

**HUMANE SOCIETY OF NORTH TEXAS**

**AUDITED FINANCIAL STATEMENTS**

**Years Ended December 31, 2020 and 2019  
With Independent Auditors' Report**

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**Years Ended December 31, 2020 and 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Humane Society of North Texas

### Opinion

We have audited the accompanying financial statements of the Humane Society of North Texas (a nonprofit organization), which comprise the statements 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Humane Society of North Texas as of December 31, 2020 and 2019, and the changes in the net assets and 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Humane Society of North Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that 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 rise substantial doubt about Humane Society of North Texas's ability to continue as a going concern for one year after the date that the financial statements are issued.

### Auditors' Responsibility 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 auditors' 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 Humane Society of North Texas'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 Humane Society of North Texas to continue as 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.

*J. Taylor & Associates, LLC*

Fort Worth, Texas  
February 7, 2022

**HUMANE SOCIETY OF NORTH TEXAS**  
**Statements of Financial Position**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 665,760	\$ 727,841
Pledges receivable	885,534	156,370
Accounts and grants receivable	85,865	272,319
Prepaid expenses and other assets	112,219	83,495
Investments	14,864,013	15,582,512
Beneficial interest in charitable trusts	1,601,837	1,598,941
Mineral interest	213,245	213,245
Land, buildings, and equipment, net	<u>2,779,285</u>	<u>2,011,439</u>
<b>Total Assets</b>	<u>\$ 21,207,758</u>	<u>\$ 20,646,162</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 347,826	\$ 318,618
Accrued liabilities	199,176	233,064
Paycheck Protection Program loan	<u>620,732</u>	<u>-</u>
<b>Total liabilities</b>	<u>1,167,734</u>	<u>551,682</u>
<b>Net assets</b>		
Without donor restrictions	18,611,071	18,385,497
With donor restrictions	<u>1,428,953</u>	<u>1,708,983</u>
<b>Total net assets</b>	<u>20,040,024</u>	<u>20,094,480</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 21,207,758</u>	<u>\$ 20,646,162</u>

See accompanying notes to the financial statements.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Statements of Activities**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>			<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue						
Public support	\$ 2,415,937	\$ 288,665	\$ 2,704,602	\$ 2,334,211	\$ 616,862	\$ 2,951,073
Bequests	1,191,138	-	1,191,138	156,334	-	156,334
Special events, net	10,252	-	10,252	65,681	-	65,681
In-kind contributions	187,920	-	187,920	223,540	-	223,540
Program revenue	892,452	-	892,452	1,051,362	-	1,051,362
Investment income	1,634,208	21,455	1,655,663	2,455,631	84,460	2,540,091
Other income	269,901	-	269,901	118,818	-	118,818
Net asset released from restrictions	590,150	(590,150)	-	107,500	(107,500)	-
Total support and revenue	<u>7,191,958</u>	<u>(280,030)</u>	<u>6,911,928</u>	<u>6,513,077</u>	<u>593,822</u>	<u>7,106,899</u>
Expenses						
Program services						
Animal care	5,210,784	-	5,210,784	4,940,628	-	4,940,628
Cruelty investigations	191,520	-	191,520	188,334	-	188,334
Community outreach	588,746	-	588,746	826,619	-	826,619
Total program services	<u>5,991,050</u>	<u>-</u>	<u>5,991,050</u>	<u>5,955,581</u>	<u>-</u>	<u>5,955,581</u>
General and administrative	483,159	-	483,159	579,494	-	579,494
Fundraising	492,175	-	492,175	401,700	-	401,700
Total expenses	<u>6,966,384</u>	<u>-</u>	<u>6,966,384</u>	<u>6,936,775</u>	<u>-</u>	<u>6,936,775</u>
Change in net assets	225,574	(280,030)	(54,456)	(423,698)	593,822	170,124
Net assets at beginning of year	<u>18,385,497</u>	<u>1,708,983</u>	<u>20,094,480</u>	<u>18,809,195</u>	<u>1,115,161</u>	<u>19,924,356</u>
Net assets at end of year	<u>\$ 18,611,071</u>	<u>\$ 1,428,953</u>	<u>\$ 20,040,024</u>	<u>\$ 18,385,497</u>	<u>\$ 1,708,983</u>	<u>\$ 20,094,480</u>

See accompanying notes to the financial statements.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**

	Program Services			Supporting Services			Total
	Animal Care	Cruelty Investigations	Community Outreach	Total Program Services	General and Administrative	Fundraising	
Salaries	\$ 2,446,168	\$ 110,363	\$ 294,590	\$ 2,851,121	\$ 259,146	\$ 185,602	\$ 3,295,869
Payroll taxes	180,450	8,290	22,128	210,868	18,293	13,641	242,802
Employee benefits	214,132	10,538	55,956	280,626	29,807	15,184	325,617
Total salaries and related expenses	2,840,750	129,191	372,674	3,342,615	307,246	214,427	3,864,288
Advertising and promotion	176,187	234	7,639	184,060	150	57,718	241,928
Bank fees	14,126	-	2,420	16,546	(173)	19,553	35,926
Contract services	491,621	4,804	10,661	507,086	68,716	37,124	612,926
Equipment	53,592	4,041	5,720	63,353	5,187	138	68,678
Insurance	177,770	3,237	7,174	188,181	9,134	2,393	199,708
Maintenance and repairs	96,597	713	3,553	100,863	4,674	-	105,537
Miscellaneous	77,407	1,172	12,942	91,521	38,987	52,241	182,749
Occupancy Costs	57,846	13,320	13,490	84,656	21,696	7,844	114,196
Office expense	10,164	286	4,580	15,030	3,766	112	18,908
Printing and postage	3,414	236	1,676	5,326	774	102,468	108,568
Seminars and training	11,103	746	443	12,292	29	493	12,814
Supplies	733,181	6,231	109,948	849,360	461	131	849,952
Telephone	49,375	4,086	6,910	60,371	7,359	3,020	70,750
Utilities	109,784	9,068	13,239	132,091	13,418	-	145,509
Vehicle and travel	44,349	4,390	742	49,481	300	86	49,867
Total expenses before depreciation	4,947,266	181,755	573,811	5,702,832	481,724	497,748	6,682,304
Depreciation	263,518	9,765	14,935	288,218	1,435	593	290,246
Total expenses	5,210,784	191,520	588,746	5,991,050	483,159	498,341	6,972,550
Less special event direct costs	-	-	-	-	-	(6,166)	(6,166)
Total	\$ 5,210,784	\$ 191,520	\$ 588,746	\$ 5,991,050	\$ 483,159	\$ 492,175	\$ 6,966,384

See accompanying notes to the financial statements.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2019**

	Program Services			Supporting Services			Total
	Animal Care	Cruelty Investigations	Community Outreach	Total Program Services	General and Administrative	Fundraising	
Salaries	\$ 2,075,703	\$ 101,199	\$ 450,374	\$ 2,627,276	\$ 322,436	\$ 192,900	\$ 3,142,612
Payroll taxes	155,603	8,247	32,755	196,605	22,571	12,970	232,146
Employee benefits	213,302	5,031	47,748	266,081	16,344	14,446	296,871
Total salaries and related expenses	2,444,608	114,477	530,877	3,089,962	361,351	220,316	3,671,629
Advertising and promotion	155,322	-	-	155,322	190	21,286	176,798
Bank fees	19,106	-	413	19,519	943	16,387	36,849
Contract services	396,161	3,934	12,392	412,487	78,248	30,391	521,126
Equipment	49,766	382	11,368	61,516	5,067	-	66,583
Insurance	203,889	4,539	9,442	217,870	7,082	3,093	228,045
Maintenance and repairs	83,882	4,643	5,577	94,102	5,612	-	99,714
Miscellaneous	91,318	2,993	12,370	106,681	29,633	106,166	242,480
Occupancy Costs	43,590	11,225	14,034	68,849	55,611	-	124,460
Office expense	22,973	30	7,586	30,589	3,206	1,181	34,976
Printing and postage	8,996	-	934	9,930	1,258	79,776	90,964
Seminars and training	18,051	957	158	19,166	7,184	1,112	27,462
Supplies	872,387	16,767	179,822	1,068,976	311	-	1,069,287
Telephone	49,395	3,101	8,079	60,575	5,041	1,852	67,468
Utilities	128,292	9,756	12,636	150,684	15,048	-	165,732
Vehicle and travel	57,765	4,494	3,939	66,198	2,165	1,658	70,021
Total expenses before depreciation	4,645,501	177,298	809,627	5,632,426	577,950	483,218	6,693,594
Depreciation	295,127	11,036	16,992	323,155	1,544	371	325,070
Total expenses	4,940,628	188,334	826,619	5,955,581	579,494	483,589	7,018,664
Less special event direct costs	-	-	-	-	-	(81,889)	(81,889)
Total	\$ 4,940,628	\$ 188,334	\$ 826,619	\$ 5,955,581	\$ 579,494	\$ 401,700	\$ 6,936,775

See accompanying notes to the financial statements.



**HUMANE SOCIETY OF NORTH TEXAS**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (54,456)	\$ 170,124
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for land, building, and equipment	-	(308,589)
Depreciation	290,246	325,070
Realized gain on sale of investments	(129,197)	(1,338,328)
Unrealized gain on investment	(1,348,741)	(840,905)
Change in operating assets and liabilities:		
Pledges receivable	(729,164)	(99,101)
Accounts and grants receivable	186,454	(201,531)
Prepaid expenses and other assets	(28,724)	(26,433)
Accounts payable	29,208	126,908
Accrued liabilities	(33,888)	79,044
Net cash used in operating activities	(1,818,262)	(2,113,741)
 <b>Cash flows from investment activities</b>		
Proceeds from sale of investments	6,160,014	30,693,965
Purchases of investments	(3,966,473)	(28,218,484)
Purchases of land, buildings, and equipment	(1,058,092)	(542,163)
Net cash provided by investing activities	1,135,449	1,933,318
 <b>Cash flows from financing activities</b>		
Proceeds from PPP loan	620,732	-
Contributions restricted for land, building, and equipment	-	308,589
Net cash provided by financing activities	620,732	308,589
 Net increase / (decrease) in cash and cash equivalents	(62,081)	128,166
 Cash and cash equivalents at beginning of year	\$ 727,841	\$ 599,675
 Cash and cash equivalents at end of year	\$ 665,760	\$ 727,841

See accompanying notes to the financial statements.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2020 and 2019**

**A. Nature of Activities**

Since 1905, the Humane Society of North Texas (the "Society") has worked to eliminate animal cruelty, promote humane values, and end animal homelessness in North Texas. The Society is a nonprofit organization incorporated under the laws of the state of Texas and is not affiliated with any national animal welfare organization. As an independent nonprofit organization, the Society relies on the generosity of the public to help ensure there is a safe place for abused, injured, and homeless animals. Its services include adoptions, spay/neuter surgeries, low-cost vaccinations, humane education, and cruelty investigations. The Society's current programs include the following:

**Animal Care**

The Society operated four adoption centers and an equine and livestock ranch where animals are cared for prior to adoption or to being returned to their owners throughout 2019 and 2020. One of the four adoption centers was closed effective October 31, 2021. All dogs, cats, and small animals in the Society's care receive appropriate vaccinations and medical treatment, are microchipped, and are spayed or neutered prior to adoption. To improve the likelihood of adoption, many pets are transferred to other animal welfare organizations around the country where there is a shortage of adoptable animals.

**Cruelty Investigations**

The Society works with local law enforcement authorities to investigate animal cruelty cases. The Society cares for animals seized by authorities or surrendered by owners that are the subject of cruelty investigations. After being awarded custody of the animals, the Society provides for their medical, nutritional, and housing needs until they can be rehabilitated and adopted.

**Community Outreach**

The Society provides many outreach services to underserved areas of Fort Worth and Tarrant County. The Society operates a low-cost spay and neuter surgery clinic and provides low-cost vaccinations to the public. The Society partners with community organizations to provide free basic veterinary care to senior citizens through the Rae of Hope Program. Vouchers for free spay and neuter surgeries are also distributed to the public, where needed. Education programs are presented at local schools and civic organizations on the humane treatment of animals.

**B. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Society is presented to assist in the understanding the financial statements. The financial statements and notes are representations of the Society's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the presentation of the financial statements.

**Basis of Accounting**

The Society maintains its accounts on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America (US GAAP).

**Financial Statement Presentation**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-impose restrictions. Accordingly, the Society reports information regarding its financial positions and activities and changes therein as follows:

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**B. Summary of Significant Accounting Policies (continued)**

**Financial Statement Presentation (continued)**

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. However, no such designations exist at December 31, 2020 or 2019.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support and revenue are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed and/or time restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. If the restrictions are met in the year contribution, the amounts of temporarily restricted the gifts are listed as contributions without donor restrictions.

**Federal Income Taxes**

The Society is a qualified non-profit organization and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Society applied the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 740 *Accounting for Uncertainty in Income Taxes* during the years ended December 31, 2020 and 2019. Under ASC topic 740 *Accounting for Uncertainty in Income Taxes*, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The ASC topic *Accounting for Uncertainty in Income Taxes* has no impact on the Society's financial statements. The Society does not believe there are any unrecognized tax benefits that should be recorded. For the years ended December 31, 2020 and 2019, there were no interest or penalties recorded or included in the statements of activities related to taxes. The Society is still open to examination by taxing authorities from 2017 forward.

**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 in the financial statements and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates and assumptions. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

**Cash and Cash Equivalents**

The Society considers all amounts held in money market accounts and underlying liquid investments with maturities of three months or less to be the cash equivalents unless such assets are unavailable for current use.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**B. Summary of Significant Accounting Policies (continued)**

**Pledges Receivable**

Pledges receivable consists of amounts due from bequests. No allowance for doubtful collections or valuation allowance is recorded because management believes collection within one year is reasonably certain.

Pledges are recognized as assets and contributions in the period when unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. At December 31, 2020 and 2019, the Society was not aware of any conditional promises to give that could be material to the financial statements.

**Accounts and Grants Receivable**

Accounts and grants receivable represent amounts due from customers and grantors and are stated at the amount management expects to be collected. No allowance for doubtful accounts is recorded because management believes collection of all balances is reasonably certain.

**Investments, Beneficial Interest in Charitable Trusts and Mineral Interest**

Investments which are actively traded are stated at fair value based on quoted market prices. Increases and decreases in fair value are recognized as gains and losses in the period in which they occur.

The Society is the sole beneficiary of certain charitable trusts and split-interest agreements. Such assets are stated at fair value based on the Society's share of the investments held by the trusts which are actively traded. Increases and decreases in fair value are recognized as gains and losses in the period in which they occur.

The Society is also a party to certain remainder trusts. Generally, these agreements require payments to other beneficiaries throughout their lifetime before the Society will become the sole beneficiary of a portion of the remaining assets. Such assets are stated at fair value based on the value of investments held by the trust which are actively traded, discounted for the present value of expected future payments to other beneficiaries. The present value discount is calculated using life expectancy tables with discount rates which were approximately 5% in for 2020 and 2019. Increases and decreases in fair value are recognized as gains and losses in the period in which they occur.

Mineral interest is reported at the initial fair value of the donated mineral interest. Changes to this initial value are only recorded if management concludes the carrying value of the asset is impaired. No impairment exists at December 31, 2020 or 2019.

**Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost, if purchased, or fair value at the date received if donated. The Society capitalizes all equipment greater than \$1,000 with useful lives greater than one year. Depreciation is provided over the estimated useful lives of the related assets on the straight-line basis. Estimated useful lives are 10 to 30 years for the buildings and 3 to 25 years for equipment, including vehicles. Expenditures for repairs and maintenance are charged to expense as incurred, while expenditures for major renewals or betterments of buildings and equipment are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation are eliminated from respective accounts, and the resulting gain or loss is included in the statements of activities.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**B. Summary of Significant Accounting Policies (continued)**

**Revenue Recognition**

Contributions received are recorded when unconditional promises to give are received. Adoption of animals and service fee revenue is recorded at the time of the animal adoption or when good or services are provided to customers. Interest and dividend income is recognized on the accrual basis as interest is earned and as the right to receive dividends is established. Income from mineral interest is recognized in the month earned.

Program revenues, which include adoption and service fees, and portions of other income and special event revenue are derived from contracts with customers as defined by ASC 606, further described in the Recently Adopted Accounting Pronouncements disclosure below. In accordance with ASC 606, the Society's revenue is measured based on consideration specified in contracts with customers. The Society recognizes such revenues when it satisfies a performance obligation by transferring control over an animal, product, or service to a customer. Most of these transactions involve either a single performance obligation or multiple obligations where only one is considered material to the contract. For these contracts, the Society has determined that revenue should be recognized at a point in time as control is transferred, generally at the point of adoption or delivery of goods and services. Management does not believe the Society has any significant uncertainty of revenue and cash flows resulting from the geographic location of its customers or the types of customers it pursues. Within the contract price, the Society includes an assurance-type warranty that provides a limited guarantee regarding an adopted pet's health and the quality of goods for a reasonable period after delivery.

**Functional Expenses Allocation**

The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities. In most cases, expenses are assigned to a functional category based on the direct usage. Benefits and other personnel costs are indirectly allocated based on the wages for each functional category as a percentage of total wages. Depreciation is indirectly allocated based on square footage of facility space.

**Concentration of Credit Risk**

The Society places its cash with quality financial institutions and, by policy, limits its amounts of exposure to any one financial institution; however, at times the balances in accounts may exceed Federal Deposit Insurance Corporation insured limits. The investments and beneficial interest in trusts are valued at fair market value and are subject to market risk. Substantially all pledges receivable are due from two donors as of December 31, 2020 and 2019. Approximately 82% of accounts and grants receivable are due from two donors as of December 31, 2019.

**Impairment of Long-Lived Assets**

The Society periodically reviews the carrying value of its long-lived assets, including land, buildings, and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. In management's opinion, no impairment of long-lived assets exists as of December 31, 2020 or 2019.

**Advertising and Promotion Costs**

Advertising and promotion costs of approximately \$242,000 and \$177,000 for the years ended December 31, 2020 and 2019, respectively, are expensed as incurred.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**B. Summary of Significant Accounting Policies (continued)**

**Recently Adopted Accounting Pronouncements**

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. The Society adopted this standard, Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* and all subsequent amendment to the ASU (collectively ASC 606), in 2019. ASC 606 creates a single framework for recognizing revenue from contracts with customers that fall within its scope. Program revenue, other income, and special event income of the Society fall within the scope of ASC 606 and are recognized as revenue as the Society satisfies its obligation to the customer at a point in time. ASC 606 was applied retrospectively to all contracts impactful to the accompanying financial statements for both 2019 and 2020. There was no impact to previously reported financial statement balances or the beginning net assets related to the adoption of this pronouncement.

Classification of Certain Cash Receipts and Cash Payments (Topic 230)

In August 2016, the FASB issued ASU 2015-15, *Classification of Certain Cash Receipts and Cash Payments* (Topic 230), which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cashflows. The amendments are intended to reduce diversity in practice. This ASU contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgement is required to estimate and allocate cash flows) versus when an entity should classify the aggregate amount into one class of cash flows on the basis of predominance. The Society adopted this standard in 2019. The standard had no impact on the accompanying financial statements, including beginning cash and cash equivalents as reported in the accompanying statements of cash flows.

Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarified and improved previous guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the Society follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards.

Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (continued)

The ASU also provided a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-impose restriction. The Society adopted this standard in 2019. The standard had no impact on the 2020 financial statements, including beginning net assets.

**Recent Accounting Pronouncements**

Following are ASUs issued by the FASB identified as potentially significant to future financial reporting. This is not intended to be an evaluation of all recent accounting pronouncements.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**B. Summary of Significant Accounting Policies (continued)**

**Recent Accounting Pronouncements (continued)**

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU was initially scheduled to be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. This implementation date has been subsequently modified by FASB to be effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its financial statements.

**Reclassifications**

Certain balances for 2019 have been reclassified to conform to the 2020 presentation.

**C. Investments**

Investments at December 31, 2020 consisted of the following:

	Cost	Estimated Fair Value	Unrealized Gain
Marketable equity securities	7,478,891	9,811,152	2,332,261
Hedge Funds	701,913	769,273	67,360
Tangible Assets - Commodities	253,379	263,362	9,983
Bonds and United States Treasury notes	3,920,162	4,020,226	100,064
Total investments	<u>\$ 12,354,345</u>	<u>\$ 14,864,013</u>	<u>\$ 2,509,668</u>

Investments at December 31, 2019 consisted of the following:

	Cost	Estimated Fair Value	Unrealized Gain
Marketable equity securities	\$ 8,855,464	\$ 9,889,218	\$ 1,033,754
Hedge funds	1,041,305	1,053,508	12,203
Tangible assets (commodities)	465,570	468,645	3,075
Bonds and United States Treasury notes	4,059,246	4,171,141	111,895
Total investments	<u>\$ 14,421,585</u>	<u>\$ 15,582,512</u>	<u>\$ 1,160,927</u>

A reconciliation of the change in unrealized gain on investments is as follows for the years ended December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Unrealized gain, beginning of year	<u>\$ 1,160,927</u>	<u>\$ 320,022</u>
Change in value of investments during the year	<u>1,348,741</u>	<u>840,905</u>
Unrealized gain, end of year	<u>\$ 2,509,668</u>	<u>\$ 1,160,927</u>

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**C. Investments (continued)**

Investment income comprises the following for the years ended December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Interest and dividend income	\$ 265,201	\$ 444,389
Realized gains	129,197	1,338,328
Unrealized gains	1,348,741	840,905
Investment fees	(87,476)	(83,531)
Total investment income	\$ 1,655,663	\$ 2,540,091

**D. Beneficial Interest in Charitable Trusts**

The Society has been named as a beneficiary in the following trusts for the years ended December 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
<p>The Society is the sole beneficiary of two trusts whose investments consist primarily of bonds and United States Treasury notes. The trustees distribute earnings to the Society, which can be used for general purposes. Although the trusts are intended to be perpetual, one of the trusts expressly permits the trustee, in its sole discretion, to terminate the trust and distribute its assets to the Society. The second trust does not expressly permit such termination, but the Society reflects both trusts as unrestricted based on the conclusion that the permanent nature of the trust is an intention rather than a restriction. The Society does not expect the trusts to liquidate within the next year, and, accordingly, these assets are not available for current use.</p>	\$ 1,424,197	\$ 1,426,738
<p>The Society maintains one-sixth interest in a trust with a fair market value of approximately \$636,000 and \$624,000, respectively, for the years ended December 31, 2020 and 2019. The trust consists primarily of cash and mutual funds. The Society will receive interest-only distributions on a periodic basis until such time as the trustee determines that the assets of the trust are no longer sufficient to warrant the continued administration of the trust, at which time the trustee will terminate the trust and distribute its assets of the trust to the beneficiaries. The Society does not expect the trust to liquidate within the next year, and, accordingly, these assets are not available for current use.</p>	106,015	103,923
<p>The Society records its interest as a beneficiary of three trusts created by an individual estate. The Society recognizes their remainder interest based upon the estimated present value of the assets in the trust. The Society does not expect the trust to liquidate within the next year, and, accordingly, these assets are not available for current use.</p>	64,357	61,464
<p>The Society is a 50% beneficiary of the remaining portion of a trust upon the passing of other beneficiaries. The Society recognizes their remainder interest based upon the estimated present value of the assets in the trust. The Society does not expect the trust to liquidate within the next year, and, accordingly, these assets are not available for current use.</p>	7,268	6,816
	\$ 1,601,837	\$ 1,598,941



**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**E. Fair Value Measurements**

For assets and liabilities measured at fair value on a recurring basis, FASB ASC Topic 820, *Fair Value Measurement*, defines fair value as 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 and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest Level input be used.

The three Levels defined in FASB ASC Topic 820 are as follows:

Level 1 Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the reporting date.

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 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's or liability's fair value measurement Level within the fair value hierarchy is based upon 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.

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.

**Marketable Equity Securities, Hedge Funds, and Tangible Assets (Commodities)**

The fair values of marketable equity securities, hedge funds, and tangible assets (commodities) are based on quoted market price and are classified in Level 1 of the fair value of hierarchy.

**Bonds and United States Treasury Notes**

Bonds and United States Treasury notes have observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. However, they do not have quoted market prices in an active market. Therefore, these assets are classified in Level 2 of the fair value hierarchy.

**Mutual Funds (Registered Investment Companies)**

The fair value of mutual funds (registered investment companies) are valued based on exchange listed prices at the close of each business day and are classified in Level 1 of the fair value hierarchy.

**Beneficial Interest in Charitable Trusts**

The fair values of the beneficial interest in charitable trusts, excluding the remainder trusts, are based on the Society's share of the underlying assets held by the trust, which are primarily cash, mutual funds and bonds and United States treasury notes. The Society classifies these items as Level 2. The fair value of the remainder trusts is based on significant unobservable inputs including estimates of future cash flows and present value discount rates and is therefore classified in Level 3 of the fair value hierarchy.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**E. Fair Value Measurements (continued)**

**Beneficial Interest in Charitable Trusts (continued)**

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 measured at fair value on a recurring basis as of December 31, 2020.

	Level 1	Level 2	Level 3	Total
Marketable equity securities	\$ 9,811,152	\$ -	\$ -	\$ 9,811,152
Hedge funds	-	4,020,226	-	4,020,226
Tangible assets (commodities)	263,362	-	-	263,362
Bonds and United States Treasury notes	769,273	-	-	769,273
Beneficial interest in charitable trusts	-	1,530,212	71,625	1,601,837
<b>Total</b>	<b>\$ 10,843,787</b>	<b>\$ 5,550,438</b>	<b>\$ 71,625</b>	<b>\$ 16,465,850</b>

The following table sets forth by Level, within the fair value hierarchy, the Society's assets measured at fair value on a recurring basis as of December 31, 2019.

	Level 1	Level 2	Level 3	Total
Marketable equity securities	\$ 9,889,218	\$ -	\$ -	\$ 9,889,218
Hedge funds	1,053,508	-	-	1,053,508
Tangible assets (commodities)	468,645	-	-	468,645
Bonds and United States Treasury notes	-	4,171,141	-	4,171,141
Beneficial interest in charitable trusts	-	1,530,661	68,280	1,598,941
<b>Total</b>	<b>\$ 11,411,371</b>	<b>\$ 5,701,802</b>	<b>\$ 68,280</b>	<b>\$ 17,181,453</b>

The changes in values for assets reported as Level 3 for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Value at beginning of year	\$ 52,998	\$ 52,998
Contributions	7,268	6,816
Change in value of assets held in trust	11,359	8,466
	<b>\$ 71,625</b>	<b>\$ 68,280</b>

**F. Donor Designated Endowments**

The Society's endowments consist of two donor-restricted funds at December 31, 2020 and 2019. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**F. Donor Designated Endowments (continued)**

The Board of Directors of the Society interprets the Texas Uniform Prudent Management of Institutional Funds Act (“TUPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets restricted in perpetuity (a) the original value of the gifts donated to the restricted-in-perpetuity endowment, (b) the original value of subsequent gifts to the restricted-in-perpetuity endowment, and (c) accumulations to the restricted-in-perpetuity endowment made in accordance with applicable donor gift instrument at the time the accumulation is added to the fund (d) and all realized and unrealized gains and losses on investments of restricted-in-perpetuity gifts in accordance with applicable donor gift instruments.

The remaining portion of the donor-restricted endowment funds that is not classified as assets restricted in perpetuity are classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the Society’s investment policies.

**Investment Return Objectives, Risk Parameters, and Strategies**

The Society has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding for Society operations supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which meets the annual distribution with acceptable levels of risk.

For the Society’s current endowment funds, substantially all interest and dividend income, net of fees, is appropriated as it is earned.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities and mutual funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions for operations. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Funds with Deficiencies**

From time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below the level the donor or TUPMIFA requires to Society to retain as a fund of perpetual duration. No such deficiency was applicable at December 31, 2020 and 2019.

The Society’s endowment net asset composition by type of fund as of December 31, 2020 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 1,067,976	\$ 1,067,976

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**F. Donor Designated Endowments (continued)**

The Society's endowment net asset composition by type of fund as of December 31, 2019 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 1,046,521	\$ 1,046,521

**Changes in Endowment Net Assets**

The following discloses changes in total endowment fund net assets for the year ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 1,046,521	\$ 1,046,521
Net realized and unrealized gains	29,079	-	29,079
Interest and dividend income	34,464	-	34,464
Disbursements	(36,682)	-	(36,682)
Amounts appropriated for expenditure	(5,406)	-	(5,406)
	<u>\$ 21,455</u>	<u>\$ 1,046,521</u>	<u>\$ 1,067,976</u>

The following discloses changes in total endowment fund net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ (84,453)	\$ 962,061	\$ 877,608
Net realized and unrealized gains	-	84,460	84,460
Interest and dividend income	12,437	-	12,437
Amounts appropriated for expenditure	(23,259)	-	(23,259)
Other changes	95,275	-	95,275
	<u>\$ -</u>	<u>\$ 1,046,521</u>	<u>\$ 1,046,521</u>

Other changes in the disclosure above for 2019 reflect transfers of unrestricted investments into the endowment fund during 2019. The transfer was made to eliminate a deficiency in the funds from prior years that reflected the difference between the fair value of the assets associate with donor-restricted endowment funds and the level required to be retained into perpetuity.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**G. Restrictions on Net Assets**

Net assets with donor restrictions were restricted for the following purposes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment	\$ 1,067,976	\$ 1,046,521
Cruelty Investigations building	-	372,500
Cruelty Investigations vehicle	-	49,600
Cruelty Investigations kennel and equipment	-	44,347
Cruelty Investigations program	84,791	-
Job placement program	26,624	27,637
Equine related activities	101,292	26,896
Spay and neuter services	-	25,000
Rae of Hope program funds	35,172	76,382
Transportation	80,055	34,411
Restoring the pastures and hay field at Joshua	2,463	4,307
Other	-	1,102
Vet services and expenses	-	280
Contract behaviorists	30,580	-
	<u>\$ 1,428,953</u>	<u>\$ 1,708,983</u>

**H. Land, Building, and Equipment**

The composition of land, buildings, and equipment at December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 553,509	\$ 553,509
Buildings and improvements	4,251,751	3,273,118
Office equipment	121,724	120,988
Shelter equipment	649,707	639,572
Vehicles	784,857	647,009
Assets not yet placed in service	48,784	121,090
Total land, buildings, and equipment	6,410,332	5,355,286
Less accumulated depreciation	(3,631,047)	(3,343,847)
Total land, buildings, and equipment, net	<u>\$ 2,779,285</u>	<u>\$ 2,011,439</u>

**I. Employee Benefit Plan**

Effective January 1, 2020, the Society has adopted the Humane Society of North Texas 401(k) Plan (the Plan) to help its employees save for retirement. Most employees of the Society who are at least 21 years of age and have worked for the Society for at least six months will be eligible to participate in the Plan. The Society may make discretionary matching contributions to the Plan.

Employees will be entitled to receive any such matching contributions if the employee is employed on the last day of the year and worked at least 1,000 hours during the year for the Society. Employees become vested in the matching and employer contribution amounts under a 5-year graded vesting schedule, with vesting increasing by 20% in each year. Costs incurred by the Society related to employer contributions approximated \$36,000 during 2020.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**J. Paycheck Protection Program Loan**

The Society received a note payable with the U.S. Small Business Administration (“SBA”) as part of the Paycheck Protection Program. The loan was issued on May 1, 2020, for \$620,732 and originally indicated repayment to begin six months from origination date consisting of 18 monthly payments of principal and interest. In accordance with the Paycheck Protection Flexibility Act, this has been automatically extended to either (1) the date that SBA remits the borrower’s loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness covered period. This loan may be eligible for loan forgiveness and accordingly, no payments of principal or interest have been made as of December 31, 2020. Accordingly, the unpaid balance at December 31, 2020 is \$620,732. Notice of loan forgiveness, including all associated accrued interest, was received for this loan on February 23, 2021.

**K. Commitments and Contingencies**

The Society leases certain equipment and office space under non-cancelable operating leases. Rental expense for all leases was approximately \$119,000 and \$124,000 for 2020 and 2019, respectively. Future minimum lease payments under lease commitments for the year ended December 31 are as follows:

2021	\$	40,567
2022		5,418
2023		1,900
2024		633
2025		-
	\$	48,518

**L. Liquidity**

The Society’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 665,760	\$ 727,841
Pledges receivable	885,534	156,370
Accounts receivable	85,865	272,319
Investments	14,864,013	15,582,512
Less assets with donor restrictions	(1,428,953)	(1,708,983)
	\$ 15,072,219	\$ 15,030,059

As part of the Society’s liquidity management, it has informally decided to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Society regularly monitors liquidity required to meet its operational needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Society manages its liquidity and reserves following three guiding principles:

- Operating with 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 an average of 60 days operating expenses.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2020 and 2019**

**M. Special Events**

Special events are reported net of direct costs of approximately \$6,000 and \$82,000 in 2020 and 2019, respectively.

**N. Insurance Claim**

In March 2020, the Society filed an insurance claim related to hail damage to a facility. Proceeds from insurance of approximately \$209,000 were received from this claim and included as other income on the statement of activities. The Society determined there was no impairment to the building in 2020.

**O. Subsequent Events**

In preparing the accompanying financial statements, management of the Society has evaluated all subsequent events and transactions for potential recognition or disclosure through February 7, 2022, the date the financial statements were available for issuance.

The CARES Act was signed into law on March 27th, 2020, which includes the Paycheck Protection Program (PPP). The PPP represents \$659 billion of funding available to assist businesses effected by the pandemic. PPP funds provide financial relief and resources to businesses to promote continued employment and to continue to provide for expenses such as health insurance premiums, rent or mortgage payments and utilities. On February 23, 2021, the Society received forgiveness for their outstanding PPP loan originally received on May 1, 2020. The Society applied for and received a 2nd PPP loan for approximately \$712,000 in March 2021. The funds are initially structured as a loan, but steps can be taken to achieve partial or total forgiveness for these funds. The Society has taken these steps, however as of the date of the report, they are unable to determine the portion of the 2nd PPP loan that will be forgiven.

Subsequent to year-end, the Society sold their Wise Co. Property and received approximately \$694,000 for this sale.