

**DELAWARE COUNTY SOCIETY
FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

YEARS ENDED DECEMBER 31, 2018 AND 2017

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware County Society for the Prevention of Cruelty to Animals
DBA Providence Animal Center
Media, Pennsylvania

We have audited the accompanying financial statements of the Delaware County Society for the Prevention of Cruelty to Animals DBA Providence Animal Center (the "Society"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Delaware County Society for the Prevention of Cruelty to Animals as of December 31, 2018 and 2017, 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.



Philadelphia, Pennsylvania
April 17, 2019

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 And 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 937,305	\$ 1,043,551
Prepaid expenses and other assets	47,039	40,680
Accrued income	21,816	21,084
Contributions receivable	<u>210,750</u>	<u>95,074</u>
Total current assets	1,216,910	1,200,389
NONCURRENT ASSETS		
Investments	5,965,071	6,712,066
Contributions receivable	44,484	65,730
Property and equipment	3,963,271	3,156,029
Beneficial interest in perpetual and restricted trusts	<u>714,438</u>	<u>787,106</u>
Total assets	<u>\$ 11,904,174</u>	<u>\$ 11,921,320</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 143,650</u>	<u>\$ 145,353</u>
Total liabilities	<u>143,650</u>	<u>145,353</u>
NET ASSETS		
Without donor restrictions	9,675,587	10,284,522
With donor restrictions	<u>2,084,937</u>	<u>1,491,445</u>
Total net assets	<u>11,760,524</u>	<u>11,775,967</u>
Total liabilities and net assets	<u>\$ 11,904,174</u>	<u>\$ 11,921,320</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2018 With Summarized Information For 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2018</u>	<u>2017</u>
Operating Public Support and Revenue:				
Public Support – Received Directly:				
Contributions	\$ 1,228,305	\$ 832,083	\$ 2,060,388	\$ 1,641,394
Legacies and bequests	180,248	-	180,248	147,624
Grants	<u>41,250</u>	<u>-</u>	<u>41,250</u>	<u>45,650</u>
Total public support	<u>1,449,803</u>	<u>832,083</u>	<u>2,281,886</u>	<u>1,834,668</u>
Revenue:				
Program service fees:				
Veterinarian fees	1,378,980	-	1,378,980	1,188,134
Adoption fees	535,670	-	535,670	534,754
Behavioral Services	19,834	-	19,834	9,275
Pet supplies fees	32,292	-	32,292	21,918
Miscellaneous	(3,138)	-	(3,138)	(8,634)
Investment and trust income	<u>154,377</u>	<u>-</u>	<u>154,377</u>	<u>150,691</u>
Total Revenue	<u>2,118,015</u>	<u>-</u>	<u>2,118,015</u>	<u>1,896,138</u>
Net assets released from restrictions	<u>142,423</u>	<u>(142,423)</u>	<u>-</u>	<u>-</u>
Total operating public support and revenue	<u>3,710,241</u>	<u>689,660</u>	<u>4,399,901</u>	<u>3,730,806</u>
Expenses				
Program Services:				
Prevention of cruelty to animals	<u>2,670,748</u>	<u>-</u>	<u>2,670,748</u>	<u>2,421,130</u>
Supporting Services:				
Management and general	471,703	-	471,703	522,430
Fundraising	<u>689,274</u>	<u>-</u>	<u>689,274</u>	<u>549,043</u>
Total supporting services	<u>1,160,977</u>	<u>-</u>	<u>1,160,977</u>	<u>1,071,473</u>
Total Expenses	<u>3,831,725</u>	<u>-</u>	<u>3,831,725</u>	<u>3,492,603</u>
Excess of operating support and revenues over expenses	<u>(121,484)</u>	<u>689,660</u>	<u>568,176</u>	<u>238,203</u>
Nonoperating Changes in Net Assets				
Loss on disposal of fixed assets	(18,319)	-	(18,319)	(59,446)
Net realized gain on investments	276,878	-	276,878	276,502
Net unrealized gain (losses) on investments	(746,010)	-	(746,010)	383,797
Change in value of perpetual trust	-	(72,668)	(72,668)	56,231
Bad debt expenses	<u>-</u>	<u>(23,500)</u>	<u>(23,500)</u>	<u>(30,000)</u>
Total nonoperating changes	<u>(487,451)</u>	<u>(96,168)</u>	<u>(583,619)</u>	<u>627,084</u>
Changes in net assets	(608,935)	593,492	(15,443)	865,287
Net Assets				
Beginning of year	<u>10,284,522</u>	<u>1,491,445</u>	<u>11,775,967</u>	<u>10,910,680</u>
End of year	<u>\$ 9,675,587</u>	<u>\$2,084,937</u>	<u>\$ 11,760,524</u>	<u>\$ 11,775,967</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2017 Total</u>
Operating Public Support and Revenue:			
Public Support – Received Directly:			
Contributions	\$ 886,100	\$ 755,294	\$ 1,641,394
Legacies and bequests	147,624	-	147,624
Grants	<u>45,650</u>	<u>-</u>	<u>45,650</u>
Total public support	<u>1,079,374</u>	<u>755,294</u>	<u>1,834,668</u>
Revenue:			
Program service fees:			
Veterinarian fees	1,188,134	-	1,188,134
Adoption fees	534,754	-	534,754
Behavioral Services	9,275	-	9,275
Pet supplies fees	21,918	-	21,918
Miscellaneous	(8,634)	-	(8,634)
Investment and trust income	<u>150,691</u>	<u>-</u>	<u>150,691</u>
Total Revenue	<u>1,896,138</u>	<u>-</u>	<u>1,896,138</u>
Net assets released from restrictions	<u>1,782,807</u>	<u>(1,782,807)</u>	<u>-</u>
Total operating public support and revenue	<u>4,758,319</u>	<u>(1,027,513)</u>	<u>3,730,806</u>
Expenses			
Program Services:			
Prevention of cruelty to animals	<u>2,421,130</u>	<u>-</u>	<u>2,421,130</u>
Supporting Services:			
Management and general	522,430	-	522,430
Fundraising	<u>549,043</u>	<u>-</u>	<u>549,043</u>
Total Supporting Services	<u>1,071,473</u>	<u>-</u>	<u>1,071,473</u>
Total Expenses	<u>3,492,603</u>	<u>-</u>	<u>3,492,603</u>
Excess of operating support and revenues over expenses	<u>1,265,716</u>	<u>(1,027,513)</u>	<u>238,203</u>
Nonoperating Changes in Net Assets			
Loss on disposal of fixed assets	(59,446)	-	(59,446)
Net realized gain on investments	276,502	-	276,502
Net unrealized gain on investments	383,797	-	383,797
Change in value of perpetual trust	-	56,231	56,231
Bad debt expenses	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Total nonoperating changes	<u>600,853</u>	<u>26,231</u>	<u>627,084</u>
Changes in net assets	1,866,569	(1,001,282)	865,287
Net Assets			
Beginning of year	<u>8,417,953</u>	<u>2,492,727</u>	<u>10,910,680</u>
End of year	<u>\$ 10,284,522</u>	<u>\$ 1,491,445</u>	<u>\$ 11,775,967</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018 With Summarized Information For 2017

	<u>Program Services</u>	<u>2018</u>			<u>2017 Total</u>
		<u>Management And General Services</u>	<u>Fund Raising</u>	<u>Total Expenses</u>	
Salaries	\$1,417,652	\$ 289,110	\$336,310	\$ 2,043,072	\$ 1,886,060
Employee benefits	109,747	39,871	16,607	166,225	137,452
Payroll taxes	<u>123,470</u>	<u>21,990</u>	<u>27,776</u>	<u>173,236</u>	<u>164,242</u>
Total salaries and related expenses	1,650,869	350,971	380,693	2,382,533	2,187,754
Veterinary expense	473,637	-	-	473,637	432,807
Fundraising expense	-	-	246,375	246,375	220,075
Adoption/intake expense	32,454	-	-	32,454	36,035
Investigation/cruelty expense	12,221	-	-	12,221	15,290
Kennel expense	53,599	-	-	53,599	49,162
Building/ground expense	68,116	4,184	9,413	81,713	60,894
Office expense	65,063	3,996	8,992	78,051	74,467
Computer expense	49,868	3,166	7,124	60,158	53,403
Telephone	14,140	897	2,020	17,057	14,236
Utilities	28,559	1,754	3,947	34,260	28,720
Professional fees	-	20,751	-	20,751	30,951
Insurance	112,840	6,931	15,594	135,365	121,413
Administrative expense – other	<u>-</u>	<u>72,334</u>	<u>-</u>	<u>72,334</u>	<u>68,119</u>
Total expenses before depreciation	2,561,366	464,984	674,158	3,700,508	3,393,326
Depreciation of property and equipment	<u>109,382</u>	<u>6,719</u>	<u>15,116</u>	<u>131,217</u>	<u>99,277</u>
Total expenses	<u>\$2,670,748</u>	<u>\$ 471,703</u>	<u>\$689,274</u>	<u>\$3,831,725</u>	<u>\$ 3,492,603</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
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STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

	<u>Program Services</u>	<u>Management And General Services</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries	\$ 1,302,291	\$ 336,979	\$ 246,790	\$ 1,886,060
Employee benefits	90,771	28,662	18,019	137,452
Payroll taxes	<u>116,638</u>	<u>26,769</u>	<u>20,835</u>	<u>164,242</u>
Total salaries and related expenses	1,509,700	392,410	285,644	2,187,754
Veterinary expense	432,807	-	-	432,807
Fundraising expense	-	-	220,075	220,075
Adoption/intake expense	36,035	-	-	36,035
Investigation/cruelty expense	15,290	-	-	15,290
Kennel expense	49,162	-	-	49,162
Building/ground expense	50,761	4,222	5,911	60,894
Office expense	62,076	5,163	7,228	74,467
Computer expense	45,312	3,372	4,719	53,403
Telephone	12,079	899	1,258	14,236
Utilities	23,941	1,991	2,788	28,720
Professional fees	-	30,951	-	30,951
Insurance	101,210	8,419	11,784	121,413
Administrative expense – other	<u>-</u>	<u>68,119</u>	<u>-</u>	<u>68,119</u>
Total expenses before depreciation	2,338,373	515,546	539,407	3,393,326
Depreciation of property and equipment	<u>82,757</u>	<u>6,884</u>	<u>9,636</u>	<u>99,277</u>
Total expenses	<u>\$ 2,421,130</u>	<u>\$ 522,430</u>	<u>\$ 549,043</u>	<u>\$ 3,492,603</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 And 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ (15,443)	\$ 865,287
Adjustments to reconcile total change in net assets to net cash provided by operating activities:		
Depreciation	131,217	99,277
Net realized and unrealized loss (gain) on long-term investments	469,132	(660,299)
Loss on disposal of fixed assets	18,319	59,446
Bad debt expense	23,500	30,000
Change in value of perpetual trust	72,668	(56,231)
Changes in operating assets and liabilities		
(Increase) decrease in pledges receivable	(117,930)	183,171
Increase in accrued income	(732)	(3,642)
Increase in prepaid expenses and other assets	(6,359)	(4,219)
Decrease in accounts payable and accrued expenses	<u>(1,703)</u>	<u>(71,530)</u>
Total adjustments	<u>588,112</u>	<u>(424,027)</u>
Net cash provided by operating activities	<u>572,669</u>	<u>441,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(956,778)	(658,204)
Purchase of investments	(930,210)	(1,221,472)
Proceeds from sale of investments	<u>1,208,073</u>	<u>1,083,636</u>
Net cash used for investing activities	<u>(678,915)</u>	<u>(796,040)</u>
Net decrease in cash and cash equivalents	(106,246)	(354,780)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,043,551</u>	<u>1,398,331</u>
End of year	<u>\$ 937,305</u>	<u>\$ 1,043,551</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2018 And 2017

(1) BACKGROUND

The Delaware County Society for the Prevention of Cruelty to Animals (the “*Society*”) a nonprofit organization, was incorporated in Pennsylvania on May 24, 1911. The Society underwent a re-branding in 2016 and is doing business as Providence Animal Center. Its primary purpose is to offer life-affirming rescue, medical care, treatment, protection and placement of companion animals that forever upholds the critical importance of the human-animal bond.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting and include all the accounts and funds of the Society.

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 and, therefore, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash equivalents include time deposits, money market funds, and all highly liquid debt instruments with original maturities of three months or less.

CONCENTRATION OF CREDIT RISK

The Society is required to disclose significant concentrations of credit risk regardless of the degree of such risk. As of December 31, 2018 and 2017, the Society maintained bank deposits that occasionally exceeded the limit of insurability under the Federal Deposit Insurance Corporation. The risk is managed by monitoring the financial institutions in which deposits are made.

INVESTMENTS

Investments, which include marketable securities, U.S. Government and fixed income securities, and mutual funds, held for investment purposes are reported at fair value based upon quoted market prices or other valuation methodologies. Gains or losses on investments are recognized as revenues or expenses in the Statement of Activities. Accordingly, gains and losses are recorded in the net asset category where the investment income is recognized.

PROMISES TO GIVE

The Society records unconditional promises to give (pledges) as a receivable and revenue in the year pledged, net of the discount to present value of the future cash flows. An allowance is recorded based on management’s estimates of the collectability of the promises to give balance. No allowance is deemed necessary as of December 31, 2018 and 2017. Conditional promises to give are recognized when the conditions on which they depend are met.

LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are stated at cost for purchased assets and at fair market value on the date of the gift for donated assets. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets – 5-7 years for furniture, equipment and vehicles and 7-39 years for property.

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
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NOTES TO FINANCIAL STATEMENTS – (Continued)

Years Ended December 31, 2018 And 2017

BENEFICIAL INTERESTS IN PERPETUAL AND RESTRICTED TRUSTS

Beneficial interests in perpetual trusts include the Society's respective share of the fair value of the total funds held in trust by others for which the Society is the recipient of all or a percentage of the income. The Society has an irrevocable right to receive the income earned on the trust assets, but the trust assets must be held in perpetuity. The Society is also the recipient under a restricted trust whereby 25% of the corpus and any accumulated income of the trust will be distributed to the Society after all income beneficiaries are deceased.

NET ASSETS

A description of each net asset category is as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Society or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and grants for buildings and equipment not yet placed in service. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Society, including beneficial interest in perpetual trusts.

Support and revenue is reported as an increase in net assets without restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from restricted net assets to net assets without restrictions. Expenses are reported as decreases in net assets without restrictions.

CONTRIBUTIONS

Contributions are recorded as received and are considered available for use without restriction unless specifically restricted by the donor. Investments, property, and other non-cash contributions are recorded at fair value at the date of gift or bequest. Funds with donor restrictions represent amounts donated or granted to the Society, the use of which is specified by the donor as a condition of the donation or grant.

The Society records "in-kind" support related to contributions of specialized services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, and would need to be purchased if they were not donated. The amounts reflected as "in-kind" support are offset by like amounts included in program expenses or recorded as fixed assets and depreciated accordingly.

A substantial number of volunteers have made significant contributions of many hours of their time to the activities of the Society. However, such contributed services do not meet the criteria for recognition of contributed services in accordance with generally accepted accounting principles and, accordingly, are not reflected in the accompanying financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing Program Services and Supporting Services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among Program Services and Supporting Services as follows:

Program Services – Certain expenses are charged to Program Services that benefit directly from the expenditure. Salaries, employee benefits, and payroll taxes directly related to programs are charged to Program Services. Building/ground, telephone, utility, insurance and depreciation expenses are allocated based on square footage of the Society's facility. All other program costs are allocated to the programs based on a predetermined percentage.

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Years Ended December 31, 2018 And 2017

Supporting Services – These expenses comprise general and administrative expenses attributable to the general operations of the Society. These expenses also included fundraising costs incurred to generate contributions for the Society.

INCOME TAXES

The Society is exempt from income taxes as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Society has been determined by the Internal Revenue Service not to be a private foundation as defined in Section 509(a) of the Code.

Management has reviewed the tax positions for each of the open tax years (2015 – 2017) or expected to be taken in the Society’s 2018 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued Accounting Standards Update ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The main provisions of this guidance include the presentation of two classes of net assets versus the previously required three. This guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The ASU is effective for years beginning after December 15, 2017 and was adopted by the Society for the year ended December 31, 2018.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 is as follows:

<u>Net Asset Classifications</u>	<u>ASU 2016-14 Classification</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented:			
Unrestricted	\$10,284,522	\$ -	\$ 10,284,522
Temporarily Restricted	-	587,234	587,234
Permanently Restricted	-	904,211	904,211
Net assets previously presented	<u>\$10,284,522</u>	<u>\$1,491,445</u>	<u>\$ 11,775,967</u>

RECLASSIFICATION

Certain account balances in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. The Society plans to adopt the new ASU at the required implementation date.

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Years Ended December 31, 2018 And 2017

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Society plans to adopt the new ASU at the required implementation date.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The ASU should be applied using a modified prospective basis. The Society plans to adopt the new ASU at the required implementation date.

(3) INVESTMENTS

Investments at December 31, 2018 and 2017, consist of the following:

	2018		
	<u>Market Value</u>	<u>Cost</u>	<u>Appreciation (Depreciation)</u>
Common Stocks	\$ 2,384,784	\$ 1,683,619	\$ 701,165
Fixed Income Securities	1,715,595	1,743,922	(28,327)
Mutual Funds and ETF's	1,464,692	1,366,771	97,921
Certificates of Deposit	<u>400,000</u>	<u>400,000</u>	<u>-</u>
	<u>\$ 5,965,071</u>	<u>\$ 5,194,312</u>	<u>\$ 770,759</u>
	2017		
	<u>Market Value</u>	<u>Cost</u>	<u>Appreciation</u>
Common Stocks	\$ 2,769,213	\$ 1,663,627	\$ 1,105,586
Fixed Income Securities	1,799,391	1,788,823	10,568
Mutual Funds and ETF's	1,743,462	1,342,847	400,615
Certificates of Deposit	<u>400,000</u>	<u>400,000</u>	<u>-</u>
	<u>\$ 6,712,066</u>	<u>\$ 5,195,297</u>	<u>\$ 1,516,769</u>

Returns on the securities, net of expenses, are as follows:

	2018	2017
Realized gains	\$ 276,878	\$ 276,502
Unrealized gains (losses)	(746,010)	383,797
Interest and dividends, net	<u>127,768</u>	<u>124,395</u>
	<u>\$ (341,364)</u>	<u>\$ 784,694</u>

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Years Ended December 31, 2018 And 2017

(4) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Society utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles established a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that Society has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instruments on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing Society’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Society’s investments as of December 31, 2018 and 2017 are as follows:

	2018			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Investments				
Common Stocks	\$ 2,384,784	\$ 2,384,784	\$ -	\$ -
Fixed Income Securities	1,715,595	121,692	1,593,903	-
Mutual Funds	1,464,692	1,464,692	-	-
Certificates of Deposit	<u>400,000</u>	<u>400,000</u>	-	-
	<u>\$ 5,965,071</u>	<u>\$ 4,371,168</u>	<u>\$ 1,593,903</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 714,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 714,438</u>
	2017			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Investments				
Common Stocks	\$ 2,769,213	\$ 2,769,213	\$ -	\$ -
Fixed Income Securities	1,799,391	122,769	1,676,622	-
Mutual Funds	1,743,462	1,743,462	-	-
Certificates of Deposit	<u>400,000</u>	<u>400,000</u>	-	-
	<u>\$ 6,712,066</u>	<u>\$ 5,035,444</u>	<u>\$ 1,676,622</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 787,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 787,106</u>

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There were no transfers between Level 1 and Level 2 during 2018 and 2017.

The beneficial interest in assets in trust is measured at the estimated cash flows which involve unobservable inputs. As a result, the present value technique is a Level 3 input.

The changes in investments measured at fair value for which the Society used Level 3 inputs to determine value are as follows:

	<u>2018</u>	<u>2017</u>
Beginning of year balance	\$ 787,106	\$ 730,875
Realized/unrealized gains (losses) – net change in valuation	<u>(72,668)</u>	<u>56,231</u>
End of year balance	<u>\$ 714,438</u>	<u>\$ 787,106</u>

(5) CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 210,750	\$ 95,074
Due in one to five years	<u>45,890</u>	<u>69,000</u>
Total contributions receivable	256,640	164,074
Less: Discount	<u>(1,406)</u>	<u>(3,270)</u>
Net present value of contributions receivable	<u>\$ 255,234</u>	<u>\$ 160,804</u>

The rates used for discounting range between 2.16% and 2.67% for the years ended December 31, 2018 and 2017. No allowance for uncollectible contributions receivable has been recorded at December 31, 2018 or 2017 based on management's estimate of collectability.

(6) PROPERTY AND EQUIPMENT

Property and equipment at December 31 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 131,672	\$ 131,672
Buildings and Improvements	3,135,063	3,066,556
Furniture and Equipment	266,702	237,693
Vehicles	37,357	29,133
Construction-in-progress	<u>750,734</u>	<u>29,259</u>
	4,321,528	3,494,313
Less accumulated depreciation and amortization	<u>(358,257)</u>	<u>(338,284)</u>
	<u>\$ 3,963,271</u>	<u>\$ 3,156,029</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$131,217 and \$99,277, respectively.

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Years Ended December 31, 2018 And 2017

(7) BENEFICIAL INTEREST IN PERPETUAL AND RESTRICTED TRUSTS

The Society became the sole beneficiary of a perpetual trust as of July 10, 2013. The fair value of the assets and changes in fair value included in the trust is reported within the Society's net assets with restriction. As of December 31, 2018 and 2017, the fair values of these assets were \$531,660 and \$587,234, respectively.

The trust provided \$26,609 and \$26,296 in income without restriction in 2018 and 2017, respectively.

The Society is also the recipient under a restricted trust whereby 25% of the corpus and any accumulated income of the trust will be distributed to the Society after all income beneficiaries are deceased. As of December 31, 2018 and 2017, the fair value of these assets were \$182,778 and \$199,872, respectively.

(8) NET ASSETS WITH DONOR RESTRICTIONS

Net assets subject to donor-imposed restrictions at December 31, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Beneficial interest in restricted trust	\$ 182,778	\$ 199,872
Beneficial interest in perpetual trust	531,660	587,234
Capital Campaign	1,352,280	660,804
Adoption sponsorships	3,219	-
Kennel sponsorships providing shelter, food and medical	<u>15,000</u>	<u>43,535</u>
	<u>\$2,084,937</u>	<u>\$1,491,445</u>

Net assets released from donor-imposed restrictions for the years ended December 31, 2018 and 2017 comprised the following:

	<u>2018</u>	<u>2017</u>
Capital Campaign	\$ 113,888	\$ 1,754,565
Pet Finder grant	-	7,500
Kennel sponsorships providing shelter, food and medical	<u>28,535</u>	<u>20,742</u>
	<u>\$ 142,423</u>	<u>\$ 1,782,807</u>

(9) OPERATING LEASES

The Society leases certain office equipment under lease obligations which have been classified as operating leases. The leases require monthly payments in varying amounts.

The following are the minimum payments required under the leases:

<u>Year Ending December 31,</u>	
2019	\$10,175
2020	6,843
2021	<u>356</u>
Total	<u>\$17,374</u>

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Years Ended December 31, 2018 And 2017

(10) IN-KIND SUPPORT

Contributions for years ended December 31, 2018 and 2017 include in-kind contributions of the following:

	<u>2018</u>	<u>2017</u>
Office space	\$ 11,645	\$ 15,527
Supplies	1,831	2,915
Auto service	<u>-</u>	<u>1,638</u>
	<u>\$13,476</u>	<u>\$20,080</u>

(11) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Society strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and certificates of deposit.

The following table reflects the Society's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Financial Assets	<u>2018</u>
Cash and cash equivalents	\$ 937,305
Investments	5,965,071
Contributions receivable	255,234
Accounts receivable	1,477
Accrued income	<u>21,816</u>
Total financial assets	7,180,903
Less:	
Pledges receivable due in more than a year	(44,484)
Net assets with donor restrictions	<u>(1,370,499)</u>
Financial assets available to meet general expenditures Over the next twelve months	<u>\$ 5,765,920</u>

(12) CONTINGENCIES

At December 31, 2018, the Society is a party to certain lawsuits in the ordinary course of business. While any litigation has an element of uncertainty, after reviewing these actions with legal counsel, management is of the opinion that the liability, if any, resulting from these actions will not have a material effect on the financial condition of the Society.

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 17, 2019, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.