

Year Ended December 31, 20X1

(with comparative totals for 20X0)

Indirect Method:

	20X1	20X0
Reconciliation of Change in Net Assets to Net Cash from (used for) Operating Activities		
Change in net assets	$ 477,000	$ 239,000
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	58,000	(55,000)
Realized and unrealized (gain) loss on investments	(40,000)	10,000
Changes in operating assets and liabilities		
Accounts receivable, net	5,000	3,000
Promises to give, net	(155,000)	(104,000)
Prepaid expenses and other assets	(12,000)	(141,000)
Accounts payable and accrued expenses	154,000	(54,000)
Deferred revenue	(3,000)	-
Net Cash from (used for) Operating Activities	$ 484,000	$ (102,000)
Cash Flows from Investing Activities		
Purchases of investments	(301,000)	(180,000)
Proceeds from sales of investments	160,000	32,000
Purchases of property and equipment	(80,000)	(30,000)
Net Cash used for Investing Activities	(221,000)	(178,000)
Cash Flows from Financing Activities		
Net borrowings (repayments) under line of credit	(43,000)	200,000
Net Cash from (used for) Financing Activities	(43,000)	200,000
Net Change in Cash, Cash Equivalents, and Restricted Cash	220,000	(80,000)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	920,000	1,000,000
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 1,140,000	$ 920,000
Supplemental Disclosure of cash Flow Information		
Cash paid during the year for interest	$ 13,000	$ 15,000

See Notes to Financial Statements

Note 1 - Principal Activity and Significant Accounting Policies

Organization

[These paragraphs should be tailored to each specific entity and include descriptions of each of the programs included in the statement of functional expenses.]

Save Our Little Charities (SOLC, we, us, our)[2] is a nonprofit organization established to prevent animal suffering and homelessness in the region. We fulfill our mission by focusing our efforts in two primary service areas.

Animal Care

We provide expert care for the homeless and injured animals and strive to find them new caring and safe homes. Our dedicated staff work to provide training and basic medical care so the animals are ready for adoption. During the year ended December 31, 20X1, we received 7,000 pets into our facility and found homes for 6,800.

Education and Outreach

Our specially trained staff members lead educational programs at our facility and throughout the region on multiple animal welfare topics. Perspective families are offered classes in animal behavior and on-going support after the adoption. We engage with community leaders to end animal homelessness and strive for collaboration between law enforcement, veterinary clinics and community centers.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 20X0, from which the summarized information was derived.

Cash, Cash Equivalents, and Restricted Cash

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects or other long-term purposes are excluded from this definition.

[2] [Many organizations use first-person voice in their footnotes (for example, “we” “us” “our”), which reflects the fact that the financial statements are a product of management and the organization, not the auditors. First-person voice may help foster a more personal, direct connection to the entity’s constituents and funders.]

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:[3]

Cash and cash equivalents	$	890,000
Cash restricted to building project		250,000
	$	1,140,000

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for off-site educational programs. We determine the allowance for uncollectable ["uncollectible" also is acceptable—be consistent throughout] accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 20X1, the allowance was $2,000.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statement of financial position. Contract liabilities are reported as deferred revenue in the accompanying statement of financial position.

Promises to Give [or **Contributions Receivable**. Use of the term *pledges receivable* is discouraged because it is considered to be ambiguous.]

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 20X1, the allowance was $15,000.

[If the entity has elected to report promises to give at fair value, then replace the preceding paragraph with the following:

We initially record unconditional promises to give and subsequently carried at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. (Note: There would be no allowance for uncollectable promises to give because collectibility is one of many factors considered in determining fair value. Note 3 would be amended to incorporate the fair value disclosures for the promises to give, and Note 4 would display the promises to give expected to be collected over the three intervals required to be presented, with a separate line showing the adjustment to arrive at fair value. The fair values would agree to the statements of financial position.)]

[3] Alternatively, this information may be presented on the face of the statement of cash flows.

Property and Equipment

We record property and equipment additions over $1,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 20X1.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

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 therein 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) 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. [Add, if applicable: Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.] 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.

[Alternatively, if the organization has adopted the following policy instead of the preceding one, then:
We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other 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 and reported in the statement of activities as net assets released from restrictions.]

Revenue and Revenue Recognition

We recognize revenue from adoption fees when the animal is transferred to the new home and education program revenue when the programs are delivered. We record special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the difference. With the exception of training programs that span several months, which are transferred over the period of class enrollment, all services are transferred at a point in time.

We recognize contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at December 31, 20X1, contributions approximating $55,000, have not been recognized in the accompanying statement of activities because the condition(s) on which they depend has not yet been met. Of the total conditional contributions, $50,000 depend on raising additional contributions before December 31, 20X2 that will be matched dollar-for-dollar. In addition, $5,000 of contributions depend on obtaining a certificate of occupancy for the new veterinary wing, which is scheduled to open its doors by the summer of 20X4.
[Adapt as needed if contracts are a combination of contributions and exchange transactions.]

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received (Note 10). [If no recordable donated goods or services, or only an immaterial amount of such were received, add: No significant contributions of such goods or services were received during the year ended December 31, 20X1]

Advertising Costs

Advertising costs are expensed as incurred, and approximated $63,000 during the year ended December 31, 20X1.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, insurance and interest, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, which are allocated on the basis of estimates of time and effort.

[All NFPs are required to report this information either on the face of the statement of activities, as a schedule in the notes to the financial statements, or as a separate financial statement. Presenting this information as supplementary information does not meet the requirement]

Income Taxes
[This disclosure must be tailored to match the fact pattern of the entity(ies) presented. Based on the materiality of uncertain tax positions, additional disclosures may be required.]

Save Our Little Charities is organized as [insert State] nonprofit corporations and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. We have determined that we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. [If the entity files Form 990-T, change the sentence to: We file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report our unrelated business taxable income.]

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Reclassifications [Add if applicable]

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. [If material, the nature of the reclassifications must be disclosed. Exercise care in determining if any reclassifications are, in effect, corrections of errors, in which case, those reclassifications would require restatement of prior-year balances even if such reclassifications had no effect on the prior year's change in net assets.]

Recent Accounting Guidance [Optional]
[Description of relevant new pronouncements, and their anticipated effects, may be added here.]

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash and cash equivalents	$	632,000
Investments		858,000
Accounts receivable, net		15,000
Promises to give, net due in one year		100,000
Prepaid expenses and other assets		5,000
	$	1,610,000

Our goal is to maintain financial assets at a level equal to 90-180 days of our operating expenses (approximately $750,000-$1,500,000). As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. We also maintain a $200,000 line of credit available to meet seasonal cash flow needs.

Note 3 - Fair Value Measurements and Disclosures

We report certain assets[4] [see Save Our Charities for an example where liabilities are also measured at fair value an included in this note] at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

[4][Investments accounted for using the equity method are not "fair value" investments and should not be included in the tabular presentation of fair value leveling disclosures.]

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of our investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. We invest in CDs traded in the financial markets. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2. We have no Level 3 investments.[5]

The following table presents assets measured at fair value on a recurring basis, except those measured at cost per share as a practical expedient as identified in the following, at December 31, 20X1[6]:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and money market (at cost)	$ 47,000	$ -	$ -	$ -
Certificate of deposit	120,000	-	120,000	-
U.S. Government obligations	275,000	-	275,000	-
Domestic equity mutual funds	416,000	416,000	-	-
	$ 858,000	$ 416,000	$ 395,000	$ -

[See notes in “Promises to Give” accounting policies for discussion of the fair value election. When such election has been made, this Note would be expanded to include all related disclosures regarding fair value level determinations, including a description of the methods and inputs used to determine the valuations and so on.]

[5] [See Save Our Charities for descriptions of FASB ASC 820-10-50-2B guidance for determining “classes” to be reported]

[6][This example achieves articulation between the totals in the table and the statement of financial position by including items not required to be measured at fair value in the Total column, but not the Level columns. An alternative would be to present subtotals within each category for items required to be measured at fair value, then adding non-fair value items to arrive at totals that articulate with the statement of financial position totals.]

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 20X1:
[See note in the "Promises to Give" accounting policy for discussion of the fair value election.]

Within one year	$ 130,000
In one to five years	221,000
Over five years	30,000
	381,000
Less discount to net present value at rates ranging from 3% to 5%	(7,000)
Less allowance for uncollectable promises to give	(15,000)
	$ 359,000

At December 31, 20X1, three donors accounted for 47 percent of total promises to give. Two contributors accounted for approximately 31 percent of total contribution revenue for the year ended December 31, 20X1.

Note 5 - Property and Equipment

Property and equipment consists of the following at December 31, 20X1:

Land and improvements	$ 150,000
Buildings and improvements	870,000
Vehicles	30,000
Furniture and equipment	120,000
	1,170,000
Less accumulated depreciation	(405,000)
	$ 765,000

[If not disclosed in the statements of functional expenses or cash flows, then: Depreciation expense totaled $58,000 for the year ended December 31, 20X1.]

A the end of our 20X0 fiscal year, we embarked on a capital campaign to build an attached veterinary wing to increase our capacity to administer basic medical care to the animals. To date, we have raised $387,000 of our $1,000,000 goal.

Note 6 - Line of Credit

We have a $300,000 revolving line of credit with a bank, secured by accounts receivable and promises to give. Borrowings under the line bear interest at the bank's prime rate plus 1%, or a floor of 5.00% (6.00% at December 31, 20X1). Accrued interest and principal are due at maturity (December, 20X4). The agreement requires us to comply with certain financial and non-financial covenants.

Note 7 - Leases

We lease equipment under various operating leases expiring at various dates through 20X8.

Future minimum lease payments are as follows:

Years Ending December 31,		
20X2	$	23,000
20X3		23,000
20X4		23,000
20X5		20,000
20X6		15,000
Thereafter		47,000
	$	151,000

Rent expense for the year ended December 31, 20X1 totaled $23,000.

Note 8 - Net Assets With Donor Restrictions

[Net assets without donor restrictions that are designed by the board for a specific use should be disclosed either on the face of the financial statements or in a footnote disclosure.]

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 20X1:

Subject to the passage of time	$	100,000
Subject to expenditure for specified purpose:		
Building expansion		387,000
Animal care		95,000
Education programs		33,000
Professional development		2,000
		517,000
	$	617,000

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 20X1:

Passage of time	$	4,000
Satisfaction of purpose restrictions		
Animal care		70,000
Educational programs		17,000
Professional development		3,000
	$	94,000

Note 9 - Revenue from Contracts with Customers

[Revenue from contracts with customers, disaggregated by type, during the year ended December 31, 20X1is depicted on the face of the statement of activities in this example. If the required disaggregation[7] is not otherwise available within the financial statements, it should be presented here.]

The following table provides information about significant changes in deferred revenue [or contract liabilities] for the year ended December 31, 20X0:[8] [If revenue was recognized during the period for performance obligations that were satisfied (or partially satisfied) in prior periods (e.g., transaction price changes), that should also be disclosed. An organization should also provide information about significant changes in contract assets, if applicable.]

[If there are any remaining performance obligations at year end, Topic 606 requires disclosure about those obligations.]

Deferred revenue, beginning of year	$	43,000
Revenue recognized that was included in deferred revenue at the beginning of year		(43,000)
Increase in deferred revenue due to cash received during the year		40,000
Deferred revenue, end of year	$	40,000

[7] Organizations that are not conduit bond obligors may elect not to make the quantitative disaggregation disclosure in FASB ASC 606-10-50-5 through 50-6 and 606-10-55-89 through 55-91; however, if the organization elects not to make this disclosure, at a minimum, the following must be disclosed: a) revenue disaggregated based on the timing of the transfer of goods or services (for example, revenue from goods or services transferred to customers at a point in time or over time); and b) qualitative information about how economic factors (such as type of customer, geographical location of customers, and type of contract) impact the nature, amount, timing, and uncertainty of revenue and cash flows.

[8] This table is required for conduit debt obligors. All other NFPs are required to disclose the beginning and ending balances of receivables, contract assets and contract liabilities arising from contracts with customers, unless separately presented or disclosed elsewhere.

Note 10 - Donated Professional Services and Materials

We received donated professional services and materials as follows during the year ended December 31, 20X1:

	Animal Care	Management and General	Total
Animal food and supplies	$ 153,000	$ -	$ 153,000
Legal services	-	15,000	15,000
Advertising	-	5,000	5,000
Other	-	2,000	2,000
	$ 153,000	$ 22,000	$ 175,000

Note 11 - Employee Benefits

We sponsor a tax-deferred annuity plan (the Plan) qualified under IRC Section 403(b) covering substantially all full-time employees. The plan provides that employees who have attained the age of 21 and completed one year of service may voluntarily contribute from 3 percent to 10 percent of their earnings to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year. During the year ended December 31, 20X1, we matched employee voluntary contributions up to 6 percent, resulting in contributions to the plan of $42,000.

Note 12 - Subsequent Events

We have evaluated subsequent events through Month Day, 20X2, the date the financial statements were available to be issued.

[The following disclosure maybe added as deemed necessary.]

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. We are closely monitoring our investment portfolio and its liquidity and are actively working to minimize the impact of these declines. Our financial statements do not include adjustments to fair value that have resulted from these declines.

