

**THE HUMANE SOCIETY OF
HARRISBURG AREA, INC.**

FINANCIAL REPORT

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Humane Society of Harrisburg Area, Inc.
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of The Humane Society of Harrisburg Area, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

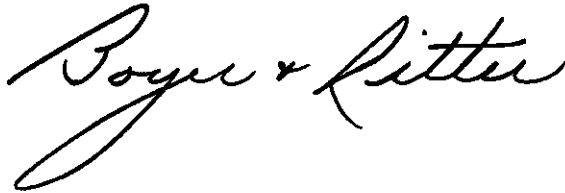
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 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 The Humane Society of Harrisburg Area, Inc., as of December 31, 2019 and 2018, 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.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
April 29, 2020

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	\$ 277,532	\$ 327,346
Accounts receivable (less allowance for doubtful accounts 2019 \$8,370; 2018 \$9,082)	4,248	13,974
Inventories	34,838	27,396
Prepaid expenses	95,777	54,270
Investments-securities	439,053	296,924
Investments-held for sale assets	-	99,054
Total current assets	851,448	818,964
Fixed Assets		
Land and improvements	78,788	78,788
Buildings and improvements	4,940,813	4,492,920
Equipment	169,916	126,634
Vehicles	132,452	72,584
Furniture and fixtures	36,068	36,068
	5,358,037	4,806,994
Less accumulated depreciation	(1,904,314)	(1,759,088)
Total fixed assets - net	3,453,723	3,047,906
Other Assets		
Beneficial interests in split-interest agreements and perpetual trusts	1,168,337	1,037,554
Total other assets	1,168,337	1,037,554
Total assets	\$ 5,473,508	\$ 4,904,424

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2019	2018
Current Liabilities		
Accounts payable	\$ 129,067	\$ 124,593
Deferred income	37,262	33,242
Accrued expenses	32,007	53,651
	<hr/>	<hr/>
Total current liabilities	198,336	211,486
	<hr/>	<hr/>
Net Assets		
Without Donor Restrictions		
Designated	100,000	100,000
Undesignated	3,809,577	3,266,870
With Donor Restrictions	1,365,595	1,326,068
Total net assets	5,275,172	4,692,938
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Total liabilities and net assets	\$ 5,473,508	\$ 4,904,424
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THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions, grants and bequests	\$ 1,836,028	\$ 274,847	\$ 2,110,875
Animal placements	97,658	-	97,658
Services to state and local governments	116,195	-	116,195
Services to the public	293,225	-	293,225
Merchandise sales	46,298	-	46,298
Investment income, net	16,922	-	16,922
Net realized and unrealized gains (losses)	(38,505)	179,886	141,381
Income from fundraising events	430,756	-	430,756
Miscellaneous revenue	28	-	28
Net assets released from restrictions	415,206	(415,206)	-
Total revenues and other support	3,213,811	39,527	3,253,338
Expenses			
Salaries and wages	1,124,222	-	1,124,222
Employee benefits	141,673	-	141,673
Payroll taxes	91,467	-	91,467
Utilities	61,392	-	61,392
Office supplies, printing and postage	18,193	-	18,193
Shelter	198,985	-	198,985
Vehicle	8,267	-	8,267
Cemetery	3,372	-	3,372
Veterinary	287,122	-	287,122
Supplies	175,829	-	175,829
Equipment repairs	42,786	-	42,786
Telephone	7,518	-	7,518
Insurance	36,155	-	36,155
Advertising	5,548	-	5,548
Professional fees	118,328	-	118,328
Special events	131,309	-	131,309
Collection fees	26,799	-	26,799
Merchandise purchases	35,000	-	35,000
Interest	-	-	-
Miscellaneous	1,224	-	1,224
Depreciation and amortization	155,915	-	155,915
Total expenses	2,671,104	-	2,671,104
Changes in net assets	542,707	39,527	582,234
Net Assets - January 1, 2019	3,366,870	1,326,068	4,692,938
Net Assets - December 31, 2019	\$ 3,909,577	\$ 1,365,595	\$ 5,275,172

See Notes to Financial Statements.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions, grants and bequests	\$ 2,123,654	\$ 148,900	\$ 2,272,554
Animal placements	97,605	-	97,605
Services to state and local governments	149,730	-	149,730
Services to the public	275,550	-	275,550
Merchandise sales	41,005	-	41,005
Investment income, net	19,254	-	19,254
Net realized and unrealized gains (losses)	(37,666)	(71,179)	(108,845)
Income from fundraising events	450,232	-	450,232
Miscellaneous revenue	23	-	23
Net assets released from restrictions	66,723	(66,723)	-
Total revenues and other support	3,186,110	10,998	3,197,108
Expenses			
Salaries and wages	964,501	-	964,501
Employee benefits	156,732	-	156,732
Payroll taxes	81,558	-	81,558
Utilities	65,199	-	65,199
Office supplies, printing and postage	15,842	-	15,842
Shelter	198,583	-	198,583
Vehicle	9,977	-	9,977
Cemetery	445	-	445
Veterinary	197,368	-	197,368
Supplies	185,722	-	185,722
Equipment repairs	33,306	-	33,306
Telephone	6,185	-	6,185
Insurance	35,155	-	35,155
Advertising	1,183	-	1,183
Professional fees	74,375	-	74,375
Special events	147,053	-	147,053
Collection fees	30,811	-	30,811
Merchandise purchases	31,897	-	31,897
Interest	11,619	-	11,619
Miscellaneous	1,065	-	1,065
Depreciation and amortization	139,540	-	139,540
Total expenses	2,388,116	-	2,388,116
Changes in net assets	797,994	10,998	808,992
Net Assets - January 1, 2018	2,568,876	1,315,070	3,883,946
Net Assets - December 31, 2018	\$ 3,366,870	\$ 1,326,068	\$ 4,692,938

See Notes to Financial Statements.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Changes in net assets	\$ 582,234	\$ 808,992
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Donated property held for sale investment	-	(77,400)
Donated stock	(25,286)	(60,186)
Depreciation and amortization	155,915	139,540
Net realized and unrealized (gain) loss on investments	(37,234)	38,601
Realized loss on sale of investment held for sale assets	75,739	-
(Increase) decrease in values of beneficial interests in perpetual trusts	(179,886)	71,178
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	9,726	(1,474)
Pledges receivable	-	1,000
Inventories	(7,442)	6,549
Prepaid expenses	(41,507)	(6,675)
(Decrease) increase in:		
Accounts payable	4,474	(100,610)
Deferred income	4,020	1,099
Accrued expenses	(21,644)	10,021
Net cash provided by operating activities	519,109	830,635
Cash Flows From Investing Activities		
Distributions from perpetual trusts	49,103	49,374
Distributions from investments	26,247	58,800
Purchases of investments	(105,856)	(11,536)
Proceeds from sale of investment held for sale assets	34,550	-
Costs incurred on investment held for sale assets	(11,235)	(21,654)
Purchases of fixed assets	(561,732)	(37,175)
Net cash provided by (used in) investing activities	(568,923)	37,809
Cash Flows From Financing Activities		
Principal repayments of long-term debt	-	(493,976)
Net proceeds from (repayment of) lines-of-credit	-	(130,000)
Cash used in financing activities	-	(623,976)
Net increase (decrease) in cash and cash equivalents	(49,814)	244,468
Cash and Cash Equivalents:		
Beginning	327,346	82,878
Ending	\$ 277,532	\$ 327,346
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ -	\$ 11,619
Noncash Investing Activity		
Donated held for sale investment	\$ -	\$ 77,400
Donated stock investment	\$ 25,286	\$ 60,186

See Notes to Financial Statements.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities: The Humane Society of Harrisburg Area, Inc. (Society), a nonprofit corporation, is incorporated under the laws of the Commonwealth of Pennsylvania. The purpose of the Society is to build a better community for pets and people through compassion, protection, education and collaboration.

Basis of Presentation: The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require reporting information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Support Recognition: The Organization accounts for revenue and support in accordance with the recommendations of the Financial Accounting Standards Bureau's (FASB) Revenue Recognition Topic of the ASC the Organization reports grants, contributions, donations and other assets as restricted revenue if they are received with donor-imposed stipulations that limit the use of the donated assets. 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 on the Statements of Activities as net assets released from restriction. If restricted funds are received and released in the same year, they are recorded as net assets without donor restrictions. 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.

Cash Equivalents: All liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Accounts Receivable: The Society carries accounts receivable at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Accounts receivables are written off when deemed uncollectible.

Bequests Receivable: The Society is a beneficiary under various wills, the total realizable value of which is not presently determinable. Such amounts are recorded as contributions when clear title is established, and the proceeds are clearly measurable.

Pledges Receivable: Contributions are recognized when the donor makes a promise to give to the Society that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Investments and Investment Income: Investments are reported at their fair values on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management determines the appropriate classifications of the investments in the fair value hierarchy at the time they are acquired and evaluates the appropriateness of classifications at each balance sheet date.

Investment income or loss (including interest, dividends and realized and unrealized gains or losses on investments) is included in the Statements of Activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Until any donor restrictions (time period or purpose restriction) are satisfied, investment income or loss is reported as an increase or decrease in temporarily restricted or permanently restricted net assets.

Investments are exposed to various risks, such as interest-rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in risks in the near-term could materially affect values of invested assets.

Fixed Assets: Fixed assets are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments greater than \$1,000 in cost are capitalized. When fixed assets are sold or retired, related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of activities.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Beneficial Interests in Split-Interest Agreements and Perpetual Trusts: Beneficial interests in split-interest agreements and perpetual trusts represent the Society's interests in irrevocable trusts for which the Society is not Trustee. These assets are neither in the possession, nor under the control of the Society. The present values of the estimated future cash flows from the trusts are recognized as a collective asset in the Statements of Financial Position.

Donated Materials and Services: The Society records the values of the donated goods or services when there is an objective basis to measure their values. Donated marketable securities and other noncash donations are recorded as contributions in the financial statements at their estimated values measured as of the dates of donation. Donated services that create or enhance nonfinancial assets or require specialized skills, provided by individuals possessing those skills, and that would typically be purchased if not provided by donation, are recorded as contributions in the financial statements.

Compensated Absences: Employees of the Society are entitled to paid vacation, paid sick days, and personal days off, depending on the employees' job classifications, lengths of service and other factors. The Society's policy is to recognize the costs of compensated absences when actually paid.

Income Tax Status: The Society is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, with the exception of Federal income tax arising from net income and investment income derived from unrelated business activities, if any. Additionally, the Internal Revenue Service has determined that the Society is not a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require the Society to annually assess its exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously filed tax returns. Examples of tax positions taken at the entity level include continuing qualification as a tax-exempt organization and conducting taxable, unrelated business-income activities. Currently, the Internal Revenue Code contains nominal guidance on what products or services constitute unrelated business-income activities; consequently, the Internal Revenue Service (IRS) is studying the matter and may issue additional guidance. Presently, management believes that it is more likely than not that its tax positions will be sustained upon examination, including any appeals and litigation, and therefore, management believes that the Society has no exposure to income taxes arising from uncertain tax positions.

Allocations of Functional 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. Expenses subject to allocation between programs or supporting function are allocated on the basis of estimates and time and effort.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Adoption of New FASB Accounting Standards: In 2019, the Organization adopted FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, which supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendments have been applied under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation.

In 2019 the Organization also adopted, FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Recent Accounting Pronouncements: In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). The most significant change in the new lease guidance requires lessees to recognize right-of-use assets and lease liabilities for all leases other than those that meet the definition of short-term leases. For short-term leases, lessees may elect an accounting policy by class of underlying asset under which these assets and liabilities are not recorded, and lease payments are generally recognized over the lease term on a straight-line basis. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under legacy accounting principles generally accepted in the United States of America. For all entities other than public-business enterprises, this standard is effective for annual periods beginning after December 15, 2020. Early adoption is permitted. Management is currently evaluating the effects that this standard will have on the Organization's financial statements.

Subsequent Events: In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through April 29, 2020, the date the financial statements were available to be issued. See Note 11 for subsequent event disclosures.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Liquidity and Availability

The Organization 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, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually

The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial Position date because of contractual restrictions or internal board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 277,532	\$ 327,346
Accounts receivable	4,248	13,974
Investments	439,053	296,924
Total financial assets	<u>720,833</u>	<u>638,244</u>
Less amounts not available to be used within one year:		
Net assets without donor restrictions-board designated	100,000	100,000
Net assets with donor restrictions subject to purpose restriction	197,258	288,514
Total amounts not available within one year	<u>297,258</u>	<u>388,514</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 423,575</u>	<u>\$ 249,730</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the Statement of Cash Flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for the year ended December 31, 2019 and 2018.

The Organization also has a line-of-credit available to meet short-term needs. See Note 6 for information about this arrangement.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair values and has expanded the required disclosures about fair value measurements. The framework enables the reader of financial statements to assess the inputs used to develop fair value measurements by establishing a 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 under the standard are described below:

- | | |
|---------|--|
| Level 1 | Inputs are unadjusted quoted prices for identical assets in active markets. |
| Level 2 | Inputs consist of other observable inputs that include: <ul style="list-style-type: none">• 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 are significant unobservable inputs that include assumptions by management or estimation. |

The asset's 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.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Value Measurements (Continued)

The assets that are recorded at fair value on a recurring basis are investments and beneficial interests in certain trusts. The Society has no financial liabilities or non-financial items that are recognized or disclosed at fair value on a recurring basis. There have been no changes in the valuation methodologies used at December 31, 2019 and 2018. Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds and common stocks: Fair values of marketable securities were based on closing market prices for the respective securities as reported in active markets.

Beneficial interests in perpetual trusts: Fair values of beneficial interests in perpetual trusts are based on the percentage ownership of the respective trust assets, based on either the value of the trust assets as reported to the Society by the Trustees or via the valuation formulas or methodology stipulated by the underlying trust agreement which may require present value computations.

The following tables set forth by level within the fair value hierarchy the assets at fair value as of December 31, 2019 and 2018:

Assets at Fair Value as of December 31, 2019

	Level 1	Level 2	Level 3	Total
Investments				
Mutual Funds	\$ 432,542	\$ -	\$ -	\$ 432,542
Common Stock	6,511	-	-	6,511
Perpetual Trusts	-	-	1,168,337	1,168,337
Total Assets, at fair value	\$ 439,053	\$ -	\$ 1,168,337	\$ 1,607,390

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Value Measurements (Continued)

Assets at Fair Value as of December 31, 2018

	Level 1	Level 2	Level 3	Total
Investments				
Mutual Funds	\$ 291,048	\$ -	\$ -	\$ 291,048
Common Stock	5,876	-	-	5,876
Perpetual Trusts	-	-	1,037,554	1,037,554
Total Assets, at fair value	\$ 296,924	\$ -	\$ 1,037,554	\$ 1,334,478

The following table sets forth a summary of changes in the fair values of the Society's Level 3 financial assets for the year ended December 31, 2019:

	Perpetual Trusts
Balance - January 1, 2019	\$ 1,037,554
Distributions	(49,103)
Changes in value	179,886
Balance - December 31, 2019	\$ 1,168,337

Note 4. Perpetual Trusts

The Society is the beneficiary of several perpetual trusts which are administered by third-party trustees. The fair values of the beneficial interests in these trusts are reported as components of permanently restricted net assets.

At the direction of a donor, a perpetual trust was established where the Society is the sole beneficiary. The net income generated by the investments held in trust is paid over to the Society in semi-annual payments. Additionally, the Society may request up to \$10,000 a year for capital improvements or repairs to the facilities. At December 31, 2019 and 2018, the balances in the perpetual trust were \$540,784 and \$480,545, respectively.

The Society is the beneficiary of numerous perpetual trusts held by financial institutions and totaling \$591,142 and \$527,961 at December 31, 2019 and 2018, respectively. The trusts were established by persons, wills, living-trust agreements, and court decrees with various restrictions and terms. Terms placed on the income distributions vary.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Perpetual Trusts (Continued)

The Foundation for Enhancing Communities (Foundation) holds a fund in trust for the Society. The Foundation holds legal title to the assets of the fund and invests and reinvests the funds. The Society is eligible to receive the income earned on this fund. Currently, the Society reinvests its earnings into the fund. At December 31, 2019 and 2018, the balance of the funds held by the Foundation were \$36,411 and \$29,048, respectively. Of these balances, \$20,473 and \$16,338 represent beneficial interests in a community foundation and the remaining balances of \$15,938 and \$12,710 represent beneficial interests in a perpetual trust.

Note 5. Concentrations of Credit Risk

Financial instruments that subject the Society to concentrations of credit risk consist primarily of cash and cash equivalents and investments. At times during the years ended December 31, 2019 and 2018, the Society's cash and cash equivalents balances may have exceeded the Federally-insured limit of \$250,000.

The Society's investments are subject to fluctuations in the fair values of those investments.

Note 6. Line-of-Credit

The Society has available a revolving line-of-credit with a bank for \$200,000. Borrowings under the line-of-credit bear interest at the bank's prime rate but no less than 4.0%. All borrowings are secured by the mortgage on the Society's building. There was no outstanding balance as of December 31, 2019 and 2018.

Note 7. Board Designation of Net Assets

The Board of Directors has designated unrestricted net assets of \$100,000. These designated funds are to be used as a source of last resort for funding the Society's needs if the Society ceased operating.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2019	2018
Subject to expenditure for specified purpose		
Multipurpose room	\$ 115,100	\$ -
Zoomania	48,165	-
Welcome center	30,747	-
Grant for vehicle purchase	3,246	3,246
Low cost veterinary clinic	-	155,000
Capital improvements	-	71,468
X-ray machine	-	58,800
Not subject to appropriation of expenditure		
Beneficial interest in perpetual trusts	1,168,337	1,037,554
Total net assets with donor restrictions	<u>\$ 1,365,595</u>	<u>\$ 1,326,068</u>

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 years ended December 31, 2019 and 2018:

	2019	2018
Satisfaction of purpose restrictions		
X-ray machine	\$ 58,800	\$ -
Low cost veterinary clinic	160,000	-
Multipurpose room	46,000	-
Capital improvements	49,468	-
Zoomania	51,835	-
Pledges restricted for capital projects	-	1,000
Chicken Coupe	-	100
Vehicle purchase	-	15,000
Vehicle expenses	-	1,249
Distributions from perpetual trusts	49,103	49,374
	<u>\$ 415,206</u>	<u>\$ 66,723</u>

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9. Contingencies

The Society is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Society.

Note 10. Functional Expenses

Expenses by function as of December 31, 2019, are as follows:

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 960,387	\$ 122,161	\$ 41,674	\$ 1,124,222
Employee benefits	117,822	18,381	5,470	141,673
Payroll taxes	78,934	9,345	3,188	91,467
Utilities	56,204	5,188	-	61,392
Office supplies, printing and postage	-	18,193	-	18,193
Shelter	198,985	-	-	198,985
Vehicle	8,267	-	-	8,267
Cemetery	3,372	-	-	3,372
Veterinary	287,122	-	-	287,122
Supplies	175,829	-	-	175,829
Equipment repairs	42,786	-	-	42,786
Telephone	7,518	-	-	7,518
Insurance	26,393	9,762	-	36,155
Advertising	-	5,548	-	5,548
Professional fees	-	118,328	-	118,328
Special events	-	-	131,309	131,309
Collection fees	-	26,799	-	26,799
Merchandise purchases	35,000	-	-	35,000
Interest	-	-	-	-
Miscellaneous	1,224	-	-	1,224
Bad debts	-	-	-	-
Depreciation and amortization	148,231	7,684	-	155,915
	<u>\$ 2,148,074</u>	<u>\$ 341,389</u>	<u>\$ 181,641</u>	<u>\$ 2,671,104</u>

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 10. Functional Expenses (Continued)

Expenses by function as of December 31, 2018, are as follows:

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 809,881	\$ 116,753	\$ 37,867	\$ 964,501
Employee benefits	131,373	20,092	5,267	156,732
Payroll taxes	69,729	8,932	2,897	81,558
Utilities	59,453	5,488	-	65,199
Office supplies, printing and postage	-	15,842	-	15,842
Shelter	198,583	-	-	198,583
Vehicle	9,977	-	-	9,977
Cemetery	445	-	-	445
Veterinary	197,368	-	-	197,368
Supplies	185,722	-	-	185,722
Equipment repairs	33,306	-	-	33,306
Telephone	6,185	-	-	6,185
Insurance	27,422	8,191	-	35,155
Advertising	-	1,183	-	1,183
Professional fees	-	74,375	-	74,375
Special events	-	-	147,053	147,053
Collection fees	-	30,811	-	30,811
Merchandise purchases	31,897	-	-	31,897
Interest	11,619	-	-	11,619
Miscellaneous	1,065	-	-	1,065
Bad debts	-	-	-	-
Depreciation and amortization	129,991	9,549	-	139,540
	<u>\$ 1,904,016</u>	<u>\$ 291,216</u>	<u>\$ 193,084</u>	<u>\$ 2,388,116</u>

Note 11. Subsequent Events

Recent developments arising from the coronavirus pandemic and efforts to mitigate the disease's domestic and global impacts have disrupted operations of companies in many industries. Facility closings, labor and personnel layoffs, curtailments of supply lines and increased materials costs, contracted production, dislocations of product-delivery methods, and reduced markets enhance the Organization's risk factors as they have a significant reliance on revenue from third parties to fund their operations. These factors adversely impact revenue recognition, cash flows and liquidity, contingencies, and in some instances, the going-concern assumption. Presently, the ultimate, effects of this crisis on financial position, results of operations, and cash flows are indeterminable because the duration of the crisis is also indeterminable; however, management continues to monitor developments.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Subsequent Events (Continued)

In conjunction with the impact of the coronavirus pandemic, the Society applied for and received a Small Business Administration loan through the Paycheck Protection Program from Fulton Bank. Loan proceeds were received on April 21, 2020, in the amount of \$199,277 with an interest rate of 1%. The loan matures April 21, 2022. No payments are due on this loan for six months from the date the loan was disbursed. The Society may apply to Fulton Bank for forgiveness of the amount due on this loan in an amount equal to the sum of allowable costs as defined in the program incurred by the Fulton during an eight-week period beginning on the date of the first disbursement of the loan. Interest accrued during the initial deferment period, not subject to loan forgiveness, is due and payable seven months from the date of the first disbursement.