

**HUMANE SOCIETY OF NORTH TEXAS**

**AUDITED FINANCIAL STATEMENTS**

**Years Ended December 31, 2022 and 2021  
With Independent Auditors' Report**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Humane Society of North Texas

### Opinion

We have audited the accompanying financial statements of the Humane Society of North Texas (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Humane Society of North Texas as of December 31, 2022 and 2021, and the changes in the net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Humane Society of North Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that rise substantial doubt about Humane Society of North Texas's ability to continue as a going concern for one year after the date that the financial statements are issued.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Humane Society of North Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Humane Society of North Texas to continue as going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*J. Taylor & Associates, LLC*

Fort Worth, Texas  
June 8, 2023

**HUMANE SOCIETY OF NORTH TEXAS**  
**Statements of Financial Position**  
**Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 912,093	\$ 1,079,901
Pledges receivable	233,515	279,159
Accounts and grants receivable	116,334	108,609
Employer Retention Credit receivable	689,595	-
Prepaid expenses and other current assets	127,466	122,384
Investments	10,434,002	16,312,012
Beneficial interest in charitable trusts	1,323,258	1,500,447
Mineral interest	1,468,217	1,462,978
Right-of-use asset	102,346	114,072
Land, buildings, and equipment, net	<u>2,746,047</u>	<u>2,698,671</u>
<b>Total Assets</b>	<u>\$ 18,152,873</u>	<u>\$ 23,678,233</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 351,166	\$ 212,631
Accrued liabilities	373,966	314,526
Current portion of lease obligations	<u>52,890</u>	<u>70,599</u>
Total current liabilities	778,022	597,756
Paycheck Protection Program loan	-	712,017
Lease obligations, net of current portion	<u>49,456</u>	<u>43,473</u>
Total liabilities	827,478	1,353,246
Net assets		
Without donor restrictions	16,038,681	21,021,898
With donor restrictions	<u>1,286,714</u>	<u>1,303,089</u>
Total net assets	<u>17,325,395</u>	<u>22,324,987</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 18,152,873</u>	<u>\$ 23,678,233</u>

See accompanying notes to the financial statements.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Statements of Activities**  
**Years Ended December 31, 2022 and 2021**

	<u>2022</u>			<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue						
Public support	\$ 2,280,271	\$ 1,132,728	\$ 3,412,999	\$ 2,536,365	\$ 777,290	\$ 3,313,655
Bequests	576,513	-	576,513	2,335,601	-	2,335,601
Special events, net	88,828	-	88,828	(1,085)	-	(1,085)
In-kind contributions	265,508	-	265,508	216,880	-	216,880
Program revenue	1,345,093	-	1,345,093	1,012,620	-	1,012,620
Investment income/(loss)	(2,291,132)	(78,186)	(2,369,318)	1,796,804	(37,903)	1,758,901
Other income	1,250,064	-	1,250,064	863,716	-	863,716
Paycheck Protection Program forgiveness	712,017	-	712,017	620,732	-	620,732
Net assets released from restrictions	1,070,917	(1,070,917)	-	865,251	(865,251)	-
Total support and revenue	<u>5,298,079</u>	<u>(16,375)</u>	<u>5,281,704</u>	<u>10,246,884</u>	<u>(125,864)</u>	<u>10,121,020</u>
Expenses						
Program services						
Animal care	7,688,704	-	7,688,704	5,642,589	-	5,642,589
Cruelty investigations	286,027	-	286,027	247,749	-	247,749
Community outreach	1,004,721	-	1,004,721	807,772	-	807,772
Total program services	<u>8,979,452</u>	<u>-</u>	<u>8,979,452</u>	<u>6,698,110</u>	<u>-</u>	<u>6,698,110</u>
General and administrative	624,565	-	624,565	525,783	-	525,783
Fundraising	677,279	-	677,279	612,164	-	612,164
Total expenses	<u>10,281,296</u>	<u>-</u>	<u>10,281,296</u>	<u>7,836,057</u>	<u>-</u>	<u>7,836,057</u>
Change in net assets	(4,983,217)	(16,375)	(4,999,592)	2,410,827	(125,864)	2,284,963
Net assets at beginning of year	21,021,898	1,303,089	22,324,987	18,611,071	1,428,953	20,040,024
Net assets at end of year	<u>\$ 16,038,681</u>	<u>\$ 1,286,714</u>	<u>\$ 17,325,395</u>	<u>\$ 21,021,898</u>	<u>\$ 1,303,089</u>	<u>\$ 22,324,987</u>

See accompanying notes to the financial statements.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2022**

	Program Services			Supporting Services			Total
	Animal Care	Cruelty Investigations	Community Outreach	Total Program Services	General and Administrative	Fundraising	
Salaries	\$ 3,530,231	\$ 159,043	\$ 489,476	\$ 4,178,750	\$ 282,739	\$ 336,178	\$ 4,797,667
Payroll taxes	280,397	12,681	38,904	331,982	22,026	24,438	378,446
Employee benefits	402,656	27,306	68,542	498,504	1,726	33,439	533,669
Total salaries and related expenses	4,213,284	199,030	596,922	5,009,236	306,491	394,055	5,709,782
Advertising and promotion	220,244	-	2,485	222,729	-	28,236	250,965
Bank fees	17,989	-	4,050	22,039	1,732	22,032	45,803
Contract services	661,132	21,331	88,438	770,901	183,172	10,721	964,794
Equipment	123,612	4,774	4,279	132,665	6,603	1,076	140,344
Insurance	231,048	6,666	10,564	248,278	9,878	5,205	263,361
Maintenance and repairs	125,499	1,940	3,538	130,977	3,169	-	134,146
Miscellaneous	133,048	4,957	40,183	178,188	43,013	77,079	298,280
Occupancy Costs	36,166	-	13,320	49,486	30,098	9,232	88,816
Office expense	22,704	252	3,011	25,967	2,173	3,034	31,174
Printing and postage	13,266	89	2,557	15,912	1,265	148,677	165,854
Seminars and training	46,518	2,958	2,138	51,614	4,746	7,785	64,145
Supplies	1,284,122	10,646	184,998	1,479,766	200	32,350	1,512,316
Telephone	49,782	2,411	4,589	56,782	6,868	3,728	67,378
Utilities	102,853	5,950	16,942	125,745	13,457	-	139,202
Vehicle and travel	112,738	8,128	3,152	124,018	7,350	1,586	132,954
Total expenses before depreciation and amortization	7,394,005	269,132	981,166	8,644,303	620,215	744,796	10,009,314
Depreciation and amortization	294,699	16,895	23,555	335,149	4,350	514	340,013
Total expenses	7,688,704	286,027	1,004,721	8,979,452	624,565	745,310	10,349,327
Less special event direct costs	-	-	-	-	-	(68,031)	(68,031)
Total	\$ 7,688,704	\$ 286,027	\$ 1,004,721	\$ 8,979,452	\$ 624,565	\$ 677,279	\$ 10,281,296

See accompanying notes to the financial statements.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2021**

	<b>Program Services</b>				<b>Supporting Services</b>		<b>Total</b>
	<b>Animal Care</b>	<b>Cruelty Investigations</b>	<b>Community Outreach</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	
Salaries	\$ 2,546,291	\$ 151,008	\$ 444,359	\$ 3,141,658	\$ 284,601	\$ 286,502	\$ 3,712,761
Payroll taxes	191,554	11,303	32,757	235,614	16,272	19,706	271,592
Employee benefits	297,750	16,875	64,658	379,283	32,557	19,199	431,039
Total salaries and related expenses	3,035,595	179,186	541,774	3,756,555	333,430	325,407	4,415,392
Advertising and promotion	209,070	3,784	4,222	217,076	-	9,396	226,472
Bank fees	12,843	-	4,125	16,968	132	21,175	38,275
Contract services	407,769	2,198	12,661	422,628	97,984	20,146	540,758
Equipment	78,553	17,250	4,554	100,357	6,411	1,959	108,727
Insurance	226,299	5,302	10,764	242,365	11,114	4,045	257,524
Maintenance and repairs	92,375	116	3,367	95,858	2,875	-	98,733
Miscellaneous	98,838	5,292	12,156	116,286	23,578	51,464	191,328
Occupancy Costs	50,905	-	14,937	65,842	26,489	7,862	100,193
Office expense	12,062	650	3,742	16,454	1,797	1,112	19,363
Printing and postage	4,624	-	1,638	6,262	749	163,270	170,281
Seminars and training	26,045	4,613	2,240	32,898	1,818	2,798	37,514
Supplies	871,518	6,974	153,991	1,032,483	66	-	1,032,549
Telephone	53,568	4,105	5,828	63,501	6,123	3,877	73,501
Utilities	117,445	5,162	14,733	137,340	11,127	-	148,467
Vehicle and travel	59,427	2,544	870	62,841	535	63	63,439
Total expenses before depreciation and amortization	5,356,936	237,176	791,602	6,385,714	524,228	612,574	7,522,516
Depreciation and amortization	285,653	10,573	16,170	312,396	1,555	675	314,626
Total expenses	5,642,589	247,749	807,772	6,698,110	525,783	613,249	7,837,142
Less special event direct costs	-	-	-	-	-	(1,085)	(1,085)
Total	<u>\$ 5,642,589</u>	<u>\$ 247,749</u>	<u>\$ 807,772</u>	<u>\$ 6,698,110</u>	<u>\$ 525,783</u>	<u>\$ 612,164</u>	<u>\$ 7,836,057</u>

See accompanying notes to the financial statements.



**HUMANE SOCIETY OF NORTH TEXAS**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (4,999,592)	\$ 2,284,963
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	340,013	314,627
Paycheck Protection Program debt forgiveness	(712,017)	(620,732)
Unrealized loss on charitable trusts	112,163	91,825
Realized gain on sale of property	(17,322)	(620,856)
Realized gain on sale of investments	(223,414)	(405,100)
Unrealized (gain)/loss on investment	2,647,602	(1,182,949)
Change in operating assets and liabilities:		
Pledges receivable	45,644	606,375
Accounts and grants receivable	(7,725)	(22,744)
Employer Retention Credit receivable	(689,595)	-
Prepaid expenses and other current assets	(8,737)	(13,796)
Mineral interest	(5,239)	(1,249,733)
Right-of-use asset	11,726	114,072
Accounts payable	138,535	(135,195)
Accrued liabilities	59,440	115,350
Lease obligations	(11,726)	(114,072)
Net cash used in operating activities	(3,320,244)	(837,965)
 <b>Cash flows from investment activities</b>		
Proceeds from sale of investments	5,222,405	4,223,484
Purchases of investments	(1,768,583)	(4,083,434)
Proceeds from sale of land, buildings, and equipment	17,750	694,286
Purchases of land, buildings, and equipment	(384,162)	(303,812)
Distributions from charitable trusts	65,026	9,565
Net cash provided by investing activities	3,152,436	540,089
 <b>Cash flows from financing activities</b>		
Proceeds from Paycheck Protection Program debt	-	712,017
Net cash provided by financing activities	-	712,017
 Net increase / (decrease) in cash and cash equivalents	(167,808)	414,141
 Cash and cash equivalents at beginning of year	1,079,901	665,760
 Cash and cash equivalents at end of year	\$ 912,093	\$ 1,079,901
 Noncash financing activities		
Right-of-use asset	\$ 71,806	\$ 168,479
Lease obligations	\$ 71,806	\$ 168,479

See accompanying notes to the financial statements.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2022 and 2021**

**A. Nature of Activities**

Since 1905, the Humane Society of North Texas (the “Society”) has worked to eliminate animal cruelty, promote humane values, and end animal homelessness in North Texas. The Society is a nonprofit organization incorporated under the laws of the state of Texas and is not affiliated with any national animal welfare organization. As an independent nonprofit organization, the Society relies on the generosity of the public to help ensure there is a safe place for abused, injured, and homeless animals. Its services include adoptions, spay/neuter surgeries, low-cost vaccinations, humane education, and cruelty investigations. The Society’s current programs include the following:

**Animal Care**

The Society operated multiple adoption centers and an equine and livestock ranch where animals are cared for prior to adoption or to being returned to their owners throughout 2022 and 2021. One of the adoption centers was closed effective October 31, 2021. Two new adoption centers were opened during 2022. All dogs, cats, and small animals in the Society’s care receive appropriate vaccinations and medical treatment, are microchipped, and are spayed or neutered prior to adoption. To improve the likelihood of adoption, many pets are transferred to other animal welfare organizations around the country where there is a shortage of adoptable animals.

**Cruelty Investigations**

The Society works with local law enforcement authorities to investigate animal cruelty cases. The Society cares for animals seized by authorities or surrendered by owners that are the subject of cruelty investigations. After being awarded custody of the animals, the Society provides for their medical, nutritional, and housing needs until they can be rehabilitated and adopted.

**Community Outreach**

The Society provides many outreach services to underserved areas of Fort Worth and Tarrant County. The Society operates a low-cost spay and neuter surgery clinic and provides low-cost vaccinations to the public. The Society partners with community organizations to provide free basic veterinary care to senior citizens through the Rae of Hope Program. Vouchers for free spay and neuter surgeries are also distributed to the public, where needed. Education programs are presented at local schools and civic organizations on the humane treatment of animals.

**B. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Society is presented to assist in the understanding the financial statements. The financial statements and notes are representations of the Society’s management, which is responsible for their integrity and objectivity.

**Basis of Accounting**

The Society maintains its accounts on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America (“US GAAP”).

**Financial Statement Presentation**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-impose restrictions. Accordingly, the Society reports information regarding its financial positions and activities and changes therein as follows:

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**B. Summary of Significant Accounting Policies (continued)**

**Financial Statement Presentation (continued)**

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. However, no such designations exist at December 31, 2022 and 2021.

*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 that resources be maintained in perpetuity. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support and revenue are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed and/or time restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. If the restrictions are met in the year of contribution, the amounts of temporarily restricted the gifts are listed as contributions without donor restrictions.

**Federal Income Taxes**

The Society is a qualified non-profit organization and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Society applied the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 Accounting for Uncertainty in Income Taxes during the years ended December 31, 2022 and 2021. Under ASC Topic 740 Accounting for Uncertainty in Income Taxes, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The ASC Topic Accounting for Uncertainty in Income Taxes has no impact on the Society's financial statements. The Society does not believe there are any unrecognized tax benefits that should be recorded. For the years ended December 31, 2022 and 2021, there were no interest or penalties recorded or included in the statements of activities related to taxes. The Society is still open to examination by taxing authorities from 2019 forward.

**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 in the financial statements and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates and assumptions. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**B. Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

The Society considers all amounts held in money market accounts and underlying liquid investments with maturities of three months or less to be the cash equivalents unless such assets are unavailable for current use. The Society maintains deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The amount of cash and cash equivalents in excess of the FDIC insurance is approximately \$548,000 and \$796,000 as of December 31, 2022 and 2021, respectively. The Society has not experienced any losses related to amounts in excess of FDIC limits.

**Pledges Receivable**

Pledges receivable consists of amounts due from bequests. No allowance for doubtful collections or valuation allowance is recorded because management believes collection within one year is reasonably certain.

Pledges are recognized as assets and contributions in the period when unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. At December 31, 2022 and 2021, the Society was not aware of any conditional promises to give that could be material to the financial statements.

**Accounts and Grants Receivable**

Accounts and grants receivable represent amounts due from customers and grantors and are stated at the amount management expects to be collected. No allowance for doubtful accounts is recorded as management considers collection of all balances is reasonably certain.

**Employer Retention Credit Receivable**

The Employee Retention Credit ("ERC") is a robust stimulus program created by a combination of the Coronavirus Aid, Relief, and Economic Security Act, Resolving Extended Limbo for Immigrant Employees and Families Act, and the American Rescue Plan and offers the Society a refundable tax credit for retaining employees during the COVID-19 pandemic. To qualify for the ERC the Society must have experienced a 20% reduction of gross sales for the 2021 quarter as compared to the same quarter in 2019. The Society met this qualification for Quarter 1 and Quarter 2 of the year ended December 31, 2021, and has recorded a receivable in the accompanying statement of financial position of approximately \$689,000 as of December 31, 2022.

**Investments, Beneficial Interest in Charitable Trusts, and Mineral Interest**

Investments which are actively traded are stated at fair value based on quoted market prices. Increases and decreases in fair value are recognized as gains and losses in the period in which they occur.

The Society is the sole beneficiary of certain charitable trusts and split-interest agreements. Such assets are stated at fair value based on the Society's share of the investments held by the trusts which are actively traded. Increases and decreases in fair value are recognized as gains and losses in the period in which they occur.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**B. Summary of Significant Accounting Policies (continued)**

**Investments, Beneficial Interest in Charitable Trusts, and Mineral Interest (continued)**

The Society is also a party to certain remainder trusts. Generally, these agreements require payments to other beneficiaries throughout their lifetime before the Society will become the sole beneficiary of a portion of the remaining assets. Such assets are stated at fair value based on the value of investments held by the trust which are actively traded, discounted for the present value of expected future payments to other beneficiaries. The present value discount is calculated using life expectancy tables with discount rates which were approximately 5% for 2022 and 2021. Increases and decreases in fair value are recognized as unrealized gains and losses in the period in which they occur.

Mineral interest is reported at the initial fair value of the donated mineral interest. Changes to this initial value are only recorded if management concludes the carrying value of the asset is impaired. No impairment exists at December 31, 2022 and 2021.

**Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost, if purchased, or fair value at the date received if donated. The Society capitalizes all land, buildings, and equipment expenditures greater than \$1,000 with useful lives greater than one year. Depreciation is calculated over the estimated useful lives of the related assets on the straight-line basis. Estimated useful lives are 10 to 30 years for the buildings and 3 to 25 years for equipment, including vehicles. Expenditures for repairs and maintenance are charged to expense as incurred, while expenditures for major renewals or betterments of buildings and equipment are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation are eliminated from respective accounts, and the resulting gain or loss is included in the statements of activities.

**Lease Obligations**

Effective January 1, 2022, the Society adopted Financial Accounting Standards Board ("FASB")'s Accounting Standards Codification ("ASC") Topic No. 842: Leases ("ASC 842"), which established a right-of-use ("ROU") model requiring lessees to record a right-of-use asset ("ROU asset") and lease obligations on the balance sheet for all leases with terms longer than 12 months. The Society determines if an arrangement is a lease at inception. Where an arrangement is a lease, the Society determines if it is an operating lease or a finance lease. At lease commencement, the Society records a lease obligation and corresponding ROU asset. Lease obligations represent the present value of the Society's future lease payments over the expected lease term which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the Society's lease obligation is determined using its incremental collateralized borrowing rate or the risk-free rate at lease inception. ROU assets represent its right to control the use of the leased asset during the lease and are recognized in an amount equal to the lease liability for leases with an initial term greater than 12 months. Over the lease term (operating leases only), the Society uses the effective interest rate method to account for the lease liability as lease payments are made and the ROU asset is amortized to the statement of activities in a manner that results in straight-line expense recognition.

The Society does not apply lease recognition requirements for short-term leases. During the years ended December 31, 2022 and 2021, no such short-term leases existed.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**B. Summary of Significant Accounting Policies (continued)**

**Revenue Recognition**

Public support and bequests received are recorded when unconditional promises to give are received. Special event income is reported net of direct costs and recognized when the event occurs. In-kind contributions are recognized when non-cash assets are received. Program revenue is recorded at the time of the animal adoption or when goods or services are provided to customers. Investment income is recognized on an accrual basis as income is earned. Income from mineral interest is recognized in the month earned.

Program revenues, which include adoption and service fees, and portions of other income and special event revenue are derived from contracts with customers as defined by ASC Topic 606, *Revenue from contracts with Customers* ("ASC 606"), further described in the Recently Adopted Accounting Pronouncements disclosure below. In accordance with ASC 606, the Society's revenue is measured based on consideration specified in contracts with customers. The Society recognizes such revenues when it satisfies a performance obligation by transferring control over an animal, product, or service to a customer. Most of these transactions involve either a single performance obligation or multiple obligations where only one is considered material to the contract. For these contracts, the Society has determined that revenue should be recognized at a point in time as control is transferred, generally at the point of adoption or delivery of goods and services. Management does not believe the Society has any significant uncertainty of revenue and cash flows resulting from the geographic location of its customers or the types of customers it pursues. Within the contract price, the Society includes an assurance-type warranty that provides a limited guarantee regarding an adopted pet's health and the quality of goods for a reasonable period after delivery.

Contract assets are the Society's right to consideration in exchange for goods or services that the Society has transferred to a customer, excluding any amount presented as a receivable. As of December 31, 2022 and 2021, no such assets existed.

Contract liabilities are the Society's obligation to transfer goods or services to a customer for which the Society has received consideration (or an amount of consideration is due) from the customer. As of December 31, 2022, and 2021, no such liabilities existed.

**Functional Expenses Allocation**

The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities. In most cases, expenses are assigned to a functional category based on the direct usage. Benefits and other personnel costs are indirectly allocated based on the wages for each functional category as a percentage of total wages. Depreciation is indirectly allocated based on square footage of facility space.

**Concentration of Credit Risk**

The investments and beneficial interest in trust are valued at fair market value and are subject to market risk. Substantially all pledges receivable are due from two donors as of December 31, 2022 and 2021. Approximately 90% and 94% of accounts and grants receivable are due from three donors as of December 31, 2022 and 2021, respectively.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**B. Summary of Significant Accounting Policies (continued)**

**Impairment of Long-Lived Assets**

The Society periodically reviews the carrying value of its long-lived assets, including land, buildings, and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. In management's opinion, no impairment of long-lived assets exists as of December 31, 2022 and 2021.

**Advertising and Promotion Costs**

The Society expenses advertising costs as incurred. Expenses incurred were approximately \$251,000 and \$226,000 during 2022 and 2021, respectively.

**Recently Adopted Accounting Standards**

The Society adopted the FASB ASC Topic No. 842 ("ASC 842") as of January 1, 2022 using the modified retroactive approach with an adjustment at the beginning of the earliest period presented. ASC 842 was to address lease accounting for reporting for annual reporting periods beginning after December 15, 2021. In the standard, a lessee is required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Following the effective date of the standard, the FASB has issued Accounting Standard Updates which impact the reporting of ASC 842. The Society has evaluated the impact of ASC 842 and the related Accounting Standard Updates and the impact of the implementation is disclosed in Note K.

**C. Land, Building, and Equipment**

The composition of land, buildings, and equipment at December 31, 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
Land	\$ 480,057	\$ 480,057
Buildings and improvements	4,623,620	4,512,425
Office equipment	25,533	131,094
Shelter equipment	545,209	683,473
Vehicles	634,670	784,857
Assets not yet placed in service	51,784	48,784
Total land, buildings, and equipment	6,360,873	6,640,690
Less accumulated depreciation	(3,614,826)	(3,942,019)
Total land, buildings, and equipment, net	\$ 2,746,047	\$ 2,698,671

Depreciation expense was approximately \$340,000 and \$315,000 for the years ended December 31, 2022 and 2021, respectively.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**D. Investments**

Investments at December 31, 2022 consist of the following:

	Cost	Estimated Fair Value	Unrealized Gain or (Loss)
Marketable equity securities	\$ 5,907,351	\$ 7,314,104	\$ 1,406,753
Hedge Funds	83,748	88,612	4,864
Tangible assets (commodities)	93,282	83,321	(9,961)
Bonds and United States Treasury notes	3,304,606	2,947,965	(356,641)
Total investments	<u>\$ 9,388,987</u>	<u>\$ 10,434,002</u>	<u>\$ 1,045,015</u>

Investments at December 31, 2021 consist of the following:

	Cost	Estimated Fair Value	Unrealized Gain or (Loss)
Marketable equity securities	\$ 7,190,207	\$ 10,856,797	\$ 3,666,590
Hedge funds	693,068	757,142	64,074
Tangible assets (commodities)	252,942	243,539	(9,403)
Bonds and United States Treasury notes	4,483,178	4,454,534	(28,644)
Total investments	<u>\$ 12,619,395</u>	<u>\$ 16,312,012</u>	<u>\$ 3,692,617</u>

A reconciliation of the change in unrealized gain on investment is as follows for the years ended December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Unrealized gain, beginning of year	\$ 3,692,617	\$ 2,509,668
Change in value of investments during the year	(2,647,602)	1,182,949
Unrealized gain, end of year	<u>\$ 1,045,015</u>	<u>\$ 3,692,617</u>

Investment income comprises the following for the years ended December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Interest and dividend income	\$ 242,433	\$ 346,537
Realized gains	223,414	405,100
Unrealized gains/(losses) on investments	(2,647,602)	1,182,949
Unrealized loss on charitable trusts	(112,163)	(91,825)
Investment fees	(75,400)	(83,860)
Total investment income	<u>\$ (2,369,318)</u>	<u>\$ 1,758,901</u>



**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**E. Beneficial Interest in Charitable Trusts**

The Society has been named as a beneficiary in the following trusts for the years ended December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
<p>The Society is the sole beneficiary of two trusts whose investments consist primarily of bonds and United States Treasury notes. The trustees distribute earnings to the Society, which can be used for general purposes. Although the trusts are intended to be perpetual, one of the trusts expressly permits the trustee, in its sole discretion, to terminate the trust and distribute its assets to the Society. The second trust does not expressly permit such termination, but the Society reflects both trusts as unrestricted based on the conclusion that the permanent nature of the trust is an intention rather than a restriction. The Society does not expect the trusts to liquidate within the next year, and, accordingly, these assets are not available for current use.</p>	\$ 1,173,508	\$ 1,310,538
<p>The Society maintains one-sixth interest in a trust with a fair market value of approximately \$529,000 and \$663,000, respectively, for the years ended December 31, 2022 and 2021. The trust consists primarily of cash and mutual funds. The Society will receive interest-only distributions on a periodic basis until such time as the trustee determines that the assets of the trust are no longer sufficient to warrant the continued administration of the trust, at which time the trustee will terminate the trust and distribute its assets of the trust to the beneficiaries. The Society does not expect the trust to liquidate within the next year, and, accordingly, these assets are not available for current use.</p>	88,249	110,463
<p>The Society records its interest as a beneficiary of three trusts created by an individual estate. The Society recognizes their remainder interest based upon the estimated present value of the assets in the trust. The Society does not expect the trust to liquidate within the next year, and, accordingly, these assets are not available for current use.</p>	54,831	71,384
<p>The Society is a 50% beneficiary of the remaining portion of a trust upon the passing of other beneficiaries. The Society recognizes their remainder interest based upon the estimated present value of the assets in the trust. The Society does not expect the trust to liquidate within the next year, and, accordingly, these assets are not available for current use.</p>	6,670	8,062
	\$ 1,323,258	\$ 1,500,447

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**F. Fair Value Measurements**

For assets and liabilities measured at fair value on a recurring basis, FASB ASC Topic 820, *Fair Value Measurement*, defines fair value 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 and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used.

The three levels defined in FASB ASC Topic 820 are as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the reporting date.

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 active markets;
- Inputs other than quoted prices that are observable for the asset or the liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the assets or liability has 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 upon 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 following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

**Marketable Equity Securities, Hedge Funds, and Tangible Assets (Commodities)**

The fair values of marketable equity securities, hedge funds, and tangible assets (commodities) are based on quoted market price and are classified in Level 1 of the fair value hierarchy.

**Bonds and United States Treasury Notes**

Bonds and United States Treasury notes have observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Society. However, they do not have quoted market prices in an active market. Therefore, these assets are classified as Level 2 of the fair value hierarchy.

**Beneficial Interest in Charitable Trusts**

The fair values of beneficial interest in charitable trusts, excluding the remainder trusts, are based on the Society's share of the underlying assets held by the trust, which are primarily cash, mutual funds, and bonds and United States treasury notes. The Society classifies these items as Level 2. The fair value of the remainder trusts is based on significant unobservable inputs including estimates of future cash flows and present value discount rates and is classified in Level 3 of the fair value hierarchy.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**F. Fair Value Measurements (continued)**

**Beneficial Interest in Charitable Trusts (continued)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflect future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by Level, within the fair value hierarchy, the Society's assets measured at fair value on a recurring basis as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Marketable equity securities	\$ 7,314,104	\$ -	\$ -	\$ 7,314,104
Hedge funds	-	88,612	-	88,612
Tangible assets (commodities)	83,321	-	-	83,321
Bonds and United States Treasury notes	2,947,965	-	-	2,947,965
Beneficial interest in charitable trusts	-	1,261,757	61,501	1,323,258
<b>Total</b>	<b>\$ 10,345,390</b>	<b>\$ 1,350,369</b>	<b>\$ 61,501</b>	<b>\$ 11,757,260</b>

The following table sets forth by Level, within the fair value hierarchy, the Society's assets measured at fair value on a recurring basis as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Marketable equity securities	\$ 10,856,797	\$ -	\$ -	\$ 10,856,797
Hedge funds	-	757,142	-	757,142
Tangible assets (commodities)	243,539	-	-	243,539
Bonds and United States Treasury notes	4,454,534	-	-	4,454,534
Beneficial interest in charitable trusts	-	1,421,001	79,446	1,500,447
<b>Total</b>	<b>\$ 15,554,870</b>	<b>\$ 2,178,143</b>	<b>\$ 79,446</b>	<b>\$ 17,812,459</b>

The changes in values for assets reported as Level 3 for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Value at beginning of year	\$ 79,446	\$ 71,625
Change in value of assets held in trust	(17,945)	7,821
	<b>\$ 61,501</b>	<b>\$ 79,446</b>

**G. Donor Designated Endowments**

The Society's endowments consist of two donor-restricted funds at December 31, 2022 and 2021. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**G. Donor Designated Endowments (continued)**

The Board of Directors of the Society interprets the Texas Uniform Prudent Management of Institutional Funds Act (“TUPMIFA”) 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 the gifts donated to the restricted-in-perpetuity endowment, (b) the original value of subsequent gifts to the restricted-in-perpetuity endowment, and (c) accumulations to the restricted-in-perpetuity endowment made in accordance with applicable donor gift instrument at the time the accumulation is added to the fund (d) and all realized and unrealized gains and losses on investments of restricted-in-perpetuity gifts in accordance with applicable donor gift instruments.

The remaining portion of the donor-restricted endowment funds that is not classified as assets restricted in perpetuity are classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, 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.

**Investment Return Objectives, Risk Parameters, and Strategies**

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

For the Society’s current endowment funds, substantially all interest and dividend income, net of fees, is appropriated as it is earned.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities and mutual funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions for operations. 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.

**Funds with Deficiencies**

From time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below the level the donor or TUPMIFA requires the Society to retain as a fund of perpetual duration. The aggregate deficiencies are \$19,863 and \$13,568 at December 31, 2022 and 2021, respectively.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**G. Donor Designated Endowments (continued)**

The Society's endowment net asset composition by type of fund as of December 31, 2022 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	\$ (19,863)	\$ 959,511	\$ 939,648

The Society's endowment net asset composition by type of fund as of December 31, 2021 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-restricted endowment funds	\$ (13,568)	\$ 1,037,697	\$ 1,024,129

**Changes in Endowment Net Assets**

The following discloses changes in total endowment fund net assets for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ (13,568)	\$ 1,037,697	\$ 1,024,129
Net realized and unrealized gains	-	(78,186)	(78,186)
Interest and dividend income	31,106	-	31,106
Disbursements	(32,879)	-	(32,879)
Amounts appropriated for expenditure	(4,522)	-	(4,522)
	\$ (19,863)	\$ 959,511	\$ 939,648

The following discloses changes in total endowment fund net assets for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ (7,624)	\$ 1,075,600	\$ 1,067,976
Net realized and unrealized gains	-	(37,903)	(37,903)
Interest and dividend income	30,957	-	30,957
Disbursements	(32,262)	-	(32,262)
Amounts appropriated for expenditure	(4,639)	-	(4,639)
	\$ (13,568)	\$ 1,037,697	\$ 1,024,129

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**H. Restrictions on Net Assets**

Net assets with donor restrictions were restricted for the following purposes as of December 31, 2022 and 2021:

	2022	2021
Endowment	\$ 939,648	\$ 1,024,129
Cruelty Investigations program	59,071	-
Job placement program	-	30,000
Equine related activities	86,609	38,862
Rae of Hope program funds	63,046	-
Transportation	40,427	104,598
Contract behaviorists	10,000	-
Community adoption events	-	14,500
Preparing animals for adoption	6,011	37,000
Medical equipment	81,902	10,000
Security fencing	-	44,000
	\$ 1,286,714	\$ 1,303,089

**I. Employee Benefit Plan**

Effective January 1, 2020, the Society has adopted the Humane Society of North Texas 401(k) Plan (the Plan) to help its employees save for retirement. Most employees of the Society who are at least 21 years of age and have worked for the Society for at least six months will be eligible to participate in the Plan. The Society may make discretionary matching contributions to the Plan.

Employees will be entitled to receive any such matching contributions if the employee is employed on the last day of the year and worked at least 1,000 hours during the year for the Society. Employees become vested in the matching and employer contribution amounts under a 5-year graded vesting schedule, with vesting increasing by 20% in each year. Costs incurred by the Society related to employer contributions approximated \$50,000 and \$45,000 during 2022 and 2021, respectively.

**J. Paycheck Protection Program Loan**

The Society received a note payable with the U.S. Small Business Administration (“SBA”) as part of the Paycheck Protection Program. The loan was issued on May 1, 2020, for \$620,732 and originally indicated repayment to begin six months from origination date consisting of 18 monthly payments of principal and interest. In accordance with the Paycheck Protection Flexibility Act, this has been automatically extended to either (1) the date that SBA remits the borrower’s loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness covered period. This loan was eligible for loan forgiveness and accordingly, no payments of principal or interest were made as of December 31, 2021. The Society received formal forgiveness on February 23, 2021 and therefore has included the forgiven total on the statement of activities.

The Society received a second note payable with the SBA as part of the Paycheck Protection Program. The loan was issued on March 20, 2021 for \$712,017 and originally indicated repayment to begin six months from origination date consisting of 18 monthly payments of principal and interest. This loan was eligible for loan forgiveness and accordingly, no payments of principal or interest have been made as of December 31, 2022 and 2021. The Society received formal forgiveness on February 11, 2022 and therefore has included the forgiven total on the statement of activities.

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**K. Operating Lease Liability**

The Society leases facilities and other equipment under various operating lease agreements with unrelated third parties. The Society's leases generally have remaining terms of one to five years.

The Society determines if a contract contains a lease at inception. Operating lease assets and liabilities represent the present value of lease payments not yet paid. Operating lease assets represent the right of use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, the Society estimates the incremental secured borrowing rates corresponding to the maturities of the leases. The Society based the rate estimates on prevailing financial market conditions, credit analysis, and management judgment.

Lease incentives used to fund leasehold improvements are recognized when earned and reduce the Society's right-of-use asset related to the lease. These are amortized through the right-of-use asset as reductions of expense over the lease term.

Total expenses related to leases for the years ended December 31, 2022 and 2021 were approximately \$102,512 and \$104,979, respectively.

The Society elected to apply the practical expedient to use the written terms and conditions of common control arrangements in determining whether a lease exists, the classification of the lease, and the accounting for the lease.

As a result of the adoption of ASC 842 Leases, the Society recognized on January 1, 2021, the beginning of the earliest period presented, an operating lease obligation of \$57,452 and an operating right-of-use asset of \$57,452. During 2021, the Society recognized additional operating lease obligations of \$111,027 and an operating right-of-use asset of \$111,027. During 2022, the Society recognized additional operating lease obligations of \$71,806 and an operating right-of-use asset of \$71,806. The adoption of the new standard did not materially impact the Society's statements of net income or statements of cash flows.

The present value of the Society's lease obligations related to the existing operating leases were determined using their incremental borrowing rate at lease inception which varied from 1.63% to 2.55%. The present value of the Society's lease obligations related to the new operating lease were determined using their incremental borrowing rate at lease inception which varied from 3.01% to 4.25%. The incremental borrowing rate was determined utilizing the daily treasury par yield curve tables as published by the United States Department of the Treasury.

Maturities of operating lease obligations were as follows as of December 31, 2022:

Years ending December 31,	Amount
2023	\$ 51,974
2024	36,776
2025	10,802
2026	2,779
2027	2,084
Total lease payments	<u>\$ 104,415</u>
Less: imputed interest	<u>(2,069)</u>
Present value of operating lease obligations:	<u>\$ 102,346</u>

**HUMANE SOCIETY OF NORTH TEXAS**  
**Notes to the Financial Statements (continued)**  
**Years Ended December 31, 2022 and 2021**

**K. Operating Lease Liability (continued)**

**Weighted-Average Lease Term and Discount Rate**

Weighted-average remaining lease term (years)	
Operating Leases	2.20
Weighted-average discount rate	
Operating Leases	2.71%

**L. Liquidity and Availability of Resources**

The Society's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 912,093	\$ 1,079,901
Pledges receivable	233,515	279,159
Accounts receivable	116,334	108,609
Investments	10,434,002	16,312,012
Less assets with donor restrictions	<u>(1,286,714)</u>	<u>(1,303,089)</u>
	<u>\$ 10,409,230</u>	<u>\$ 16,476,592</u>

As part of the Society's liquidity management, it has informally decided to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Society regularly monitors liquidity required to meet its operational needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Society manages its liquidity and reserves following three guiding principles:

- Operating with a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Society has a liquidity policy to maintain current financial assets less current liabilities at an average of 60 days operating expenses.

**M. Subsequent Events**

In preparing the accompanying financial statements, management of the Society has evaluated all subsequent events and transactions for potential recognition or disclosure through June 8, 2023, the date the financial statements were available for issuance.