

**MARYLAND SPCA, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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## Independent Auditor's Report

To the Board of Directors  
Maryland SPCA, Inc.

We have audited the accompanying financial statements of Maryland SPCA, Inc. (the Society), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 Maryland SPCA, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Gross, Mendelsohn & Associates, P.A.*

Baltimore, Maryland  
May 26, 2021

**MARYLAND SPCA, INC.**  
**Statements of Financial Position**  
**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,337,398	\$ 512,760
Accounts receivable, net	11,949	446
Contributions receivable (current portion)	100,554	56,507
Note receivable (current portion)	6,000	3,000
Inventory	34,116	14,968
Prepaid expenses	165,781	146,329
Investments (current portion)	29,369,330	25,724,052
Total Current Assets	<u>31,025,128</u>	<u>26,458,062</u>
<b>Property, net of accumulated depreciation</b>	<u>4,117,541</u>	<u>4,145,217</u>
<b>Other Assets</b>		
Contributions receivable (long-term portion)	-0-	59,733
Note receivable (long-term portion)	-0-	3,000
Investments (long-term portion)	65,644	65,644
Beneficial interest in endowment fund	224,887	207,070
Beneficial interest in gift annuities	137,061	101,240
Total Other Assets	<u>427,592</u>	<u>436,687</u>
<b>Total Assets</b>	<u>\$ 35,570,261</u>	<u>\$ 31,039,966</u>

	<u>2020</u>	<u>2019</u>
<b>Liabilities And Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 171,302	\$ 544,864
Accrued expenses	295,954	215,642
Total Current Liabilities	<u>467,256</u>	<u>760,506</u>
<b>Commitments and Contingencies</b> (Notes 12 and 13)		
<b>Net Assets</b>		
Without Donor Restrictions		
Undesignated	27,996,030	22,473,209
Operating reserve	1,860,703	1,581,818
Capital reserve	2,699,157	3,705,718
Total without donor restrictions	<u>32,555,890</u>	<u>27,760,745</u>
With Donor Restrictions	2,547,115	2,518,715
Total Net Assets	<u>35,103,005</u>	<u>30,279,460</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 35,570,261</u>	<u>\$ 31,039,966</u>

The accompanying notes are an integral part of these financial statements.

**MARYLAND SPCA, INC.**  
**Statements of Activities**  
**Years Ended December 31, 2020 and 2019**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Contributions	\$ 2,680,366	\$ 129,908	\$ 2,810,274
Bequests and legacies	3,206,922	-0-	3,206,922
Adoptions	134,554	-0-	134,554
Admissions	14,880	-0-	14,880
Wellness clinic	700,069	-0-	700,069
Spay/neuter fees	120,370	-0-	120,370
Training programs	16,835	-0-	16,835
Special events, net of direct benefits to donors	251,253	-0-	251,253
Net investment return	3,195,234	252,164	3,447,398
Change in value of beneficial interest in endowment fund	-0-	17,817	17,817
Change in value of beneficial interest in gift annuities	-0-	35,821	35,821
Loss on disposal of property	-0-	-0-	-0-
Miscellaneous	7,577	-0-	7,577
Net assets released from restrictions:			
Satisfaction of program restrictions	407,310	(407,310)	-0-
Total Support and Revenue	<u>10,735,370</u>	<u>28,400</u>	<u>10,763,770</u>
<b>Expenses</b>			
Program services	5,300,318	-0-	5,300,318
Support services			
Management and general	382,382	-0-	382,382
Fundraising	1,012,122	-0-	1,012,122
Total Support Services	<u>1,394,504</u>	<u>-0-</u>	<u>1,394,504</u>
Total Expenses	<u>6,694,822</u>	<u>-0-</u>	<u>6,694,822</u>
<b>Change in Net Assets before Other Income</b>	<b>4,040,548</b>	<b>28,400</b>	<b>4,068,948</b>
<b>Other Income</b>			
Government grants (PPP Loan)	754,597	-0-	754,597
<b>Change in Net Assets</b>	<b>4,795,145</b>	<b>28,400</b>	<b>4,823,545</b>
<b>Net Assets at Beginning of Year</b>	<b>27,760,745</b>	<b>2,518,715</b>	<b>30,279,460</b>
<b>Net Assets at End of Year</b>	<b><u>\$ 32,555,890</u></b>	<b><u>\$ 2,547,115</u></b>	<b><u>\$ 35,103,005</u></b>

<b>2019</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 2,723,563	\$ 333,793	\$ 3,057,356
513,801	-0-	513,801
281,717	-0-	281,717
46,863	-0-	46,863
1,160,101	-0-	1,160,101
213,242	-0-	213,242
33,446	-0-	33,446
463,645	-0-	463,645
4,628,464	342,962	4,971,426
-0-	25,969	25,969
-0-	(11,018)	(11,018)
(1,653)	-0-	(1,653)
26,873	-0-	26,873
317,577	(317,577)	-0-
10,407,639	374,129	10,781,768
5,497,594	-0-	5,497,594
474,430	-0-	474,430
1,140,242	-0-	1,140,242
1,614,672	-0-	1,614,672
7,112,266	-0-	7,112,266
3,295,373	374,129	3,669,502
-0-	-0-	-0-
3,295,373	374,129	3,669,502
24,465,372	2,144,586	26,609,958
<u>\$ 27,760,745</u>	<u>\$ 2,518,715</u>	<u>\$ 30,279,460</u>

The accompanying notes are an integral part of these financial statements.

**MARYLAND SPCA, INC.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2020 and 2019**

	2020				Total
	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	
Personnel Expenses					
Compensation	\$ 3,260,736	\$ 233,442	\$ 453,926	\$ -0-	\$ 3,948,104
Payroll taxes	227,920	17,858	34,725	-0-	280,503
Employee benefits	311,670	21,131	27,241	-0-	360,042
Retirement	-0-	-0-	-0-	-0-	-0-
Total Personnel Expenses	<u>3,800,326</u>	<u>272,431</u>	<u>515,892</u>	<u>-0-</u>	<u>4,588,649</u>
Veterinary supplies and services	447,767	-0-	-0-	-0-	447,767
Direct mail campaign	-0-	-0-	369,004	-0-	369,004
Depreciation	288,413	973	4,867	-0-	294,253
Facilities	226,294	15,774	30,672	-0-	272,740
Information technology	163,436	11,653	22,660	-0-	197,749
Office supplies	64,180	16,236	8,897	-0-	89,313
Credit card fees	65,284	-0-	-0-	-0-	65,284
Consultants	60,098	-0-	-0-	-0-	60,098
Education supplies and expenses	58,954	-0-	-0-	-0-	58,954
Animal care and food	53,022	-0-	-0-	-0-	53,022
Insurance	32,007	2,282	4,438	-0-	38,727
Staff recruitment and appreciation	558	27,163	-0-	-0-	27,721
Other fundraising expenses	-0-	-0-	26,675	-0-	26,675
Provision for bad debts	24,001	-0-	-0-	-0-	24,001
Professional fees	-0-	23,815	-0-	-0-	23,815
Auto donation	-0-	-0-	21,918	-0-	21,918
Printing and advertising	9,707	561	1,090	-0-	11,358
Special events	-0-	-0-	6,009	4,432	10,441
Transport and offsite expenses	6,271	-0-	-0-	-0-	6,271
Dues and subscriptions	-0-	3,431	-0-	-0-	3,431
Miscellaneous	-0-	8,063	-0-	-0-	8,063
Total Expenses	<u>5,300,318</u>	<u>382,382</u>	<u>1,012,122</u>	<u>4,432</u>	<u>6,699,254</u>
Less: Cost of direct benefits to donors	-0-	-0-	-0-	(4,432)	(4,432)
Total expenses reported in the statements of activities	<u>\$ 5,300,318</u>	<u>\$ 382,382</u>	<u>\$ 1,012,122</u>	<u>\$ -0-</u>	<u>\$ 6,694,822</u>



**2019**

<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Cost of Direct Benefits to Donors</b>	<b>Total</b>
\$ 3,015,174	\$ 280,495	\$ 432,817	\$ -0-	\$ 3,728,486
229,857	21,458	33,111	-0-	284,426
316,997	18,694	20,270	-0-	355,961
29,258	2,321	2,158	-0-	33,737
<u>3,591,286</u>	<u>322,968</u>	<u>488,356</u>	<u>-0-</u>	<u>4,402,610</u>
792,901	-0-	-0-	-0-	792,901
-0-	-0-	437,680	-0-	437,680
266,967	885	4,426	-0-	272,278
263,348	24,063	37,131	-0-	324,542
203,656	18,946	29,234	-0-	251,836
65,911	18,866	9,461	-0-	94,238
63,243	-0-	-0-	-0-	63,243
37,025	17,941	-0-	-0-	54,966
40,958	-0-	-0-	-0-	40,958
99,624	-0-	-0-	-0-	99,624
31,180	2,901	4,476	-0-	38,557
3,987	19,183	-0-	-0-	23,170
-0-	-0-	7,570	-0-	7,570
-0-	-0-	-0-	-0-	-0-
-0-	22,442	-0-	-0-	22,442
-0-	-0-	36,640	-0-	36,640
29,860	1,612	2,487	-0-	33,959
-0-	-0-	82,781	29,663	112,444
7,648	-0-	-0-	-0-	7,648
-0-	8,106	-0-	-0-	8,106
-0-	16,517	-0-	-0-	16,517
<u>5,497,594</u>	<u>474,430</u>	<u>1,140,242</u>	<u>29,663</u>	<u>7,141,929</u>
-0-	-0-	-0-	(29,663)	(29,663)
<u>\$ 5,497,594</u>	<u>\$ 474,430</u>	<u>\$ 1,140,242</u>	<u>\$ -0-</u>	<u>\$ 7,112,266</u>

The accompanying notes are an integral part of these financial statements.

**MARYLAND SPCA, INC.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 4,823,545	\$ 3,669,502
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for bad debts	24,001	-0-
Depreciation	294,253	272,278
Loss on disposal of property	-0-	1,653
Net gains on investments	(3,039,826)	(4,450,970)
Donated stock	(207,785)	(209,384)
Contributions restricted for investment in property	(13,000)	(120,000)
Change in value of beneficial interest in endowment fund	(17,817)	(25,969)
Change in value of beneficial interest in gift annuities	(35,821)	11,018
Changes in operating assets and liabilities:		
Accounts receivable	(35,504)	15,396
Contributions receivable	15,686	(116,240)
Accrued interest receivable	-0-	7,529
Inventory	(19,148)	(14,968)
Prepaid expenses	(19,452)	11,679
Accounts payable	83,883	(2,922)
Accrued expenses	80,312	26,360
Net Cash Provided by (Used in) Operating Activities	<u>1,933,327</u>	<u>(925,038)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	575,059	25,980,147
Purchases of investments	(1,180,511)	(24,805,740)
Net proceeds from the sale of donated stock	207,785	209,384
Payments received on note receivable	-0-	3,000
Purchases of property	(724,022)	(967,704)
Net Cash Provided by (Used in) Investing Activities	<u>(1,121,689)</u>	<u>419,087</u>
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for investment in property	<u>13,000</u>	<u>120,000</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>824,638</b>	<b>(385,951)</b>
<b>Cash and Cash Equivalents, at Beginning of Year</b>	<u>512,760</u>	<u>898,711</u>
<b>Cash and Cash Equivalents, at End of Year</b>	<u>\$ 1,337,398</u>	<u>\$ 512,760</u>

	<u>2020</u>	<u>2019</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Noncash Investing and Financing Activities:		
Acquisitions of property	\$ 266,577	\$ 1,425,149
Less change in property-related accounts payable	<u>457,445</u>	<u>(457,445)</u>
Cash paid for acquisitions of property (included in cash flows from investing activities)	<u>\$ 724,022</u>	<u>\$ 967,704</u>

The accompanying notes are an integral part of these financial statements.

**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies**

Maryland SPCA, Inc. (the Society), has been recognized by the Internal Revenue Service (IRS) as a not-for-profit, tax-exempt Society as defined by Section 501(c)(3) of the Internal Revenue Code (IRC) that is publicly supported and, therefore, is not a private foundation. The Society is an animal welfare organization founded in 1869 to provide food, water, and shelter to the area's unwanted and abandoned animals. The Society's mission is to improve the lives of pets and people in the community. Through annual fundraising and other revenue generating efforts the Society also promotes the respect, love, and welfare of all animals through specialized programs and education. The Society helps find homes for unwanted dogs and cats through an adoption program; provides shelter for abandoned and neglected animals; provides spay/neuter and wellness programs; and provides a lost and found service.

The accounting and reporting policies of the Society conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Society classifies all investments which are readily convertible to cash (except for investments held by investment custodians) and which have a maturity of three months or less when purchased as cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts: Receivables, which are for services provided, are carried at the amount billed, less an allowance for doubtful accounts. A provision is made for doubtful accounts based on anticipated collection losses. Estimated losses are generally determined from a review of outstanding accounts receivable and historical collection experience. Receivables are written off by management when, in its determination, all collection efforts have been exhausted. Management recorded an allowance for doubtful accounts of \$23,578 and \$-0- as of December 31, 2020 and 2019, respectively.

Contributions Receivable: Unconditional promises to give are recorded as contributions receivable and recognized as revenue in the period the contribution or pledge is received. A provision is made for uncollectible pledges based on anticipated collection losses. Estimated losses are generally determined from historical collection experience and a review of outstanding contributions receivable. Contributions receivable are written off by management when, in its determination, all appropriate collection efforts have been taken. The Society has not established an allowance for uncollectible pledges as of December 31, 2020 and 2019, since in the opinion of management, all outstanding pledges are considered collectible.

Inventory: Inventory, which is comprised of medical and other supplies, is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method.

Investments: Investments with readily determinable fair values are reported at fair value in the statements of financial position. Investments, whose fair values are not readily determinable, are recorded at cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses on investments for the year are reported in the statements of activities as part of net investment return.

**Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)**

Property and Depreciation: Property is recorded at cost or, if donated, at fair value at the date of gift, less accumulated depreciation. It is the Society's policy to capitalize all property acquisitions in excess of \$500 having useful lives of longer than one year. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. Depreciation is computed using the straight-line method and is charged to expense over the estimated useful lives of the assets as follows:

Building and improvements	10-39 years
Furniture and equipment	3-20 years
Motor vehicles	7-10 years
Software	3-5 years

Beneficial Interest in Endowment Funds and Gift Annuities: Generally Accepted Accounting Principles (GAAP) require not-for-profit beneficiaries of endowment funds and gift annuities held by unrelated parties to record, as a contribution and an asset, the present value of the estimated future cash receipts to be received from the endowment fund or gift annuity, over the life of the instrument. Due to the perpetual nature of these funds held by The Baltimore Community Foundation, Inc. (BCF), the future cash flows from these funds cannot be estimated. Under such circumstances, not-for-profits are permitted to base the present value measurement on the fair value of these funds. Increases and decreases in these fund's fair value are to be recorded as a change in value in the statements of activities.

Net Assets: Net assets, revenue, support, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions:* Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a reserve for future capital improvements and for future operations.

*Net Assets with Donor Restrictions:* Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: The Society derives revenue primarily from fees for services, grants, contributions, bequests and legacies, special events and net investment return. Fees for services are recognized as revenue when the service is provided. Special event and net investment return are recognized as revenue when earned. Contributions are recognized in the year the contributions are pledged and/or received. Conditional grants are earned and recognized as revenue in proportion to the related expenditures incurred or when all conditions of the grant have been substantially met. Grants earned and contributions not yet received are recorded as contributions receivable. Grant proceeds received in advance and not yet earned are recorded as deferred revenue.

**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)**

The Society recognizes revenue in the statements of activities and contract assets on the statements of financial position only when services have been provided. Since the Society has performed its obligation under the contract, it has unconditional rights to the consideration recorded as contract assets and therefore classified those billed and unbilled contract assets as accounts receivable.

Performance obligations are determined based on the nature of the goods and services provided. Each of the Society's revenue streams are treated as separate performance obligations, some of which are satisfied at a point in time and others are satisfied over a specific time period. The Society determines the transaction price based on contractually agreed upon amounts or rates. The Society disaggregates its revenue as follows:

	2020	2019
Performance obligations satisfied at a point in time:		
Adoptions	\$ 134,554	\$ 281,717
Admissions	14,880	46,863
Wellness clinic	700,069	1,160,101
Spay/neuter fees	120,370	213,242
Performance obligations satisfied over time:		
Training programs	16,835	33,446
	\$ 986,708	\$ 1,735,369

Contributions and Grants: Contributions received are recorded with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions received that are restricted by donors for the acquisition or construction of property are released from restriction when the property is placed in service.

Recognition of Donor Restrictions: All donor-restricted support is reported as an increase in net assets with donor restrictions. Upon the expiration of a temporary restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statements of activities.

Donated Services: Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Society. During the years ended December 31, 2020 and 2019, there were no donated services that met these definitions.

In addition, a number of unpaid volunteers have made significant contributions of their time and services to the Society. The value of this contributed time is not recorded as a contribution in these financial statements since the recognition criteria was not met.

**Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)**

Functional Allocation of Expense: The costs of providing various programs and other support activities have been summarized on a functional basis in the statements of activities and by natural classification in the statements of functional expenses. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated based on estimates such as time and effort expended by the staff on the various functions or other criteria.

Advertising: Advertising costs are charged to expense when incurred. The Society had no significant direct-response advertising. Advertising expense for the years ended December 31, 2020 and 2019 was \$1,842 and \$12,536, respectively, and is included in printing and advertising on the statements of functional expenses.

Income Taxes: The Society is exempt from federal and state income taxes under IRC §501(c)(3). Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Society has no unrelated business income for the years ended December 31, 2020 and 2019. Accordingly, no provision for income taxes is reflected in these financial statements.

The Society's federal exempt organization tax returns are subject to examination by the IRS, generally for a period of three years after the returns are filed.

Recently Issued Accounting Pronouncements: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* which will be effective for fiscal years beginning after December 15, 2021. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance for leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated and the liability will be reduced by the lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt this standard and will assess the future impact of any leases on the financial statements.

Reclassification: Certain amounts previously reported in the 2019 financial statements have been reclassified to conform to the financial statement presentation for the year ended December 31, 2020.

Subsequent Events: In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through May 26, 2021, the date the financial statements were available to be issued. During the period from January 1, 2021 through May 26, 2021, except for the information related to the national health emergency as described in Note 15, the Society did not have any material recognizable events.

**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 2: Liquidity and Availability of Funds**

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,337,398	\$ 512,760
Accounts receivable	11,949	446
Contributions receivable (current portion)	100,554	56,507
Note receivable (current portion)	6,000	3,000
Investments (current portion)	29,369,330	25,724,052
Less: Net assets without donor restrictions, board designated	(4,559,860)	(5,287,536)
Less: Net assets with donor restrictions	<u>(2,119,523)</u>	<u>(2,144,761)</u>
Financial Assets Available for General Expenditure	<u>\$ 24,145,848</u>	<u>\$ 18,864,468</u>

As part of the Society's liquidity management plan, the Society invests cash in excess of daily requirements in short-term investments and money market funds.

In addition, the Board of Directors (the Board) of the Society has designated certain cash for future capital improvements and an operating reserve (Note 9). Even though there is no intent of the Board to remove these designations, the Board could make these amounts available, as necessary.

**Note 3: Note Receivable**

In July 2015, the Society entered into an agreement with an unrelated third party to provide them a right of easement on a specific portion of the Society's property. As part of this agreement, the unrelated third party made a nonrefundable payment of \$10,000 and entered into a promissory note in the amount of \$15,000 as a final payment on this right of easement agreement. The promissory note is non-interest bearing and payable in annual installments of \$3,000 due in May of each year. Future minimum payments as of December 31, 2020 are \$6,000.



**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 4: Investments**

A summary of the investment portfolio is as follows at December 31, 2020 and 2019:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Common stock index funds	\$ 16,073,184	\$ 12,922,232	\$ 13,726,890	\$ 12,653,554
Bond index funds	8,988,005	8,726,847	8,459,653	8,590,279
Common stocks	3,131,761	1,016,734	2,861,328	930,727
Money market funds	1,242,024	1,242,024	741,825	741,825
Total investments	29,434,974	<u>\$ 23,907,837</u>	25,789,696	<u>\$ 22,916,385</u>
Investments classified as long-term:				
Endowment Funds	65,644		65,644	
Investments (current portion)	<u>\$ 29,369,330</u>		<u>\$ 25,724,052</u>	

Net investment return consisted of the following for the years ended December 31, 2020 and 2019:

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Investments						
Interest and dividends	\$ 447,660	\$ 30,845	\$ 478,505	\$ 596,073	\$ 38,591	\$ 634,664
Net gains	2,817,474	194,133	3,011,607	4,144,145	268,084	4,412,229
Investment fees	(69,900)	(4,816)	(74,716)	(111,754)	(7,017)	(118,771)
Endowment Funds						
Interest and dividends	-0-	4,484	4,484	-0-	5,577	5,577
Net gains	-0-	28,219	28,219	-0-	38,741	38,741
Investment fees	-0-	(701)	(701)	-0-	(1,014)	(1,014)
Net investment return	<u>\$ 3,195,234</u>	<u>\$ 252,164</u>	<u>\$ 3,447,398</u>	<u>\$ 4,628,464</u>	<u>\$ 342,962</u>	<u>\$ 4,971,426</u>

**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 5: Property**

Property consists of the following as of December 31, 2020 and 2019:

	2020	2019
Land	\$ 46,150	\$ 46,150
Building and improvements	5,359,803	3,769,168
Furniture and equipment	1,085,049	1,091,234
Motor vehicles	331,386	331,386
Software	27,513	27,513
Construction in progress	-0-	1,394,665
Total Cost	6,849,901	6,660,116
Less: Accumulated depreciation	2,732,360	2,514,899
	\$ 4,117,541	\$ 4,145,217

**Note 6: Beneficial Interest in Endowment Fund**

In 2005, the Society entered into an agreement with The Baltimore Community Foundation, Inc. (BCF), a tax-exempt §501(c)(3) Society, to establish an endowment fund with BCF to be known as "The MD SPCA Fund" (the Fund).

The purpose of establishing the Fund was to encourage and enhance contributions, ensure perpetual continuity, and provide professional investment management of the Society's endowment fund. As part of this agreement, the Board of the Society authorized the transfer of its own funds to BCF.

The agreement for the Fund stipulates that the principal portion of the Fund will be held in perpetuity and that an amount of the net annual income earned by the Fund, as determined under the BCF's spending policy, will be distributed to the Society for as long as the Society is in existence. If for any reason the Society ceases operations, the agreement with BCF provides that this income will be used for a similar purpose.

The fair value of the Fund held by BCF at December 31, 2020 and 2019 was \$224,887 and \$207,070, respectively, which has been reflected as an asset in the statements of financial position. Gains of \$17,817 and \$25,969, associated with the Fund's change in fair value, have been recognized for the years ended December 31, 2020 and 2019, respectively, in the statements of activities. The Fund made distributions of \$9,639 and \$9,440 during the years ended December 31, 2020 and 2019, respectively.

**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
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**Note 7: Beneficial Interest in Gift Annuities**

The Society is a 100% income beneficiary of gift annuities held by BCF. The annuities provide for distributions to the Society that will be made under the terms of BCF's spending policy for gift annuity funds, which is subject to amendment. The Society will remain a beneficiary of the gift annuities in perpetuity.

The fair value of these funds as of December 31, 2020 and 2019 were as follows:

	2020	2019
Carolyn Stafford Fund for the Maryland SPCA	\$ 50,970	\$ 37,649
Anne Hancock Fund for the Maryland SPCA	86,091	63,591
	<u>\$ 137,061</u>	<u>\$ 101,240</u>

Gains (losses) of \$35,821 and (\$11,018), associated with the change in fair value, have been recognized for the years ended December 31, 2020 and 2019, respectively, in the statements of activities.

**Note 8: Fair Value Measurement**

GAAP establishes a framework for measuring fair value. The 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (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's 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. The valuation techniques used by the Society include the following:

Money Market Funds: Valued at original cost, which equals fair value.

Common and Preferred Stocks: Valued at the closing price reported on the active market in which the individual securities are traded.

**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 8: Fair Value Measurement (Continued)**

Mutual Funds, Publicly Traded Hedge Funds, Exchange-Traded Funds, Common Stock Index Funds and Bond Index Funds: Valued at the last sales price reported in the active market in which the individual fund is traded.

Corporate Bonds and U.S. Government Securities: Valued using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads.

Beneficial Interest in Endowment Funds and Gift Annuities: Valued as described in Note 1.

In determining the appropriate levels, the Society performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

The table below presents the assets measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2020:

December 31, 2020	Total	Level 1	Level 2	Level 3
Common stock index funds	\$ 16,073,184	\$ 16,073,184	\$ -0-	\$ -0-
Bond index funds	8,988,005	8,988,005	-0-	-0-
Common stocks	3,131,761	3,131,761	-0-	-0-
Money market funds	1,242,024	1,242,024	-0-	-0-
Beneficial interest in endowment fund	224,887	-0-	-0-	224,887
Beneficial interest in gift annuities	137,061	-0-	-0-	137,061
	<u>\$ 29,796,922</u>	<u>\$ 29,434,974</u>	<u>\$ -0-</u>	<u>\$ 361,948</u>

The table below presents the assets measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2019:

December 31, 2019	Total	Level 1	Level 2	Level 3
Common and preferred stocks	\$ 13,726,890	\$ 13,726,890	\$ -0-	\$ -0-
Bond index funds	8,459,653	8,459,653	-0-	-0-
Common and preferred stocks	2,861,328	2,861,328	-0-	-0-
Money market funds	741,825	741,825	-0-	-0-
Beneficial interest in endowment fund	207,070	-0-	-0-	207,070
Beneficial interest in gift annuities	101,240	-0-	-0-	101,240
	<u>\$ 26,098,006</u>	<u>\$ 25,789,696</u>	<u>\$ -0-</u>	<u>\$ 308,310</u>

**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 8: Fair Value Measurement (Continued)**

The change in investments for which the Society has used Level 3 inputs to determine fair value is as follows:

	2020	2019
Balance at beginning of year	\$ 308,310	\$ 293,359
Change in value	53,638	14,951
Balance at end of year	<u>\$ 361,948</u>	<u>\$ 308,310</u>

**Note 9: Net Assets**

Net Assets without Donor Restrictions:

Undesignated net assets without donor restrictions - Consists of the resources and obligations related to the daily operations of the Society.

Board designated net assets without donor restrictions -

*Operating Reserve* - The operating reserve consists of resources designated by the Board to be set aside to ensure the financial stability of the organization while positioning it to respond to varying economic conditions and changes affecting the organization's financial position and securing the ability of the organization to continuously carry out its mission. The operating reserve will be funded to contain at least three months of the annual operating expense budget. Distributions from this reserve must be approved by the Board or its finance committee.

*Capital Reserve* - The capital reserve consists of resources designated by the Board to be set aside for the following: to fund the annual capital budget, to provide an emergency fund for capital repairs/purchases and to fund building acquisition, construction and renovation projects. Increases to the fund will be determined each year by the Board. Earnings from investments held in the Capital Reserve will be added to the Capital Reserve. Distributions from this fund must be approved by the Board.

Net Assets with Donor Restrictions:

The Society has several restricted funds, a majority of which may be fully expended but only for the purpose established by the respective donors.

**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 9: Net Assets (Continued)**

Net assets with donor restrictions were available for the following purposes as of December 31, 2020:

	2019		Current Year Activity			2020
		Contributions	Net Investment Return*	Change in Value	Released from Restrictions	
Subject to expenditure for specified purpose:						
Shearer Fund	\$ 1,612,655	\$ -0-	\$ 215,569	\$ -0-	\$ (10,000)	\$ 1,818,224
Cotton Fund	173,764	-0-	32,002	-0-	-0-	205,766
PawPlus Program	-0-	31,000	-0-	-0-	-0-	31,000
Celeste Hutton Library Fund	19,879	-0-	4,593	-0-	(2,400)	22,072
Mansion renovations	320,000	-0-	-0-	-0-	(300,000)	20,000
Trail project	5,816	-0-	-0-	-0-	-0-	5,816
Pop-Up trainings	2,668	-0-	-0-	-0-	-0-	2,668
Humane education	7,644	-0-	-0-	-0-	(7,644)	-0-
Other programs	2,335	98,908	-0-	-0-	(87,266)	13,977
	<u>2,144,761</u>	<u>129,908</u>	<u>252,164</u>	<u>-0-</u>	<u>(407,310)</u>	<u>2,119,523</u>
Subject to spending policy or appropriation						
Cotton Fund	65,644	-0-	-0-	-0-	-0-	65,644
Beneficial interest in endowment fund	207,070	-0-	-0-	17,817	-0-	224,887
Beneficial interest in gift annuities	101,240	-0-	-0-	35,821	-0-	137,061
	<u>373,954</u>	<u>-0-</u>	<u>-0-</u>	<u>53,638</u>	<u>-0-</u>	<u>427,592</u>
	<u>\$ 2,518,715</u>	<u>\$ 129,908</u>	<u>\$ 252,164</u>	<u>\$ 53,638</u>	<u>\$ (407,310)</u>	<u>\$ 2,547,115</u>

\* Includes realized and unrealized gains (losses)

Net assets with donor restrictions were available for the following purposes as of December 31, 2019:

	2018		Prior Year Activity			2019
		Contributions	Net Investment Return*	Change in Value	Released from Restrictions	
Subject to expenditure for specified purpose:						
Shearer Fund	\$ 1,320,957	\$ -0-	\$ 291,698	\$ -0-	\$ -0-	\$ 1,612,655
Mansion renovations	200,000	120,000	-0-	-0-	-0-	320,000
Cotton Fund	130,460	-0-	43,304	-0-	-0-	173,764
Celeste Hutton Library Fund	36,044	-0-	7,960	-0-	(24,125)	19,879
Humane education	60,336	126,000	-0-	-0-	(178,692)	7,644
Trail project	5,816	-0-	-0-	-0-	-0-	5,816
Pop-Up trainings	19,408	-0-	-0-	-0-	(16,740)	2,668
Other programs	12,562	87,793	-0-	-0-	(98,020)	2,335
	<u>1,785,583</u>	<u>333,793</u>	<u>342,962</u>	<u>-0-</u>	<u>(317,577)</u>	<u>2,144,761</u>
Subject to spending policy or appropriation						
Cotton Fund	65,644	-0-	-0-	-0-	-0-	65,644
Beneficial interest in endowment fund	181,101	-0-	-0-	25,969	-0-	207,070
Beneficial interest in gift annuities	112,258	-0-	-0-	(11,018)	-0-	101,240
	<u>359,003</u>	<u>-0-</u>	<u>-0-</u>	<u>14,951</u>	<u>-0-</u>	<u>373,954</u>
	<u>\$ 2,144,586</u>	<u>\$ 333,793</u>	<u>\$ 342,962</u>	<u>\$ 14,951</u>	<u>\$ (317,577)</u>	<u>\$ 2,518,715</u>

\* Includes realized and unrealized gains (losses)

**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 9: Net Assets (Continued)**

The Society maintains the following two funds that are classified as temporary in nature:

- Celeste Hutton Library Fund - This fund was established in memory of a former president of the Society. The fund, along with any related investment income, is restricted for the library, including any educational and reference materials.
- Shearer Fund - This fund, along with any related investment income, is restricted to education for the humane treatment, benefit and relief of animals.

The Society maintains the following endowment fund classified as permanent in nature, of which the original principal portion of the fund may not be expended:

- Cotton Fund: This fund was established according to the Will of Edyth J. Cotton. The principal is permanently restricted. The Society can use the investment income for general operations, as long as it does not become involved in vivisection and other experimentation with animals. The accumulated income and gains (losses) are recorded as temporarily restricted net assets until released.

FASB issued guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This guidance also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Board of the Society have 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 with donor restrictions (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 gift instrument at the time the accumulation is added to the fund, such as net realized and unrealized gains (losses).

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions that are temporary in nature 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.

**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 9: Net Assets (Continued)**

*Investment Return Objectives, Risk Parameters and Strategies*

The Society has adopted investment and spending policies, approved by the Board, 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 capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of not more than 5%, while growing the funds if possible. Therefore, the Society expects its endowment assets, over time, to produce an average annual rate of return that is approximately equal to the risk-free rate (the 10-year Treasury) plus a spread of 200 to 300 basis points over a full market cycle, estimated to be three to ten years, depending on market conditions. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy*

The Society has a policy of appropriating for distribution each year not more than 5% of the average value of the endowment fund's fair value over the trailing twelve quarters. In establishing this policy, the Society considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Society's objective is to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31, 2020 and 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total Net Endowment Assets
		Temporary in Nature	Permanent in Nature	
<u>December 31, 2020</u>				
Donor-restricted endowment funds	\$ -0-	\$ 205,766	\$ 65,644	\$ 271,410
Beneficial interest in endowment fund	-0-	-0-	224,887	224,887
Beneficial interest in gift annuities	-0-	-0-	137,061	137,061
	<u>\$ -0-</u>	<u>\$ 205,766</u>	<u>\$ 427,592</u>	<u>\$ 633,358</u>
<u>December 31, 2019</u>				
Donor-restricted endowment funds	\$ -0-	\$ 173,764	\$ 65,644	\$ 239,408
Beneficial interest in endowment fund	-0-	-0-	207,070	207,070
Beneficial interest in gift annuities	-0-	-0-	101,240	101,240
	<u>\$ -0-</u>	<u>\$ 173,764</u>	<u>\$ 373,954</u>	<u>\$ 547,718</u>



**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
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**Note 9: Net Assets (Continued)**

Changes in endowment net assets during the years ended December 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total Net Endowment Assets
		Temporary in Nature	Permanent in Nature	
Endowment net assets, December 31, 2018	\$ -0-	\$ 130,460	\$ 359,003	\$ 489,463
Contributions	-0-	-0-	-0-	-0-
Net investment return	-0-	43,304	-0-	43,304
Change in value of beneficial interest in endowment fund	-0-	-0-	25,969	25,969
Change in value of beneficial interest in gift annuities	-0-	-0-	(11,018)	(11,018)
Amounts appropriated for expenditure	-0-	-0-	-0-	-0-
Endowment net assets, December 31, 2019	-0-	173,764	373,954	547,718
Contributions	-0-	-0-	-0-	-0-
Net investment return	-0-	32,002	-0-	32,002
Change in value of beneficial interest in endowment fund	-0-	-0-	17,817	17,817
Change in value of beneficial interest in gift annuities	-0-	-0-	35,821	35,821
Amounts appropriated for expenditure	-0-	-0-	-0-	-0-
Endowment net assets, December 31, 2020	\$ -0-	\$ 205,766	\$ 427,592	\$ 633,358

**Note 10: Paycheck Protection Program**

The Society applied for and received funds in the amount of \$754,597 under the Paycheck Protection Program (PPP), which was created by the U.S. Federal Government as a result of the coronavirus pandemic. The proceeds were considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, were incurred during the eight-week period or 24-week period, commencing on the date of the loan agreement (April 16, 2020). Any portion of this loan that did not qualify for forgiveness was subject to an interest rate of 1%. The original loan document required monthly principal installments plus interest over an eighteen-month period commencing on November 16, 2020 with a maturity date of April 16, 2022. However, the repayment of the principal period was extended until 10 months after the end of the eight-week or 24-week period. The Society applied for and received full forgiveness of the PPP loan on November 6, 2020 and the proceeds have been included on the statements of activities as government grants (PPP Loan).

**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 11: Pension Plan**

The Society had a 403(b) salary deferral retirement plan that covered all employees. Employees could begin making salary deferral contributions on their first day of employment, but their contributions were subject to limitations as set by the IRC. The Society was not required to contribute to the plan, but could make discretionary employer contributions. This plan was terminated and all participant accounts were transferred to the new pension plan, as described below.

Effective in year 2020, the Society established a 401(k) Profit-Sharing Plan that covers all employees, unless specifically excluded in the plan document. Employees can begin making salary deferral and Roth contributions on their first day of employment, but their contributions are subject to limitations as set by the IRC. Employees must complete one year of service to be eligible for any employer contributions to the plan. The Society is not required to contribute to the plan, but may make discretionary employer contributions.

The Society's employer contributions to the respective plans were \$-0- and \$33,737 for the years ended December 31, 2020 and 2019, respectively.

**Note 12: Operating Lease**

The Society has various lease agreements to rent copier equipment. These leases expire between September 2023 and November 2025 and require total monthly lease payments in the amount of \$2,473. Rent expense under these agreements was \$34,434 and \$19,404, respectively, for the years ended December 31, 2020 and 2019.

Future minimum annual lease payments for each of the years subsequent to December 31, 2020 are as follows:

Year ending December 31:	
2021	\$ 29,670
2022	29,670
2023	24,819
2024	10,266
2025	9,411
	<hr/>
	\$ 103,836

**Note 13: Self-Insurance Program - Unemployment Compensation Plan**

The Society has elected to maintain a self-funded unemployment compensation plan as a reimbursable employer as defined by the Department of Labor, Licensing and Regulation of the State of Maryland (the Department), whereby it pays qualified claims directly to the Department in lieu of submitting quarterly unemployment taxes. In order to be eligible for self-funding, the Department requires that either a surety bond be posted or funds be held as collateral in the event that the Society would fail to pay its claims. As of December 31, 2020, the Department required collateral that the Society has satisfied with a surety bond in the amount of \$49,452.

**MARYLAND SPCA, INC.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 14: Certain Significant Risks and Uncertainties**

Cash and Cash Equivalents: The Society maintains its cash balances in a single financial institution. Periodically during the year, the Society's cash balances may exceed federally insured limits. The Society has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Investment Risk: The Society invests in a professionally managed portfolio that may contain corporate stock, mutual funds, hedge funds, money market funds and other investments. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

**Note 15: National Health Emergency**

In March 2020, the President of the United State declared a national emergency due to a viral pandemic. The declaration of the national emergency and similar declaration by various states, and the outbreak of the virus itself, have had far reaching social, economic, and financial impacts on the United States going forward. The pandemic continues and at this time, the future impact on the operations and financial status of the Society cannot be determined.

Subsequent to year end, the Society once again applied for and received additional funds in the amount of \$754,680 under the Small Business Administration's (SBA) PPP. The proceeds are considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, are incurred during either an eight-week period or 24-week period, commencing on the date of the loan agreement (February 8, 2021). Any portion of this loan that does not qualify for forgiveness is subject to an interest rate of 1%. The loan document requires monthly principal installments plus interest commencing one month after the earlier of: the date the SBA officially forgives only a portion of the loan; the date the SBA denies forgiveness; 10 months after the end of the 24-week period; or 16 months after the loan proceeds are disbursed. The loan has a maturity date of February 8, 2026. As of the date of this report, it has not been determined what portion of the loan under the PPP will be forgiven, but it is management's position that this loan will qualify for forgiveness in full.

