

AUDITED FINANCIAL STATEMENTS

**PAWS HUMANE, INC.**

DECEMBER 31, 2020



**AUDITED FINANCIAL STATEMENTS**  
**PAWS HUMANE, INC.**  
**DECEMBER 31, 2020**

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, 2020, 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, 2020, 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  
January 14, 2022



**STATEMENT OF FINANCIAL POSITION**  
**PAWS HUMANE, INC.**  
**DECEMBER 31, 2020**

---

<b>ASSETS</b>	
Cash and cash equivalents	\$ 57,342
Accounts receivable -- Note K	6,389
Pledge receivable -- Notes B and K	1,110,232
Inventories	34,481
Investments -- Note C	2,846,265
Property and equipment, net -- Notes D and E	4,613,636
Other assets	2,000
<b>TOTAL ASSETS</b>	<b>\$ 8,670,345</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES -- Note K</b>	
Accounts payable	\$ 74,808
Accrued liabilities	60,857
Refundable advances	33,209
Note Payable -- Note E	334,764
<b>TOTAL LIABILITIES</b>	<b>503,638</b>
<b>NET ASSETS -- Note G</b>	
Without donor restrictions	5,352,663
With donor restrictions -- Note F	2,814,044
	<u>8,166,707</u>
<b>CONTINGENCIES -- Note B</b>	
	<u>\$ 8,670,345</u>

See notes to financial statements



**STATEMENT OF ACTIVITIES**  
**PAWS HUMANE, INC.**  
**YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE -- Note I			
Contributions -- Notes B and J	\$ 705,928	\$ 129,699	\$ 835,627
Program service fees:			
Adoptions	86,344	0	86,344
Spay/Neuter	233,971	0	233,971
Treatment/Wellness	371,475	0	371,475
Other	16,311	0	16,311
Product sales	216,678	0	216,678
Investment income (loss), net -- Notes C and F	( 6,233 )	207,218	200,985
Other income -- Note H	262,239	0	262,239
Net assets released from restric- tions -- Note F	161,598	( 161,598 )	0
	<u>2,048,311</u>	<u>175,319</u>	<u>2,223,630</u>
EXPENSES -- Notes E and H			
Program services:			
Animal care and pet adoption	1,802,254	0	1,802,254
Cost of goods sold	165,704	0	165,704
Supporting services:			
Management and general	359,742	0	359,742
Fundraising expenses	253,146	0	253,146
	<u>2,580,846</u>	<u>0</u>	<u>2,580,846</u>
INCREASE (DECREASE) IN NET ASSETS	( 532,535 )	175,319	( 357,216 )
Net assets at January 1, 2020	<u>5,885,198</u>	<u>2,638,725</u>	<u>8,523,923</u>
NET ASSETS AT DECEMBER 31, 2020	<u>\$ 5,352,663</u>	<u>\$ 2,814,044</u>	<u>\$ 8,166,707</u>

See notes to financial statements



**STATEMENT OF FUNCTIONAL EXPENSES**

**PAWS HUMANE, INC.**

**YEAR ENDED DECEMBER 31, 2020**

	Program Services			Total
	Adoption Center	Vet Clinic	Other	Program Services
Compensation and related taxes	\$ 393,381	\$ 418,447	\$ 164,344	\$ 976,172
Medical supplies	60,896	201,705	18,523	281,124
Cost of goods sold	17,619	146,271	0	163,890
Depreciation expense	121,511	46,290	17,359	185,160
Animal supplies and training	48,693	1,253	10,539	60,485
Utilities	55,398	21,493	8,598	85,489
Maintenance	23,225	14,125	10,124	47,474
Health insurance	16,601	11,304	5,154	33,059
Marketing	910	299	0	1,209
Legal and professional	2,385	1,990	6,106	10,481
Janitorial	14,759	3,088	4,634	22,481
Printing / Mailing	1,745	1,842	988	4,575
Processing fees	5,365	8,379	9	13,753
Insurance	11,046	5,487	15,056	31,589
Interest	10,728	4,087	1,533	16,348
Special events	0	285	20	305
Computer expense	3,304	3,047	1,736	8,087
Dues	95	1,146	306	1,547
Office supplies and equipment	4,243	0	4,394	8,637
Travel	180	0	842	1,022
Seminars	0	235	58	293
Meals	142	459	104	705
Vehicle expense	2,966	0	2,268	5,234
Licenses	0	0	0	0
Miscellaneous	3,813	3,103	1,923	8,839
<b>TOTAL</b>	<b>\$ 799,005</b>	<b>\$ 894,335</b>	<b>\$ 274,618</b>	<b>\$ 1,967,958</b>

See notes to financial statements



<u>Supporting Services</u>		
<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 154,571	\$ 149,617	\$ 1,280,360
201	0	281,325
414	1,400	165,704
3,857	3,857	192,874
910	0	61,395
2,290	1,930	89,709
27,879	7,240	82,593
16,870	8,852	58,781
48,921	65,323	115,453
36,307	5,185	51,973
5,247	1,133	28,861
2,914	2,160	9,649
1,534	2,501	17,788
9,928	946	42,463
340	340	17,028
1,003	67	1,375
14,770	1,521	24,378
2,467	29	4,043
8,183	687	17,507
1,286	98	2,406
898	0	1,191
1,349	31	2,085
0	0	5,234
867	44	911
16,736	185	25,760
<u>\$ 359,742</u>	<u>\$ 253,146</u>	<u>\$ 2,580,846</u>



**STATEMENT OF CASH FLOWS**  
**PAWS HUMANE, INC.**  
**YEAR ENDED DECEMBER 31, 2020**

---

CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES		
Decrease in net assets		\$( 357,216 )
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	\$ 192,874	
Gain on disposal of property and equipment	2,768	
Change in value of investments held in trust	( 207,218 )	
Change in value of pledge receivable held in trust	( 40,523 )	
Investment income reinvested, net	( 29,974 )	
Restricted contributions	( 89,176 )	
Realized loss on sale of investments	6,373	
Unrealized loss on investments	29,834	
Contributions of marketable equity securities	( 55,824 )	
Changes in account balances:		
Accounts receivable	10,532	
Inventories	3,501	
Other assets	3,466	
Accounts payable	50,121	
Accrued liabilities	23,489	
Refundable advances	13,057	( 86,700 )
	<u>NET CASH USED IN OPERATING ACTIVITIES</u>	<u>( 443,916 )</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		( 98,631 )
Proceeds from sale of investments		823,144
Purchases of investments		( 363,423 )
	<u>NET CASH PROVIDED FROM INVESTING ACTIVITIES</u>	<u>361,090</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable		( 26,000 )
Cash received on donor-restricted contributions		89,176
	<u>NET CASH PROVIDED FROM FINANCING ACTIVITIES</u>	<u>63,176</u>
	<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	<u>( 19,650 )</u>
Cash and cash equivalents at January 1, 2020		<u>76,992</u>
	<u>CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2020</u>	<u>\$ 57,342</u>





**STATEMENT OF CASH FLOWS - Continued**

---

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During 2020 PAWS Humane, Inc. received contributions of marketable equity securities summarized as follows:

	Without Donor Restrictions	With Donor Restrictions
Marketable equity securities	<u>\$ 55,824</u>	<u>\$ 0</u>

During 2020 PAWS Humane, Inc. also received various gifts in kind totaling \$68,577 which are recorded as contributions without donor restrictions and program expenses in the accompanying Statement of Activities.

During 2020 PAWS Humane, Inc. paid interest totaling \$14,214 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 funds with donor restrictions.

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.

Pledge 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. Management believes that all pledges and accounts receivable are collectible, thus there is no allowance for bad debts at December 31, 2020.

Pledges and accounts receivable are uncollateralized and recorded at their net realizable value which approximates fair value at December 31, 2020.

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:

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

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

Contributions: Contributions, including promises to give, are considered conditional (with donor restrictions) or unconditional (without donor restrictions), depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give is considered conditional when both of the following are present (1) an explicit identifying of a barrier, that is more than trivial, that must be overcome before the



## NOTES TO FINANCIAL STATEMENTS - Continued

---

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

---

revenue can be considered earned and recognized and (2) an implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met. When the barrier to entitlement is overcome, 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. Amounts received with conditions are recorded as refundable advances until all performance obligations are satisfied. Contributions received with donor-imposed restrictions that are met in the same year in which the 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 2020, PHS received approximately 96,000 volunteer hours. No amounts have been recognized in the Statements of Activities and Functional Expenses because the criteria for recognition under FASB ASC 958 have not been satisfied.

Support and revenue: Revenue streams applicable to PHS that qualify as exchange transactions with "customers" (primarily adoption and veterinary services) are recognized at a single point in time based on the transfer of control for products sold or when a service is rendered.

Advertising: PHS uses advertising to promote its programs throughout the community. Advertising expenses are expensed as incurred and totaled approximately \$115,000 for the year ended December 31, 2020.

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

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, 2020, there is no unrelated business income, 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, 2020. Accordingly, no provision for interest or penalties



## NOTES TO FINANCIAL STATEMENTS - Continued

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

related to unrecognized tax benefits has been made in the accompanying financial statements. In addition, PHS' information for 2018 - 2020 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.

### NOTE B -- PLEDGES RECEIVABLE

The unconditional pledge receivable consists of the following:

Reich Family trust	<u>\$ 1,110,232</u>
	<u>\$ 1,110,232</u>

The Reich Family trust consists of the value of the assets in the Reich Family Trust at December 31, 2020. 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, 2020 of \$40,523, 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, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Common Stocks	\$ 1,061,989	\$ 0	\$ 1,061,989
Fixed income securities	80,464	0	80,464
Assets held by trustees	0	1,703,812	1,703,812
	<u>\$ 1,142,453</u>	<u>\$ 1,703,812</u>	<u>\$ 2,846,265</u>

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



**NOTES TO FINANCIAL STATEMENTS - Continued**

**NOTE C -- INVESTMENTS - Continued**

	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest, net of expenses of \$12,100	\$ 29,974	\$ 0	\$ 29,974
Net unrealized losses	( 29,834)	0	( 29,833)
Net realized losses	( 6,373)	0	( 6,373)
Change in value of assets held by trustees - - Note F	<u>0</u>	<u>207,218</u>	<u>207,218</u>
	<u>\$ ( 6,233)</u>	<u>\$ 207,218</u>	<u>\$ 200,985</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.

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at December 31, 2020:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 1,061,989	\$ 1,061,989	\$ 0
Fixed income securities	80,464	80,464	0
Assets held by trustees	<u>1,703,812</u>	<u>0</u>	<u>1,703,812</u>
	<u>\$ 2,846,265</u>	<u>\$ 1,142,453</u>	<u>\$ 1,703,812</u>

Activity in the Level 3 investments consisted of the following for the year ended December 31, 2020:

Balance at beginning of year	\$ 1,569,016
Investment gains	207,218
Distributions	<u>( 72,422)</u>
Balance at end of year	<u>\$ 1,703,812</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	280,005
Vehicles	<u>96,174</u>
	6,826,857
Less accumulated depreciation	<u>2,213,221</u>
Property and equipment, net	<u>\$ 4,613,636</u>



## NOTES TO FINANCIAL STATEMENTS - Continued

### NOTE E -- NOTE PAYABLE - Continued

At December 31, 2020, PHS had a note payable with a bank in the amount of \$334,764 with interest at the prime rate plus 0.25% (with a 3.75% floor). The note agreement requires monthly payments of interest and a one-time principal payment of \$26,000 in February, 2022 with the balance due in February, 2023. The note is collateralized by PHS's facilities. Interest expense on this note was \$14,214 for the year ended December 31, 2020, 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:

Net assets subject to expenditure for specified purposes:

Subject to spending policy:

Sacerdote trust	\$ 435,800
Donor-restricted endowment funds - investments in perpetuity, the income of which is available for expenditure for general operations of PHS:	
Reich Humane Society Trust	874,316
Charles Reich III Charitable Remainder Trust	393,696
Reich Family Trust (See Note B)	<u>1,110,232</u>
	<u>\$ 2,814,044</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 spending rate set by



## NOTES TO FINANCIAL STATEMENTS - Continued

---

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

---

the trust instruments as stated above. 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, 2020.

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.

---

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

---

The following reflects PHS financial assets as of December 31, 2020, reduced by amounts not available for general use due to contractual or donor-imposed restrictions, that are available within one year of the balance sheet date.

Financial assets at December 31, 2020	\$ 4,020,228
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	414,179
Assets restricted by donor to be maintained as an endowment	<u>2,378,245</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,227,804</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 -- REFUNDABLE ADVANCE - SBA PAYCHECK PROTECTION PROGRAM

---

On April 9, 2020, PHS received a loan in the amount of \$251,099 from the Small Business Administration's Paycheck Protection Program ("SBA PPP"). Under the terms of the agreement, there are no payments due for a period of ten months and interest accrues at 1%. PHS applied for full forgiveness of the total loan amount, including accrued interest, by providing evidence that the loan proceeds were used to fund eligible costs during the covered period and that additional criteria for forgiveness had been met.

PHS accounted for the proceeds as a conditional contribution under FASB ASC 958-605 Not-for-Profit Entities - Revenue Recognition. Under this guidance, the loan forgiveness is recognized as revenue when the conditions of forgiveness are substantially met. Under the provisions of the CARES Act, the funds are eligible for specified purposes, including payroll, benefits, rent and utilities during the covered period as stipulated by the PPP agreement. PHS was required to maintain or return their payroll and staffing levels to previous levels during the covered period as an additional condition. The conditions outlined by the CARES Act were met during the year ended December 31,





## NOTES TO FINANCIAL STATEMENTS - Continued

---

### NOTE H -- REFUNDABLE ADVANCE - SBA PAYCHECK PROTECTION PROGRAM - Continued

---

2020, and as such, PHS has recorded the funds received, including accrued interest of \$2,814, as other income in the accompanying Statement of Activities.

On February 16, 2021, PHS received a second draw from the SBA PPP totaling \$280,827. The terms of the second draw are the same as the first. PHS applied for forgiveness of this draw in November, 2021 and expects it to be forgiven in full.

---

### NOTE I -- ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS - Continued

---

During the year ended December 31, 2020, two new accounting pronouncements were adopted by PHS: Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09") and Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08").

ASU 2014-09 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which PHS expects to be entitled in exchange for those good and services. PHS adopted the requirements of the new revenue recognition guidance, utilizing the full retrospective transition method. Revenues are recognized at a point in time based on the transfer of control for products sold or when a service is rendered.

The adoption of this ASU did not have a significant impact on PHS's financial statements. The majority of PHS's revenue arrangements consist of a single performance obligation to transfer promised goods and services. Based on PHS's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized in previous years is consistent with how revenue is recognized under the new standard. Accordingly, no changes were required to previously reported assets, liabilities or revenues as a result of the adoption.

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This guidance clarifies when to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis in 2020. There was no resulting cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of December 31, 2019.

---

### NOTE J -- RELATED PARTY TRANSACTIONS

---

Board members and employees made cash contributions to PHS totaling approximately \$25,000 in 2020.



## NOTES TO FINANCIAL STATEMENTS - Continued

---

### NOTE K -- 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.