

MONTGOMERY COUNTY HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

MONTGOMERY COUNTY HUMANE SOCIETY, INC.

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Board of Directors
Montgomery County Humane Society, Inc.
601 S. Stonestreet Avenue
Rockville, MD 20850

Independent Auditors' Report

Dear Members of the Board:

We have audited the accompanying financial statements of the Montgomery County Humane Society, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses 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 the Montgomery County Humane Society, Inc. as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Montgomery County Humane Society, Inc.'s June 30, 2018 financial statements, and our report dated November 26, 2018, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



GLASS JACOBSON, P.A.

Rockville, MD
October 10, 2019

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 462,751	\$ 585,076
Investments	2,934,849	2,536,089
Accounts and Contributions Receivable	43,985	51,731
Inventory - Thrift Shop	55,121	56,296
Prepaid Expenses	11,703	12,099
Assets restricted to investment in land, buildings, furniture and equipment (Note 2)	3,067,485	2,926,193
Deposit	10,390	83,131
<u>TOTAL ASSETS</u>	<u>\$ 6,586,284</u>	<u>\$ 6,250,615</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 29,919	\$ 43,902
Accrued Expenses	48,376	51,645
Deferred Gala Income	0	4,250
Lease Obligation Liability	36,865	43,910
<u>TOTAL LIABILITIES</u>	<u>115,160</u>	<u>143,707</u>
<u>NET ASSETS</u>		
Without donor restrictions (Note 4)	6,446,124	6,095,843
With donor restrictions	25,000	11,065
Total Net Assets	6,471,124	6,106,908
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 6,586,284</u>	<u>\$ 6,250,615</u>

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019	2019	2019	2018
	NET ASSETS WITHOUT DONOR RESTRICTIONS	NET ASSETS WITH DONOR RESTRICTIONS	TOTAL	TOTAL
SUPPORT AND REVENUE				
Contributions & Grants	\$ 804,494	\$ 180,952	\$ 985,446	\$ 1,788,470
Contributions - In-kind	6,655	-	6,655	735
Contributions - Wagging Tails (Net of Expenses of \$528,618)	141,400	-	141,400	105,884
Special Events	86,507	-	86,507	53,480
Program Service Fees	80,862	-	80,862	102,402
Investment Income	210,840	-	210,840	126,474
Miscellaneous	6,953	-	6,953	13,148
United Way / CFC	46,387	-	46,387	59,237
Gain on Sale of Fixed Asset	925	-	925	-
Net Assets Released from Restrictions: Restrictions Satisfied by Payments	167,017 (167,017)	-	-
TOTAL SUPPORT AND REVENUE	\$ 1,552,040	\$ 13,935	\$ 1,565,975	\$ 2,249,830
EXPENSES				
Program Services:				
Society	\$ 780,581	\$ -	\$ 780,581	\$ 744,736
Aspin Hill	83,311	-	83,311	85,344
Total Program Services	863,892	-	863,892	830,080
Supporting Services:				
Management and General	87,636	\$ -	87,636	85,252
Fundraising	250,231	-	250,231	262,255
Total Supporting Services	337,867	-	337,867	347,507
TOTAL EXPENSES	\$ 1,201,759	\$ -	\$ 1,201,759	\$ 1,177,587
CHANGE IN NET ASSETS	\$ 350,281	\$ 13,935	\$ 364,216	\$ 1,072,243
NET ASSETS - BEGINNING	\$ 6,095,843	\$ 11,065	\$ 6,106,908	\$ 5,034,665
NET ASSETS - ENDING	\$ 6,446,124	\$ 25,000	\$ 6,471,124	\$ 6,106,908

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (Decrease) in Net Assets	\$ 364,216	\$ 1,072,243
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	\$ 54,660	\$ 43,347
Realized (Gain) / Loss on Investments	(4,627)	(8,060)
Unrealized (Gain) / Loss on Investments	(105,980)	(38,601)
(Gain) / Loss on disposal of equipment	275	-
(Increase)/Decrease in Accounts and Contributions Receivable	7,746	40,653
(Increase)/Decrease in Inventory	1,175	974
(Increase)/Decrease in Prepaid Expenses	396	(5,653)
(Increase)/Decrease in Deposits	72,741	(18,853)
Increase/(Decrease) in Accounts Payable	(13,983)	31,352
Increase/(Decrease) in Accrued Expenses	(3,269)	11,437
Increase/(Decrease) in Deferred Income	(4,250)	4,250
Increase/(Decrease) in Lease Liability	(7,045)	(3,082)
Total Adjustments	(\$ 2,161)	\$ 57,764
Net Cash Provided by / Used in Operating Activities	\$ 362,055	\$ 1,130,007
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Fixed Assets	(\$ 196,227)	(\$ 91,645)
Purchase of Investments	(458,252)	(1,249,092)
Contribution of Investments	(72,604)	(37,000)
Sale of Investments	242,703	317,885
Net Cash Provided by / Used in Investing Activities	(\$ 484,380)	(\$ 1,059,852)
<u>NET INCREASE (DECREASE) IN CASH</u>	(\$ 122,325)	\$ 70,155
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	\$ 585,076	\$ 514,921
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	\$ 462,751	\$ 585,076
<u>INTEREST EXPENSE</u>	\$ -	\$ -

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019						2018
	SOCIETY	ASPIN HILL	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES
Advertising and Marketing	\$ 6,785	-	\$ 6,785	\$ -	\$ 1,176	\$ 1,176	\$ 7,961
Animal Care & Treatment	64,895	250	65,145	-	-	-	65,145
Auto and Truck Expense	15,794	-	15,794	-	-	-	15,794
Communications	9,877	-	9,877	-	-	-	9,877
Depreciation	45,643	8,791	54,434	226	-	226	54,660
Employee Benefits	9,273	1,777	11,050	549	2,805	3,354	14,404
Fund Drive	-	-	-	-	74,104	74,104	74,104
Other Taxes	1,997	5,220	7,217	-	-	-	7,217
Insurance	14,172	1,578	15,750	81	278	359	16,109
Merchandise	-	-	-	-	1,035	1,035	1,035
Office Supply & Expense	26,924	53	26,977	21,131	11,546	32,677	59,654
Payroll	486,699	40,976	527,675	12,465	100,355	112,820	640,495
Payroll Taxes	40,659	3,293	43,952	1,187	7,699	8,886	52,838
Permits and Repairs	22,863	21,223	44,086	-	-	-	44,086
Postage and Shipping	67	-	67	279	19,733	20,012	20,079
Professional Fees/Legal	9,035	-	9,035	51,718	31,500	83,218	92,253
Utilities	25,814	150	25,964	-	-	-	25,964
Travel	84	-	84	-	-	-	84
TOTAL EXPENSES	\$ 780,581	\$ 83,311	\$ 863,892	\$ 87,636	\$ 250,231	\$ 337,867	\$ 1,201,759
							\$ 1,177,587

The accompanying notes are an integral part of these financial statements

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND FINANCIAL POLICIES

ORGANIZATION:

The Montgomery County Humane Society, Inc. (the Society) was incorporated in 1958 to serve the community with animal welfare services. Its mission is "Ending animal homelessness through education, outreach and adoption, while saving lives and supporting the bond between pets and their families."

BASIS OF PRESENTATION:

Financial statement presentation complies with FASB ASC 958-205. Under FASB ASC 958-205, the Society is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. In addition, the Society is required to present a statement of cash flows.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2018, from which the summarized information was derived. In addition, some account groupings have been changed to conform to the current year presentation.

CONTRIBUTIONS AND GRANTS:

Contributions, grants and other revenues are recognized when earned. Contributions and grants without donor restrictions are reported as revenue in the year in which payments are received and/or unconditional promises are made. The Society reports gifts of cash and other assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the accompanying statement of activities as net assets released from restrictions. Contributions and grants with donor restrictions whose restrictions are met in the same reporting period are reported as contributions or grants without donor restrictions in the accompanying statement of activities.

Noncash contributions which have a readily determinable market value or which are intended for internal use by the Society (such as equipment or supplies) are recorded as revenue based upon their market value at the date of donation. Noncash contributions, which do not have a readily determinable market value or are not intended for internal use by the Society (such as clothing and furniture donations to be sold at the thrift stores) are not recorded as revenue until a reliable estimate of fair value is determined or they are converted to cash.

CLASSIFICATION OF NET ASSETS:

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

- With Donor Restrictions: Net assets subject to donor-imposed stipulations that specifically restrict funds for use of various purposes or time periods.
- Without Donor Restrictions: Net assets not subject to donor-imposed stipulations are available for support of the Society's operations.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND FINANCIAL POLICIES
(CONTINUED)

CASH AND CASH EQUIVALENTS:

The Society considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

INVESTMENTS:

The Society carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities and changes in net assets.

PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost. Items costing less than \$500 are charged to expense when acquired. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to forty years. Leasehold and capital improvements are amortized over the life of the asset. The costs of maintenance and repairs are recorded as expenses as incurred.

INCOME TAXES:

The Society is a not-for-profit organization as defined under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Society is not a private foundation.

USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include, but not limited to, depreciation, office and occupancy costs, salaries, and benefits. All of these shared costs are allocated based on salary percentages. Salary percentages are determined on the basis of estimates of time and effort.

THRIFT STORE INVENTORY

Inventories are stated at the lower of cost or net realizable value. All thrift store inventory is comprised of donated merchandise. The value at June 30, 2019 is based upon the subsequent month sales. Throughout the year, donated inventory items are valued upon sale.

NEW ACCOUNTING PRONOUNCEMENT

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The Society adopted the provisions of this new standard for the fiscal year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 14), and disclosures related to net assets were expanded (Note 4).

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - ASSETS RESTRICTED TO INVESTMENT IN LAND, BUILDING, FURNITURE AND EQUIPMENT

Assets restricted to investment in land, building, furniture and equipment at June 30, 2019 consisted of:

Land	\$ 1,890,952
Buildings	1,373,571
Furniture and Equipment	92,461
Vehicles	112,720
Leasehold and Capital Improvements	268,637
Less: Accumulated Depreciation	(670,856)

Assets restricted to investment in land, building, furniture and equipment	\$ <u>3,067,485</u>
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Depreciation of furniture and equipment for the year ended June 30, 2019 was \$54,660.

NOTE 3 - INVESTMENTS

The Society's investments at June 30, 2019 are recorded at fair market value and consist of the following:

	<u>Adjusted Basis</u>	<u>Fair Market Value</u>	<u>Realized Gain/ (Loss)</u>	<u>Unrealized Gain/ (Loss)</u>
Equities	\$ 3,076	\$ 2,616	\$ -	(\$ 460)
Equity Funds	<u>2,533,013</u>	<u>2,932,233</u>	<u>4,627</u>	<u>399,220</u>
Total	<u>\$ 2,536,089</u>	<u>\$ 2,934,849</u>	<u>\$ 4,627</u>	<u>\$ 398,760</u>

NOTE 4 - NET ASSETS RELEASED FROM RESTRICTIONS

The Society's net assets without donor restrictions for the year ended June 30, 2019 are as follows:

Undesignated	\$ <u>6,446,124</u>
Total Net Assets without Donor Restrictions	\$ <u>6,446,124</u>

The Society's net assets with donor restrictions for the year ended June 30, 2019 are as follows:

Humane Education	\$ <u>25,000</u>
Total Net Assets with Donor Restrictions	\$ <u>25,000</u>

NOTE 5 - LEASE COMMITMENTS

At June 30, 2019, the Society was obligated under one lease agreement. The minimum rental payments over the life of the lease are as follows:

For the year ended June 30, 2020	140,184
For the year ended June 30, 2021	144,389
For the period ended January 31, 2022	<u>85,683</u>
Total	\$ <u>370,256</u>

Total rent charged to operations for the year ended June 30, 2019 was \$ 192,496.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - DESCRIPTION OF PROGRAM SERVICES

The following program services are included in the accompanying financial statements:

SOCIETY - The Society's programs provide services for more than one million Montgomery County residents and their pets. These programs are funded through fundraising events, individual donations, grants and program revenue. The services provided to animals and the Society's patrons include: Animal rescues from public shelters; veterinary and preventive care; spay and neuter; socialization and enrichment; pet adoptions and adoption counseling; volunteer recruitment, training and coordination; humane education for children, teens and adults; and community outreach programs.

ASPIN HILL - The Aspin Hill Memorial Park is a historic property that was gifted to MCHS in the fiscal year ended June 30, 2007. It is believed to be the second-oldest pet cemetery in the United States. MCHS currently continues to operate the cemetery and provides limited interment services. In the future, the Society plans to rehabilitate and use the 7.79 acre parcel for animal rescue, care and adoption; humane education classes; a base for community outreach and other animal welfare programs and Society offices, in addition to operating the pet cemetery. The use of the Aspin Hill property is restricted by covenants.

WAGGING TAILS - The Wagging Tails Thrifts and Gifts store was founded for the sole purpose of supporting the Society's many life-saving programs. All revenues generated from the store are shown as net of expenses on the statement of activities.

NOTE 7 - CONCENTRATION

For the fiscal year ended June 30, 2019, The Society received 79% of its income from contributions, and 21% from other sources.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Society maintains several bank accounts. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2019, none of The Society's cash balances exceeded federally insured limits.

NOTE 9 – DONATED SERVICES

The fair value of donated services included in the financial statements for the year ended June 30, 2019, are as follows:

Professional Services	\$ <u>6,655</u>
Total Donated Services	\$ <u><u>6,655</u></u>

NOTE 10 – INCOME TAXES

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, Income Taxes, that provides guidance for reporting uncertainty in income taxes. For the year fiscal year ended June 30, 2019, the Society has documented its consideration of FASB ASC 740-10 and determined that there are no material uncertain tax positions qualifying for either recognition or disclosure in the financial statements.

The Society's federal Exempt Organization Tax Returns (Form 990) for 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they are filed.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 – CONTINGENCY

The Society and another similar, yet unrelated not-for-profit organization were originally deeded 181 acres of land in Urbana, Maryland as joint custodians in 1989. All of the land was eventually sold, with the exception of a small parcel of wetlands property on which a billboard is now standing. On the Society's books, the sale was recorded as a sale of the entire parcel. There is no deed in existence for the remaining land; both organizations are working with local engineers to have a boundary survey done on the parcel in an attempt to commence legal proceedings toward a confirmatory deed, which would allow the organizations to eventually sell the property, which is the goal of both entities. Given the nature of the property, the legal restrictions on it, and the lack of a saleable deed, the value of the property is unknown and is not being carried on the books of the Society.

NOTE 12 – FAIR VALUE MEASUREMENTS

The Society adopted FASB ASC 820-10 (formerly SFAS No. 157, Fair Value Measurements) as amended. FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under FASB ASC 820-10 as the exchange price that would be received for an asset or paid to transfer a liability ("an exit price") in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under FASB ASC 820-10 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The Society has time deposit financial instruments that must be measured under the new fair value standard. The Society currently does not have notes receivable, nonfinancial assets, or nonfinancial liabilities that are required to be measured at fair value on a recurring basis. The Society's financial assets are measured using inputs from the Level 1 fair value hierarchy as described as follows:

Level 1:

Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date.

The fair values of the Society's investments on a recurring basis at June 30, 2019 are as follows:

	Market Fair Market Value	Quoted Price in Active Markets for Identical Assets (Level 1)
Equities	\$ 2,616	\$ 2,616
Equity Funds	<u>2,932,233</u>	<u>2,932,233</u>
Total Investments	<u>\$ 2,934,849</u>	<u>\$ 2,934,849</u>

MONTGOMERY COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the statement of financial position date through the date the financial statements are available to be issued. Management has performed an evaluation as of October 10, 2019, the date the financial statements were available to be issued, that there are no subsequent events requiring disclosure that have not been properly disclosed.

NOTE 14 – LIQUIDITY

The following reflects the Society's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Cash and cash equivalents	\$ 462,751
Investments	2,934,849
Accounts Receivable	<u>43,985</u>
Financial assets, at year-end	3,441,585
Less: Donor restricted funds	(<u>25,000</u>)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,416,585</u>