

AUDITED FINANCIAL STATEMENTS

**PAWS HUMANE, INC.**

DECEMBER 31, 2018



**AUDITED FINANCIAL STATEMENTS**  
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**DECEMBER 31, 2018**

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DOUGHERTY  
MCKINNON & LUBY

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of PAWS Humane, Inc.

We have audited the accompanying financial statements of PAWS Humane, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 of 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 organization'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 organization'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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PAWS Humane, Inc., as of December 31, 2018, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Columbus, Georgia  
October 25, 2019



**STATEMENT OF FINANCIAL POSITION**  
**PAWS HUMANE, INC.**  
**DECEMBER 31, 2018**

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<b>ASSETS</b>	
Cash and cash equivalents	\$ 113,620
Accounts receivable -- Note J	14,230
Pledges receivable -- Notes B, H and J	1,907,875
Inventory	37,450
Investments -- Note C	2,184,193
Property and equipment, net -- Notes D and E	4,889,830
Other assets	8,174
	<hr/>
TOTAL ASSETS	<u>\$ 9,155,372</u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES -- Note J</b>	
Accounts payable	\$ 31,374
Accrued liabilities	23,636
Refundable advances	78,637
Note Payable -- Note E	359,256
	<hr/>
TOTAL LIABILITIES	492,903
 <b>NET ASSETS -- Note K</b>	
Without donor restrictions	6,359,420
With donor restrictions - Notes F and G	2,303,049
	<hr/>
	8,662,469
 <b>CONTINGENCIES -- Notes B and H</b>	
	<hr/>
	<u>\$ 9,155,372</u>

See notes to financial statements



**STATEMENT OF ACTIVITIES**  
**PAWS HUMANE, INC.**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions -- Notes B, H and I	\$ 1,399,186	\$ 86,936	\$ 1,486,122
Program service fees	517,389	0	517,389
Product sales	197,984	0	197,984
Investment income (losses), net -- Notes C, F and G	( 56,768 )	( 89,293 )	( 146,061 )
Other income	21,645	0	21,645
Net assets released from restric- tions -- Note F	<u>297,270</u>	<u>( 297,270 )</u>	<u>0</u>
	<u>2,376,706</u>	<u>( 299,627 )</u>	<u>2,077,079</u>
<b>EXPENSES -- Note E</b>			
Program services:			
Animal care and pet adoption	1,508,631	0	1,508,631
Cost of goods sold	137,869	0	137,869
Supporting services:			
Management and general	245,935	0	245,935
Fundraising expenses	<u>234,473</u>	<u>0</u>	<u>234,473</u>
	<u>2,126,908</u>	<u>0</u>	<u>2,126,908</u>
<b>INCREASE (DECREASE)</b>			
<b>IN NET ASSETS</b>	249,798	( 299,627 )	( 49,829 )
Net assets at January 1, 2018	<u>6,109,622</u>	<u>2,602,676</u>	<u>8,712,298</u>
<b>NET ASSETS AT</b>			
<b>DECEMBER 31, 2018</b>	<u>\$ 6,359,420</u>	<u>\$ 2,303,049</u>	<u>\$ 8,662,469</u>

See notes to financial statements



**STATEMENT OF FUNCTIONAL EXPENSES**  
**PAWS HUMANE, INC.**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services			Total Program Services
	Adoption Center	Vet Clinic	Other	
Compensation and related taxes	\$ 298,385	\$ 334,106	\$ 108,417	\$ 740,908
Medical supplies	48,117	135,510	32,102	215,729
Cost of goods sold	19,450	113,151	644	133,245
Depreciation Expense	111,894	33,018	11,006	155,918
Animal supplies and training	42,321	68	2,907	45,296
Utilities	46,643	14,217	4,980	65,840
Maintenance	33,671	12,532	10,168	56,371
Health Insurance	20,305	14,928	11,135	46,368
Marketing	27,583	1,897	3,638	33,118
Legal and Professional	3,665	10,647	3,666	17,978
Janitorial	24,120	3,267	3,387	30,774
Printing / Mailing	1,607	1,651	1,268	4,526
Processing Fees	4,794	7,854	10	12,659
Insurance	14,210	9,190	2,425	25,825
Interest	11,687	3,449	1,149	16,285
Special events	485	115	1,248	1,848
Computer expense	2,967	4,508	2,315	9,790
Dues	0	984	25	1,009
Office supplies and equipment	4,271	2,156	3,790	10,217
Travel	2,131	1,803	3,794	7,728
Seminars	358	558	125	1,041
Meals	322	282	1,048	1,652
Vehicle expense	1,556	0	5,115	6,671
Licenses	0	340	71	411
Miscellaneous	3,451	1,645	197	5,293
<b>TOTAL</b>	<b>\$ 723,993</b>	<b>\$ 707,877</b>	<b>\$ 214,630</b>	<b>\$ 1,646,500</b>

See notes to financial statements



<u>Supporting Services</u>		
<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 132,467	\$ 142,555	\$ 1,015,930
0	0	215,729
2,064	2,560	137,869
27,515	0	183,433
246	0	45,542
11,572	218	77,630
8,630	10,372	75,373
7,458	7,857	61,683
0	28,953	62,071
20,091	9,433	47,502
1,893	1,677	34,344
2,323	4,777	11,626
44	2,641	15,344
4,236	3,044	33,105
2,874	0	19,159
283	7,598	9,729
3,475	5,597	18,862
2,804	771	4,584
3,218	3,260	16,695
3,705	585	12,018
1,750	0	2,791
706	2,253	4,611
0	24	6,695
221	100	732
8,360	198	13,851
<u>\$ 245,935</u>	<u>\$ 234,473</u>	<u>\$ 2,126,908</u>



**STATEMENT OF CASH FLOWS**

**PAWS HUMANE, INC.**

**YEAR ENDED DECEMBER 31, 2018**

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CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	
Decrease in net assets	\$( 49,829 )
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Depreciation	\$ 183,433
Gain on disposal of property and equipment	( 2,648 )
Change in value of investments held in trust	89,293
Change in value of pledges receivable held in trust	55,680
Investment income reinvested, net	( 25,331 )
Restricted contributions	( 142,616 )
Realized gains on sale of investments	( 64,929 )
Unrealized losses on investments	147,082
Contributions of marketable equity securities	( 8,680 )
Change in discounts on pledges receivable	765
Changes in account balances:	
Accounts receivable	( 8,024 )
Pledges receivable	( 696,899 )
Inventory	( 4,402 )
Other assets	4,393
Accounts payable	17,397
Accrued liabilities	( 120 )
Refundable advances	4,608
	<u>( 450,998 )</u>
	NET CASH USED BY OPERATING ACTIVITIES ( 500,827 )
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of property and equipment	12,052
Purchases of property and equipment	( 76,912 )
Proceeds from sale of investments	1,556,912
Purchases of investments	<u>( 1,142,688 )</u>
	NET CASH PROVIDED FROM INVESTING ACTIVITIES 349,364
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment on note payable	( 26,000 )
Cash received on donor-restricted contributions	<u>142,616</u>
	NET CASH PROVIDED FROM FINANCING ACTIVITIES 116,616
	NET DECREASE IN CASH AND CASH EQUIVALENTS ( 34,847 )
Cash and cash equivalents at January 1, 2018	<u>148,467</u>
	CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2018 <u>\$ 113,620</u>





**STATEMENT OF CASH FLOWS - Continued**

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**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES**

During 2018 PAWS Humane, Inc. received contributions of marketable equity securities summarized as follows:

	Net Assets		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Marketable equity securities	<u>\$ 8,680</u>	<u>\$ 0</u>	<u>\$ 0</u>

During 2018, PAWS Humane, Inc. also received various gifts in kind totaling \$42,670 which are recorded as unrestricted contributions and program expenses in the accompanying Statement of Activities.

During 2018, PAWS Humane, Inc. paid interest totaling \$18,937 which is included in program services and supporting services in the accompanying Statements of Activities and Functional Expenses.

( ) denotes deduction

See notes to financial statements



## NOTES TO FINANCIAL STATEMENTS

### PAWS HUMANE, INC.

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#### NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Nature of activities: PAWS Humane, Inc. (PHS) is a 501(c)(3) nonprofit organization whose mission is to enrich the lives of both animals and people as a solution-based community resource for animal welfare by providing high-volume and high-quality spay/neuter, rescue and adoption services, volunteer opportunities, outreach, and education. PHS works in partnership with the City of Columbus to enhance and supplement the services offered by the City's Animal Care and Control Department, reduce the need for euthanasia of unwanted animals because of pet overpopulation and find a loving and compatible home for every adoptable animal.

Operations or activities of the PHS are as follows:

Adoption Center: The Adoption Center (Center), is licensed under the State of Georgia Department of Agriculture and publicly promotes the adoption of companion animals from PHS facilities. The Center takes in animals from high kill animal control facilities, other rescues and accepts owner surrenders, providing care while the animals are waiting to be adopted. The Center provides 114 rooms for dogs, cats and puppies throughout the facility. PHS also regularly participates with local retailers in its efforts to end animal homelessness by adopting animals to the public. The Center provides obedience training, individually and in structured classes, as well as aggression assessments to provide the proper information needed to place an animal in the right home, and provides support after the adoption. At times, PHS relies upon volunteer foster families to house animals with special needs and provide them with the love and care they need until a permanent home can be found. The Center also houses a small retail shop offering various pet supplies and toys.

Vet Clinic: PHS provides high volume and high quality spay or neuter services and wellness care at a low cost to reduce pet overpopulation and enhance the well-being of the animals.

Humane Education: PHS utilizes volunteer teams of human and animal companions to provide humane education to the community. Programs are provided in local schools and on site.

Community Outreach: PHS utilizes volunteer teams to provide humane education to the community by teaching fundamentals of responsible pet ownership and serves as a resource to bring people and animals together.

Cash and Cash Equivalents: PHS considers cash equivalents to include all highly liquid instruments with an initial maturity of three months or less and that are not a component of donor-restricted funds.

Fair Value Measurements: Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements.

The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The fair value hierarchy is summarized as follows:



## NOTES TO FINANCIAL STATEMENTS - Continued

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### NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.

Level 3 inputs are unobservable inputs for the investment.

PHS statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in common stock are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- The assets held by trustees (See Note C) are considered a Level 3 asset and are reported at fair value based on management's assumptions about the expected investment return on values provided by the Trustees.

Pledges and Accounts Receivable: Contributions are recognized when the donor makes an unconditional promise to give to PHS. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions due in less than one year are recorded at their net realized value upon receipt. Contributions due in more than one year are recorded at their net present value on the date received. For financial reporting purposes, bad debts are accounted for using the allowance method based on experience and current evaluation of accounts.

Pledges and accounts receivable are uncollateralized and recorded at their net realizable value which approximates fair value at December 31, 2018.

Inventories: Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

Property and Equipment: Property and equipment are recorded at cost at the date of purchase or estimated fair value on the date contributed and depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Furniture, fixtures and equipment	5 - 10 years
Automobile	5 years
Building	40 years
Land improvements	5 - 15 years

Maintenance, repairs and minor renewals are charged against income when incurred and additions and major renewals are capitalized.

Contributions: PHS reports gifts of cash and other assets as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. 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. Contributions received with donor-imposed restrictions that are met in the same year in which the



## NOTES TO FINANCIAL STATEMENTS - Continued

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### NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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contributions are received are classified as net assets without donor restrictions.

PHS reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, PHS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services: PHS utilizes the services of many unpaid volunteers who assist in special events and programs. During 2018, PHS received approximately 50,000 volunteer hours. No amounts have been recognized in the Statement of Activities because the criteria for recognition under FASB ASC 958 have not been satisfied.

Advertising: PHS uses advertising to promote its programs throughout the community. Advertising expenses are expensed as incurred. Advertising expense totaled approximately \$62,000 for the year ended December 31, 2018.

Functional Expenses: The costs of providing PHS' programs and other activities have been summarized on a functional basis in the Statement of Activities.

Expenses that can be identified with a specific activity are charged directly to that activity. Expenses that are common to several activities are allocated to the various activities based on estimated usage.

Income Taxes: PHS is exempt from income tax under Section 501 (c) (3) of the Internal Revenue Code, except to the extent of unrelated business taxable income.

For the year ended December 31, 2018, no provision for unrelated business income is required. Accordingly, there is no provision for federal or state income taxes in the accompanying financial statements.

PHS has not identified any uncertainties with respect to income tax positions for the year ended December 31, 2018. Accordingly, no provision for interest or penalties related to unrecognized tax benefits has been made in the accompanying financial statements. In addition, PHS' information for 2015 - 2018 is eligible to be examined by the state and federal taxing jurisdictions to which it reports.

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 certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk: Financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, accounts receivable, pledges receivable and investments.

Subsequent Events: PHS has evaluated events through the date of the auditor's report which is the date when the audited financial statements were available to be issued.



## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE B -- PLEDGES RECEIVABLE

Pledges receivable consist of the following:

Due from donor estate	\$ 1,000,000
Reich Family trust	<u>907,875</u>
	<u>\$ 1,907,875</u>

During 2018 PHS received notification that it was the beneficiary of a donor's estate. PHS recorded a pledge receivable totaling \$1,000,000 with respect to this estate which was collected in January, 2019.

The Reich Family trust consists of the value of the assets in the Reich Family Trust at December 31, 2018. Upon the death of the last named beneficiary of the trust, the trust income will become available for the unrestricted use of PHS and the corpus of the trust consists of investments to be held in perpetuity. The change in value for the year ended December 31, 2018 of \$(55,680), is included in contributions in the accompanying Statement of Activities.

In addition, PHS has a conditional promise to give which consists of a 25% interest in a charitable remainder annuity trust (CRAT). The donor has the right to change the designated beneficiaries at any time, therefore this has not been recorded in the accompanying financial statements. Based on the required distributions to the donor during their expected life pursuant to the trust agreement, PHS does not expect to receive any amounts from this trust after the death of the donor.

### NOTE C -- INVESTMENTS

Investments, stated at fair value, are summarized as follows at December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Common Stocks	\$ 745,711	\$ 0	\$ 745,711
Fixed income securities	43,308	0	43,308
Assets held by trustees	<u>0</u>	<u>1,395,174</u>	<u>1,395,174</u>
	<u>\$ 789,019</u>	<u>\$ 1,395,174</u>	<u>\$ 2,184,193</u>

Investment income (losses) from cash equivalents and investments is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest, net of expenses of \$11,233	\$ 25,331	\$ 0	\$ 25,331
Net unrealized losses	( 147,028)	0	( 147,028)
Net realized gains	64,929	0	64,929
Change in value of assets held by trusts	<u>0</u>	<u>( 89,293)</u>	<u>( 89,293)</u>
	<u>\$ ( 56,768)</u>	<u>\$ ( 89,293)</u>	<u>\$ ( 146,061)</u>



## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE C -- INVESTMENTS - Continued

Realized and unrealized gains and losses related to investments of unrestricted net assets are unrestricted. Realized and unrealized gains and losses related to investments of donor restricted net assets are subject to the same restrictions as other investment income earned on such investments.

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at December 31, 2018:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 745,711	\$ 745,711	\$ 0
Fixed income securities	43,308	43,308	0
Assets held by trustees	<u>1,395,174</u>	<u>0</u>	<u>1,395,174</u>
	<u>\$ 2,184,193</u>	<u>\$ 789,019</u>	<u>\$ 1,395,174</u>

The activity in the Level 3 investments consisted of the following for the year ended December 31, 2018:

Balance at beginning of year	\$ 1,559,347
Investment losses	( 89,293)
Distributions	( 74,880)
Balance at end of year	<u>\$ 1,395,174</u>

### NOTE D -- PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

Building	\$ 6,215,184
Land and improvements	235,494
Furniture, fixtures and equipment	275,504
Vehicles	<u>36,228</u>
	6,762,410
Less accumulated depreciation	<u>1,872,580</u>
Property and equipment, net	<u>\$ 4,889,830</u>

### NOTE E -- NOTE PAYABLE

At December 31, 2018, PHS had a note with a bank in the amount of \$359,256 with interest at prime plus 0.25% (with a 3.75% floor). The note requires monthly payments of interest except for a one-time principal payment of \$26,000 in March, 2020 with the balance due in February, 2021. The note is collateralized by PHS' facilities. Interest expense on this note was \$19,159 for the year ended December 31, 2018, and is included in joint costs that are allocated in the accompanying Statements of Activities and Functional Expenses.



## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE F -- NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods:

Net assets subject to expenditure for specified purposes:

Subject to spending policy:

Sacerdote trust	\$ 356,359
Donor-restricted endowment funds - investments in perpetuity, the income of which is available for expenditure for general operations of PHS:	
Reich Humane Society Trust	714,272
Charles Reich III Charitable Remainder Trust	324,544
Reich Family Trust (See Note B)	<u>907,875</u>
	<u>\$ 2,303,049</u>

The Sacerdote trust instrument, as amended, defines income as 5% of the net fair market value of the trust's assets, averaged over the preceding 3 years, and requires that the trustee follow an investment policy seeking a total return for the investments. The trust is reported at its market value and its gains and losses are included in the accompanying Statement of Activities as increases or decreases in donor restricted net assets. Net assets are released from restriction upon distribution of the income, as defined in the preceding paragraph, to PHS for its discretionary use. The corpus of the trust may only be used with the permission of the trustee.

The Reich Humane Society Trust and the Charles Reich III Charitable Remainder Trust consist of investments in perpetuity, which are held by third party trustees (See Note C).

The income from these trusts are available for use in operations by PHS. The investments of these trusts are determined by the trustees rather than by PHS. The trust instruments, as amended, define income as 4.50% of the net fair market value of the trust's assets, averaged over the preceding three years and require that the trustee follow an investment policy seeking a total return for the investments.

The Reich Family Trust consists of investments in perpetuity, the income of which, as defined in the preceding paragraph, is available to family beneficiaries. Upon the death of the last named beneficiary, the trust income will be available for the unrestricted use of PHS.

The donor-restricted endowment funds of PHS are held by Synovus Trust (Synovus). Synovus manages the funds in accordance with UPMIFA. Synovus' objective is to maintain the purchasing power of the endowment funds given the 4.50% spending rate set by the trust instruments. The fair value of the assets in the donor-restricted endowment funds may fall below the level that the donors require PHS to retain as a fund of perpetual duration but the fair value exceeded the required levels at December 31, 2018.

The trusts are reported at fair market value and the gains and losses are included in the accompanying Statement of Activities as increases or decreases in donor-restricted restricted net assets (see Note C). Net assets are released from restriction upon distribution to PHS for its discretionary use.



## NOTES TO FINANCIAL STATEMENTS - Continued

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### NOTE G -- LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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The following reflects PHS financial assets as of December 31, 2018, reduced by amounts not available for general use due to contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year end	\$ 4,219,918
Less those unavailable for general expenditures within one year due to donor restrictions due to:	
Charitable trusts with payments due in more than one year	328,330
Donor restricted to maintain as an endowment	<u>1,946,691</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,944,897</u>

As part of PHS liquidity management, it holds cash in operating bank accounts and money market funds at a high-credit quality financial institution.

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### NOTE H -- CONCENTRATIONS

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PHS largest contributor accounted for approximately 69% of contribution revenue for the year ended December 31, 2018. In addition, this contributor has an outstanding pledge balance which accounts for 100% of the pledges receivable at December 31, 2018.

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### NOTE I -- RELATED PARTY TRANSACTIONS

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Board members donated storage and shredding services and discounted medical waste disposal management. The estimated fair value of these donations totaling approximately \$662 is included in contributions support and management and general expenses in the accompanying Statement of Activities.

In addition, Board members made cash contributions totaling approximately \$14,000 in 2018.

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### NOTE J -- FAIR VALUES OF FINANCIAL INSTRUMENTS

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PHS estimates that the fair value of receivables, payables, accrued liabilities and refundable advances approximate carrying value due to the short maturity of these instruments. The fair value of the borrowing under the note payable agreement approximates carrying value because this borrowing accrues interest at a rate approximating current market rates.

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### NOTE K -- CHANGE IN NET ASSETS PRESENTATION

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The net assets with donor restrictions and the related activity of net assets with donor restrictions have been presented in the accompanying Statement of Financial Position and the Statement of Activities in accordance with FASB ASC 958-210, Presentation of





## NOTES TO FINANCIAL STATEMENTS - Continued

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### NOTE K -- CHANGE IN NET ASSETS PRESENTATION - Continued

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Financial Statements of Not-for-Profit Entities. FASB ASC 958-210, requires two classes of net assets, as opposed to three classes in the previous reporting periods. The 2017 net assets have been reclassified to conform with FASB ASC 958-210.