

**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, 2019 AND 2018

**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, 2019 and 2018, 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, 2019 and 2018, 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
July 15, 2020

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,127,870	\$ 937,305
Prepaid expenses and other assets	57,348	47,039
Accrued income	19,596	21,816
Contributions receivable	<u>66,440</u>	<u>210,750</u>
Total current assets	3,271,254	1,216,910
NONCURRENT ASSETS		
Investments	6,537,387	5,965,071
Contributions receivable	-	44,484
Property and equipment	4,618,657	3,963,271
Beneficial interest in perpetual and restricted trusts	<u>804,212</u>	<u>714,438</u>
Total assets	<u>\$ 15,231,510</u>	<u>\$ 11,904,174</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 279,210</u>	<u>\$ 143,650</u>
Total liabilities	<u>279,210</u>	<u>143,650</u>
NET ASSETS		
Without donor restrictions	12,656,806	9,675,587
With donor restrictions	<u>2,295,494</u>	<u>2,084,937</u>
Total net assets	<u>14,952,300</u>	<u>11,760,524</u>
Total liabilities and net assets	<u>\$ 15,231,510</u>	<u>\$ 11,904,174</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, 2019 With Summarized Information For 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2019</u>	<u>2018</u>
Operating Public Support and Revenue:				
Public Support – Received Directly:				
Contributions	\$ 1,383,273	\$ 241,273	\$ 1,624,546	\$ 2,060,388
Legacies and bequests	2,315,215	-	2,315,215	180,248
Grants	90,850	-	90,850	41,250
Total public support	<u>3,789,338</u>	<u>241,273</u>	<u>4,030,611</u>	<u>2,281,886</u>
Revenue:				
Program service fees:				
Veterinarian fees	1,649,541	-	1,649,541	1,378,980
Adoption fees	514,371	-	514,371	535,670
Behavioral Services	63,464	-	63,464	19,834
Pet supplies fees	32,044	-	32,044	32,292
Miscellaneous	7,029	-	7,029	(3,138)
Investment and trust income	158,337	-	158,337	154,377
Total Revenue	<u>2,424,786</u>	<u>-</u>	<u>2,424,786</u>	<u>2,118,015</u>
Net assets released from restrictions	120,490	(120,490)	-	-
Total operating public support and revenue	<u>6,334,614</u>	<u>120,783</u>	<u>6,455,397</u>	<u>4,399,901</u>
Expenses				
Program Services:				
Prevention of cruelty to animals	3,331,700	-	3,331,700	2,985,695
Supporting Services:				
Management and general	349,985	-	349,985	281,389
Fundraising	598,370	-	598,370	564,641
Total supporting services	948,355	-	948,355	846,030
Total Expenses	<u>4,280,055</u>	<u>-</u>	<u>4,280,055</u>	<u>3,831,725</u>
Excess of operating support and revenues over expenses	<u>2,054,559</u>	<u>120,783</u>	<u>2,175,342</u>	<u>568,176</u>
Nonoperating Changes in Net Assets				
Loss on disposal of fixed assets	-	-	-	(18,319)
Net realized gain (losses) on investments	(9,075)	-	(9,075)	276,878
Net unrealized gain (losses) on investments	935,735	-	935,735	(746,010)
Change in value of perpetual trust	-	89,774	89,774	(72,668)
Bad debt expenses	-	-	-	(23,500)
Total nonoperating changes	<u>926,660</u>	<u>89,774</u>	<u>1,016,434</u>	<u>(583,619)</u>
Changes in net assets	2,981,219	210,557	3,191,776	(15,443)
Net Assets				
Beginning of year	9,675,587	2,084,937	11,760,524	11,775,967
End of year	<u>\$12,656,806</u>	<u>\$2,295,494</u>	<u>\$14,952,300</u>	<u>\$11,760,524</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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>
Operating Public Support and Revenue:			
Public Support – Received Directly:			
Contributions	\$ 1,228,305	\$ 832,083	\$ 2,060,388
Legacies and bequests	180,248	-	180,248
Grants	<u>41,250</u>	<u>-</u>	<u>41,250</u>
Total public support	<u>1,449,803</u>	<u>832,083</u>	<u>2,281,886</u>
Revenue:			
Program service fees:			
Veterinarian fees	1,378,980	-	1,378,980
Adoption fees	535,670	-	535,670
Behavioral Services	19,834	-	19,834
Pet supplies fees	32,292	-	32,292
Miscellaneous	(3,138)	-	(3,138)
Investment and trust income	<u>154,377</u>	<u>-</u>	<u>154,377</u>
Total Revenue	<u>2,118,015</u>	<u>-</u>	<u>2,118,015</u>
Net assets released from restrictions	<u>142,423</u>	<u>(142,423)</u>	<u>-</u>
Total operating public support and revenue	<u>3,710,241</u>	<u>689,660</u>	<u>4,399,901</u>
Expenses			
Program Services:			
Prevention of cruelty to animals	<u>2,985,695</u>	<u>-</u>	<u>2,985,695</u>
Supporting Services:			
Management and general	281,389	-	281,389
Fundraising	<u>564,641</u>	<u>-</u>	<u>564,641</u>
Total Supporting Services	<u>846,030</u>	<u>-</u>	<u>846,030</u>
Total Expenses	<u>3,831,725</u>	<u>-</u>	<u>3,831,725</u>
Excess of operating support and revenues over expenses	<u>(121,484)</u>	<u>689,660</u>	<u>568,176</u>
Nonoperating Changes in Net Assets			
Loss on disposal of fixed assets	(18,319)	-	(18,319)
Net realized gain on investments	276,878	-	276,878
Net unrealized loss on investments	(746,010)	-	(746,010)
Change in value of perpetual trust	-	(72,668)	(72,668)
Bad debt expenses	<u>-</u>	<u>(23,500)</u>	<u>(23,500)</u>
Total nonoperating changes	<u>(487,451)</u>	<u>(96,168)</u>	<u>(583,619)</u>
Changes in net assets	<u>(608,935)</u>	<u>593,492</u>	<u>(15,443)</u>
Net Assets			
Beginning of year	<u>10,284,522</u>	<u>1,491,445</u>	<u>11,775,967</u>
End of year	<u>\$ 9,675,587</u>	<u>\$ 2,084,937</u>	<u>\$ 11,760,524</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019 With Summarized Information For 2018

		<u>2019</u>			
	<u>Program Services</u>	<u>Management And General Services</u>	<u>Fund Raising</u>	<u>Total Expenses</u>	<u>2018 Total</u>
Salaries	\$1,699,188	\$148,458	\$282,495	\$2,130,141	\$2,043,072
Employee benefits	148,414	25,242	23,553	197,209	166,225
Payroll taxes	<u>144,273</u>	<u>12,055</u>	<u>23,438</u>	<u>179,766</u>	<u>173,236</u>
Total salaries and related expenses	1,991,875	185,755	329,486	2,507,116	2,382,533
Veterinary expense	654,548	-	-	654,548	473,637
Fundraising expense	-	-	200,772	200,772	182,236
Marketing expense	26,701	-	26,701	53,402	60,205
Adoption/intake expense	39,294	-	-	39,294	32,454
Investigation/cruelty expense	19,177	-	-	19,177	12,221
Kennel expense	54,804	-	-	54,804	53,599
Building/ground expense	63,159	2,707	5,414	71,280	84,856
Office expense	35,528	1,523	3,045	40,096	39,799
Computer expense	60,847	2,608	5,215	68,670	60,158
Telephone	17,520	751	1,502	19,773	17,057
Utilities	31,869	1,366	2,732	35,967	34,260
Fosters	1,234	-	-	1,234	-
Professional fees	-	143,524	-	143,524	55,860
Insurance	102,580	4,396	8,793	115,769	135,365
Volunteer expense	6,547	-	-	6,547	3,934
Administrative expense – other	<u>108,571</u>	<u>2,322</u>	<u>4,643</u>	<u>115,536</u>	<u>72,334</u>
Total expenses before depreciation	3,214,254	344,952	588,303	4,147,509	3,700,508
Depreciation of property and equipment	<u>117,446</u>	<u>5,033</u>	<u>10,067</u>	<u>132,546</u>	<u>131,217</u>
Total expenses	<u>\$3,331,700</u>	<u>\$349,985</u>	<u>\$598,370</u>	<u>\$4,280,055</u>	<u>\$3,831,725</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management And General Services</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries	\$ 1,597,718	\$ 184,953	\$ 260,401	\$ 2,043,072
Employee benefits	118,867	31,646	15,712	166,225
Payroll taxes	<u>137,706</u>	<u>13,955</u>	<u>21,575</u>	<u>173,236</u>
Total salaries and related expenses	1,854,291	230,554	297,688	2,382,533
Veterinary expense	473,637	-	-	473,637
Fundraising expense	4,318	-	177,918	182,236
Marketing expense	30,102	-	30,103	60,205
Adoption/intake expense	32,454	-	-	32,454
Investigation/cruelty expense	12,221	-	-	12,221
Kennel expense	53,599	-	-	53,599
Building/ground expense	73,029	4,301	7,526	84,856
Office expense	28,500	4,109	7,190	39,799
Computer expense	51,451	3,166	5,541	60,158
Telephone	14,589	897	1,571	17,057
Utilities	29,302	1,803	3,155	34,260
Professional fees	28,824	20,751	6,285	55,860
Insurance	115,773	7,124	12,468	135,365
Volunteer expense	3,934	-	-	3,934
Administrative expense – other	<u>67,446</u>	<u>1,778</u>	<u>3,110</u>	<u>72,334</u>
Total expenses before depreciation	2,873,470	274,483	552,555	3,700,508
Depreciation of property and equipment	<u>112,225</u>	<u>6,906</u>	<u>12,086</u>	<u>131,217</u>
Total expenses	<u>\$ 2,985,695</u>	<u>\$ 281,389</u>	<u>\$ 564,641</u>	<u>\$ 3,831,725</u>

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

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ 3,191,776	\$ (15,443)
Adjustments to reconcile total change in net assets to net cash provided by operating activities:		
Depreciation	132,546	131,217
Net realized and unrealized loss (gain) on long-term investments	(926,660)	469,132
Loss on disposal of fixed assets	-	18,319
Bad debt expense	-	23,500
Change in value of perpetual trust	(89,774)	72,668
Changes in operating assets and liabilities		
(Increase) decrease in pledges receivable	188,794	(117,930)
Increase (decrease) in accrued income	2,220	(732)
Increase in prepaid expenses and other assets	(10,309)	(6,359)
Increase (decrease) in accounts payable and accrued expenses	<u>135,560</u>	<u>(1,703)</u>
Total adjustments	<u>(567,623)</u>	<u>588,112</u>
Net cash provided by operating activities	<u>2,624,153</u>	<u>572,669</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(787,932)	(956,778)
Purchase of investments	(395,619)	(930,210)
Proceeds from sale of investments	<u>749,963</u>	<u>1,208,073</u>
Net cash used for investing activities	<u>(433,588)</u>	<u>(678,915)</u>
Net increase (decrease) in cash and cash equivalents	2,190,565	(106,246)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>937,305</u>	<u>1,043,551</u>
End of year	<u>\$ 3,127,870</u>	<u>\$ 937,305</u>

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

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 And 2018

(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, 2019 and 2018, 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, 2019 and 2018. 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
DBA PROVIDENCE ANIMAL CENTER**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Years Ended December 31, 2019 And 2018

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

The Society recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and right of return – are not recognized until the condition on which they depend have been met. Unconditional contributions are classified as without donor restrictions unless there are donor stipulations that limit the use of the donated assets. Investments, property, and other non-cash contributions are recorded at fair value at the date of gift or bequest.

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.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

Years Ended December 31, 2019 And 2018

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.

Supporting Services – These expenses comprise general and administrative expenses attributable to the general operations of the Society. These expenses also include 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 (2016 – 2018) or expected to be taken in the Society’s 2019 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

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. This ASU was adopted by the Society for the year ended December 31, 2019 and did not have a material effect on the statement of financial position or results of operations.

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. This ASU was adopted by the Society for the year ended December 31, 2019 and did not have a material effect on the statement of financial position or results of operations.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

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, 2020. 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.

RECLASSIFICATIONS

Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

Years Ended December 31, 2019 And 2018

(3) INVESTMENTS

Investments at December 31, 2019 and 2018, consist of the following:

	2019		
	<u>Market Value</u>	<u>Cost</u>	<u>Appreciation (Depreciation)</u>
Common Stocks	\$ 2,832,924	\$ 1,534,294	\$ 1,298,630
Fixed Income Securities	1,577,329	1,536,115	41,214
Mutual Funds and ETF's	1,727,134	1,360,484	366,650
Certificates of Deposit	<u>400,000</u>	<u>400,000</u>	<u>-</u>
	<u>\$ 6,537,387</u>	<u>\$ 4,830,893</u>	<u>\$ 1,706,494</u>

	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>

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

	2019	2018
Realized gains (losses)	\$ (9,075)	\$ 276,878
Unrealized gains (losses)	935,735	(746,010)
Interest and dividends, net	<u>130,265</u>	<u>127,768</u>
	<u>\$ 1,056,925</u>	<u>\$ (341,364)</u>

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(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, 2019 and 2018 are as follows:

	2019			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
Common Stocks	\$ 2,832,924	\$ 2,832,924	\$ -	\$ -
Fixed Income Securities	1,577,329	128,700	1,448,629	-
Mutual Funds	1,727,134	1,727,134	-	-
Certificates of Deposit	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,537,387</u>	<u>\$ 5,088,758</u>	<u>\$ 1,448,629</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 804,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804,212</u>
	2018			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
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>-</u>	<u>-</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>

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There were no transfers between Level 1 and Level 2 during 2019 and 2018.

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>2019</u>	<u>2018</u>
Beginning of year balance	\$ 714,438	\$ 787,106
Realized/unrealized gains (losses) – net change in valuation	<u>89,774</u>	<u>(72,668)</u>
End of year balance	<u>\$ 804,212</u>	<u>\$ 714,438</u>

(5) CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 66,440	\$ 210,750
Due in one to five years	<u>-</u>	<u>45,890</u>
Total contributions receivable	66,440	256,640
Less: Discount	<u>-</u>	<u>(1,406)</u>
Net present value of contributions receivable	<u>\$ 66,440</u>	<u>\$ 255,234</u>

The rate used for discounting was 2.16% for the year ended December 31, 2018. No allowance for uncollectible contributions receivable has been recorded at December 31, 2019 or 2018 based on management's estimate of collectability.

(6) PROPERTY AND EQUIPMENT

Property and equipment at December 31 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 131,672	\$ 131,672
Buildings and Improvements	3,211,211	3,135,063
Furniture and Equipment	280,645	266,702
Vehicles	69,357	37,357
Construction-in-progress	<u>1,416,575</u>	<u>750,734</u>
	5,109,460	4,321,528
Less accumulated depreciation and amortization	<u>(490,803)</u>	<u>(358,257)</u>
	<u>\$ 4,618,657</u>	<u>\$ 3,963,271</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$132,456 and \$131,217, respectively.

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(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, 2019 and 2018, the fair values of these assets were \$597,474 and \$531,660, respectively.

The trust provided \$28,072 and \$26,609 in income without restriction in 2019 and 2018, 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, 2019 and 2018, the fair value of these assets were \$206,738 and \$182,778, respectively.

(8) NET ASSETS WITH DONOR RESTRICTIONS

Net assets subject to donor-imposed restrictions at December 31, 2019 and 2018 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Beneficial interest in restricted trust	\$ 206,738	\$ 182,778
Beneficial interest in perpetual trust	597,474	531,660
Capital Campaign	1,378,389	1,352,280
Generator	82,700	-
Adoption sponsorships	20,193	3,219
Kennel sponsorships providing shelter, food and medical	<u>10,000</u>	<u>15,000</u>
	<u>\$ 2,295,494</u>	<u>\$ 2,084,937</u>

Net assets released from donor-imposed restrictions for the years ended December 31, 2019 and 2018 comprised the following:

	<u>2019</u>	<u>2018</u>
Capital Campaign	\$ 68,000	\$ 113,888
Kennel sponsorships providing shelter, food and medical	<u>52,490</u>	<u>28,535</u>
	<u>\$ 120,490</u>	<u>\$ 142,423</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>	
2020	\$ 10,983
2021	4,496
2022	4,140
2023	4,140
2024	<u>3,795</u>
Total	<u>\$ 27,554</u>

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(10) IN-KIND SUPPORT

Contributions for years ended December 31, 2019 and 2018 include in-kind contributions of the following:

	<u>2019</u>	<u>2018</u>
Office space	\$ -	\$ 11,645
Supplies	-	<u>1,831</u>
	<u>\$ -</u>	<u>\$ 13,476</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, 2019, 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 not expected to be spent over the next twelve months.

Financial Assets	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,127,870	\$ 937,305
Investments	6,537,387	5,965,071
Contributions receivable	66,440	255,234
Accounts receivable	-	1,477
Accrued income	<u>19,596</u>	<u>21,816</u>
Total financial assets	9,751,293	7,180,903
Less:		
Pledges receivable due in more than a year	-	(44,484)
Net assets with donor restrictions	<u>(5,000)</u>	<u>(1,370,499)</u>
Financial assets available to meet general expenditures Over the next twelve months	<u>\$ 9,746,293</u>	<u>\$ 5,765,920</u>

(12) REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers due to transfer of goods or services for the years ended December 31, 2019 and 2018 were recognized at a point in time. General performance obligations associated with revenue from contracts with customers may include fees for services such as veterinarian, adoption, and behavioral and purchase of pet supplies. The performance obligations are fulfilled, and revenue is recognized when pet adoptions are finalized with the customer, veterinarian and behavioral services are provided or pet supplies are purchased.

(13) CONTINGENCIES

At December 31, 2019, 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.

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(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 15, 2020 the date which the financial statements were available to be issued.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the financial performance of the Society's investments and operations is not reasonably estimable at this time. As part of the relief efforts from COVID-19, the Society was successful in obtaining a Paycheck Protection Program loan from the Small Business Administration of \$488,000.

In March of 2020, the Society also entered into a line of credit agreement in the amount of \$500,000 bearing a variable interest rate. The interest rate was 3.042% at the time of the agreement.