

**TREE HOUSE HUMANE SOCIETY, INC.**

**FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2019**

**TOGETHER WITH AUDITOR'S REPORT**



Certified Public Accountants  
4320 WINFIELD ROAD, SUITE 450  
WARRENVILLE, IL 60555  
630 665 4440  
[duganlopatka.com](http://duganlopatka.com)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Tree House Humane Society, Inc.:

We have audited the accompanying financial statements of Tree House Humane Society, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses 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.

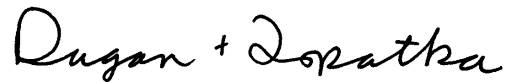
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tree House Humane Society, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Correction of Error*

As described in Note 11 to the financial statements, Tree House Humane Society incorrectly calculated depreciation expense based on the depreciation method being used by the Society. Our opinion is not modified with respect to that matter.

A handwritten signature in black ink that reads "Dugan + Lopatka". The signature is written in a cursive, flowing style.

DUGAN & LOPATKA

Warrenville, Illinois  
May 29, 2020

TREE HOUSE HUMANE SOCIETY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019

A S S E T S

## CURRENT ASSETS:

Cash and cash equivalents	\$ 1,598,522
Receivables	25,000
Investments	1,381,532
Prepaid expenses	25,803
	3,030,857

Total current assets

3,030,857

## PROPERTY AND EQUIPMENT

Land	630,000
Building and building improvements	6,564,417
Machinery and equipment	308,064
Furniture and fixtures	217,674
Vehicles	51,326
	7,771,481

Less - Accumulated depreciation

(700,601)

Total property and equipment

7,070,880

## OTHER ASSETS:

Cash held for investment in perpetuity	7,520
	7,520

Total assets

\$ 10,109,257

L I A B I L I T I E S   A N D   N E T   A S S E T S

## CURRENT LIABILITIES:

Accounts payable	\$ 25,593
Accrued expenses	67,929
Mortgage payable, current portion	87,885
	181,407

Total current liabilities

181,407

## LONG-TERM LIABILITIES:

Mortgage payable, net of current portion	369,649
	369,649

## NET ASSETS:

Without donor restrictions	9,448,497
With donor restrictions	109,704
	9,558,201

Total net assets

9,558,201

Total liabilities and net assets

\$ 10,109,257

The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT:</b>			
Contributions	\$ 1,510,156	\$ 95,000	\$ 1,605,156
Grant	18,638	45,000	63,638
Bequests	3,282,697	-	3,282,697
Membership dues	20,883	-	20,883
Special events	107,403	-	107,403
Assets released from restrictions	39,920	(39,920)	-
	<u>4,979,697</u>	<u>100,080</u>	<u>5,079,777</u>
<b>PROGRAM SERVICE FEES AND OTHER:</b>			
Program fees	132,037	-	132,037
Merchandise sales	58,059	-	58,059
Miscellaneous income	11,737	-	11,737
Investment income	126,921	-	126,921
	<u>328,754</u>	<u>-</u>	<u>328,754</u>
Total program service fees and other revenues	<u>328,754</u>	<u>-</u>	<u>328,754</u>
Total revenues and other support	5,308,451	100,080	5,408,531
<b>EXPENSES:</b>			
Program services			
Shelter	823,847	-	823,847
Clinic	690,635	-	690,635
Other community programs	143,746	-	143,746
	<u>1,658,228</u>	<u>-</u>	<u>1,658,228</u>
Total program services	<u>1,658,228</u>	<u>-</u>	<u>1,658,228</u>
Support			
Management and general	523,723	-	523,723
Fundraising	411,542	-	411,542
	<u>935,265</u>	<u>-</u>	<u>935,265</u>
Total support	<u>935,265</u>	<u>-</u>	<u>935,265</u>
Total expenses	<u>2,593,493</u>	<u>-</u>	<u>2,593,493</u>
CHANGES IN NET ASSETS	2,714,958	100,080	2,815,038
NET ASSETS, beginning of year, as previously reported	6,661,355	9,624	6,670,979
PRIOR PERIOD ADJUSTMENT	72,184	-	72,184
NET ASSETS, beginning of year, as restated	<u>6,733,539</u>	<u>9,624</u>	<u>6,743,163</u>
NET ASSETS, end of year	<u>\$ 9,448,497</u>	<u>\$ 109,704</u>	<u>\$ 9,558,201</u>

The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 2,815,038
Adjustments to reconcile change in total net assets to net cash provided by operating activities:	
Depreciation	236,406
Contributions received for long-term purposes	(82,500)
Realized and unrealized (gain) on investments	(63,658)
Change in current assets and liabilities:	
(Increase) in contribution receivable	(25,000)
Decrease in other assets	2,104
(Increase) decrease in inventory, prepaid expenses and deposits	(11,384)
Increase in accounts payable	20,390
Increase in accrued expenses	67,929
	<hr/>
Net cash provided by operating activities	2,959,325
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CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(1,051,555)
Purchase of fixed assets	(100,020)
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Net cash (used in) investing activities	(1,151,575)
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CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for long-term purposes	82,500
Payments on mortgage payable	(1,228,427)
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Net cash (used in) financing activities	(1,145,927)
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NET CHANGE IN CASH AND CASH EQUIVALENTS	661,823
CASH AND CASH EQUIVALENTS, Beginning of year	936,699
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CASH AND CASH EQUIVALENTS, End of year	\$ 1,598,522
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The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services				Support			Organization Total
	Shelter Services	Clinical and Veterinary Services	Other Community Programs	Total	Management and General	Fundraising	Total	
Salaries	\$ 480,896	\$ 377,137	\$ 76,961	\$ 934,994	\$ 258,810	\$ 172,450	\$ 431,260	\$ 1,366,254
Employee benefits	7,719	6,155	1,256	15,130	4,485	2,682	7,167	22,297
Payroll taxes	35,349	28,033	5,782	69,164	37,625	12,239	49,864	119,028
Advertising	-	-	1,453	1,453	-	856	856	2,309
Bank and credit card fees	2,548	139	53	2,740	1,764	16,279	18,043	20,783
Consultants	-	-	75	75	18,540	20,721	39,261	39,336
Depreciation	83,210	65,257	13,317	161,784	44,783	29,839	74,622	236,406
Equipment rental	9,081	7,122	1,453	17,656	16,017	21,417	37,434	55,090
Food	4,916	3,475	799	9,190	9,421	688	10,109	19,299
Insurance	40,273	31,583	6,445	78,301	21,674	14,442	36,116	114,417
Interest	22,126	17,352	3,541	43,019	11,908	7,935	19,843	62,862
Lab tests	-	23,133	-	23,133	-	-	-	23,133
Licenses and fees	3,481	831	648	4,960	2,496	267	2,763	7,723
Medicine	-	70,249	-	70,249	-	-	-	70,249
Occupancy	35,978	28,215	5,758	69,951	19,363	12,902	32,265	102,216
Office supplies	32,241	16,569	7,027	55,837	17,018	12,599	29,617	85,454
Payroll service	-	-	-	-	9,761	-	9,761	9,761
Postage and shipping	247	167	3,889	4,303	10,542	12,274	22,816	27,119
Printing and publications	866	483	7,362	8,711	4,403	38,066	42,469	51,180
Professional fees	5,356	2,455	2,361	10,172	17,336	6,887	24,223	34,395
Supplies	52,330	1,828	4,672	58,830	6,681	26,563	33,244	92,074
Telephone	1,079	32	-	1,111	9,911	-	9,911	11,022
Taxes	-	-	-	-	115	1,667	1,782	1,782
Travel	6,046	5,955	894	12,895	1,070	769	1,839	14,734
Veterinary Fees	105	4,465	-	4,570	-	-	-	4,570
Total expenses	\$ 823,847	\$ 690,635	\$ 143,746	\$ 1,658,228	\$ 523,723	\$ 411,542	\$ 935,265	\$ 2,593,493

The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities -

Tree House (the Society) is one of Chicago's oldest cage-free cat shelters, founded in 1971. The Society envisions a world where every cat thrives. The mission of the organization is to empower communities of caregivers to protect, nurture, and support solutions so no cat suffers.

- Shelter Services: care and placement of shelter cats in forever homes after screening and counseling. Tree House is a top transfer/rescue partner for high-intake shelters in Chicago and Illinois, and has a Cat Café that highlights Feline Leukemia cats.
- Clinical and Veterinary Services: high-quality vet care, spay/neuter, vaccinations, and surgeries for resident and community cats; and foster care for cats who are recovering. Planning is also underway for the Veterinary Wellness Center to open in 2021 to serve the general public. Pet caregivers will be able to access low cost spay/neuter and basic wellness services that will help them keep their pets healthy and home. This community initiative will aim to fight one of the causes of pets being surrendered to shelters: illness and inability to pay for treatment.
- Community Programs: trap/neuter/return and support for volunteers caring for 4,000+ outdoor cats throughout Chicagoland; and relocation of feral cats to residences/businesses for rodent control, a pet food pantry; and humane education for local retirement and student communities.

The financial statements were available to be issued on May 29, 2020, with subsequent events being evaluated through this date.

Basis of Accounting -

The accounts of the Society are maintained on the accrual basis.

Basis of Presentation -

Information regarding the financial position and activities of the Society are reported in two classes of net assets (as applicable): net assets without donor restrictions or net assets with donor restrictions, the latter of which is based on the existence or absence of externally (donor) imposed restrictions on contributions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

*Without donor restrictions* - Net assets that are not subject to donor-imposed stipulations. They include all activities of the Society, except for those that are temporarily or permanently restricted by donors. Board designated amounts are part of unrestricted net assets.

*With donor restrictions* - Net assets subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Society (purpose restrictions). Net assets with donor restrictions are also subject to the restrictions imposed by donors who require that the principal of this class of net assets be retained in perpetuity as an endowment with only the income to be reclassified to unrestricted net assets.



(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalents -

The Society considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, excluding those amounts contained in the investment portfolios.

Receivable and Bad Debt Expense -

Management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If an amount becomes uncollectible, it is charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Inventory -

Inventory is stated at the lower of cost or market, using procedures which approximate the first-in, first-out (FIFO) method of inventory valuation.

Property and Equipment -

Property and equipment is recorded at historical cost. The Society capitalizes fixed asset additions over \$1,000. Depreciation is computed using the straight-line method for all property and equipment. The estimated useful lives in computing depreciation are as follows:

<u>Description</u>	<u>Years</u>
Buildings	30
Building Improvements	5 - 30
Machinery and Equipment	3 - 10
Furniture and Fixtures	3 - 10
Vehicles	5

Depreciation expense for the year ended December 31, 2019 was \$236,406.

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in the statement of activities.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue Recognition for Public Support -

The Society recognizes public support when cash, securities or other assets; an unconditional promise to give; or a 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 met. The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Program Service Fees -

The Society's revenue consists primarily of adoption fees, veterinary clinic fees, and merchandise sales. These services are considered to be a single performance obligation that is satisfied at a point in time when services are provided. Revenues from adoption fees are recognized at the point in time when a cat is placed with its new owner. Revenues from veterinary clinic services are recognized when the services are provided. Revenues from merchandise sales are recognized at the point the merchandise is transferred to the customer.

Disaggregation of Program Fees Revenue -

Adoption Fees	\$ 129,074
Veterinary clinic fees	<u>2,963</u>
Total program fees	<u>\$ 132,037</u>

Functional Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses and depreciation which are allocated on the basis of estimates of time and effort.

Income Taxes -

The Society is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code and is not considered to be a private foundation. It is also required to recognize or derecognize in its financial statements positions taken or expected to be taken in a tax return on a "more likely than not" threshold. The Society does not believe its financial statements include any uncertain tax positions. The Society's income tax filings for the years 2016 and thereafter remain subject to examination by the Internal Revenue Service.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the relevant period. Actual results could differ from those estimates.

New Accounting Pronouncements -

Effective January 1, 2019, the Society adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in generally accepted accounting principles in the United State of America (GAAP). The new guidance requires the Society to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue, and cashflows arising from contracts with customers. The adoption of this new guidance was done using the modified retrospective method. The Society applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

Also, effective January 1, 2019, the Organization adopted ASU 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions.

The adoption of these new standards did not result in a material impact to the Society's financial statements. There was no significant effect on the financial statements related to the adoption of these new standards which would require a cumulative adjustment to net assets at the date of adoption under the modified retrospective method.

(2) CONCENTRATIONS:

Credit Risk -

Financial instruments, which potentially subject the entity to concentrations of credit risk, consist of money market accounts and investment securities.

The Society places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. The Society maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts.

(2) CONCENTRATIONS: (Continued)

Credit Risk - (Continued)

The Society has significant investments in stocks, bonds, and mutual funds and, therefore, is subject to concentrations of credit risk. Investments are monitored, and recommendations are made, by the finance committee, for approval by the Board of Directors. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Society and its beneficiaries.

Bequests -

In 2019, The Society was the beneficiary of a bequest from a single trust that amounted to approximately 52% of total revenue.

(3) INVESTMENTS:

The composition of investments at December 31, 2019 is as follows:

Equities	\$ 263,347
Fixed income funds	90,903
Community foundation fund	<u>1,027,282</u>
	<u>\$ 1,381,532</u>

Investment return for the year ended December 31, 2019 consists of the following:

Dividends and interest	\$ 63,263
Unrealized gain on investments	<u>63,658</u>
	<u>\$ 126,921</u>

(4) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for Fair Value Measurements established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

(4) FAIR VALUE MEASUREMENTS: (Continued)

Level 2:

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Equity funds and fixed income funds: Valued at the quoted market price the individual securities are traded on.

Community Foundation Fund: Valued at the fair market value of the Society’s share of net assets of the Foundation as of December 31, 2019.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Society’s assets at fair value:

<u>Description</u>	<u>Assets at Fair Value as of December, 31 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 263,347	\$ -	\$ -	\$ 263,347
Fixed income funds	90,903	-	-	90,903
Community foundation fund	-	-	1,027,282	1,027,282
Total assets at fair value	<u>\$ 354,250</u>	<u>\$ -</u>	<u>\$ 1,027,282</u>	<u>1,381,532</u>

(4) FAIR VALUE MEASUREMENTS: (Continued)

The table below sets forth a summary of changes in the fair value of the Society's level 3 assets for the year ended December 31, 2019:

Balance, beginning of year	\$ -
Realized and unrealized gain relating to instruments held at end of year	24,629
Interest, purchases and sales, net	<u>1,002,653</u>
Balance, end of year	<u>\$ 1,027,282</u>

(5) MORTGAGE PAYABLE:

Payable to a bank in monthly installments of \$9,373, principal and interest, through July, 2024, bearing interest at 5.242%, and secured by land and building.	\$ 457,534
Less - Current maturities	<u>87,885</u>
Long-term maturities	<u>\$ 369,649</u>

The aggregate maturities for long-term debt for each of the succeeding five years are as follows:

2020	\$ 87,885
2021	94,955
2022	100,031
2023	105,399
2024	<u>69,264</u>
Total	<u>\$ 457,534</u>

(6) LEASES:

The Society leases veterinary lab equipment with monthly rental payments of \$720 and an expiration date in September 2023. The Society is responsible for adequate maintenance of the equipment.

The Society leases copiers and other IT equipment with monthly payments of \$2,241 and an expiration date in March 2021. Maintenance and IT services are included in the lease.

(6) LEASES: (Continued)

Total future minimum lease commitments for each of the next four years are as follows:

2020	35,533
2021	15,366
2022	8,643
2023	<u>5,762</u>
	<u>\$ 65,304</u>

Total rent expense for the years ended December 31, 2019 was \$33,673.

(7) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at December 31, 2019 are as follows:

Capital campaign	\$ 82,500
Foster care	2,500
Vehicle and signage	17,184
In perpetuity	<u>7,520</u>
	<u>\$ 109,704</u>

(8) DONATED MATERIALS AND SERVICES:

In-kind donations of material are recorded at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Society did not receive in-kind donations of materials during the year ended December 31, 2019.

Donations of services are recorded if they create or enhance a non-financial asset or are specialized skills that would be purchased if they were not donated. The Society did receive donated services for the years ended December 31, 2019; however, no amounts have been reflected in the financial statements since the Society pays for most services requiring specific expertise and other individuals volunteer their time.

(9) ADVERTISING COSTS:

Advertising costs, used by the Society to promote its programs among the audiences it serves, are expensed as incurred. Advertising costs for the years ended December 31, 2019 was \$2,309.

(10) LIQUIDITY AND AVAILABILITY:

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

Financial assets -	
Cash	\$ 1,606,042
Receivables	25,000
Investments	<u>1,381,532</u>
Total financial assets	3,012,574
Donor imposed restrictions	<u>109,704</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 2,902,870</u>

The Society manages its liquidity and reserves following three guiding principles:

- operating within a prudent range of financial soundness and stability.
- maintaining adequate liquid assets to fund near-term operating needs.
- maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

(11) PRIOR PERIOD ADJUSTMENTS:

The statement of activities has been restated to correct for an error: an incorrect calculation of accumulated depreciation in accordance with the depreciation method used by the Society. In previously issued financial statements, assets which were still in use and within their useful life, were incorrectly being shown as fully depreciated causing accumulated depreciation to be overstated. The effect of the restatement caused a decrease in beginning accumulated depreciation and an increase in beginning net assets by \$72,184.

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Net Assets</u>
Balance, December 31, 2018, as previously stated	\$ 6,661,355	\$ 9,624	\$ 6,670,979
Correction of beginning accumulated depreciation	<u>72,184</u>	<u>-</u>	<u>72,184</u>
Balance, December 31, 2018, as restated	<u>\$ 6,733,539</u>	<u>\$ 9,624</u>	<u>\$ 6,743,163</u>



(12) SUBSEQUENT EVENTS

In March 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Society cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact operations and financial statements.

As part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, in April 2020, the Society obtained a Payroll Protection Program (PPP) loan in the amount of \$289,200. The interest rate on this loan is 1% with the amount to be repaid in 18 installments of \$16,067 beginning November 2020 with the final payment due on April 2022. As part of the PPP loan agreement, a portion of the loan can be forgiven. The Society intends to maximize the forgiven portion of this loan as allowed under the Act.