



2020 AND 2019  
FINANCIAL STATEMENTS





## Independent Auditors' Report

Board of Directors  
Homeward Pet Adoption Center  
Woodinville, Washington

We have audited the accompanying financial statements of Homeward Pet Adoption Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, 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.

### **Auditors' 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.

**Bader Martin, P.S.** Certified Public Accountants + Business Advisors

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Board of Directors  
Homeward Pet Adoption Center  
Woodinville, Washington

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homeward Pet Adoption Center 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.

*Bader Martin, P.S.*

February 7, 2022

# HOMeward PET ADOPTION CENTER

## STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 746,545	\$ 610,501
Investments	995,422	880,450
Accounts receivable	79,268	50,708
Inventory	46,774	53,238
Prepaid expenses	29,974	36,213
Total current assets	1,897,983	1,631,110
Accounts receivable, net of current portion	29,500	
Deposit	37,000	37,000
Leasehold improvements and equipment, net	39,865	59,763
	<u>\$ 2,004,348</u>	<u>\$ 1,727,873</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 125,964	\$ 104,732
Accrued compensated absences	43,194	8,328
Deferred rent	4,637	14,908
Total current liabilities	173,795	127,968
Deferred rent, net of current portion	6,881	
Total liabilities	<u>180,676</u>	<u>127,968</u>
Net assets:		
Without donor restrictions	1,675,960	1,468,176
With donor restrictions	147,712	131,729
Total net assets	<u>1,823,672</u>	<u>1,599,905</u>
	<u>\$ 2,004,348</u>	<u>\$ 1,727,873</u>

*See notes to financial statements.*

# HOMeward PET ADOPTION CENTER

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Contributions	\$ 1,333,233	\$ 151,791	\$ 1,485,024
Adoptions	176,779		176,779
Special events, net of expenses of \$13,652	160,794		160,794
In-kind contributions	132,943		132,943
Foundation grants	72,838		72,838
Government grant	200,000		200,000
Net investment return	54,468		54,468
Net assets released from restrictions	135,808	(135,808)	
Total revenue and support	<u>2,266,863</u>	<u>15,983</u>	<u>2,282,846</u>
Expenses:			
Program	1,427,409		1,427,409
Management and general	245,594		245,594
Fundraising	386,076		386,076
Total expenses	<u>2,059,079</u>		<u>2,059,079</u>
Change in net assets	207,784	15,983	223,767
Net assets, beginning of year	<u>1,468,176</u>	<u>131,729</u>	<u>1,599,905</u>
Net assets, end of year	<u><b>\$ 1,675,960</b></u>	<u><b>\$ 147,712</b></u>	<u><b>\$ 1,823,672</b></u>

*See notes to financial statements.*

# HOMEWARD PET ADOPTION CENTER

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Contributions	\$ 966,452	\$ 92,205	\$ 1,058,657
Adoptions	240,995		240,995
Special events, net of expenses of \$173,930	346,419		346,419
In-kind contributions	268,457		268,457
Foundation grants	61,223		61,223
Net investment return	75,429		75,429
Net assets released from restrictions	136,865	(136,865)	
Total revenue and support	2,095,840	(44,660)	2,051,180
Expenses:			
Program	1,379,575		1,379,575
Management and general	235,261		235,261
Fundraising	339,631		339,631
Total expenses	1,954,467		1,954,467
Change in net assets	141,373	(44,660)	96,713
Net assets, beginning of year	1,326,803	176,389	1,503,192
Net assets, end of year	<b>\$ 1,468,176</b>	<b>\$ 131,729</b>	<b>\$ 1,599,905</b>

*See notes to financial statements.*

# HOMeward PET ADOPTION CENTER

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

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	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 895,517	\$ 182,145	\$ 239,454	\$ 1,317,116
Animal care	197,179			197,179
Facilities	147,690	18,462	18,462	184,614
Professional fees	97,432		44,320	141,752
Miscellaneous	37,337	3,035	37,253	77,625
Office	16,492	18,306	32,399	67,197
Technology	6,856	20,938	5,528	33,322
Depreciation	15,918	1,990	1,990	19,898
Marketing			6,670	6,670
Travel	5,120			5,120
Volunteer expenses	4,804			4,804
Insurance	1,675	718		2,393
Store expenses	1,389			1,389
Total expenses	<u>\$ 1,427,409</u>	<u>\$ 245,594</u>	<u>\$ 386,076</u>	<u>\$ 2,059,079</u>

*See notes to financial statements.*

# HOMeward PET ADOPTION CENTER

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

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	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 794,213	\$ 112,708	\$ 244,128	\$ 1,151,049
Animal care	319,446			319,446
Facilities	152,842	19,105	19,105	191,052
Office	27,848	1,049	56,771	85,668
Professional fees	1,563	62,387		63,950
Technology	8,762	34,522	7,997	51,281
Miscellaneous	30,771	1,463	6,006	38,240
Depreciation	11,451	1,430	1,430	14,311
Marketing	4,761		4,194	8,955
Travel	7,111			7,111
Store expenses	7,115			7,115
Insurance	6,062	2,597		8,659
Volunteer expenses	7,630			7,630
Total expenses	<u>\$ 1,379,575</u>	<u>\$ 235,261</u>	<u>\$ 339,631</u>	<u>\$ 1,954,467</u>

*See notes to financial statements.*



# HOMEWARD PET ADOPTION CENTER

## STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 223,767	\$ 96,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,898	14,311
Net realized and unrealized gain on investments	(54,434)	(75,429)
Donated investments	(75,977)	(9,781)
Net change in assets and liabilities:		
Accounts receivable	(58,060)	13,945
Inventory	6,464	(429)
Prepaid expenses	6,239	(10,583)
Accounts payable and accrued liabilities	21,232	42,010
Accrued compensated absences	34,866	8,328
Deferred rent	(3,390)	(1,110)
Net cash provided by operating activities	<u>120,605</u>	<u>77,975</u>
Cash flows from investing activities:		
Proceeds from sale of investments	15,439	1,626
Purchases of leasehold improvements and equipment		<u>(37,471)</u>
Net cash provided by (used in) investing activities	<u>15,439</u>	<u>(35,845)</u>
Cash flows used in financing activities, payments on note payable		<u>(15,093)</u>
Net change in cash and cash equivalents	136,044	27,037
Cash and cash equivalents, beginning of year	<u>610,501</u>	<u>583,464</u>
Cash and cash equivalents, end of year	<u><b>\$ 746,545</b></u>	<u><b>\$ 610,501</b></u>

*See notes to financial statements.*

# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization:

Homeward Pet Adoption Center (the Organization), located in Woodinville, is one of the leading no-kill animal shelters in Washington State. Founded in 1990, the Organization transforms the lives of cats and dogs in need through compassionate medical care, positive behavior training, and successful adoption while building a more humane community.

The Organization finds new homes for over 1,000 cats, dogs, puppies, and kittens every year. The Organization also provides extensive community outreach programs including distributing food and supplies to 21 area food banks and offering reduced fees for pet services through their Public Spay and Neuter program.

### 2. Summary of significant accounting policies:

#### Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### Net assets and revenue recognition:

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

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations that consist of assets, liabilities, revenue, and expenses available for current programs and administration. It also consists of capital assets acquired through expenditure of unrestricted funds or in satisfaction of restrictions on funds contributed to purchase capital assets.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations, and grantors. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### Net assets and revenue recognition (continued):

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. When a restriction expires or the stipulated purpose has been fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. When donor restrictions are met in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Revenue is recognized once the Organization's performance obligation to the customer is completed and control of the product or service is transferred to the customer. Revenue for adoption services is recognized at a point-in-time, which is generally when the customer signs the adoption agreement. The Organization sells items needed for animal care that are recognized upon the sale of items, net of sales taxes and discounts. Revenue for pet services is recognized as the services are provided.

#### Cash and cash equivalents:

The Organization considers demand deposit accounts and other unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with financial institutions and, at times, balances may exceed federally insured limits.

#### Investments:

Investments are reported at fair value. Fair value is 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. Purchases and sales of securities are recorded on a trade-date basis. Net investment return is reported on the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### Fair value measurements:

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as: 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, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs that are unobservable for the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value:

- Money market mutual funds and exchange traded funds, and domestic equity securities – Valued at quoted market prices in active markets, which represent the net asset value of shares held by the Organization at year-end (Level 1).

There have been no changes in the valuation techniques used during the years ended December 31, 2020 and 2019.

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### Accounts receivable:

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Receivables are considered delinquent if payments are not received in accordance with the contractual terms. Specific accounts are written off against the allowance after management has used all reasonable means to collect. The Organization has determined that no valuation allowance for accounts receivable is necessary as of December 31, 2020 and 2019.

#### Inventory:

Inventory is stated at the lower of cost and net realizable value under the first-in, first-out method of accounting and consists of medical and other supplies, and pet foods. Donated inventory is valued at estimated fair value using a blended price times the quantity received of the donated item.

#### Deferred rent:

An asset or liability is recorded for the difference between the straight-line rent expense (including renewal options) and cash payments made in accordance with the terms of the lease.

#### Leasehold improvements and equipment:

Leasehold improvements and equipment are recorded at cost, except for donated items which are stated at their estimated fair value at the date of the gift. All assets with costs of at least \$2,500 and estimated useful lives exceeding one year are capitalized. Repairs and maintenance are charged to expense as incurred.

Depreciation is computed using the straight-line method based on an estimated useful life of five years for most assets. Leasehold improvements are amortized over the shorter of the life of the lease or the useful life of the asset, which is currently six years.

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### In-kind contributions:

In-kind contributions are reflected as contributions at estimated fair value at the date of donation and are reported as unrestricted support unless the donor has placed restrictions on how or when the donated assets may be used. Donated services are recognized if they create a non-financial asset or required specialized skills that would have been purchased by the Organization had they not been donated.

The Organization benefited from in-kind donations of accounting fees of \$31,837 and \$36,758 for the years ended December 31, 2020 and 2019, respectively.

#### Functional expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Advertising:

Advertising costs are recognized as an operating expense when incurred. Advertising expense was approximately \$2,000 and \$3,000 for the years ended 2020 and 2019, respectively.

#### Federal income tax:

The Internal Revenue Service has determined the Organization to be exempt from federal income tax under Internal Revenue Code Section 501(c)(3); accordingly, no provision has been made for federal income tax in the accompanying financial statements.

The Organization evaluates its uncertain tax positions and a loss contingency is recognized when it is more likely than not that a liability has been incurred by the Organization as of the date of the financial statements and the amount can be reasonably estimated.

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### 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 amounts reported in the financial statements and related disclosures. Actual results could differ from those estimates.

#### Subsequent events:

The Organization has evaluated subsequent events through February 7, 2022, the date which the financial statements were available to be issued.

In February 2021, the Organization received a second loan of \$221,298 through the U.S. Small Business Administration Paycheck Protection Program. This loan was forgiven in full in September 2021.

In September 2021, the Organization's first loan of \$200,000 (see Note 14) through the U.S. Small Business Administration Paycheck Protection Program was forgiven in full.

### 3. Liquidity and availability:

The Organization has liquid financial assets sufficient to cover at least 90 days of general expenditures. Financial assets in excess of daily cash requirements are primarily invested in mutual, exchange traded, and money market funds.

The following table reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by the amounts that are not available to meet general expenditures within one year of the statement of financial position dates because of donor restrictions or internal board designations. The Organization receives contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The Board of Directors has designated \$2,223 of net assets without donor restrictions to be set aside as Board Scholarship Fund as of December 31, 2020. These funds are to be used for staff and volunteer education and training. These funds may be reclassified as non-designated by an approved motion from the Board of Directors.

# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. Liquidity and availability (continued):

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 746,545	\$ 610,501
Investments	995,422	880,450
Accounts receivables	79,268	50,708
Total financial assets	1,821,235	1,541,659
Donor restricted funds	(147,712)	(131,729)
Board designated funds	(2,223)	(3,400)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 1,671,300</b>	<b>\$ 1,406,530</b>

### 4. Unconditional promises to give:

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Unconditional promises to give are recorded after being discounted to the anticipated net present value of the future cash flows.

As of December 31, 2020, accounts receivable included the following unconditional promises to give:

Receivable in less than one year	\$ 24,000
Receivable in one to five years	29,500
	53,500
Less unamortized discount (3.25%)	3,012
	<b>\$ 50,488</b>



# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 5. Investments:

Investments consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 10,192	\$ 52,181
Mutual funds	<u>985,230</u>	<u>828,269</u>
	<u><b>\$ 995,422</b></u>	<u><b>\$ 880,450</b></u>

Investment income consisted of the following:

	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 20,815	\$ 20,913
Realized and unrealized gains	40,215	60,687
Investment fees	<u>(6,562)</u>	<u>(6,171)</u>
	<u><b>\$ 54,468</b></u>	<u><b>\$ 75,429</b></u>

### 6. Inventory:

Inventory consisted of the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Animal food	\$ 34,790	\$ 34,589
Clinic medicine and supplies	<u>11,984</u>	<u>18,649</u>
	<u><b>\$ 46,774</b></u>	<u><b>\$ 53,238</b></u>

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 7. Leasehold improvements and equipment:

Leasehold improvements and equipment consisted of the following:

	December 31,	
	2020	2019
Leasehold improvements	\$ 281,126	\$ 281,126
Transportation equipment	37,763	37,763
Animal kennels	60,640	60,640
Clinic and surgery equipment	34,569	34,523
Office furniture and equipment	38,592	49,033
	452,690	463,085
Less accumulated depreciation	412,825	403,322
	<u>\$ 39,865</u>	<u>\$ 59,763</u>

### 8. Volunteers:

The Organization is dependent on its volunteers who are important to the operations of the Organization. These types of contributed labor do not meet the provisions under accounting principles generally accepted in the United States of America to be recorded in the accompanying financial statements. Management believes over 97,000 and 140,000 hours were contributed by approximately 900 and 1,020 volunteers during the years ended December 31, 2020 and 2019, respectively.

### 9. Operating leases:

The Organization leases its office and facilities space and certain equipment under operating lease agreements. The office and facilities space lease is payable monthly at \$10,084 and is subject to an annual increase of 5%. The Organization is also responsible for taxes, insurance, and utilities. In August 2020, the lease was extended to September 30, 2022. The equipment leases are payable monthly at rates between \$350 and \$428, and expire at various times through October 2022. Rental expense under non-cancelable operating leases was \$109,365 and \$109,261 for the years ended December 31, 2020 and 2019, respectively.

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 9. Operating leases (continued):

Future minimum lease payments under non-cancelable operating leases for years ending December 31, are as follows:

2021	\$ 131,858
2022	<u>101,247</u>
	<u><b>\$ 233,105</b></u>

### 10. Related party transactions:

Employee receivables of \$2,673 and \$291 are included in accounts receivable as of December 31, 2020 and 2019, respectively.

### 11. Net assets without donor restrictions:

Net assets without donor restrictions are available for the following purposes for the year ended:

	December 31,	
	<u>2020</u>	<u>2019</u>
Undesignated	\$ 1,673,737	\$ 1,464,776
Board designated operating reserves	<u>2,223</u>	<u>3,400</u>
	<u><b>\$ 1,675,960</b></u>	<u><b>\$ 1,468,176</b></u>

Board-designated funds have been set aside by the Organization's governing body and are available to meet staff and volunteer development as needed.

# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 12. Net assets with donor restrictions:

Net assets with donor restrictions are restricted for the following purposes for the year ended:

	December 31,	
	2020	2019
Subject to expenditure for specified purpose:		
Whoopi's Fund	\$ 37,650	\$ 54,895
Homeward Vet	19,150	15,000
Public Spay & Neuter	16,035	29,569
Behavior program	16,885	16,885
Kennels		861
Kitten Fund		5,000
Pet food bank		95
Pay it Forward	9,655	9,424
Capital Campaign	48,337	
	<u>\$ 147,712</u>	<u>\$ 131,729</u>

### 13. Employee benefit plan:

Effective January 2019, the Organization began contributing to a Savings Incentive Match Plan for Employees (SIMPLE/IRA) for employees who earn \$5,000 in gross wages or more annually. The Organization made total contributions of \$21,828 and \$17,989 to the SIMPLE/IRA for the years ended December 31, 2020 and 2019, respectively.

### 14. Paycheck Protection Program loan:

In May 2020, the Organization was granted a loan in the amount of \$200,000 through the U.S. Small Business Administration Paycheck Protection Program (PPP). The loan bore interest at 1%. The loan and related interest were forgiven in full in September 2021. As of December 31, 2020, the Organization determined the conditions of forgiveness were substantially met. As such, the Organization recorded the loan as government grant income for the year ended December 31, 2020.