Contribution and legacy receivables are recognized when the donor makes a promise to Best Friends that is unconditional. Best Friends records an allowance for estimated uncollectible amounts. The allowance is based on prior years' experience and management's analysis of specific promises made.

When a donor restriction is satisfied, 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. Contributions received with donor-imposed restrictions that are met in the same period as received are reported as support without donor restrictions.

Contributions of assets, other than cash, are recorded at their estimated fair value. Contributions that will be received within one year from the statement of financial position date are not discounted. Contributions that are to be received over multiple years are discounted. Contribution income from the amortization of the discount on the receivables is recognized on a straight-line basis, which materially approximates the effective interest method.

Contributed Goods and Services

Best Friends does not recognize in the consolidated financial statements any services contributed by volunteers. These services consist of assisting employees with animal care activities at the sanctuary and with other animal welfare activities nationwide.

Best Friends receives donated goods, primarily of animal food and animal support supplies, which are valued at fair value at the time they are received. During the years ended September 30, 2021 and 2020, Best Friends recognized approximately $6,462,000 and $3,076,000, respectively, of in-kind support related to such donations. During the year ended September 30, 2021, Best Friends recognized approximately $1,612,000 of donated land.

Contributed services are recognized only when such services create or enhance non-financial assets; or when such services would otherwise have been purchased, require specialized skills to perform, and are provided by individuals possessing those specialized skills. During the years ended September 30, 2021 and 2020, Best Friends recognized approximately $300,000 and $275,000, respectively, of in-kind support related to such services.

Best Friends also received approximately $92,096,000 and $138,158,000 of in-kind advertising in the form of television, radio, or other media during the years ended September 30, 2021 and 2020, respectively, which is recorded as both an in-kind donation and advertising expense.

Revenue Recognition

Revenue is measured as the amount of consideration that the Organization expects to receive in exchange for goods or services. Revenue is recognized after the Organization has (1) identified the customer contract, (2) identified the performance obligation in the contract, (3) determined the transaction price, (4) allocated the transaction price to the performance obligation in the contract and (5) recognized revenue when the performance obligation has been satisfied.

Best Friends provides adoption services and also certain medical care services for animals. The fees related to these services are recognized as revenue at the time the services are provided (point in time). In addition, Best Friends sells certain merchandise and rents lodging facilities to the public allowing volunteers and others to stay near the Best Friends' sanctuary for an extended period of time. Revenues from merchandise sales are recognized at the time of sale (point in time). Revenues from rental activities are deferred in accrued liabilities and recognized after the lodging services are provided (over time). These goods and services revenues are included in other revenues in the accompanying consolidated statement of activities. The Organization does not have any material contract assets as of September 30, 2021 and 2020.

The following table presents the Organization's revenue, disaggregated by the timing of satisfaction of the performance obligations, for the years ended September 30:

	2021	2020
Revenue recognized at a point in time	$ 2,029,857	$ 1,952,101
Revenue recognized over time	1,686,279	540,344
	$ 3,716,136	$ 2,492,445

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Investments

Investments in equity and debt securities are measured at fair values in the statements of financial position to the extent such investments have quoted market values. Investments that do not have quoted market values are measured using alternative methods, including using net asset value (NAV) as a practical expedient as allowed by accounting principles generally accepted in the United States of America (GAAP). Unrealized gains and losses are included in the change in net assets. Investment returns are reported net of related external and direct internal investment expenses.

Various non-trading investments held are accounted for using the cost method but were initially valued at fair value on the date of donation. Income is recorded on these investments when cash is received.

Impairment of Long-lived Assets

Best Friends reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. An asset to be disposed of is reported at the lower of the carrying amount or fair value less costs to sell.

Property and Equipment

Best Friends capitalizes property and equipment additions of $5,000 or more. Such assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at their estimated fair values at the date of donation. Maintenance, repairs and renewals that neither materially add to the value of the property nor appreciably prolong its useful life are charged to expense as incurred. Major renewals and betterments are capitalized. Gains and losses on dispositions of property and equipment are shown as other gains or losses on the consolidated statement of activities in the year of disposition.

Depreciation and amortization of property and equipment are calculated on the straight-line method over the following estimated useful lives, or lease terms, if shorter:

Furniture, fixtures, and equipment	3 - 22 years
Automobiles and trucks	5 - 7 years
Buildings and improvements	4 - 40 years
Software and website	2 - 8 years

Perpetual Trusts
Best Friends has been named the beneficiary of a certain portion of the investment income of trusts that are to continue in perpetuity. Best Friends records an asset on the consolidated statement of financial position for its interest in these perpetual trusts based upon the estimated fair value of Best Friends' share of the perpetual trust assets as of the reporting date. When Best Friends is notified of an interest in a new perpetual trust or when the perpetual trust appreciates in value, that interest is recorded as an increase in net assets with donor restrictions in the statement of activities. Income distributed to Best Friends by the perpetual trusts is recorded initially as part of net assets with donor restrictions until it is appropriated for use by the Board of Directors, at which time it is reported as part of net assets without donor restrictions.

Best Friends has also been named as the beneficiary of certain other perpetual trusts. However, based upon the conditions imposed by the related wills and trust documents and the uncertainty surrounding the ultimate amount, if any, that Best Friends will receive, these other perpetual trusts have not been recorded.

Allocation of Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities and functional expenses. Direct identifiable expenses are charged to program and supporting services. Expenses related to more than one function are allocated to program and supporting services on the following bases:

- Salaries and wages, employee benefits, employee expenses, overtime, payroll taxes, and promotional expenses are allocated on a basis of estimated time and effort spent in each function, and for the home department on the basis of employee full-time equivalent.
- Depreciation and amortization of buildings, facilities maintenance, telephone, and utilities are allocated on a basis of square-footage.
- Depreciation and amortization of equipment is allocated on the basis of department ownership and usage of assets.

Joint Costs
Best Friends achieves some of its programmatic and fundraising goals in direct mail campaigns that include requests for contributions. The costs of conducting those campaigns included certain joint costs that are not directly attributable to the program, management and general, or the fundraising component of the activities. Those joint costs totaled and were allocated as follows for the years ended September 30:

	2021	2020
National and regional programs	$ 1,482,265	$ 897,741
Fundraising	1,671,063	680,153
	$ 3,153,328	$ 1,577,894

Advertising
Advertising costs are expensed as incurred.

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

Income Taxes

Best Friends is a public charity under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is, therefore, not subject to tax on income related to its exempt purposes under present income tax laws. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. Best Friends is required to operate in conformity with the IRC in order to maintain its qualification. Best Friends conducts a limited amount of activities that are subject to unrelated business income tax. As limited liability companies with one member, Productions, 307 Broadway, and Amber Housing are considered disregarded entities for tax purposes. The activities and balances of Productions, 307 Broadway, and Amber Housing are included with those of Best Friends Animal Society for tax reporting purposes. Best Friends Wellness Center, Inc. is organized as a corporation, separate from the tax-exempt entity. As a separate corporation, it files its own corporate income tax return and pays tax on its own taxable income. No tax provision is included for the Wellness Center as its tax liability is considered immaterial to the overall financial statements.

Best Friends has analyzed all tax positions for applicable tax jurisdictions for which the statute of limitations remain open, including U.S. federal and state jurisdictions for the years ended September 30, 2021 and 2020, and determined there were no material unrecognized tax benefits or obligations.

Prior-Year Summarized Comparative Information

The consolidated financial statements include certain 2020 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 GAAP. Accordingly, such information should be read in conjunction with Best Friends' consolidated financial statements as of and for the year ended September 30, 2020, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to conform to the 2021 presentation.

Subsequent Events

Management of Best Friends has evaluated subsequent events through February 7, 2022, which is the date the financial statements were available to be issued.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842) (ASU 2016-02). ASU 2016-02 requires a lessee to recognize assets and liabilities on the balance sheet or statement of financial position for all leases with lease terms greater than 12 months. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities,* which defers the effective date of ASU 2016-02 by one year due to COVID-19. As a result, ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2021, and early adoption is permitted. ASU 2016-02 is effective for the Organization for the year ending September 30, 2023 using a modified retrospective approach.

In September 2020, the FASB issued ASU No. 2020-07, *Not-For-Profit Entities* (Topic 958) (ASU 2020-07). ASU 2020-07 requires not-for-profit entities to improve disclosures regarding non-financial contributions received on the statement of activities and in the notes to the financial statements. ASU 2020-07 is effective for fiscal years, and interim periods within those years, beginning after June 15, 2021, with early adoption permitted. ASU 2020-07 is effective for the Organization for the year ending September 30, 2022 using a modified retrospective approach.

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 consolidated statement of financial position, comprised the following as of September 30:

	2021	2020
Financial assets:		
Cash and cash equivalents	$ 12,095,208	$ 18,147,237
Investments	71,377,477	36,936,739
Contribution and legacy receivables, net	9,599,579	17,034,665
Interest in perpetual trusts and charitable remainder trusts	18,455,119	16,540,630
	111,527,383	88,659,271
Less amounts not available to be used for general expenditure within one year:		
Net assets with donor restrictions	42,705,050	40,535,663
Charitable gift annuities, less restricted reserves	7,123,534	5,315,976
	49,828,584	45,851,639
Net amount available	$ 61,698,799	$ 42,807,632

The Organization's operations rely primarily on contributions from private sources as well as in-kind donations of goods and services. These contributions are to be used directly for the Organization's overall mission, and for this reason, only a portion of the Organization's overall financial assets above are not available for general expenditure within one year based upon donor restrictions. The Board of Directors has designated a portion of net assets without donor restrictions as further described in Note 13. These board designated net assets have not been excluded from financial assets available for general expenditure within one year, in the table above, because these designated amounts may be utilized for general expenditure at any time with approval of the Board of Directors.

The Organization monitors its liquidity and cash flow needs through the use of a budget and cash flow projections to ensure that cash inflows are sufficient to cover projected cash outflows. The accompanying statement of cash flows identifies the sources and uses of the Organization's cash. The Organization also has available the undrawn portion of a $6,000,000 line-of-credit to enable effective cash management through cyclical volatility in contribution revenue.

3. Cash and Cash Equivalents

Cash restrictions relate to the unspent portion of donor-restricted contributions that are not expected to be spent in the subsequent year. Of the cash balance as of September 30, 2021 and 2020, approximately $32,000 and $1,302,000, respectively, was at risk because it was in excess of insured limits provided by the FDIC/SIPC. To date, the Organization has not experienced a loss or lack of access to its invested cash and cash equivalents.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash accounts reported within the consolidated statements of financial position to the total of the same amounts shown in the consolidated statements of cash flows as of September 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	$ 8,048,785	$ 14,716,451
Cash and cash equivalents - restricted	4,046,423	3,430,786
	$ 12,095,208	$ 18,147,237

4. Investments

As of September 30, investments consisted of the following:

	2021	2020
Mutual funds	$ 38,839,135	$ 12,311,676
Common Stock	18,668,242	15,530,008
Other bonds	8,027,972	7,047,823
Hedge funds	3,951,612	1,711,071
Government bonds	1,088,145	272,599
Real estate investment trust	750,000	-
Other Investments	52,371	63,562
	$ 71,377,477	$ 36,936,739

Components of investment income for the years ended September 30, 2021 and 2020, are summarized as follows:

	Year Ended September 30, 2021		
	Investments	Cash and Cash Equivalents	Total
Net realized gain on sale of investments	$ 1,204,383	$ -	$ 1,204,383
Net unrealized gain on investments	9,397,338		9,397,338
Net investment income	10,601,721	-	10,601,721
Interest and dividend income	556,326 *	10,048	566,374
	$ 11,158,047	$ 10,048	$ 11,168,095

	Year Ended September 30, 2020		
	Investments	Cash and Cash Equivalents	Total
Net realized gain on sale of investments	$ 1,058,347	$ -	$ 1,058,347
Net unrealized loss on investments	742,086		742,086
Net investment income	1,800,433	-	1,800,433
Interest and dividend income	476,132 *	8,840	484,972
	$ 2,276,565	$ 8,840	$ 2,285,405

* Includes interest and dividends relating to annuities and securities.

Investment expenses for the years ended September 30, 2021 and 2020 totaled $350,379 and $203,361, respectively, and were netted against related investment interest and dividend income on the accompanying consolidated statement of activities.

Investments in hedge funds comprised shares owned in Elliott International Limited, valued at $1,937,612 and $1,711,071 as of September 30, 2021 and 2020, respectively, and GLAS funds valued at $2,014,000 and $0 as of September 30, 2021 and 2020, respectively.

Elliott International Limited's investment strategy involves trading, through its affiliate, in a wide range of United States and non-United States equity and debt securities and other financial and investment interests, instruments, and property with the principal objective of generating a return consistent with a goal of minimizing losses during adverse financial market periods. Best Friends can redeem up to 25% of its shares of Elliott International Limited semi-annually on the first day of a fiscal quarter, although redemptions are not permitted on consecutive quarterly redemption dates. All redemptions are subject to a charge of 1.75% of the amount to be redeemed.

GLAS fund's investment strategy involves investing primarily in floating rate, senior secured, first lien term loans to U.S. middle market private equity-sponsored companies. The strategy focuses on capital preservation driven by in-depth credit analysis. A collaborative approach to sourcing produces substantial deal flow, allowing for investment selectivity while preserving economics for investors. Downside risk is managed through diversified portfolio construction. Best Friends can redeem its shares of GLAS funds quarterly or semi-annually, depending on the fund.

5. Fair Value Measurement

GAAP defines fair value and establishes a framework for measuring fair value. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The fair value hierarchy prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (supported by little or no market activity).

All investments are considered to be Level 1 with the exception of a Level 2 real estate investment valued at $750,000 and $0 as of September 30, 2021 and 2020, respectively, as well as certain investments that, in accordance with GAAP subtopic 820-10, have not been classified in the fair value hierarchy and are measured using the net asset value per share (or its equivalent) practical expedient and are summarized as follows:

Investments	**Fair Value**	**Unfunded Commitments**	**Redemption on Frequency**	**Redemption on Notice Period**
Hedge funds (2021)	$ 3,951,612	-	quarterly or semi-annual	60-90 days
Hedge funds (2020)	$ 1,711,071	-	semi-annual	60 days

6. Contribution and Legacy Receivables

Best Friends expects to collect its contribution and legacy receivables over the following years as of September 30, 2021:

Years Ending September 30,	
2022	$ 7,066,323
2023	1,677,089
2024	988,680
2025	682,900
2026	108,399
Thereafter	70,020
Total contribtution and legacy receivables	10,593,411
Less discount	(414,168)
Less allowance for uncollectible amounts	(579,664)
Total	$ 9,599,579

Contribution and legacy receivables expected to be collected in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.5%. Management has estimated and recorded an allowance for uncollectible receivables as of September 30, 2021, where collection was not deemed probable.

A major donor is one that comprises more than 10% of the Organization's contribution and legacy receivables. Concentrations of contribution and legacy receivables as of September 30 were as follows:

	2021	2020
Donor A	20%	16%
Donor B	*	11%

*Donor accounted for less than 10% for the period indicated.

7. Property and Equipment

Property and equipment consisted of the following as of September 30:

	2021	2020
Furniture, fixtures and equipment	$ 6,364,991	$ 5,782,276
Automobiles and trucks	4,242,165	4,210,681
Buildings and improvements	45,590,646	39,925,556
Land	21,258,969	20,170,415
Construction in progress	8,421,482	9,057,894
Software and website	2,338,946	2,338,946
	88,217,199	81,485,768
Accumulated depreciation and amortization	(27,291,470)	(24,620,367)
Property and equipment, net	$ 60,925,729	$ 56,865,401

Depreciation and amortization expense for the years ended September 30, 2021 and 2020 totaled $2,881,021 and $3,201,617, respectively.

Internal and external costs incurred to develop internal-use computer software during its application development stage are capitalized according to GAAP. Likewise, internal and external costs incurred to develop a website are also capitalized.

8. Line of Credit

Best Friends has a credit facility with a financial institution, consisting of a bridge line of credit with interest at 2.5% above the 3-month LIBOR/Swap rate and a borrowing capacity of $6,000,000. As of September 30, 2021, the interest rate was 3.50%. The outstanding balance was $0 and $728,647 as of September 30, 2021 and 2020, respectively. The credit line was entered into in January 2016, renewed in May 2018 and July 2020, and expires in June 2022. Two letters of credit in the amounts of $801,637 and $100,000, with maturity dates of June 30, 2022 and July 21, 2022, respectively, were issued from this $6,000,000 line of credit; these letters of credit directly reduce the amount available to borrow on this line. This line of credit requires the Organization to meet certain affirmative and negative covenants, which management believes the Organization was in compliance with as of September 30, 2021.

9. Charitable Gift Annuities Payable

Best Friends has entered into charitable gift annuity agreements wherein donors (the annuitants) conveyed to Best Friends assets in exchange for annual payments to the annuitants during their lifetimes. The liability is calculated at the date of donation by calculating the present value of the annual payments over the expected remaining life of the annuitants. Contribution revenue, which is the fair value of the contribution less its corresponding liability, is included in the consolidated statement of activities in the year of contribution. Contribution revenue recognized under charitable gift annuity agreements during the years ended September 30, 2021 and 2020 totaled $655,906 and $389,953, respectively.

The following table shows the aggregate annual maturities over the next five years and thereafter as of September 30, 2021. Current annuities are paid out annually at a range of 0.52% to 11.0% of the original gift amount. Since the liability is estimated based upon the donor's life expectancy, the duration of the actual payments could differ from those estimated.

Years Ending September 30,		
2022	$	378,443
2023		390,585
2024		377,096
2025		363,446
2026		335,103
Thereafter		2,177,823
Total annuities payable	$	4,022,496

10. Notes Payable

In October 2018, Best Friends entered into a financing agreement with an equipment financer with an interest rate of 9%, in the amount of $133,565, and due in quarterly installments of $5,565. The note is secured by the associated equipment under the financing agreement. The agreement matures in November 2024.

In July 2019, Best Friends entered a note payable agreement with a bank with an interest rate of 2.5% above the 10-year LIBOR/Swap rate, in the amount of $6,500,000. The Organization prepaid approximately $3,600,000 of the note during fiscal year 2020. As a result, the monthly installment of $49,828 was reduced to $16,862. As of September 30, 2021, the interest rate was 4.464%. The note is secured by property and other investments held by the Organization. The note matures in July 2029. This note requires the Organization to meet certain affirmative and negative covenants.

In July 2020, Best Friends entered a note payable agreement with a bank with an interest rate of 2% above the 10-year US treasury rate, in the amount of $23,500,000, and due in monthly installments of $130,849. As of September 30, 2021, the interest rate was 3%. The note is secured by property held by the Organization. The note matures in July 2030. This note requires the Organization to meet certain affirmative and negative covenants.

In August 2020, Best Friends entered a note payable agreement with a bank with an interest rate of 3.25% in the amount of $15,800,000, and due in monthly installments of $129,738. The note matures in March 2033. This note requires the Organization to meet certain affirmative and negative covenants.

As of September 30, 2021, management believes the Organization was in compliance with all affirmative and negative debt covenants.

The scheduled maturities of the notes payable and the associated amortization of the debt issuance costs as of September 30, 2021, are as follows:

Years Ending September 30,	Principal Payable	Debt Issuance Costs
2022	$ 2,081,395	$ (25,535)
2023	2,077,381	(25,502)
2024	2,147,859	(25,469)
2025	2,227,473	(25,431)
2026	2,306,662	(25,394)
Thereafter	28,850,016	(96,588)
	$ 39,690,786	$ (223,919)

11. Leases

Best Friends leases certain property, equipment and land. Payments made on operating leases are recorded as expenses in the consolidated statement of activities. Total expenses on such operating leases were approximately $957,000 and $940,000 for the years ended September 30, 2021 and 2020, respectively.

The following is an annual schedule of future minimum lease payments which includes amendments signed subsequent to year-end but relating to certain existing leases. Several of the lease agreements also include a maintenance portion in the lease payments. The maintenance portion has been excluded from these payments and is expensed as paid.

Years Ending September 30,	
2022	$ 889,438
2023	786,769
2024	732,320
2025	636,927
2026	334,143
Thereafter	860,805
	$ 4,240,402

12. Other Liability – 5 Acres Agreement

For a number of years, the Board of Directors of Best Friends has allowed certain founders to each occupy 5 acres of land owned by Best Friends for the purpose of constructing private residences under the terms of the 5 Acres Agreement. The qualifying founders are those who served long and faithfully in the mission of Best Friends for relatively little material reward. The qualifying founders are responsible for the payment of rent and for all costs of construction and maintenance of the residences.

Qualifying founders have the use of the land but have no ownership interest in it. Best Friends retains ownership of the land and also control of who uses it for residential purposes. When a 5-acre parcel becomes vacant or at the option of a founder, Best Friends will purchase the residence at the appraised replacement cost. Best Friends will assume and pay any financing related to the structure to the extent the amount outstanding is less than the replacement cost. If there is no such financing, the replacement cost is paid in full within one year to the estate of a deceased occupant or to the occupant if the occupant's employment terminates.

Management has estimated the liability for these future purchases, which is included in the consolidated statements of financial position, based on factors such as: county market values, annual property appreciation, life expectancy, and a present value discount rate of 3%. A corresponding other asset, reflected in the consolidated statements of financial position, is recognized in connection with the liability. Furthermore, given the unique circumstances, it is probable that a significant portion of the qualifying founders will bequeath their residences to Best Friends upon death. Under such circumstances, Best Friends would not be required to purchase the residence.

13. Board Designated Net Assets Without Donor Restrictions

Board designated net assets without donor restrictions comprised the portion of net assets that the Board of Directors of the Organization has voluntarily designated for specific purposes as shown below as of September 30:

	2021	2020
Reserve Fund	$ 41,553,275	$ 22,539,877
Strategic Opportunities Fund	7,364,466	5,963,689
Total board designated net assets without donor restrictions	$ 48,917,741	$ 28,503,566

The Reserve Fund exists to provide funds during times of revenue volatility, unplanned one-time expenses, or to be used to support the operations of the Organization in the event such funds are needed. The use of these funds requires the approval of the Board of Directors.

A Strategic Opportunities Fund was created during the year ended September 30, 2019 and exists to provide funds for investment or spending opportunities of a strategic and time-limited nature.

14. Net Assets With Donor Restrictions

Net assets with donor restrictions comprised the unspent portion of various restricted donations, which are restricted due to time or purpose, unappropriated earnings on the endowments, and the charitable gift annuity reserves required by the various states in which the contracts originated, net of the related liabilities, as shown below as of September 30:

	2021	2020
Purpose and time restricted net assets:		
New buildings or equipment	$ 8,745,966	$ 8,199,215
Charitable remainder trusts	4,109,742	3,655,900
Outreach programs	3,539,061	6,532,029
Charitable gift annuity reserves	3,391,837	2,504,757
Donor endowment - unspent income	2,604,741	1,369,632
Lifetime care of animals	104,715	532,343
	22,496,062	22,793,876
Interests in third-party trusts:	14,345,377	12,884,730
Donor restricted endowment funds:		
Endowments for operations	2,549,972	2,119,253
Endowments for dogs and other sanctuary animals	2,893,323	2,317,488
Other endowments - community cat program	420,316	420,316
	5,863,611	4,857,057
Total net assets with donor restrictions	$ 42,705,050	$ 40,535,663

Donor restricted endowment funds include original contributed principal of $4,857,057 and no individual donor endowment has a current fair value that is less than the original contributed principal.

15. Endowments

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958 (ASC 958), *Not-for-profit entities,* provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The state of Utah has adopted UPMIFA. Best Friends' endowment fund consists of donor-restricted funds and a board designated fund. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as part of net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Net Assets Composition by Fund Type

The Organization's endowment funds and its interests in perpetual trusts held by others consisted of the following as of September 30:

	2021		
	Without Donor Restrictions - Board Designated	With Donor Restrictions	Total
Endowment funds	$ -	$ 8,468,352	$ 8,468,352
Interest in perpetual trusts held by others	-	14,345,377	14,345,377
Total	$ -	$ 22,813,729	$ 22,813,729

	2020		
	Without Donor Restrictions - Board Designated	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$ 6,226,689	$ 6,226,689
Interest in perpetual trusts held by others	-	12,884,730	12,884,730
Total	$ -	$ 19,111,419	$ 19,111,419

Changes in Endowment Net Assets

The changes in the endowment net assets were as follows for the years ended September 30, 2021 and 2020:

	Without Donor Restrictions - Board Designated	With Donor Restrictions	Total
Endowment net assets as of September 30, 2020	$ -	$ 19,111,419	$ 19,111,419
Investment return:			
Investment income	-	24,513	24,513
Net gain (realized and unrealized)	-	2,755,721	2,755,721
Total net investment gain	-	2,780,234	2,780,234
Contributions	-	1,241,709	1,241,709
Appropriation of endowment assets for expenditure	-	(319,633)	(319,633)
Endowment net assets as of September 30, 2021	$ -	$ 22,813,729	$ 22,813,729

	Without Donor Restrictions - Board Designated	With Donor Restrictions	Total
Endowment net assets as of September 30, 2019	$ -	$ 18,792,869	$ 18,792,869
Investment return:			
Investment income	-	40,727	40,727
Net gain (loss) (realized and unrealized)	-	564,345	564,345
Total net investment gain (loss)	-	605,072	605,072
Contributions	-	545,544	545,544
Appropriation of endowment assets for expenditure	-	(832,066)	(832,066)
Endowment net assets as of September 30, 2020	$ -	$ 19,111,419	$ 19,111,419

Return Objectives and Risk Parameters
Best Friends has adopted formal investment and spending policies specifically for endowment assets. Endowment assets include those assets of donor-restricted funds that Best Friends must hold in perpetuity. Under Best Friends' policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a reasonable return while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, Best Friends relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Best Friends targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policies
Best Friends' spending policies are consistent with the objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through investment return.

16. Retirement Plan
Best Friends maintains a 401(k) plan. Employees age 21 or older are eligible for participation in the plan on the first day of the month following 90 days of employment. Matching contributions are available the first day of the quarter after having worked at least two years of full-time employment during which the employee was compensated for at least 1,000 hours, as measured from the employee's hiring anniversary date. Contributions are made based on regular payroll compensation for each eligible employee. The Organization's contributions to the plan were $1,707,549 and $1,504,323 for the years ended September 30, 2021 and 2020, respectively.

17. Commitments and Contingencies
Founder Post Employment Services Agreement
On April 29, 2011, the Board of Directors approved a "Post Employment Services Agreement" that replaced a Founders Retirement Program. A change to the Bylaws of Best Friends on April 29, 2011 was also approved with the change establishing a standing committee to the Board of Directors, the Emeritus Founder Advisory Committee (Committee). This Committee was established to formalize the continued contributions that founders (no longer working full-time at Best Friends) make, plus provide them a forum directly with the board.

Members of the Committee provide services to Best Friends under their Post Employment Services Agreement. In exchange for the related services, the participating founders are entitled to bi-monthly payments as per the Post Employment Services Agreement. All founders who are no longer employed full-time by Best Friends are eligible to participate in this service-based agreement if they choose to do so. Eleven founders were active under this program during the years ended September 30, 2021 and 2020, and received compensation totaling $682,183 and $610,389, respectively, under the Post Employment Services Agreement.

Legal Matters
Best Friends is involved in various legal actions occurring in the normal course of activities. While the final outcomes cannot be determined at this time, management is of the opinion that the resolution of these matters will not have a material adverse effect on Best Friends' financial position.

COVID-19 Pandemic

As a result of the COVID-19 Pandemic, economic uncertainties have arisen which may negatively impact operations. The extent of this impact is unknown at this time.

18. Unusual and Infrequently Occurring Matters

Asset Purchase Agreement

On December 5, 2019, Best Friends executed a conditional Asset Purchase Agreement (Agreement) to purchase land adjacent to its headquarters property in Kanab, Utah and related specified rights. $7,000,000 was paid on December 9, 2019 as an initial payment for certain of the rights, including mining claims held by the seller. The Agreement also contained a covenant where seller agreed to not own, operate, have a financial interest in, cause a third party to undertake, or otherwise participate in any commercial sand mining operations or any other type of mining or resource extraction or collection operations within Kane County, Utah. After satisfaction of the Agreement conditions, Best Friends completed the purchase of certain land from the State of Utah School and Institutional Trust Lands Administration (SITLA); and made a final payment to the seller in exchange for the certain rights and covenants.

The total outlay for the land and rights and seller payment was $19,778,400. The portion of the total related to the appraised value of the land, $6,303,400, is included in property and equipment on the consolidated statement of financial position. The remaining portion of the payment, $13,475,000 is reported separately as community preservation expense on the consolidated statement of activities.

Voluntary Separation Agreement

In August of 2020, as part of a strategic and structural realignment, Best Friends offered to all of its employees the opportunity to voluntarily separate from the Organization. For the majority of employees, the agreement to separate was required to be made by September 30, 2020, though actual separation dates could be later. In exchange for the agreement to separate, employees are entitled to a lump sum payment of an amount determined by the stated offer upon separation. As of September 30, 2020, a total expense of $1,782,761 is included in salaries and wage expense on the consolidated statement of functional expenses to reflect this obligation, with the unpaid balance included in accounts payable and accrued liabilities on the consolidated statement of financial position. The full amount was paid out during the year ended September 30, 2021.

19. Subsequent Events

On December 15, 2021, the Organization signed a non-interest bearing promissory note with a private foundation with a total available amount of $2,500,000. The proceeds of the note are restricted by the private foundation for a defined project. Annual payments on drawn balances begin on September 30, 2023 and continue through September 30, 2025.