

AUDITED FINANCIAL STATEMENTS

PAWS HUMANE, INC.

DECEMBER 31, 2021



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DECEMBER 31, 2021

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DOUGHERTY
MCKINNON & LUBY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of PAWS Humane, Inc.

Opinion

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, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 PAWS Humane, Inc., as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PAWS Humane, Inc. 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.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 raise substantial doubt about PAWS Humane, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 PAWS Humane, Inc.'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 PAWS Humane, Inc.'s ability to continue as a 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.

Dougherty McKinnon & Sulby

Columbus, Georgia
August 3, 2023



STATEMENT OF FINANCIAL POSITION
PAWS HUMANE, INC.
DECEMBER 31, 2021

ASSETS	
Cash and cash equivalents	\$ 178,700
Accounts receivable -- Note J	4,765
Inventories	28,013
Grant receivable -- Note H	464,545
Pledges receivable -- Notes B and J	1,170,939
Investments -- Note C	2,810,252
Property and equipment, net -- Notes D and E	4,497,186
Other assets	8,559
	<hr/>
TOTAL ASSETS	\$ 9,162,959
LIABILITIES AND NET ASSETS	
LIABILITIES -- Note J	
Accounts payable	\$ 279,887
Accrued liabilities	39,896
Refundable advances	41,751
Note Payable -- Note E	334,764
	<hr/>
TOTAL LIABILITIES	696,298
NET ASSETS -- Note G	
Without donor restrictions	5,484,107
With donor restrictions -- Note F	2,982,554
	<hr/>
	8,466,661
CONTINGENCIES -- Note B	
	<hr/>
	\$ 9,162,959
	<hr/>

See notes to financial statements



STATEMENT OF ACTIVITIES

PAWS HUMANE, INC.

YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions -- Notes B and I	\$ 867,919	\$ 155,315	\$ 1,023,234
Government grants -- Note H	747,903	0	747,903
Program service fees:			
Adoptions	90,158	0	90,158
Spay/Neuter	396,526	0	396,526
Treatment/Wellness	508,148	0	508,148
Other	78,225	0	78,225
Product sales	258,127	0	258,127
Investment income, net -- Notes C and F	217,680	179,815	397,495
Other income	1,183	0	1,183
Net assets released from restric- tions -- Note F	166,620	(166,620)	0
	<u>3,332,489</u>	<u>168,510</u>	<u>3,500,999</u>
EXPENSES -- Note F			
Program services:			
Animal care and pet adoption	2,321,734	0	2,321,734
Cost of goods sold	172,244	0	172,244
Supporting services:			
Management and general	287,704	0	287,704
Fundraising expenses	419,363	0	419,363
	<u>3,201,045</u>	<u>0</u>	<u>3,201,045</u>
INCREASE IN NET ASSETS	131,444	168,510	299,954
Net assets at January 1, 2021	<u>5,352,663</u>	<u>2,814,044</u>	<u>8,166,707</u>
NET ASSETS AT DECEMBER 31, 2021	<u>\$ 5,484,107</u>	<u>\$ 2,982,554</u>	<u>\$ 8,466,661</u>

See notes to financial statements



STATEMENT OF FUNCTIONAL EXPENSES

PAWS HUMANE, INC.

YEAR ENDED DECEMBER 31, 2021

	Program Services			Total Program Services
	Adoption Center	Vet Clinic	Other	
Compensation and related taxes	\$ 365,633	\$ 624,610	\$ 229,181	\$ 1,219,424
Medical supplies	135,892	255,795	100,602	492,289
Cost of goods sold	17,598	153,929	717	172,244
Depreciation expense	122,795	46,779	17,542	187,116
Animal supplies and training	32,929	9,651	34,754	77,334
Utilities	49,129	22,277	11,679	83,085
Maintenance	43,481	14,273	6,938	64,692
Health insurance	27,068	32,442	10,044	69,554
Marketing	-	-	-	0
Legal and professional	2,045	5,015	4,707	11,767
Janitorial	2,911	1,213	6,066	10,190
Processing fees	7,894	16,102	71	24,067
Insurance	9,656	9,223	16,661	35,540
Interest	-	-	513	513
Special events	667	559	362	1,588
Dues	-	2,182	337	2,519
Office supplies and equipment	9,993	8,729	8,082	26,804
Travel	129	-	-	129
Seminars	-	395	-	395
Meals	-	140	304	444
Vehicle expense	214	-	5,103	5,317
Licenses	-	-	-	0
Miscellaneous	3,548	2,189	3,230	8,967
TOTAL	\$ 831,582	\$ 1,205,503	\$ 456,893	\$ 2,493,978

See notes to financial statements



<u>Supporting Services</u>		
<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 94,812	\$ 201,397	\$ 1,515,633
-	-	492,289
-	-	172,244
3,898	3,898	194,912
-	-	77,334
2,714	2,711	88,510
13,359	2,472	80,523
55	11,579	81,188
-	130,937	130,937
76,705	16,393	104,865
12,429	2,426	25,045
682	4,619	29,368
16,557	1,936	54,033
18,254	-	18,767
253	20,054	21,895
2,043	199	4,761
10,889	20,070	57,763
-	-	129
55	-	450
116	242	802
1,194	96	6,607
600	-	600
33,089	334	42,390
<u>\$ 287,704</u>	<u>\$ 419,363</u>	<u>\$ 3,201,045</u>



STATEMENT OF CASH FLOWS
PAWS HUMANE, INC.
YEAR ENDED DECEMBER 31, 2021

CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 299,954
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	\$ 194,913
Change in value of investments held in trust	(179,815)
Change in value of pledge receivable held in trust	(60,707)
Investment income reinvested, net	(19,995)
Restricted contributions	(94,608)
Realized gain on sale of investments	(79,582)
Unrealized gain on investments	(118,103)
Contributions of marketable equity securities	(100,467)
Changes in account balances:	
Accounts receivable	1,624
Grant receivable	(464,545)
Inventories	6,468
Other assets	(6,559)
Accounts payable	205,079
Accrued liabilities	(20,961)
Refundable advances	8,542
	(728,716)
	NET CASH USED IN OPERATING ACTIVITIES (428,762)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(78,463)
Proceeds from sale of investments	1,171,836
Purchases of investments	(637,861)
	NET CASH PROVIDED FROM INVESTING ACTIVITIES 455,512
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received on donor-restricted contributions	94,608
	NET CASH PROVIDED FROM FINANCING ACTIVITIES 94,608
	NET INCREASE IN CASH AND CASH EQUIVALENTS 121,358
Cash and cash equivalents at January 1, 2021	57,342
	CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2021 \$ 178,700



STATEMENT OF CASH FLOWS - Continued

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During 2021 PAWS Humane, Inc. received contributions of marketable equity securities summarized as follows:

	Without Donor Restrictions	With Donor Restrictions
Marketable equity securities	\$ 100,467	\$ 0

During 2021 PAWS Humane, Inc. also received various gifts in kind totaling \$90,795 which are recorded as contributions without donor restrictions and program expenses in the accompanying Statement of Activities.

During 2021 PAWS Humane, Inc. paid interest totaling \$16,236 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 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. In addition, PHS works with organizations across the United States to transport animals from overcrowded shelters in the local area to shelters in other areas where the demand for pets is higher than the availability. 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



NOTES TO FINANCIAL STATEMENTS

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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:

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, 2021.

Pledges and accounts receivable are uncollateralized and recorded at their net realizable value which approximates fair value at December 31, 2021.

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



NOTES TO FINANCIAL STATEMENTS

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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 2021, PHS received approximately 95,000 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, veterinary services and product sales) 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 \$128,000 for the year ended December 31, 2021.

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, 2021, 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, 2021. Accordingly, no provision for interest or penalties



NOTES TO FINANCIAL STATEMENTS

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 2019 - 2021 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	\$ 1,170,939
	<u>\$ 1,170,939</u>

The Reich Family trust consists of the value of the assets in the Reich Family Trust at December 31, 2021. 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, 2021 of \$60,707, 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Common Stocks	\$ 932,666	\$ 0	\$ 932,666
Fixed income securities	65,973	0	65,973
Assets held by trustees	0	1,811,613	1,811,613
	<u>\$ 998,639</u>	<u>\$ 1,811,613</u>	<u>\$ 2,810,252</u>



NOTES TO FINANCIAL STATEMENTS

NOTE C -- INVESTMENTS - Continued

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 \$10,884	\$ 19,995	\$ 0	\$ 19,995
Net unrealized gain	118,103	0	118,103
Net realized gain	79,582	0	79,582
Change in value of assets held by trustees -- Note F	<u>0</u>	<u>179,815</u>	<u>179,815</u>
	<u>\$ 217,680</u>	<u>\$ 179,815</u>	<u>\$ 397,495</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, 2021:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 932,666	\$ 932,666	\$ 0
Fixed income securities	65,973	65,973	0
Assets held by trustees	<u>1,811,613</u>	<u>0</u>	<u>1,811,613</u>
	<u>\$ 2,810,252</u>	<u>\$ 998,639</u>	<u>\$ 1,811,613</u>

Activity in the Level 3 investments consisted of the following for the year ended December 31, 2021:

Balance at beginning of year	\$ 1,703,812
Investment gains	179,815
Distributions	<u>(72,014)</u>
Balance at end of year	<u>\$ 1,811,613</u>

NOTE D -- PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

Building	\$ 6,260,418
Land and improvements	235,494
Furniture, fixtures and equipment	310,619
Vehicles	<u>96,174</u>
	6,902,705
Less accumulated depreciation	<u>2,405,519</u>
Property and equipment, net	<u>\$ 4,497,186</u>



NOTES TO FINANCIAL STATEMENTS

NOTE E -- NOTE PAYABLE

At December 31, 2021, PHS had a note payable with a bank with an outstanding balance of \$334,764 with interest at the prime rate plus 0.25% (with a 3.5% 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 payable was renewed through September, 2023 at the same interest rate, and the floor increased to 4.75%, with the balance then due. The note is collateralized by PHS's facilities. Interest expense on this note was \$16,236 for the year ended December 31, 2021, which is included in joint costs that are allocated in the accompanying Statements of Activities and Functional Expenses.

In addition, PHS has a \$250,000 open line of credit with a bank. At December 31, 2021, the outstanding balance was \$0 and the interest rate was at the prime rate plus 0.25% (with a 3.5% floor). The line of credit matured in May, 2023 and was renewed through May, 2024 at the same interest rate, with the floor increased to 4.75%. If PHS borrows on the line of credit, they would be required to make monthly interest payments, with the balance due at the maturity date.

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	\$ 461,732
Donor-restricted endowment funds - investments in perpetuity, the income of which is available for expenditure for general operations of PHS:	
Reich Humane Society Trust	932,111
Charles Reich III Charitable Remainder Trust	417,772
Reich Family Trust (See Note B)	<u>1,170,939</u>
	<u>\$ 2,982,554</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



NOTES TO FINANCIAL STATEMENTS

NOTE F -- NET ASSETS WITH DONOR RESTRICTIONS - Continued

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 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, 2021.

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.

The changes in endowment funds for 2021 are summarized as follows:

Balance at January 01, 2021	\$ 2,378,244
Investment return, net	193,498
Appropriated for expenditure	<u>(50,920)</u>
Balance at December 31, 2021	<u>\$ 2,520,822</u>

NOTE G -- LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects PHS financial assets as of December 31, 2021, 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, 2021	\$ 4,629,201
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	440,639
Assets restricted by donor to be maintained as an endowment	<u>2,520,822</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,667,741</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.



NOTES TO FINANCIAL STATEMENTS

NOTE H -- GOVERNMENT GRANTS

On February 16, 2021, PHS received a draw from the Small Business Administration's Paycheck Protection Program ("SBA PPP") totaling \$280,827. 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, 2021, and as such, PHS has recorded the funds received, including accrued interest of \$2,531, as grant income in the accompanying Statement of Activities.

PHS is eligible for the Employee Retention Credit ("ERC") under the Relief Act of 2021 & the American Rescue Plan Act of 2021. PHS applied for assistance subsequent to year end and received funds totaling \$464,545 for the quarters ended June 30, 2021 and September 30, 2021, in May, 2023. PHS accounted for the expected proceeds of the ERC as government grant income under FASB ASC 958-605 Not-for-Profit Entities - Revenue Recognition. Amounts receivable for the ERC at December 31, 2021, are included in grant receivable on the Statement of Financial Position which represents refunds due for the quarters ended June 30, 2021 and September 30, 2021.

NOTE I -- RELATED PARTY TRANSACTIONS

Board members and employees made cash contributions to PHS totaling approximately \$18,000 in 2021.

NOTE J -- 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.