

AUDITED FINANCIAL STATEMENTS

PAWS HUMANE, INC.

DECEMBER 31, 2019



**AUDITED FINANCIAL STATEMENTS**  
**PAWS HUMANE, INC.**  
**DECEMBER 31, 2019**

Independent Auditor's Report .....	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows.....	6
Notes to Financial Statements .....	8



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, 2019, 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, 2019, 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  
November 13, 2020



STATEMENT OF FINANCIAL POSITION  
PAWS HUMANE, INC.  
DECEMBER 31, 2019

---

ASSETS	
Cash and cash equivalents	\$ 76,992
Accounts receivable -- Note I	16,921
Pledges receivable -- Notes B and I	1,069,709
Inventory	37,982
Investments -- Note C	3,049,178
Property and equipment, net -- Notes D and E	4,710,647
Other assets	5,466
	<hr/>
TOTAL ASSETS	\$ 8,966,895
LIABILITIES AND NET ASSETS	
LIABILITIES -- Note I	
Accounts payable	\$ 24,688
Accrued liabilities	37,368
Refundable advances	20,152
Note Payable -- Note E	360,764
	<hr/>
TOTAL LIABILITIES	442,972
NET ASSETS -- Notes G and K	
Without donor restrictions	5,885,198
With donor restrictions -- Note F	2,638,725
	<hr/>
	8,523,923
CONTINGENCIES -- Notes B and K	
	<hr/>
	\$ 8,966,895
	<hr/>

See notes to financial statements



STATEMENT OF ACTIVITIES  
PAWS HUMANE, INC.  
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions -- Notes B and H	\$ 550,724	\$ 260,569	\$ 811,293
Program service fees	516,093	0	516,093
Product sales	240,869	0	240,869
Investment income net -- Notes C and F	258,896	242,716	501,612
Other income	17,000	0	17,000
Net assets released from restric- tions -- Note F	167,609	( 167,609 )	0
	<u>1,751,191</u>	<u>335,676</u>	<u>2,086,867</u>
<b>EXPENSES -- Note E</b>			
Program services:			
Animal care and pet adoption	1,522,784	0	1,522,784
Cost of goods sold	172,972	0	172,972
Supporting services:			
Management and general	268,882	0	268,882
Fundraising expenses	260,775	0	260,775
	<u>2,225,413</u>	<u>0</u>	<u>2,225,413</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>			
Net assets at January 1, 2019	( 474,222 )	335,676	( 138,546 )
	<u>6,359,420</u>	<u>2,303,049</u>	<u>8,662,469</u>
<b>NET ASSETS AT DECEMBER 31, 2019</b>			
	<u>\$ 5,885,198</u>	<u>\$ 2,638,725</u>	<u>\$ 8,523,923</u>

See notes to financial statements



STATEMENT OF FUNCTIONAL EXPENSES

PAWS HUMANE, INC.

YEAR ENDED DECEMBER 31, 2019

	Program Services			Total Program Services
	Adoption Center	Vet Clinic	Other	
Compensation and related taxes	\$ 281,873	\$ 331,892	\$ 112,337	\$ 726,102
Medical supplies	50,862	159,767	39,608	250,237
Cost of goods sold	35,486	136,384	0	171,870
Depreciation expense	117,244	44,664	16,749	178,657
Animal supplies and training	31,897	1,727	9,919	43,543
Utilities	51,307	19,869	7,810	78,986
Maintenance	22,746	7,666	4,996	35,408
Health insurance	17,325	5,092	9,468	31,885
Marketing	7,126	5,944	2,208	15,278
Legal and professional	4,081	16,031	4,966	25,078
Janitorial	20,692	2,259	3,853	26,804
Printing / Mailing	2,220	3,005	1,580	6,805
Processing fees	4,994	5,594	0	10,588
Insurance	10,528	5,818	6,009	22,355
Interest	13,867	5,283	1,981	21,131
Special events	322	177	1,337	1,836
Computer expense	4,219	3,240	1,946	9,405
Dues	25	215	25	265
Office supplies and equipment	4,399	2,679	2,387	9,465
Travel	3,383	368	5,776	9,527
Seminars	0	1,391	180	1,571
Meals	554	94	422	1,070
Vehicle expense	3,040	0	3,778	6,818
Licenses	539	1,453	69	2,061
Miscellaneous	3,315	3,724	1,972	9,011
TOTAL	\$ 692,044	\$ 764,336	\$ 239,376	\$ 1,695,756

See notes to financial statements



<u>Supporting Services</u>		
<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 158,609	\$ 115,368	\$ 1,000,079
0	0	250,237
0	1,102	172,972
3,722	3,722	186,101
175	0	43,718
1,830	2,330	83,146
18,343	12,967	66,718
9,553	6,031	47,469
0	79,607	94,885
43,832	8,300	77,210
1,480	1,480	29,764
2,417	3,140	12,362
1,378	2,979	14,945
10,334	2,885	35,574
440	440	22,011
548	7,553	9,937
3,737	5,512	18,654
2,066	333	2,664
1,890	3,024	14,379
3,208	906	13,641
695	320	2,586
204	1,489	2,763
1,010	0	7,828
30	50	2,141
3,381	1,237	13,629
<u>\$ 268,882</u>	<u>\$ 260,775</u>	<u>\$ 2,225,413</u>



**STATEMENT OF CASH FLOWS**  
**PAWS HUMANE, INC.**  
**YEAR ENDED DECEMBER 31, 2019**

<b>CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</b>	
Decrease in net assets	\$( 138,546 )
Adjustments to reconcile decrease in net assets to net cash provided from operating activities:	
Depreciation	\$ 186,101
Change in value of investments held in trust	( 242,716 )
Change in value of pledges receivable held in trust	( 161,834 )
Investment income reinvested, net	( 35,723 )
Restricted contributions	( 98,735 )
Realized gains on sale of investments	( 40,293 )
Unrealized gain on investments	( 182,881 )
Contributions of marketable equity securities	( 1,129 )
Changes in account balances:	
Accounts receivable	( 2,691 )
Pledges receivable	1,000,000
Inventory	( 532 )
Other assets	2,708
Accounts payable	( 6,685 )
Accrued liabilities	13,732
Refundable advances	( 58,485 )
	<u>370,837</u>
	<b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>
	232,291
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	( 6,918 )
Proceeds from sale of investments	2,501,987
Purchases of investments	( 2,831,694 )
	<u>( 336,625 )</u>
	<b>NET CASH USED IN INVESTING ACTIVITIES</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Borrowing on note payable	1,508
Cash received on donor-restricted contributions	66,198
	<u>67,706</u>
	<b>NET CASH PROVIDED FROM FINANCING ACTIVITIES</b>
	67,706
	<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>
	( 36,628 )
Cash and cash equivalents at January 1, 2019	<u>113,620</u>
	<u><u>CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2019</u></u>
	<u>\$ 76,992</u>





**STATEMENT OF CASH FLOWS - Continued**

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

During 2019 PAWS Humane, Inc. received contributions of marketable equity securities summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Marketable equity securities	\$ 1,129	\$ 32,537

During 2019 PAWS Humane, Inc. also received various gifts in kind totaling \$46,393 which are recorded as unrestricted contributions and program expenses in the accompanying Statement of Activities.

During 2019 PAWS Humane, Inc. paid interest totaling \$20,503 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.

---

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

---

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

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

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's 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 and 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, 2019.

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 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
Automobiles	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

---

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

---

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 2019, PHS received approximately 69,000 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 and totaled approximately \$95,000 for the year ended December 31, 2019.

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, 2019, 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, 2019. 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 2017 - 2019 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:

Reich Family trust	<u>\$ 1,069,709</u>
	<u>\$ 1,069,709</u>

The Reich Family trust consists of the value of the assets in the Reich Family Trust at December 31, 2019. 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, 2019 of \$161,834, 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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Common Stocks	\$ 1,346,674	\$ 0	\$ 1,346,674
Fixed income securities	133,488	0	133,488
Assets held by trustees	<u>0</u>	<u>1,569,016</u>	<u>1,569,016</u>
	<u>\$ 1,480,162</u>	<u>\$ 1,569,016</u>	<u>\$ 3,049,178</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest, net of expenses of \$14,901	\$ 35,722	\$ 0	\$ 35,722
Net unrealized gains	182,881	0	182,881
Net realized gains	40,293	0	40,293
Change in value of assets held by trustees	<u>0</u>	<u>242,716</u>	<u>242,716</u>
	<u>\$ 258,896</u>	<u>\$ 242,716</u>	<u>\$ 501,612</u>

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.



**NOTES TO FINANCIAL STATEMENTS - Continued**

**NOTE C -- INVESTMENTS - Continued**

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at December 31, 2019:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 1,346,674	\$ 1,346,674	\$ 0
Fixed income securities	133,488	133,488	0
Assets held by trustees	<u>1,569,016</u>	<u>0</u>	<u>1,569,016</u>
	<u>\$ 3,049,178</u>	<u>\$ 1,480,162</u>	<u>\$ 1,569,016</u>

Activity in the Level 3 investments consisted of the following for the year ended December 31, 2019:

Balance at beginning of year	\$ 1,395,174
Investment gains	242,716
Distributions	<u>( 68,874)</u>
Balance at end of year	<u>\$ 1,569,016</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	282,422
Vehicles	<u>36,228</u>
	6,769,328
Less accumulated depreciation	<u>2,058,681</u>
Property and equipment, net	<u>\$ 4,710,647</u>

**NOTE E -- NOTE PAYABLE**

At December 31, 2019, PHS had a note payable with a bank in the amount of \$360,764 with interest at the prime rate plus 0.25% (with a 3.75% floor). The note agreement 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's facilities. Interest expense on this note was \$20,333 for the year ended December 31, 2019, and is included in joint costs that are allocated in the accompanying Statements of Activities and Functional Expenses.

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

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



## NOTES TO FINANCIAL STATEMENTS - Continued

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

Net assets subject to expenditure for specified purposes:

Subject to spending policy:

Sacerdote trust	\$ 393,529
Donor-restricted endowment funds - investments in perpetuity, the income of which is available for expenditure for general operations of PHS:	
Reich Humane Society Trust	809,680
Charles Reich III Charitable Remainder Trust	365,807
Reich Family Trust (See Note B)	<u>1,069,709</u>
	<u>\$ 2,638,725</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 fair 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 is available for use in operations by PHS. The investments of these trusts is managed and selected 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 trustees 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 become 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, 2019.

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 net assets (see Note C). Net assets are released from restriction upon distribution to PHS for its discretionary use.



## NOTES TO FINANCIAL STATEMENTS - Continued

---

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

---

The following reflects PHS financial assets as of December 31, 2019, 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 December 31, 2019	\$ 4,212,800
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	370,338
Assets restricted by donor to be maintained as an endowment	<u>2,245,196</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,597,266</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.

---

### NOTE H -- RELATED PARTY TRANSACTIONS

---

Board members and employees made cash contributions to PHS totaling approximately \$22,000 in 2019.

---

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

---

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.

---

### NOTE J -- SUBSEQUENT EVENTS

---

In March, 2020, the World Health Organization categorized Coronavirus Disease 2019 ("COVID-19") as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. As a result of the spread of COVID-19, economic uncertainties have arisen which have resulted in significant volatility in the markets. As a result of the pandemic and as provided for by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) passed on March 27, 2020, PHS obtained Payroll Payment Protection (PPP) loans and Economic Injury Disaster Loans totaling \$251,099 and \$10,000, respectively, to help fund its operations and compensate for the economic effects caused by the pandemic. PHS anticipates that 100% of the PPP loan will be forgiven as provided in the CARES Act. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.