

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

FINANCIAL REPORT

DECEMBER 31, 2023

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1 - 2
---	-------

FINANCIAL STATEMENTS

Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Cash Flows	7 - 8
Notes to Financial Statements	9 - 25

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 financial statements of The Humane Society of Harrisburg Area, Inc. (the Society), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 present fairly, in all material respects, the financial position of the Society as of December 31, 2023 and 2022, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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 or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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 black ink, reading "Boyer & Ritter". The signature is written in a cursive, flowing style with a large loop at the end of the word "Ritter".

Camp Hill, Pennsylvania
November 12, 2024

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 121,260	\$ 165,896
Accounts receivable	33,899	49,354
Inventories	29,261	46,304
Prepaid expenses	54,546	13,918
Investments	2,332	99,423
Total current assets	241,298	374,895
Fixed Assets		
Construction in progress	15,968	-
Land and improvements	88,439	88,439
Buildings and improvements	5,567,049	5,574,877
Equipment	185,529	263,110
Vehicles	65,476	138,575
Furniture and fixtures	50,228	73,548
	5,972,689	6,138,549
Less accumulated depreciation	(2,504,287)	(2,517,767)
Total fixed assets - net	3,468,402	3,620,782
Other Assets		
Beneficial interests in perpetual trusts	1,155,102	971,301
Endowment funds		
Investments	1,107,520	980,425
Beneficial interest in net assets of community foundation funds	154,618	135,857
Total other assets	2,417,240	2,087,583
Total assets	\$ 6,126,940	\$ 6,083,260

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2023	2022
Current Liabilities		
Accounts payable	\$ 294,033	\$ 497,381
Line of credit	61,928	140,000
Current portion of mortgage payable	78,117	-
Current portion of note payable	2,111	1,958
Accrued expenses	30,723	40,228
Deferred income	19,106	-
Total current liabilities	486,018	679,567
Long-Term Liabilities		
Mortgage payable - net of current portion	691,302	-
Note payable - net of current portion	2,669	4,856
Total long term liabilities	693,971	4,856
Total liabilities	1,179,989	684,423
Net Assets		
Without Donor Restrictions		
Designated	254,618	235,857
Undesignated	2,429,161	3,166,754
With Donor Restrictions	2,263,172	1,996,226
Total net assets	4,946,951	5,398,837
Total liabilities and net assets	\$ 6,126,940	\$ 6,083,260

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions, grants and bequests			
Cash and other financial assets	\$ 1,230,282	\$ 1,550	\$ 1,231,832
In-Kind donations	143,757	-	143,757
Animal placements	78,835	-	78,835
Services to state and local governments	143,194	-	143,194
Services to the public	550,024	-	550,024
Merchandise sales	33,867	-	33,867
Investment income, net	23,713	384,443	408,156
Income from fundraising events	415,399	-	415,399
Gain on disposal of asset	26,018	-	26,018
Miscellaneous revenue	362	-	362
Net assets released from restrictions	119,047	(119,047)	-
Total revenues and other support	2,764,498	266,946	3,031,444
Expenses			
Salaries and wages	1,526,787	-	1,526,787
Employee benefits	259,536	-	259,536
Payroll taxes	129,610	-	129,610
Utilities	69,329	-	69,329
Office supplies, printing and postage	11,515	-	11,515
Shelter	101,946	-	101,946
Vehicle	12,038	-	12,038
Cemetery	15,195	-	15,195
Veterinary	375,913	-	375,913
Supplies	183,403	-	183,403
Equipment repairs	54,661	-	54,661
Telephone	7,187	-	7,187
Insurance	36,720	-	36,720
Advertising	13,134	-	13,134
Professional fees	228,367	-	228,367
Special events	139,734	-	139,734
Collection fees	43,570	-	43,570
Merchandise purchases	11,470	-	11,470
Interest	45,146	-	45,146
Miscellaneous	30,580	-	30,580
Depreciation	187,489	-	187,489
Total expenses	3,483,330	-	3,483,330
Changes in net assets	(718,832)	266,946	(451,886)
Net Assets - January 1, 2023	3,402,611	1,996,226	5,398,837
Net Assets - December 31, 2023	<u>\$ 2,683,779</u>	<u>\$ 2,263,172</u>	<u>\$ 4,946,951</u>

See Notes to Financial Statements.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions, grants and bequests			
Cash and other financial assets	\$ 1,283,648	\$ 44,000	\$ 1,327,648
In-Kind donations	132,171	-	132,171
Animal placements	85,159	-	85,159
Services to state and local governments	93,478	-	93,478
Services to the public	501,444	-	501,444
Merchandise sales	32,688	-	32,688
Investment income, net	(30,206)	(431,985)	(462,191)
Income from fundraising events	415,596	-	415,596
Gain on disposal of asset	11,549	-	11,549
Miscellaneous revenue	710	-	710
Net assets released from restrictions	101,029	(101,029)	-
Total revenues and other support	2,627,266	(489,014)	2,138,252
Expenses			
Salaries and wages	1,412,043	-	1,412,043
Employee benefits	260,458	-	260,458
Payroll taxes	127,449	-	127,449
Utilities	55,021	-	55,021
Office supplies, printing and postage	24,607	-	24,607
Shelter	100,867	-	100,867
Vehicle	12,793	-	12,793
Cemetery	18,375	-	18,375
Veterinary	382,793	-	382,793
Supplies	171,586	-	171,586
Equipment repairs	75,316	-	75,316
Telephone	9,476	-	9,476
Insurance	38,308	-	38,308
Advertising	28,823	-	28,823
Professional fees	422,142	-	422,142
Special events	119,237	-	119,237
Collection fees	31,056	-	31,056
Merchandise purchases	22,157	-	22,157
Interest	639	-	639
Miscellaneous	6,465	-	6,465
Depreciation	200,477	-	200,477
Total expenses	3,520,088	-	3,520,088
Changes in net assets	(892,822)	(489,014)	(1,381,836)
Net Assets - January 1, 2022	4,295,433	2,485,240	6,780,673
Net Assets - December 31, 2022	<u>\$ 3,402,611</u>	<u>\$ 1,996,226</u>	<u>\$ 5,398,837</u>

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Changes in net assets	\$ (451,886)	\$ (1,381,836)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation	187,489	200,477
Gain on sale of asset	(26,018)	(11,549)
Net realized and unrealized (gains) losses on investments	(167,571)	267,363
(Increase) decrease in values of beneficial interests in perpetual trusts	(227,348)	234,439
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	15,455	(14,765)
Inventories	17,043	(5,678)
Prepaid expenses	(40,628)	15,337
(Decrease) increase in:		
Accounts payable	(203,348)	344,743
Deferred income	19,106	(7,686)
Accrued expenses	(9,505)	16,237
Net cash used in operating activities	(887,211)	(342,918)
Cash Flows From Investing Activities		
Distributions from perpetual trusts	43,547	51,029
Distributions from investments	137,576	92,756
Purchases of investments	(18,770)	(20,301)
Purchases of fixed assets	(39,591)	(129,046)
Proceeds from sale of asset	30,500	135,439
Net cash provided by investing activities	153,262	129,877

(Continued)

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Financing Activities		
Proceeds from issuance of mortgage payable	773,843	-
Principal repayments of mortgage payable	(4,424)	-
Principal repayments of notes payable	(2,034)	(1,742)
Repayment of line of credit	(78,072)	-
Proceeds from line of credit	-	140,000
Net cash provided by financing activities	689,313	138,258
 Net decrease in cash and cash equivalents	(44,636)	(74,783)
 Cash and Cash Equivalents:		
Beginning	165,896	240,679
Ending	\$ 121,260	\$ 165,896
 Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ 45,146	\$ 639

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 potential credit losses based on a review of all outstanding amounts. Management determines the allowance for credit losses by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Based on the Society's collection history and management's expectation of consistency of that trend in the future, an allowance for credit losses has not been provided at December 31, 2023. Trade receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recognized as income when received or as an offset to credit loss expense. Trade receivables are considered past due based on how payments are received compared to customers' payment histories. Interest is not generally charged on trade receivables but is charged on contractors' receivables when past due.

Bequests Receivable: 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.

Leases: The Society leases equipment under long-term lease agreements. At the lease commencement date, the Society classifies its leases as either finance or operating based on the lease agreement terms. A lease is classified as a finance lease if certain criteria are met. If none of the lease classification criteria are met, the lease is classified as an operating lease. Leases with initial terms of 12 months or more are accounted for on the Society's statement of financial position as a financial liability with a corresponding right-of-use asset (ROU). Improvements to leased property are capitalized as assets and are amortized over the shorter of (1) the economic useful life of the asset or (2) the lease term including reasonably assured renewal periods. Leasehold improvements to property under related party arrangements are amortized over the economic useful life of the leasehold improvement.

The initial measurement of the lease liability, regardless of the lease's classification, is comprised of the discounted lease payments over the lease term, using the discount rate at the lease commencement date. The initial measurement of the ROU asset, regardless of the lease's classification, is comprised of the lease liability adjusted for prepayments, initial direct costs incurred by the lessee, and any lease incentive received from the lessor before commencement of the lease. Subsequently, the lease liability, regardless of the lease's classification, is amortized over the lease term using the discount rate used to initially measure the lease liability. For finance leases, the ROU asset is amortized on the straight-line basis over the lease term. For operating leases, amortization of the ROU asset is equal to the amortization of the lease liability. Periodic lease expense for financing leases is comprised of the amortization of the ROU asset and the accretion of the lease liability. Periodic lease expense for operating leases is based on amortizing the remaining lease costs over the remaining lease term on a straight-line basis. Executory costs, such as insurance, taxes, maintenance, and repairs, are charged to expense as incurred.

The Society has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Society, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

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

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.

Adoption of New FASB Accounting Standards: In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Society that are subject to the guidance in FASB ASC 326 were accounts receivable. The Society adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Subsequent Events: In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through November 12, 2024, the date the financial statements were available to be issued. See Note 15.

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, 2023 and 2022, 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, 2023 and 2022, 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.

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	\$ 121,260	\$ 165,896
Accounts receivable	33,899	49,354
Investments	2,332	99,423
Total financial assets	<u>157,491</u>	<u>314,673</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	550	44,500
Total amounts not available within one year	<u>100,550</u>	<u>144,500</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 56,941</u>	<u>\$ 170,173</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 for the years ended December 31, 2023 and 2022.

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, 2023 and 2022. The 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.

The following tables set forth by level within the fair value hierarchy the assets at fair value as of December 31, 2023 and 2022:

Assets at Fair Value as of December 31, 2023

	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 29,862	\$ -	\$ -	\$ 29,862
Investments				
Mutual Funds	711,154	-	-	711,154
Common Stock	-	-	-	-
Fixed Income	325,645			325,645
Alts/Liquid Real Assets	43,191	-	-	43,191
Perpetual Trusts	-	-	1,155,102	1,155,102
Beneficial interest in net assets of community foundation funds	-	-	154,618	154,618
Total Assets, at fair value	\$ 1,109,852	\$ -	\$ 1,309,720	\$ 2,419,572

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, 2022

	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 64,949	\$ -	\$ -	\$ 64,949
Investments				
Mutual Funds	677,190	-	-	677,190
Common Stock	214	-	-	214
Fixed Income	289,393	-	-	289,393
Alts/Liquid Real Assets	48,102	-	-	48,102
Perpetual Trusts	-	-	971,301	971,301
Beneficial interest in net assets of community foundation funds	-	-	135,857	135,857
Total Assets, at fair value	<u>\$ 1,079,848</u>	<u>\$ -</u>	<u>\$ 1,107,158</u>	<u>\$ 2,187,006</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, 2023:

	Perpetual Trusts	Beneficial Interest in Net Assets of Community Foundation
Balance - January 1, 2023	\$ 971,301	\$ 135,857
Distributions	(43,547)	(7,400)
Changes in value	227,348	26,161
Balance - December 31, 2023	<u>\$ 1,155,102</u>	<u>\$ 154,618</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, 2023:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 37,109	\$ 28,647	\$ 65,756
Realized gains (losses)	(23,703)	(31,842)	(55,545)
Unrealized gains (losses)	30,188	169,912	200,100
Change in value of trusts	-	227,348	227,348
Investment fees	(19,881)	(9,622)	(29,503)
Investment income, net	<u>\$ 23,713</u>	<u>\$ 384,443</u>	<u>\$ 408,156</u>

The following schedule summarizes investment income (loss) and its classification in the Statement of Activities for the year ended December 31, 2022:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 56,113	\$ 24,182	\$ 80,295
Realized gains (losses)	65,248	(2,992)	62,256
Unrealized gains (losses)	(120,772)	(208,846)	(329,618)
Change in value of trusts	-	(234,440)	(234,440)
Investment fees	(30,795)	(9,889)	(40,684)
Investment income (loss), net	<u>\$ (30,206)</u>	<u>\$ (431,985)</u>	<u>\$ (462,191)</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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ 154,618	\$ -	\$ 154,618
Donor-restricted Endowment Funds	-	1,107,520	1,107,520
Total funds	\$ 154,618	\$ 1,107,520	\$ 1,262,138

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2023	\$ 135,857	\$ 980,425	\$ 1,116,282
Interest and dividends	2,366	28,647	31,013
Realized gain (loss) on investments	875	(31,842)	(30,967)
Unrealized gain (loss) on investments	25,541	169,912	195,453
Investment fees	(2,621)	(9,622)	(12,243)
Total investment return	26,161	157,095	183,256
Distributions	(7,400)	(30,000)	(37,400)
Endowment net assets, December 31, 2023	\$ 154,618	\$ 1,107,520	\$ 1,262,138

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Endowments (Continued)

Endowment investments consisted of the following at December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ 135,857	\$ -	\$ 135,857
Donor-restricted Endowment Funds	-	980,425	980,425
Total funds	\$ 135,857	\$ 980,425	\$ 1,116,282
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2022	\$ 168,820	\$ 1,227,971	\$ 1,396,791
Interest and dividends	2,298	24,182	26,480
Realized gain (loss) on investments	64,228	(2,992)	61,236
Unrealized gain (loss) on investments	(96,784)	(208,847)	(305,631)
Investment fees	(2,705)	(9,889)	(12,594)
Total investment return	(32,963)	(197,546)	(230,509)
Contributions	6,415	-	6,415
Distributions	(6,415)	(50,000)	(56,415)
Total investment transactions	-	(50,000)	(50,000)
Endowment net assets, December 31, 2022	\$ 135,857	\$ 980,425	\$ 1,116,282

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, 2023 and 2022, the balances in the perpetual trust were \$511,132 and \$459,713, respectively.

The Society is the beneficiary of numerous perpetual trusts held by financial institutions and totaling \$643,971 and \$511,587 at December 31, 2023 and 2022, 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 \$230,000. Borrowings under the line-of-credit bear interest at the bank's prime rate (8.5% and 7.5% at December 31, 2023 and 2022 respectively). All borrowings are secured by the mortgage on the Society's building. The balance outstanding as of December 31, 2023 and 2022 was \$61,928 and \$140,000 respectively.

Note 8. Mortgage Payable

In 2023, the Society entered into a mortgage agreement with a local bank totaling \$800,000. The mortgage agreement has a term of sixty months with payments beginning in July of 2023. Interest is charged at the bank's prime rate but never lower than 3.5% (8.75% at December 31, 2023). Monthly payments of principal and interest total \$6,510 for fifty-nine months with all remaining principal and accrued interest due with the sixtieth payment.

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Mortgage Payable (Continued)

Future minimum principal payments of the mortgage payable as of December 31, 2023, are as follows:

Year	Amount
2024	\$ 78,117
2025	78,117
2026	78,117
2027	78,117
2028	456,951
	<u>\$ 769,419</u>

Note 9. Note Payable

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 the note payable as of December 31, 2023, are as follows:

Year	Amount
2024	\$ 2,111
2025	2,275
2026	394
	<u>\$ 4,780</u>

Note 10. Board Designation of Net Assets

	2023	2022
Designed as source of last resort funding if operations are ceased	\$ 100,000	\$ 100,000
Board Designated Endowment	154,618	135,857
	<u>\$ 254,618</u>	<u>\$ 235,857</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:

	2023	2022
Subject to expenditure for specified purpose		
Field trips	\$ 550	\$ -
VRC Center	-	500
Medical equipment and supplies	-	44,000
Not subject to appropriation of expenditure		
Beneficial interest in perpetual trusts	1,155,102	971,301
Endowments	1,107,520	980,425
Total net assets with donor restrictions	<u>\$ 2,263,172</u>	<u>\$ 1,996,226</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, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions		
VRC Expansion	\$ 500	\$ -
Medical equipment and supplies	45,000	-
Distributions from endowment	30,000	50,000
Distributions from perpetual trusts	43,547	51,029
	<u>\$ 119,047</u>	<u>\$ 101,029</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, 2023, are as follows:

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 1,322,155	\$ 131,861	\$ 72,771	\$ 1,526,787
Employee benefits	225,110	22,919	11,506	259,536
Payroll taxes	113,955	10,087	5,567	129,610
Utilities	63,470	5,859	-	69,329
Office supplies, printing and postage	-	11,515	-	11,515
Shelter	101,946	-	-	101,946
Vehicle	12,038	-	-	12,038
Cemetery	15,195	-	-	15,195
Veterinary	375,913	-	-	375,913
Supplies	183,403	-	-	183,403
Equipment repairs	54,661	-	-	54,661
Telephone	7,187	-	-	7,187
Insurance	26,071	10,649	-	36,720
Advertising	-	13,134	-	13,134
Professional fees	-	228,367	-	228,367
Special events	-	-	139,734	139,734
Collection fees	-	43,570	-	43,570
Merchandise purchases	11,470	-	-	11,470
Interest	45,146	-	-	45,146
Miscellaneous	30,580	-	-	30,580
Depreciation	173,070	14,419	-	187,489
	<u>\$ 2,761,371</u>	<u>\$ 492,380</u>	<u>\$ 229,579</u>	<u>\$ 3,483,330</u>

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 13. Functional Expenses (Continued)

Expenses by function as of December 31, 2022, are as follows:

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 1,261,389	\$ 106,064	\$ 44,590	\$ 1,412,043
Employee benefits	240,606	14,468	5,384	260,458
Payroll taxes	115,924	8,114	3,411	127,449
Utilities	50,371	4,650	-	55,021
Office supplies, printing and postage	-	24,607	-	24,607
Shelter	100,867	-	-	100,867
Vehicle	12,793	-	-	12,793
Cemetery	18,375	-	-	18,375
Veterinary	382,793	-	-	382,793
Supplies	171,586	-	-	171,586
Equipment repairs	75,316	-	-	75,316
Telephone	9,476	-	-	9,476
Insurance	27,582	10,726	-	38,308
Advertising	-	28,823	-	28,823
Professional fees	-	422,142	-	422,142
Special events	-	-	119,237	119,237
Collection fees	-	31,056	-	31,056
Merchandise purchases	22,157	-	-	22,157
Interest	639	-	-	639
Miscellaneous	6,465	-	-	6,465
Depreciation	176,337	24,140	-	200,477
	<u>\$ 2,672,676</u>	<u>\$ 674,790</u>	<u>\$ 172,622</u>	<u>\$ 3,520,088</u>

THE HUMANE SOCIETY OF HARRISBURG AREA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 14. In Kind Contributions

During the years ended December 31, 2023 and 2022, a substantial number of individual volunteers and businesses have donated significant amounts of time to the Society's programs and administrative functions. These services do not meet the criteria for recognition as contributed services and are not reflected on the accompanying financial statements.

The Society receives various types of in-kind contributions. The Society receives contributed materials, including contributed equipment, food, pet supplies, blankets, towels and medical supplies. The materials are valued using a publicly available website for similar items. Donated property is valued by an independent appraisal.

In-kind contributions of non-financial assets for the years ended December 31 are:

	2023	2022
Operating supplies	\$ 143,757	\$ 132,171

In addition to the non-financial assets above, the Organization also receives non-cash support in the form of financial assets. All financial assets donated are included in the Contribution - Cash and other financial assets line on the Statements of Activities. There were no donated financial assets for the years ended December 31, 2023 and 2022.

All donated services and assets were utilized by the Society's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

Note 15. Subsequent Events

Subsequent to year end, the Society entered into an Affiliation and Services Agreement with Brandywine Valley SPCA (BVSCPA), a 501(c)(3) organization whose mission is to provide safety, love, and hope for pets and their people. Together, the Society and BVSCPA will join to expand life-saving initiatives in a unified effort and create positive change for animals in need across the Commonwealth. The agreement lasted through June 30, 2024 and renews for one month periods unless either party provides written notice of intent not to renew. The agreement also called for BVSCPA to provide the Society the services of its Executive Director.

Subsequent to year end, the Society entered into a loan agreement with Brandywine Valley SPCA in the amount of \$350,000. The loan requires the Society to repay the principal amount to Brandywine Valley SPCA, without interest payable on the unpaid principal, beginning on January 10, 2024 only if a formal merger is not reached between the two organizations.