HUMANE SOCIETY OF WASHINGTON COUNTY, INCORPORATED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2021

HUMANE SOCIETY OF WASHINGTON COUNTY, INCORPORATED

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Humane Society of Washington County, Incorporated
Hagerstown, Maryland

We have audited the accompanying financial statements of Humane Society of Washington County, Incorporated (a nonprofit organization), which comprise the statement of financial position as of June 30, 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.

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 from 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 entity'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 entity'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 Humane Society of Washington County, Incorporated as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RKL LLP

Chambersburg, Pennsylvania
January 19, 2022

HUMANE SOCIETY OF WASHINGTON COUNTY, INCORPORATED

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 468,311
Promises to give - current	625
Prepaid expenses and deposits	55,424
Inventory	1,030
TOTAL CURRENT ASSETS	525,390
PROPERTY AND EQUIPMENT	
Land	337,489
Buildings and improvements	4,147,465
Furniture and fixtures	58,791
Equipment	602,985
Vehicles	328,299
Construction in progress	20,914
	5,495,943
Less accumulated depreciation	2,160,423
	3,335,520
OTHER ASSETS	
Beneficial interest in perpetual trust	529,304
Investments	3,410,885
TOTAL OTHER ASSETS	3,940,189
TOTAL ASSETS	$ 7,801,099
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Current portion of mortgage payable	$ 63,747
Accounts payable	50,255
Accrued expenses	162,038
TOTAL CURRENT LIABILITIES	276,040
NONCURRENT LIABILITIES	
Long-term portion of mortgage payable less unamortized mortgage closing costs	1,025,261
TOTAL LIABILITIES	1,301,301
NET ASSETS	
Without donor restriction	5,769,603
With donor restriction	
Restricted for a specific purpose	200,891
Restricted in perpetuity	529,304
TOTAL NET ASSETS	6,499,798
TOTAL LIABILITIES AND NET ASSETS	$ 7,801,099

The Notes to Financial Statements are an integral part of this statement.

HUMANE SOCIETY OF WASHINGTON COUNTY, INCORPORATED

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contract services	$ 1,411,400	$ -	$ 1,411,400
Program service revenue	232,801	-	232,801
Contributions and grants	538,987	144,082	683,069
Clinic and retail revenue	112,909	-	112,909
Investment income, net	648,868	97,723	746,591
Paycheck Protection Program loan forgiveness	346,800	-	346,800
Other income	18,441	-	18,441
(Loss) on sale of assets	(275)	-	(275)
Net assets released from restrictions	144,005	(144,005)	-
	3,453,936	97,800	3,551,736
EXPENSES			
Program	2,272,602	-	2,272,602
Supporting services:			
Management and general	380,288	-	380,288
Fundraising	137,466	-	137,466
	2,790,356	-	2,790,356
CHANGE IN NET ASSETS	663,580	97,800	761,380
NET ASSETS - BEGINNING OF YEAR	5,106,023	632,395	5,738,418
NET ASSETS - END OF YEAR	$ 5,769,603	$ 730,195	$ 6,499,798

HUMANE SOCIETY OF WASHINGTON COUNTY, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Fundraising	Management and General	Program Service	Total
Advertising	$ -	$ 691	$ 326	$ 1,017
Bank Fees	-	18,094	12	18,106
Cleaning services	-	-	1,050	1,050
Communications	-	-	18,654	18,654
Dues and subscriptions	-	891	3,373	4,264
Employee/Client Relations	-	-	560	560
Human resources	122,392	173,164	1,566,589	1,862,145
Insurance	524	806	27,411	28,741
Interest	546	838	28,514	29,898
Licenses and permits	-	815	490	1,305
Miscellaneous	-	-	575	575
Postage and delivery	-	1,842	1,259	3,101
Printing	-	779	958	1,737
Professional fees	-	9,639	30,338	39,977
Programs and services	9,404	130,445	64,734	204,583
Repairs and maintenance	-	15,622	68,158	83,780
Supplies	-	15,934	204,248	220,182
Utilities	1,460	2,244	76,333	80,037
Vehicle expense	-	3,659	14,783	18,442
Volunteers	-	-	99	99
Depreciation	3,140	4,825	164,138	172,103
	$ 137,466	$ 380,288	$ 2,272,602	$ 2,790,356

HUMANE SOCIETY OF WASHINGTON COUNTY, INCORPORATED

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 761,380	
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash interest expense associated with mortgage closing costs	1,581	
Depreciation	172,103	
Loss on disposal of assets	275	
Forgiveness of Paycheck Protection Program loan	(346,800)	
Realized (gain) on sale of investments	(311,443)	
Unrealized (gain) on investments and perpetual trusts	(351,570)	
(Increase) in:		
Prepaid expenses	(16,855)	
Inventory	(25)	
Increase in:		
Accounts payable	1,272	
Accrued expenses	21,295	
NET CASH (USED) BY OPERATING ACTIVITIES		$ (68,787)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(21,560)	
Distributions from investment portfolios	178,000	
Purchase of investments	(2,357,302)	
Proceeds from redemption of investments	2,292,278	
NET CASH PROVIDED BY INVESTING ACTIVITIES		91,416
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayments) on line of credit	(65,000)	
Principal payments on long-term debt	(64,822)	
NET CASH (USED) BY FINANCING ACTIVITIES		(129,822)
NET (DECREASE) IN CASH		(107,193)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		575,504
CASH AND CASH EQUIVALENTS - END OF YEAR		$ 468,311
Supplementary disclosure of cash flow information:		
Cash paid for interest		$ 28,317

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of **Humane Society of Washington County, Inc.** (the Society) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Society's management, who is responsible for their integrity and objectivity.

Principles of consolidation: In conformity with FASB ASC 810, the financial statements include the accounts of Humane Society of Washington County, Inc. and Humane Society of Washington County Holding, LLC, a wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of operations: The Society was formed in 1921 to improve the quality of life for all animals. Through education, legislation, action and leadership, the Society strives to eliminate overpopulation and to foster an environment of respect, responsibility, and compassion. The Society currently operates a shelter for animals and provides animal control services under a contract with the Board of County Commissioners of Washington County, Maryland.

Humane Society of Washington County Holding, LLC, a wholly owned subsidiary, holds investments and loans for the Society.

Principles of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation: The Society reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restriction. Net assets with donor restrictions are comprised of funds whose use has been limited by donors to a specific time period or purpose or funds in which the principal is held in perpetuity.

Effect of Adopting New Accounting Standard: In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets. The five-step model defined by ASU 2014-09 requires the Society to identify contracts with the customer, identify the performance obligations in the contract, and recognize revenue when each performance obligation is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. ASU 2014-09 also requires enhanced disclosure of revenue arrangements. ASU 2014-09 may be applied retrospectively to each prior period (full retrospective approach) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective approach). ASU 2014-09, as amended, was implemented by the Society effective July 1, 2020. The Society adopted the new standard under the modified retrospective approach applied to certain contracts which were not completed as of June 30, 2020. Under the modified retrospective approach, the guidance is applied to the most current period presented, recognizing the cumulative effect of the adoption change as an adjustment to beginning net assets. The Society has determined that the adoption of ASU 2014-09 did not require an adjustment to net assets as of July 1, 2020. The adoption of ASU 2014-09 also did not change the way the Society recognizes revenue; it simply enhances the related revenue disclosures. The adoption of ASU 2014-09 had no material impact on the Society's accounts receivable or contractual liabilities as they were recorded net of any allowance for uncollectible amounts and contractual adjustments.

The Society also adopted the provisions of Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates for the Society include fair value determinations provided by the third-party investment companies.

Cash and cash equivalents: The Society considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

Contributions and promises to give: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts on non-current amounts are computed using risk-adjusted rates of return applicable to the years in which the promises are received. Amortization of the discount is recognized as contribution revenue over the life of the pledge. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management believes that all unconditional promises to give are fully collectible and no allowance for doubtful collections is required.

Contributions that are restricted by the donor are reported as increases in net assets without restriction if the restrictions are met in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, net assets with restriction are reclassified to net assets without restriction.

Investments: The Society's investments are stated at fair value. The fair values of marketable equity and debt securities are based on quoted prices in active markets. Realized and unrealized gains and losses on investments are reported as increases or decreases in net assets without donor restriction unless their use is restricted by the donor or by law and included in net investment return. Also, included in net investment return is other investment income, such as dividends and interest, which is recognized in the period earned as an increase in net assets without donor restriction unless the use is limited by donor-imposed restrictions. Investment income that is restricted by the donor and subsequently used in the same period is reported as an increase in net assets without donor restriction. Return on investments is shown net of related investment fees.

Fair value measurements: The Society conforms with FASB ASC 820, *Fair Value Measurements and Disclosures*, which provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

> **Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.
>
> **Level 2:** Inputs to the valuation methodology include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the asset or liability; and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
>
> If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
>
> **Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Inventory: Inventory is stated at the lower of cost or net realizable value, on a first-in, first-out basis and consists of medication.

Beneficial interest in trust: The Society is an irrevocable beneficiary of a split-interest agreement relating to the Margaret E. Stickell Charitable Foundation (the Trust). Under the terms of the agreement, the Society is entitled to an annual distribution of 4% of the fair market value as of December 31. The timing of the distribution is received quarterly, and is to be used for the general welfare of the Society. Accounting principles generally accepted in the United States of America require not-for-profit beneficiaries of such trust to record, as an asset, the present value of the estimated future cash receipts to be received from the Trust, over the life of the Trust. Due to the perpetual nature of this Trust, the future cash flows cannot be estimated. Under such circumstances, not-for-profit entities are permitted to base the present value measurement on the Society's share of the fair market value of the Trust’s assets. Changes in the Trust’s fair value fair value are included in the unrealized gain on investments in the statement of activities. The annual distribution of the Society's 4% distributive share of the Trust is recognized as bequest income and are included in contributions and grant income in the accompanying statements of activities.

Property and equipment: Property and equipment is stated at cost, if purchased, or fair market value, if donated. Maintenance and repairs are charged to expense as incurred; major improvements over $1,000 that increase the useful lives of the assets are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current income in the period realized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets ranging from three to forty years.

Contributed services and goods: A substantial number of unpaid volunteers have made significant contributions of time to develop the Society's programs. The Society also receives various donated goods to be used in its operations. Donations of services are recorded at their estimated fair values at the date of donation given that the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Donations of goods and equipment are also recorded at their estimated fair market values at date of donation.

Functional allocation of expenses: Certain costs have been allocated among the programs and supporting services benefited. Allocations of costs by function are based principally on specific identification of costs to program, management and general, or fundraising. Non-specifically identified costs are based on management's allocation of time requirements for the various functions based on its analysis of historical activities.

Advertising: The Society’s policy is to expense advertising costs as the costs are incurred.

Income tax status: The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. The Society qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Society complies with ASC 740-10, which establishes a threshold for determining when an income tax benefit of a tax position can be recognized. Under ASC 740-10, a tax position includes, among other things, (a) a decision not to file a tax return (b) an allocation or a shift of income between jurisdictions (c) the characterization of income or a decision to exclude reporting taxable income in a tax return (d) a decision to classify a transaction, entity, or other position in a tax return as tax exempt and (e) an entity's status, including its status as a tax-exempt not-for-profit entity. Based on its interpretation of the requirements of ASC 740-10, management believes that the Society has no uncertain tax positions that qualify for either recognition or disclosure. The Society is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Society is no longer subject to income tax examinations for years prior to 2018.

Mortgage closing costs: The Society incurred mortgage closing costs associated with obtaining financing. These costs are being amortized using the straight-line method over the life of the related debt. Amortization of mortgage closing costs is reported as a component of interest expense and is computed using the straight line method which is not materially different than the effective interest method. The unamortized amount is recorded as a direct deduction from the carrying amount of the related obligation on the statement of financial position.

Revenue Recognition for Revenues from Contracts with Customers: As previously disclosed, the Society implemented ASU 2014-09 (ASC 606) as of July 1, 2020. The Society's revenue streams that fall within the scope of ASC 606 include program service revenue and clinic and retail revenue. Contract services revenue is excluded from the scope of this guidance, as the resource provider does not receive a direct benefit from providing the revenue to the Society. Contract services revenue is accounted for under the scope of ASC 958.

Program service revenues consist primarily of adoption fees and spay/neuter fees. Clinic revenues consist of income earned for providing rabies and other vaccinations, as well as in-house veterinary services. Retail revenue results from the sale of products, including food, toys, and other pet-related merchandise. These revenues are recognized when control of the promised goods or services is transferred to the customer, in an amount that reflects the consideration the Society expects to be entitled to in exchange for those goods or services. The fees are set annually by the Society. Revenues are recognized net of discounts, waivers, and refunds.

These revenues result from the Society meeting one or more performance obligations. The transaction price is allocated to each performance obligation based on the relative standalone selling price of each distinct good or service and recognized as revenue when, or as, the performance obligation is satisfied. All of the above revenue streams are recognized at a point in time, when the service is provided, or the merchandise is sold.

The Society had no contract receivables, contract assets, or contract liabilities associated with revenues from contracts with customers at July 1, 2019, June 30, 2020, or June 30, 2021.

The Society has applied the practical expedient allowed under generally accepted accounting principles for contracts with customers. The Society has applied the portfolio approach to those contracts with a revenue stream that have similar characteristics, as management has determined that this would produce the same results if each contract within a portfolio was analyzed individually.

The Society has also applied the practical expedient allowed under generally accepted accounting principles related to contract costs. All incremental contract costs are expensed as incurred, as the amortization of the asset that the Society would have recognized is one year or less.

The Society has also applied the practical expedient allowed under generally accepted accounting principles related to financing. The Society does not adjust the promised amount of consideration from customers for the effects of a significant financing component due to the Society's expectation that the period between the time the service is provided to a customer and the time a customer pays for the service will be one year or less.

Recent Accounting Pronouncements: In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Society beginning July 1, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Society is currently evaluating the effect that the standard will have on the financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-For Profit Entities (Topic 958). The guidance in this ASU modifies presentation and disclosures for not-for-profit entities for contributed non-financial assets. In an effort to increase the transparency of donated goods and services, this amendment will require enhanced qualitative disclosures in addition to requiring a separate line item for contributed nonfinancial assets. The new standard is effective for the Society beginning July 1, 2022 and should be applied on a retrospective basis. The Society is currently evaluating the effect that the standard will have on the financial statements.

2. RISKS AND UNCERTAINTIES

The Society maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Society's management considers those circumstances to be a normal business risk.

From time to time, the Society is involved in litigation and proceedings arising in the ordinary course of business. The Society does not anticipate any material losses to arise from these legal proceedings.

Recent economic and government reactions to the COVID-19 pandemic have resulted in temporary reductions or shut down of operations for some businesses and created many economic uncertainties. These uncertainties include, but are not limited to, disruption of supply chains, customers, and the Society's workforce. These events could impact our financial condition and operating results. However, the financial impact and duration cannot be reasonably estimated at this time.

Investments of the Society are exposed to various risks, such as interest rate, market, currency, and credit risks. In addition, economic uncertainty and market events have led to volatility in currency, commodity, credit, and equity markets. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

3. PLEDGES RECEIVABLE

Pledges receivable consist of $625 receivable in one year as of June 30, 2021 and are measured at net realizable value.

4. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Society is the beneficiary of the Margaret E. Stickell Charitable Trust (the Trust) held and administered by independent trustees. Under the terms of the trust, the Society has the right to receive the income earned on trust assets in perpetuity. The fair value of the beneficial interest in a trust is recognized as an asset and as a contribution restricted in perpetuity at the date the trust is established. The Society's estimate of fair value at each reporting date is based on fair value information received from the trustees. These assets are not subject to control or discretion by the Society. Market values are determined based on quoted market prices.

5. INVESTMENTS

The fair value of investments by major category consisted of the following as of June 30:

	2021			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Money market funds	$ 257,593	$ -	$ -	$ 257,593
Fixed income	-	841,331	-	841,331
Mutual funds	293,004	-	-	293,004
Equities	2,018,957	-	-	2,018,957
	$ 2,569,554	**$ 841,331**	**$ -**	**$ 3,410,885**

The schedule below summarizes the activity for the year ended June 30, 2021 for the beneficial interest in perpetual trust which has been classified as a level 3 investment:

	2021
	LEVEL 3
Beginning balance	$ 431,581
Unrealized gain	97,723
	$ 529,304

Net investment return consisted of the following as of June 30:

	2021
	WITHOUT DONOR RESTRICTION
Interest and dividends	$ 102,681
Realized gains on investment	311,443
Unrealized gains on investment	253,847
	667,971
Investment expense	(19,103)
	$ 648,868

The Society invests in a portfolio that contains a variety of investment types. Such investments are exposed to various risks, such as market, credit and interest rate risk. Due to the level of risk associated with such investments, it is at least reasonably possible that such risk may change in the near term and that such changes could materially affect the fair values of those investments as reported in the Society's financial statements. In addition, recent economic uncertainty and market events have led to unprecedented volatility in the currency, commodity, debt and equity markets that have resulted in the bankruptcy and/or failure of some financial institutions. Such events have highlighted the level of risk inherent in any investment portfolio. Management believes that there has been no significant other-than-temporary reduction of fair value since June 30, 2021.

6. LONG-TERM DEBT

At June 30, 2021, the Society had a mortgage payable, collateralized by the building, totaling $1,111,939. The mortgage is payable in monthly installments of $7,743 including interest at a rate of 2.65% through the first reset date of December 22, 2020. At the reset date (which subsequently occurs every five years after the initial rest date), the interest rate will adjust to the reset rate, which is calculated as 67% of the sum of the 5-year FHLB rate (FHLB Pittsburgh's five year amortizing fixed rates in effect as published in the Weekly Financial Summary) and 2.65%. with final payment due December 2035. At June 30, 2021 the interest rate was 2.17%. Total interest expense for the mortgage was $29,898 for the year ended June 30, 2021.

Maturities by year are as follows:

2022	$	63,747
2023		65,481
2024		67,193
2025		69,090
2026		70,970
Thereafter		775,458
	$	1,111,939
Less: unamortized bond issuance costs		(22,931)
	$	**1,089,008**

7. LINE OF CREDIT

The Society has available a $250,000 line of credit, secured by the Society's building, that automatically renews on a year by year basis in November. Interest is payable at a variable rate equal to the Prime Rate plus 50 basis points (3.75% at June 30, 2021). The line provides operating cash when needed during slower cash flow periods. As of June 30, 2021, $0 was outstanding. Total interest expense incurred on the line of credit was $0 for the year ended June 30, 2021.

8. RETIREMENT PLAN

The Society sponsors a Saving Incentive Match Plan Individual Retirement Account (Simple IRA) covering all eligible full-time personnel. At the discretion of the Board of Trustees, the Society contributed three percent of each eligible participant's salary to the plan. Total contributions to the plan were $27,715 for the year ended June 30, 2021, and are included in human resources in the statement of functional expenses.

9. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions that are restricted in perpetuity are not available for use by the Society, but income derived from the investment is expendable for general support. Net assets restricted in perpetuity total $529,304 as of June 30, 2021.

Net assets with donor restrictions that are restricted for a specific purpose consist of the following as of June 30, 2021, and were available for the following purposes:

	2021			
	BALANCE June 30, 2020	ADDITIONS	SATISFACTION OF RESTRICTIONS	BALANCE June 30, 2021
ASPCA Programs	$ 7,654	$ 667	$ (511)	$ 7,810
Catsnip/Dogsnip Programs	8,978	1,666	(10,225)	419
Forrest Freedom Fund	97,417	8,587	(13,736)	92,268
Foster Care	11,965	6,787	(1,521)	17,231
SNAP Program	17,497	18,518	(20,836)	15,179
TNR Program	30,700	57,168	(70,513)	17,355
Special/Cruelty Cases	8,047	13,682	(13,592)	8,137
Promises to give receivable	625	-	-	625
Various	17,931	37,007	(13,071)	41,867
	$ 200,814	**$ 144,082**	**$ (144,005)**	**$ 200,891**

10. ENDOWMENT NET ASSETS

As of June 30, endowment net assets consisted of the following:

	2021
Endowment fund	$ 3,027,875
Capital investment fund	383,010
	$ 3,410,885

The Board of Trustees of the Society has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gifts instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets restricted for a specific purpose until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds: (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the Society's investment policies.

The endowment net assets are included as part of net assets without donor restriction. Activity in the Society's endowment fund consisted of the following for the year ended June 30:

		2021
Endowment net assets, beginning of the year	$	2,958,571
Investment return:		
Interest and dividends		102,681
Net appreciation (realized and unrealized)		565,290
Release of endowment assets:		
Approved expenditures		(196,554)
Investment expenses		(19,103)
Endowment net assets, end of year	**$**	**3,410,885**

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

The Society's spending policy will be the previous year's spending for operations plus a 6.5% increase (at the Board's discretion). For the year ended June 30, 2021, the Board elected not to increase the annual distribution from the endowment. Total distributions for the year ended June 30, 2021, including those made for capital purchases were $196,554. Distributions from the endowment to the Society are made quarterly. Distributions for capital purposes are made at the discretion of the Board, as needed.

The asset allocation target guideline is as follows:

Type of Investment	Range	Target
Large Cap Equities	15-35%	25.0%
Mid Cap Equities	0-20%	10.0%
Small Cap Equities	0-15%	5.0%
Fixed Income	15-35%	25.0%
Domestic Equities (Developed)	6-26%	16.0%
Emerging Markets Equity	0-19%	9.0%
Cash	0-10%	0.0%
Alternative Investments	0-20%	10.0%

11. COMMITMENTS

In June 2018, the Society entered into a lease for a copier. The lease requires 60 monthly payments of $110 plus taxes. Future minimum lease payments under the agreement are as follows:

2022	$	1,320
2023		1,210
	$	**2,530**

12. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021
Cash and cash equivalents	$ 260,753
	$ 260,753

The Society regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Society has various sources of liquidity at its disposal, including cash and cash equivalents and pledges receivable. Total cash of $6,667 is excluded due to being restricted by a donor to pay the Society's mortgage payable. Additional cash of $200,891 and pledges receivable of $625 are excluded due to being restricted by donors for specific purposes as described in Note 9.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Society considers all expenditures related to its ongoing activities of operating an animal shelter and providing animal control services to Washington County, Maryland, as well as the types of services undertaken to support this activity, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Society operates with a Board-approved budget and anticipates collecting sufficient revenue to cover general expenditures. Included in the budget are annual withdrawals from the investment portfolio in the amount of $144,000.

In the event of an unanticipated liquidity need, the Society could draw upon its investment balance of $3,410,885.

As discussed in Note 7, the Society also has a $250,000 line of credit that can be drawn upon if necessary. The Society draws on the line regularly for cash flow purposes.

13. PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Society obtained a Paycheck Protection Program (PPP) loan through the Small Business Administration (SBA) in the amount of $346,800. Per the terms of the original agreement, the loan requires monthly principal and interest payments with a fixed rate of 1.00% starting November 2020 and maturing April 2022. However, if the Society submits a loan forgiveness application within ten months of the completion of the covered period (as defined by the SBA), they are not required to make any payments until the forgiveness amount is remitted to the lender by the SBA. Full or partial forgiveness of the loan is contingent on the Society meeting certain requirements of the loan program regarding the use of funds. In January 2021, the Society received notice from the SBA that the loan was forgiven in full. Accordingly, the debt forgiveness is recognized as revenue in the accompanying financial statements for the year ended June 30, 2021.

14. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to June 30, 2021 through January 5, 2022, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has not identified any events that occurred subsequent to June 30, 2021 and through January 5, 2022 that require recognition or disclosure in the financial statements.