

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

FINANCIAL REPORT

DECEMBER 31, 2020

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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, 2020 and 2019, 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

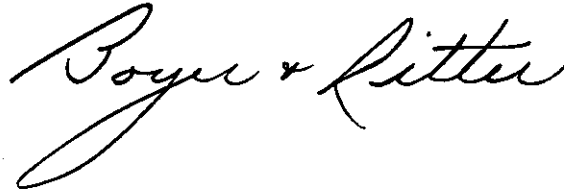
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2020 and 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.

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

Camp Hill, Pennsylvania
June 24, 2021

LIABILITIES AND NET ASSETS	2020	2019
Current Liabilities		
Accounts payable	\$ 277,045	\$ 129,067
Current portion of long-term debt	1,685	-
Paycheck Protection Program loan	199,277	-
Accrued expenses	30,693	32,007
Deferred income	10,840	37,262
Total current liabilities	519,540	198,336
Long-Term Liabilities		
Long-term debt - net of current portion	8,555	-
Total long-term liabilities	8,555	-
Net Assets		
Without Donor Restrictions		
Designated	100,000	100,000
Undesignated	3,730,339	3,809,577
With Donor Restrictions	1,542,291	1,365,595
Total net assets	5,372,630	5,275,172
Total liabilities and net assets	\$ 5,900,725	\$ 5,473,508

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

**STATEMENT OF ACTIVITIES
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions, grants and bequests	\$ 1,134,308	\$ 275,500	\$ 1,409,808
Animal placements	86,800	-	86,800
Services to state and local governments	65,236	-	65,236
Services to the public	535,678	-	535,678
Merchandise sales	31,106	-	31,106
Investment income, net	56,762	100,602	157,364
Income from fundraising events	353,030	-	353,030
Loss on sale of asset	(4,120)	-	(4,120)
Miscellaneous revenue	29	-	29
Net assets released from restrictions	199,406	(199,406)	-
Total revenues and other support	2,458,235	176,696	2,634,931
Expenses			
Salaries and wages	1,182,196	-	1,182,196
Employee benefits	193,898	-	193,898
Payroll taxes	89,406	-	89,406
Utilities	51,355	-	51,355
Office supplies, printing and postage	17,772	-	17,772
Shelter	112,527	-	112,527
Vehicle	8,966	-	8,966
Cemetery	2,319	-	2,319
Veterinary	246,202	-	246,202
Supplies	106,354	-	106,354
Equipment repairs	39,329	-	39,329
Telephone	8,894	-	8,894
Insurance	40,732	-	40,732
Advertising	2,366	-	2,366
Professional fees	134,114	-	134,114
Special events	65,350	-	65,350
Collection fees	31,038	-	31,038
Merchandise purchases	23,635	-	23,635
Interest	297	-	297
Miscellaneous	912	-	912
Depreciation and amortization	179,811	-	179,811
Total expenses	2,537,473	-	2,537,473
Changes in net assets	(79,238)	176,696	97,458
Net Assets - January 1, 2020	3,909,577	1,365,595	5,275,172
Net Assets - December 31, 2020	\$ 3,830,339	\$ 1,542,291	\$ 5,372,630

See Notes to Financial Statements.

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	(21,583)	179,886	158,303
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.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Changes in net assets	\$ 97,458	\$ 582,234
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Donated stock	-	(25,286)
Depreciation and amortization	179,811	155,915
Loss on sale of asset	4,120	
Net realized and unrealized gains on investments	(35,066)	(37,234)
Realized loss on sale of investment held for sale assets	-	75,739
(Increase) decrease in values of beneficial interests in perpetual trusts	(100,602)	(179,886)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(1,447)	9,726
Pledges receivable	-	-
Inventories	(3,337)	(7,442)
Prepaid expenses	65,208	(41,507)
(Decrease) increase in:		
Accounts payable	147,978	4,474
Deferred income	(26,422)	4,020
Accrued expenses	(1,314)	(21,644)
Net cash provided by operating activities	326,387	519,109
Cash Flows From Investing Activities		
Distributions from perpetual trusts	40,690	49,103
Distributions from investments	6,993	26,247
Purchases of investments	(11,723)	(105,856)
Proceeds from sale of investment held for sale assets	-	34,550
Costs incurred on investment held for sale assets	-	(11,235)
Purchases of fixed assets	(418,919)	(561,732)
Proceeds from sale of asset	5,380	-
Net cash used in investing activities	(377,579)	(568,923)
Cash Flows From Financing Activities		
Principal repayments of long-term debt	(503)	-
Paycheck Protection Program loan	199,277	-
Net cash provided by financing activities	198,774	-
Net increase (decrease) in cash and cash equivalents	147,582	(49,814)
Cash and Cash Equivalents:		
Beginning	277,532	327,346
Ending	\$ 425,114	\$ 277,532
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ 297	\$ -
Noncash Investing Activity		
Donated stock investment	\$ -	\$ 28,286
Noncash Financing Activity		
Vehicle purchased through issuance of long-term debt	\$ 10,743	\$ -

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 ("U.S. 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)

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.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. The Organization is currently evaluating the impact of this new standard on its financial statements.

Subsequent Events: In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through June 24, 2021, the date the financial statements were available to be issued.

Note 2. 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, 2020 and 2019, 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.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. 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, 2020 and 2019, 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.

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 425,114	\$ 277,532
Accounts receivable	5,695	4,248
Investments	478,849	439,053
Total financial assets	<u>909,658</u>	<u>720,833</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	314,042	197,258
Total amounts not available within one year	<u>414,042</u>	<u>297,258</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 495,616</u>	<u>\$ 423,575</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 Statements of Cash Flows which identifies the source and uses of the Organization's cash and shows positive cash generated by operations for the years ended December 31, 2020 and 2019.

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 4. 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 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, 2020 and 2019. 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 HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. 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, 2020 and 2019, the balance of the funds held by the Foundation were \$41,144 and \$36,411, respectively. Of these balances, \$23,134 and \$20,473 represent beneficial interests in a community foundation and the remaining balances of \$18,010 and \$15,938 represent beneficial interests in a perpetual trust.

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, 2020 and 2019.

Note 7. Payroll Protection Program Loan

On April 18, 2020, The Society received loan proceeds in the amount of \$199,277 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after then end of the covered period. The Society intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that The Society is not granted forgiveness, The Society will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 18, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Society has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended December 31, 2020.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt

During 2020, the Society financed a new vehicle through Ally Bank payable in monthly installments of \$200. The note matures February 2026 and bears an interest rate of 7.54%.

Future minimum principal payments of long-term debt as of December 31, 2020 are as follows:

Year	Amount
2021	\$ 1,685
2022	1,816
2023	1,958
2024	2,111
Thereafter	2,670
	<u>\$ 10,240</u>

Note 9. 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.

Note 10. Net Assets with Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purpose		
Multipurpose room	\$ 377	\$ 115,100
Zoomania	38,165	48,165
Welcome center	-	30,747
Grant for vehicle purchase	-	3,246
VRC Center	500	-
Future endowment	275,000	-
Not subject to appropriation of expenditure		
Beneficial interest in perpetual trusts	1,228,249	1,168,337
Total net assets with donor restrictions	<u>\$ 1,542,291</u>	<u>\$ 1,365,595</u>

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 10. Net Assets with Donor Restrictions (Continued)

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, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions		
X-ray machine	\$ -	\$ 58,800
Low cost veterinary clinic	-	160,000
Multipurpose room	114,723	46,000
Capital improvements	-	49,468
Zoomania	10,000	51,835
Welcome Center	30,747	-
Grant for vehicle purchase	3,246	-
Distributions from perpetual trusts	40,690	49,103
	<u>\$ 199,406</u>	<u>\$ 415,206</u>

Note 11. 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.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 12. Functional Expenses

Expenses by function as of December 31, 2020, are as follows:

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 970,378	\$ 163,647	\$ 48,171	\$ 1,182,196
Employee benefits	165,129	23,069	5,700	193,898
Payroll taxes	73,202	12,519	3,685	89,406
Utilities	47,015	4,340	-	51,355
Office supplies, printing and postage	-	17,772	-	17,772
Shelter	112,527	-	-	112,527
Vehicle	8,966	-	-	8,966
Cemetery	2,319	-	-	2,319
Veterinary	246,202	-	-	246,202
Supplies	106,354	-	-	106,354
Equipment repairs	39,329	-	-	39,329
Telephone	8,894	-	-	8,894
Insurance	31,364	9,368	-	40,732
Advertising	-	2,366	-	2,366
Professional fees	-	134,114	-	134,114
Special events	-	-	65,350	65,350
Collection fees	-	31,038	-	31,038
Merchandise purchases	23,635	-	-	23,635
Interest	297	-	-	297
Miscellaneous	912	-	-	912
Depreciation and amortization	158,250	21,561	-	179,811
	<u>\$ 1,994,773</u>	<u>\$ 419,794</u>	<u>\$ 122,906</u>	<u>\$ 2,537,473</u>

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 12. Functional Expenses (Continued)

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
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>

Note 13. Uncertainties

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.