

TREE HOUSE HUMANE SOCIETY, INC.

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020 AND 2019**

TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Tree House Humane Society, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

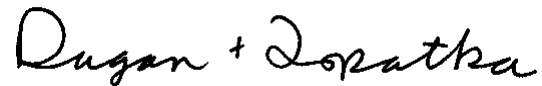
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report
Tree House Humane Society, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tree House Humane Society, Inc. as of December 31, 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 black ink that reads "Dugan + Lopatka". The signature is written in a cursive, flowing style.

DUGAN & LOPATKA

Warrenville, Illinois
May 21, 2021

TREE HOUSE HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

A S S E T S

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 851,534	\$ 1,598,522
Receivables	-	25,000
Investments	1,617,342	1,381,532
Prepaid expenses and other current assets	22,123	25,803
	<u>2,490,999</u>	<u>3,030,857</u>
 PROPERTY AND EQUIPMENT		
Land	630,000	630,000
Building and building improvements	6,572,067	6,564,417
Machinery and equipment	370,599	308,064
Furniture and fixtures	236,584	217,674
Vehicles	51,326	51,326
Construction in progress	195,955	-
	<u>8,056,531</u>	<u>7,771,481</u>
Less - Accumulated depreciation	<u>(957,666)</u>	<u>(700,601)</u>
	<u>7,098,865</u>	<u>7,070,880</u>
 OTHER ASSETS:		
Cash held for investment in perpetuity	<u>5,512</u>	<u>7,520</u>
	<u>\$ 9,595,376</u>	<u>\$ 10,109,257</u>

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 8,613	\$ 25,593
Accrued expenses	27,460	67,929
Mortgage payable, current portion	95,072	87,885
	<u>131,145</u>	<u>181,407</u>
 LONG-TERM LIABILITIES:		
Mortgage payable, net of current portion	<u>272,182</u>	<u>369,649</u>
 NET ASSETS:		
Without donor restrictions	9,154,563	9,448,497
With donor restrictions	37,486	109,704
	<u>9,192,049</u>	<u>9,558,201</u>
	<u>\$ 9,595,376</u>	<u>\$ 10,109,257</u>

The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	With Donor Restrictions	Without Donor Restrictions	Total
PUBLIC SUPPORT:						
Contributions	\$ 926,227	\$ 142,199	\$ 1,068,426	\$ 1,510,156	\$ 95,000	\$ 1,605,156
Grant	37,597	-	37,597	18,638	45,000	63,638
Bequests	319,135	-	319,135	3,282,697	-	3,282,697
Membership dues	7,910	-	7,910	20,883	-	20,883
Special events	21,008	-	21,008	107,403	-	107,403
Forgiveness of note payable	289,200	-	289,200	-	-	-
Assets released from restrictions	214,417	(214,417)	-	39,920	(39,920)	-
Total public support	1,815,494	(72,218)	1,743,276	4,979,697	100,080	5,079,777
PROGRAM SERVICE FEES AND OTHER:						
Program fees	121,274	-	121,274	132,037	-	132,037
Merchandise sales	30,183	-	30,183	58,059	-	58,059
Miscellaneous income	17,110	-	17,110	11,737	-	11,737
Investment income	184,312	-	184,312	126,921	-	126,921
Total program service fees and other revenues	352,879	-	352,879	328,754	-	328,754
Total revenues and other support	2,168,373	(72,218)	2,096,155	5,308,451	100,080	5,408,531
EXPENSES:						
Program services						
Shelter	693,714	-	693,714	823,847	-	823,847
Clinic	669,065	-	669,065	690,635	-	690,635
Other community programs	206,495	-	206,495	143,746	-	143,746
Total program services	1,569,274	-	1,569,274	1,658,228	-	1,658,228
Support						
Management and general	419,767	-	419,767	523,723	-	523,723
Fundraising	473,266	-	473,266	411,542	-	411,542
Total support	893,033	-	893,033	935,265	-	935,265
Total expenses	2,462,307	-	2,462,307	2,593,493	-	2,593,493
CHANGES IN NET ASSETS	(293,934)	(72,218)	(366,152)	2,714,958	-	2,815,038
NET ASSETS, beginning of year	9,448,497	109,704	9,558,201	6,733,539	9,624	6,743,163
NET ASSETS, end of year	\$ 9,154,563	\$ 37,486	\$ 9,192,049	\$ 9,448,497	\$ 109,704	\$ 9,558,201

The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (366,152)	\$ 2,815,038
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Depreciation	257,063	236,406
Forgiveness of note payable	(289,200)	-
Contributions received for long-term purposes	(142,199)	(82,500)
Realized and unrealized (gain) on investments	(169,324)	(63,658)
Change in current assets and liabilities:		
(Increase) decrease in contribution receivable	25,000	(25,000)
(Increase) decrease in prepaid expenses and other current assets	3,680	(11,384)
Increase (decrease) in accounts payable	(16,980)	20,390
Increase (decrease) in accrued expenses	(40,469)	67,929
	<u>(738,581)</u>	<u>2,957,221</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(66,486)	(1,051,555)
Purchase of fixed assets	(285,048)	(100,020)
	<u>(351,534)</u>	<u>(1,151,575)</u>
Net cash (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term purposes	142,199	82,500
Payments on mortgage payable	(90,280)	(1,228,427)
Proceeds from note payable	289,200	-
	<u>341,119</u>	<u>(1,145,927)</u>
Net cash provided by (used in) financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(748,996)	659,719
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,606,042</u>	<u>946,323</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 857,046</u>	<u>\$ 1,606,042</u>
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 851,534	\$ 1,598,522
Cash held for investment in perpetuity	5,512	7,520
	<u>\$ 857,046</u>	<u>\$ 1,606,042</u>
Total cash and cash equivalents		
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u>\$ 22,353</u>	<u>\$ 62,862</u>

The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services				Support			Organization Total
	Shelter Services	Clinical and Veterinary Services	Other Community Programs	Total	Management and General	Fundraising	Total	
Salaries	\$ 383,189	\$ 370,416	\$ 114,957	\$ 868,562	\$ 217,140	\$ 191,595	\$ 408,735	\$ 1,277,297
Employee benefits	33,350	31,915	9,306	74,571	20,854	16,154	37,008	111,579
Payroll taxes	35,617	34,430	10,685	80,732	20,182	17,808	37,990	118,722
Advertising	5	5	5,252	5,262	3	189	192	5,454
Bank and credit card fees	3,032	623	142	3,797	9,736	6,793	16,529	20,326
Cost of good sold	5,028	-	-	5,028	-	3,464	3,464	8,492
Depreciation	77,119	74,548	23,136	174,803	43,700	38,560	82,260	257,063
Equipment rental	16,522	16,931	4,642	38,095	12,433	7,678	20,111	58,206
Food	664	239	7	910	2,546	301	2,847	3,757
Insurance	4,733	3,883	1,205	9,821	24,422	2,009	26,431	36,252
Interest	45	44	14	103	22,227	23	22,250	22,353
Lab tests	-	8,272	-	8,272	-	-	-	8,272
Licenses and fees	2,223	2,323	621	5,167	2,082	6,130	8,212	13,379
Medicine	-	70,381	-	70,381	-	-	-	70,381
Occupancy	60,967	24,113	6,437	91,517	14,964	10,726	25,690	117,207
Office supplies	6,096	4,081	1,860	12,037	4,713	(147)	4,566	16,603
Payroll service	4,220	4,079	1,266	9,565	2,391	2,110	4,501	14,066
Postage and shipping	1,020	809	9,757	11,586	4,418	55,708	60,126	71,712
Printing and publications	709	403	9,624	10,736	1,307	43,513	44,820	55,556
Professional fees	12,084	9,618	5,919	27,621	4,532	62,337	66,869	94,490
Supplies	41,039	2,334	717	44,090	1,303	7,198	8,501	52,591
Telephone	2,890	1,579	490	4,959	926	817	1,743	6,702
Taxes	5	4	1	10	3	2	5	15
Travel	2,737	48	457	3,242	9,885	298	10,183	13,425
Veterinary Fees	420	7,987	-	8,407	-	-	-	8,407
Total expenses	\$ 693,714	\$ 669,065	\$ 206,495	\$ 1,569,274	\$ 419,767	\$ 473,266	\$ 893,033	\$ 2,462,307

The accompanying notes are an integral part of this statement.

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

	Program Services				Support			Organization Total
	Shelter Services	Clinical and Veterinary Services	Other Community Programs	Total	Management and General	Fundraising	Total	
Salaries	\$ 480,896	\$ 377,137	\$ 76,961	\$ 934,994	\$ 258,810	\$ 172,450	\$ 431,260	\$ 1,366,254
Employee benefits	37,675	29,648	6,050	73,373	20,607	13,424	34,031	107,404
Payroll taxes	35,349	28,033	5,782	69,164	37,625	12,239	49,864	119,028
Advertising	-	-	1,453	1,453	-	856	856	2,309
Bank and credit card fees	2,548	139	53	2,740	1,764	16,279	18,043	20,783
Cost of good sold	4,006	-	-	4,006	-	16,865	16,865	20,871
Depreciation	83,210	65,257	13,317	161,784	44,783	29,839	74,622	236,406
Equipment rental	9,081	7,122	1,453	17,656	16,017	21,417	37,434	55,090
Food	4,916	3,475	799	9,190	9,421	688	10,109	19,299
Insurance	10,317	8,090	1,651	20,058	5,552	3,700	9,252	29,310
Interest	22,126	17,352	3,541	43,019	11,908	7,935	19,843	62,862
Lab tests	-	23,133	-	23,133	-	-	-	23,133
Licenses and fees	3,481	831	648	4,960	2,496	267	2,763	7,723
Medicine	-	70,249	-	70,249	-	-	-	70,249
Occupancy	35,978	28,215	5,758	69,951	19,363	12,902	32,265	102,216
Office supplies	32,241	16,569	7,027	55,837	17,018	12,599	29,617	85,454
Payroll service	-	-	-	-	9,761	-	9,761	9,761
Postage and shipping	247	167	3,889	4,303	10,542	12,274	22,816	27,119
Printing and publications	866	483	7,362	8,711	4,403	38,066	42,469	51,180
Professional fees	5,356	2,455	2,436	10,247	35,876	27,608	63,484	73,731
Supplies	48,324	1,828	4,672	54,824	6,681	9,698	16,379	71,203
Telephone	1,079	32	-	1,111	9,911	-	9,911	11,022
Taxes	-	-	-	-	115	1,667	1,782	1,782
Travel	6,046	5,955	894	12,895	1,070	769	1,839	14,734
Veterinary Fees	105	4,465	-	4,570	-	-	-	4,570
Total expenses	\$ 823,847	\$ 690,635	\$ 143,746	\$ 1,658,228	\$ 523,723	\$ 411,542	\$ 935,265	\$ 2,593,493

The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities -

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

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

The financial statements were available to be issued on May 21, 2021, with subsequent events being evaluated through this date.

Basis of Accounting -

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

Basis of Presentation -

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

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

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by either the actions of the Society and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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

Cash and Cash Equivalents -

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

Receivable and Bad Debt Expense -

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

Property and Equipment -

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

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

Depreciation expense for the years ended December 31, 2020 and 2019 was \$257,063 and \$236,406, respectively.

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

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

Revenue Recognition for Public Support -

The Society recognizes public support when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Program Service Fees -

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

Disaggregation of Program Fees Revenue -

	<u>2020</u>	<u>2019</u>
Adoption Fees	\$ 111,987	\$ 129,074
Veterinary clinic fees	<u>9,287</u>	<u>2,963</u>
Total program fees	<u>\$ 121,274</u>	<u>\$ 132,037</u>

Functional Allocation of Expenses -

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

Income Taxes -

The Society is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code and is not considered to be a private foundation. It is also required to recognize or derecognize in its financial statements positions taken or expected to be taken in a tax return on a "more likely than not" threshold. The Society does not believe its financial statements include any uncertain tax positions. The Society's income tax filings for the years 2017 and thereafter remain subject to examination by the Internal Revenue Service.

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

Use of Estimates -

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

Reclassifications -

Prior year amounts have been reclassified to be consistent with current year presentation.

(2) CONCENTRATIONS:

Credit Risk -

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

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

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

Bequests -

In 2020 the Society received approximately 14% of its total revenue as debt forgiveness (See note 5). In 2019, the Society was the beneficiary of a bequest from a single trust that amounted to approximately 52% of total revenue.

(3) INVESTMENTS:

The composition of investments at December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Equities	\$ 342,376	\$ 263,347
Equity funds	20,864	-
Fixed income funds	102,893	90,903
Community foundation fund	<u>1,151,209</u>	<u>1,027,282</u>
	<u>\$ 1,617,342</u>	<u>\$ 1,381,532</u>

(3) INVESTMENTS: (Continued)

Investment return for the years ended December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 14,988	\$ 63,263
Realized and unrealized gain on investments	<u>169,324</u>	<u>63,658</u>
	<u>\$ 184,312</u>	<u>\$ 126,921</u>

(4) FAIR VALUE MEASUREMENTS:

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

Level 1:

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

Level 2:

Inputs to the valuation methodology include:

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

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

Level 3:

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

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

(4) FAIR VALUE MEASUREMENTS: (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

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

Community Foundation Fund: Valued at the fair market value of the Society's share of net assets of the Foundation as of December 31, 2020 and 2019.

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

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

<u>Description</u>	<u>Assets at Fair Value as of December, 31 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 342,376	\$ -	\$ -	\$ 342,376
Equity funds	20,864	-	-	20,864
Fixed income funds	102,893	-	-	102,893
Community foundation fund	-	-	1,151,209	1,151,209
Total assets at fair value	<u>\$ 466,133</u>	<u>\$ -</u>	<u>\$ 1,151,209</u>	<u>\$ 1,617,342</u>

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

The table below sets forth a summary of changes in the fair value of the Society's level 3 assets:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,027,282	\$ -
Realized and unrealized gain relating to instruments held at end of year	132,744	24,629
Interest, purchases and sales, net	<u>(8,817)</u>	<u>1,002,653</u>
Balance, end of year	<u>\$ 1,151,209</u>	<u>\$ 1,027,282</u>

(5) MORTGAGE PAYABLE:

	<u>2020</u>	<u>2019</u>
Payable to a bank in monthly installments of \$9,373, principal and interest, through July, 2024, bearing interest at 5.242%, and secured by land and building.	\$ 367,254	\$ 457,534
Less - Current maturities	<u>95,072</u>	<u>87,885</u>
Long-term maturities	<u>\$ 272,182</u>	<u>\$ 369,649</u>

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

2021	\$ 95,072
2022	100,165
2023	105,520
2024	<u>66,497</u>
Total	<u>\$ 367,254</u>

(6) LEASES:

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

The Society leases copiers and other IT equipment with monthly payments of \$1,208 and an expiration date in March 2021. Maintenance and IT services are included in the lease.

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

2021	\$ 12,268
2022	8,643
2023	<u>5,762</u>
	<u>\$ 26,673</u>

Total rent expense for the years ended December 31, 2020 and 2019 were \$25,856 and \$33,673, respectively.

(7) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Wellness Center	\$ 29,871	\$ 82,500
Foster care	-	2,500
Vehicle and signage	2,103	17,184
In perpetuity	<u>5,512</u>	<u>7,520</u>
	<u>\$ 37,486</u>	<u>\$ 109,704</u>

(8) DONATED MATERIALS AND SERVICES:

In-kind donations of material are recorded at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Society did not receive in-kind donations of materials during the year ended December 31, 2020 and 2019.

Donations of services are recorded if they create or enhance a non-financial asset or are specialized skills that would be purchased if they were not donated. The Society did receive donated services for the years ended December 31, 2020 and 2019; however, no amounts have been reflected in the financial statements since the Society pays for most services requiring specific expertise and other individuals volunteer their time.

(9) ADVERTISING COSTS:

Advertising costs, used by the Society to promote its programs among the audiences it serves, are expensed as incurred. Advertising costs for the years ended December 31, 2020 and 2019 were \$5,454 and \$2,309, respectively.

(10) LIQUIDITY AND AVAILABILITY:

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

	<u>2020</u>	<u>2019</u>
Financial assets -		
Cash	\$ 857,046	\$ 1,606,042
Receivables	-	25,000
Investments	<u>1,617,342</u>	<u>1,381,532</u>
Total financial assets	2,474,388	3,012,574
Donor imposed restrictions	<u>37,486</u>	<u>109,704</u>
Financial assets available to meet cash needs for general expenditures that is without donor or other restrictions limiting their use within one year	<u>\$ 2,436,902</u>	<u>\$ 2,902,870</u>

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

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

(11) PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS:

In April 2020, the Society obtained a Paycheck Protection Program (PPP) loan payable to a bank as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act in the amount of \$289,200. Interest accrued at 1%, with the amount to be repaid in equal installments of principal and interest, beginning at the earlier of the date the SBA remits the loan forgiveness amount, or 10 months after the end of the forgivable covered period, with the final payment due April 2022, consisting of interest and the entirety of the principal. As part of the loan agreement, the entire loan, or a portion was eligible to be forgiven. In November 2020, the Society received notice from the United States Small Business Administration that their loan had been fully forgiven. The Society has adopted ASC 470 to account for the loan and has recorded a gain from the forgiven portion of the loan in the statement of activities.

(12) MANAGEMENT'S RESPONSE TO COVID-19:

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As part of these mitigation measures the Society had to shut down its shelter and retail stores for a portion of the year and canceled fundraising events resulting in a decline of revenues. In order to supplement these drops in revenues, the Society applied for and received a PPP loan through the CARES Act (See note 11). The Society cannot reasonably estimate the length of or severity of this pandemic, or the extent to which the disruption may materially impact the financial statements in fiscal year 2021.

(13) SUBSEQUENT EVENT:

In January 2021, the Society received a second Paycheck Protection Program Loan payable to a bank in the amount of \$289,200. Interest will accrue at 1% with the amount to be repaid in equal installments of principal and interest, beginning at the earlier of the date the SBA remits the loan forgiveness amount, or 10 months after the end of the forgivable period with a final payment date in January 2026. As part of the loan agreement the entire loan, or a portion is eligible to be forgiven.