

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

FINANCIAL REPORT

DECEMBER 31, 2021

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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, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying 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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern within one year after the date the financial statements are issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

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
May 17, 2022

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

ASSETS	2021	2020
Current Assets		
Cash and cash equivalents	\$ 240,679	\$ 425,114
Accounts receivable (less allowance for doubtful accounts 2021 \$-0- ; 2020 \$8,235)	34,589	5,695
Inventories	40,626	38,175
Prepaid expenses	29,255	30,569
Investments	158,732	478,849
Investments-held for sale assets	123,600	-
Total current assets	627,481	978,402
Fixed Assets		
Land and improvements	88,439	88,439
Buildings and improvements	5,464,192	5,302,222
Equipment	176,598	157,914
Vehicles	138,575	138,575
Furniture and fixtures	73,548	73,548
	5,941,352	5,760,698
Less accumulated depreciation	(2,248,849)	(2,066,624)
Total fixed assets - net	3,692,503	3,694,074
Other Assets		
Beneficial interests in perpetual trusts	1,256,769	1,187,105
Endowment funds		
Investments	1,227,971	-
Beneficial interest in net asset of community foundation funds	168,820	41,144
Total other assets	2,653,560	1,228,249
Total assets	\$ 6,973,544	\$ 5,900,725

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2021	2020
Current Liabilities		
Accounts payable	\$ 152,638	\$ 277,045
Current portion of long-term debt	1,817	1,685
Paycheck Protection Program loan	-	199,277
Accrued expenses	23,991	30,693
Deferred income	7,686	10,840
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Total current liabilities	186,132	519,540
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Long-Term Liabilities		
Long-term debt - net of current portion	6,739	8,555
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Net Assets		
Without Donor Restrictions		
Designated	268,820	141,144
Undesignated	4,026,613	3,730,339
With Donor Restrictions	2,485,240	1,501,147
Total net assets	6,780,673	5,372,630
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Total liabilities and net assets	\$ 6,973,544	\$ 5,900,725
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THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions, grants and bequests	\$ 1,904,657	\$ 978,895	\$ 2,883,552
Animal placements	103,964	-	103,964
Services to state and local governments	119,158	-	119,158
Services to the public	544,854	-	544,854
Merchandise sales	28,468	-	28,468
Investment income, net	50,741	165,922	216,663
Income from fundraising events	321,750	-	321,750
Forgiveness of Paycheck Protection Program loan	199,277	-	199,277
Miscellaneous revenue	15,167	-	15,167
Net assets released from restrictions	160,724	(160,724)	-
Total revenues and other support	3,448,760	984,093	4,432,853
Expenses			
Salaries and wages	1,249,784	-	1,249,784
Employee benefits	219,178	-	219,178
Payroll taxes	111,383	-	111,383
Utilities	53,610	-	53,610
Office supplies, printing and postage	15,066	-	15,066
Shelter	119,727	-	119,727
Vehicle	7,367	-	7,367
Cemetery	7,914	-	7,914
Veterinary	330,606	-	330,606
Supplies	145,414	-	145,414
Equipment repairs	39,782	-	39,782
Telephone	8,207	-	8,207
Insurance	47,942	-	47,942
Advertising	8,942	-	8,942
Professional fees	334,021	-	334,021
Special events	75,215	-	75,215
Collection fees	28,760	-	28,760
Merchandise purchases	25,428	-	25,428
Interest	715	-	715
Miscellaneous	7,393	-	7,393
Bad debt	(8,235)	-	(8,235)
Depreciation and amortization	196,591	-	196,591
Total expenses	3,024,810	-	3,024,810
Changes in net assets	423,950	984,093	1,408,043
Net Assets - January 1, 2021	3,871,483	1,501,147	5,372,630
Net Assets - December 31, 2021	\$ 4,295,433	\$ 2,485,240	\$ 6,780,673

See Notes to Financial Statements.

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	8,669	-	8,669
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	594	-	594
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	3,950,721	1,324,451	5,275,172
Net Assets - December 31, 2020	\$ 3,871,483	\$ 1,501,147	\$ 5,372,630

See Notes to Financial Statements.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Changes in net assets	\$ 1,408,043	\$ 97,458
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Forgiveness of Paycheck Protection Program loan	(199,277)	-
Depreciation and amortization	196,591	179,811
Loss on sale of asset	-	4,120
Net realized and unrealized gains on investments	(81,597)	(35,066)
Donated investment	(37,012)	-
Donated property	(123,600)	-
(Increase) decrease in values of beneficial interests in perpetual trusts	(110,921)	(100,602)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(28,894)	(1,447)
Inventories	(2,451)	(3,337)
Prepaid expenses	1,314	65,208
(Decrease) increase in:		
Accounts payable	(124,407)	147,978
Deferred income	(3,154)	(26,422)
Accrued expenses	(6,702)	(1,314)
Net cash provided by operating activities	887,933	326,387
Cash Flows From Investing Activities		
Distributions from perpetual trusts	41,257	40,690
Distributions from investments	391,624	6,993
Purchases of investments	(1,308,545)	(11,723)
Purchases of fixed assets	(195,020)	(418,919)
Proceeds from sale of asset	-	5,380
Net cash used in investing activities	(1,070,684)	(377,579)

(Continued)

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Financing Activities		
Principal repayments of long-term debt	(1,684)	(503)
Paycheck Protection Program loan	-	199,277
Net cash provided (used in) by financing activities	(1,684)	198,774
Net increase (decrease) in cash and cash equivalents	(184,435)	147,582
Cash and Cash Equivalents:		
Beginning	425,114	277,532
Ending	\$ 240,679	\$ 425,114
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ 715	\$ 594
Noncash Investing Activity		
Donated property	\$ 123,600	\$ -
Donated investment	\$ 37,012	\$ -
Noncash Financing Activity		
Vehicle purchased through issuance of long-term debt	\$ -	\$ 10,743
Forgiveness of Paycheck Protection Program loan	\$ 199,277	\$ -

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 Society 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 Society. These net assets may be used at the discretion of the Society'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 Society. 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 Society 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 Society 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, 2021. Early adoption is permitted. Management is currently evaluating the effects that this Standard will have on the Society'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 Society is currently evaluating the impact of this new Standard on its financial statements.

Reclassifications: Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentations. These reclassifications had no effect on the Society's financial position, changes in net assets or cash flows as of and for the year ended December 31, 2020.

Subsequent Events: In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through May 17, 2022, 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, 2021 and 2020, 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 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, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Society has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Society 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 Society's financial assets as of December 31, 2021 and 2020, 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.

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 240,679	\$ 425,114
Accounts receivable	34,589	5,695
Investments	158,732	478,849
Total financial assets	<u>434,000</u>	<u>909,658</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	500	314,042
Total amounts not available within one year	<u>100,500</u>	<u>414,042</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 333,500</u>	<u>\$ 495,616</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Society 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 Society's cash and shows positive cash generated by operations for the years ended December 31, 2021 and 2020.

The Society also has a line-of-credit available to meet short-term needs. See Note 7 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, 2021 and 2020. 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 4. Fair Value Measurements (Continued)

Interest in net assets of a community foundation: Fair value of the interest in net assets of a community foundation was based on the society's ownership interest in the fund as determined by the community foundation. The funds' assets were valued based on the performance of underlying investments, as well as administrative fee.

Annuity: Fair value of the annuity is based on either the value of the annuity contract as reported to the Society by the investment custodian.

Held for sale assets: Fair value of the held for sale assets is based on the estimated fair market value on the day the assets were donated and the Society took ownership of the assets.

The following tables set forth by level within the fair value hierarchy the assets at fair value as of December 31, 2021 and 2020:

Assets at Fair Value as of December 31, 2021

	Level 1	Level 2	Level 3	Total
Money Markey Fund	\$ 48,121	\$ -	\$ -	\$ 48,121
Investments				
Mutual Funds	886,844	-	-	886,844
Common Stock	244	-	-	244
Fixed Income	358,406	-	-	358,406
Alts/Liquid Real Assets	56,076	-	-	56,076
Perpetual Trusts	-	-	1,256,769	1,256,769
Beneficial interest in net assets of community foundation funds	-	-	168,820	168,820
Annuity	-	-	37,012	37,012
Held for Sale Assets	-	-	123,600	123,600
Total Assets, at fair value	\$ 1,301,570	\$ -	\$ 1,586,201	\$ 2,935,892

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Measurements (Continued)

Assets at Fair Value as of December 31, 2020

	Level 1	Level 2	Level 3	Total
Investments				
Mutual Funds	\$ 478,719	\$ -	\$ -	\$ 478,719
Common Stock	130	-	-	130
Perpetual Trusts	-	-	1,187,105	1,187,105
Beneficial interest in net assets of community foundation funds	-	-	41,144	41,144
Total Assets, at fair value	<u>\$ 478,849</u>	<u>\$ -</u>	<u>\$ 1,228,249</u>	<u>\$ 1,707,098</u>

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, 2021:

	Perpetual Trusts	Beneficial Interest in Net Assets of Community Foundation	Annuity	Held for Sale Assets
Balance - January 1,	\$ 1,187,105	\$ 41,144	\$ -	\$ -
Contributions	-	110,000	37,012	123,600
Distributions	(41,257)	(1,624)	-	-
Changes in value	110,921	19,300	-	-
Balance - December 31,	<u>\$ 1,256,769</u>	<u>\$ 168,820</u>	<u>\$ 37,012</u>	<u>\$ 123,600</u>

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Measurements (Continued)

The following schedule summarizes investment income and its classification in the Statement of Activities for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 20,112	\$ 14,695	\$ 34,807
Realized gains (losses)	(5,943)	35,748	29,805
Unrealized gains	40,724	11,068	51,792
Change in value of trusts	-	110,921	110,921
Investment fees	(4,152)	(6,510)	(10,662)
Investment income, net	<u>\$ 50,741</u>	<u>\$ 165,922</u>	<u>\$ 216,663</u>

The following schedule summarizes investment income (loss) and its classification in the Statement of Activities for the year ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 13,998	\$ -	\$ 13,998
Realized loss	7,697	-	7,697
Unrealized gains	35,067	-	35,067
Change in value of trusts	-	100,602	100,602
Investment income (loss), net	<u>\$ 56,762</u>	<u>\$ 100,602</u>	<u>\$ 157,364</u>

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Endowment Investments

Endowment investments consisted of the following at December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ 168,820	\$ -	\$ 168,820
Donor-restricted Endowment Funds	-	1,227,971	1,227,971
Total funds	\$ 168,820	\$ 1,227,971	\$ 1,396,791

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2021	\$ 41,144	\$ -	\$ 41,144
Interest and dividends	2,690	14,695	17,385
Realized gain on investments	3,030	35,748	38,778
Unrealized gain on investments	14,946	11,068	26,014
Investment fees	(1,366)	(6,510)	(7,876)
Total investment return	19,300	55,001	74,301
Contributions	110,000	1,172,970	1,282,970
Distributions	(1,624)	-	(1,624)
Total investment transactions	108,376	1,172,970	1,281,346
Endowment net assets, December 31, 2021	\$ 168,820	\$ 1,227,971	\$ 1,396,791

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Endowments (Continued)

Endowment investments consisted of the following at December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ 41,144	\$ -	\$ 41,144
Total funds	<u>\$ 41,144</u>	<u>\$ -</u>	<u>\$ 41,144</u>

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2020	\$ 36,411	\$ -	\$ 36,411
Interest and dividends	2,231	-	2,231
Realized gain on investments	(34)	-	(34)
Unrealized gain on investments	4,780	-	4,780
Investment fees	(631)	-	(631)
Total investment return	<u>6,346</u>	<u>-</u>	<u>6,346</u>
Contributions	-	-	-
Distributions	(1,613)	-	(1,613)
Total investment transactions	<u>(1,613)</u>	<u>-</u>	<u>(1,613)</u>
Endowment net assets, December 31, 2020	<u>\$ 41,144</u>	<u>\$ -</u>	<u>\$ 41,144</u>

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. 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, 2021 and 2020, the balances in the perpetual trust were \$601,252 and \$564,285, respectively.

The Society is the beneficiary of numerous perpetual trusts held by financial institutions and totaling \$655,517 and \$622,820 at December 31, 2021 and 2020, 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.

Note 7. 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, 2021 and 2020.

Note 8. Paycheck 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 provided 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 maintained its payroll levels and used the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount would have been reduced if the borrower terminated employees or reduced salaries during the covered period. Any unforgiven portion of a PPP loan would have been payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Society intended 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.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Paycheck Protection Program Loan (Continued)

To the extent that the Society would not have been granted forgiveness, the Society would have been required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness was not made within 10 months of the end of the covered period, payments of principal and interest would 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 could have been accelerated upon the occurrence of a default event.

The Society initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. The Society recognized \$199,277 as loan forgiveness income for the year ended December 31, 2021.

Note 9. 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, 2021, are as follows:

Year	Amount
2022	\$ 1,817
2023	1,958
2024	2,111
Thereafter	2,670
	<u>\$ 8,556</u>

Note 10. Board Designation of Net Assets

	2021	2020
Designed as source of last resort funding if operations are ceased	\$ 100,000	\$ 100,000
Board Designated Endowment	168,820	41,144
	<u>\$ 268,820</u>	<u>\$ 141,144</u>

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Net Assets with Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purpose		
VRC Center	\$ 500	\$ 500
Multipurpose room	-	377
Zoomania	-	38,165
Not subject to appropriation of expenditure		
Beneficial interest in perpetual trusts	1,256,769	1,187,105
Endowments	1,227,971	275,000
Total net assets with donor restrictions	<u>\$ 2,485,240</u>	<u>\$ 1,501,147</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, 2021 and 2020:

	2021	2020
Satisfaction of purpose restrictions		
Multipurpose room	\$ 377	\$ 114,723
Zoomania	38,165	10,000
Welcome Center	-	30,747
Grant for vehicle purchase	-	3,246
VRC Expansion	80,925	-
Distributions from perpetual trusts	41,257	40,690
	<u>\$ 160,724</u>	<u>\$ 199,406</u>

Note 12. 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 13. Functional Expenses

Expenses by function as of December 31, 2021, are as follows:

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 1,099,738	\$ 104,149	\$ 45,897	\$ 1,249,784
Employee benefits	198,274	14,725	6,179	219,178
Payroll taxes	99,905	7,967	3,511	111,383
Utilities	49,080	4,530	-	53,610
Office supplies, printing and postage	-	15,066	-	15,066
Shelter	119,727	-	-	119,727
Vehicle	7,367	-	-	7,367
Cemetery	7,914	-	-	7,914
Veterinary	330,606	-	-	330,606
Supplies	145,414	-	-	145,414
Equipment repairs	39,782	-	-	39,782
Telephone	8,207	-	-	8,207
Insurance	35,477	12,465	-	47,942
Advertising	-	8,942	-	8,942
Professional fees	-	334,021	-	334,021
Special events	-	-	75,215	75,215
Collection fees	-	28,760	-	28,760
Merchandise purchases	25,428	-	-	25,428
Interest	715	-	-	715
Miscellaneous	7,393	-	-	7,393
Bad debts	(8,235)	-	-	(8,235)
Depreciation and amortization	174,302	22,289	-	196,591
	<u>\$ 2,341,094</u>	<u>\$ 552,914</u>	<u>\$ 130,802</u>	<u>\$ 3,024,810</u>

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 13. Functional Expenses (Continued)

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	8,669	-	-	8,669
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	594	-	-	594
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>

Note 14. Uncertainties

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 Society'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.