

**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, 2020 AND 2019**

**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, 2020 and 2019, 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, 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.



**Philadelphia, Pennsylvania**  
**May 28, 2021**

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

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2020 And 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,281,149	\$ 3,127,870
Prepaid expenses and other assets	41,658	57,348
Accrued income	20,949	19,596
Contributions receivable	<u>2,058</u>	<u>66,440</u>
<b>Total current assets</b>	<b>2,345,814</b>	<b>3,271,254</b>
<b>NONCURRENT ASSETS</b>		
Investments	9,030,429	6,537,387
Property and equipment	4,687,075	4,618,657
Beneficial interest in perpetual and restricted trusts	<u>860,694</u>	<u>804,212</u>
<b>Total assets</b>	<b><u>\$ 16,924,012</u></b>	<b><u>\$ 15,231,510</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 165,083	\$ 279,210
Refundable advance	<u>488,397</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>653,480</u></b>	<b><u>279,210</u></b>
<b>NET ASSETS</b>		
Without donor restrictions	15,296,389	12,656,806
With donor restrictions	<u>974,143</u>	<u>2,295,494</u>
<b>Total net assets</b>	<b><u>16,270,532</u></b>	<b><u>14,952,300</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 16,924,012</u></b>	<b><u>\$ 15,231,510</u></b>

**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, 2020 With Summarized Information For 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	
			<u>2020</u>	<u>2019</u>
<b>Operating Public Support and Revenue:</b>				
Public Support – Received Directly:				
Contributions	\$ 1,184,616	\$ 275,029	\$ 1,459,645	\$ 1,624,546
Legacies and bequests	136,391	-	136,391	2,315,215
Grants	<u>214,343</u>	<u>-</u>	<u>214,343</u>	<u>90,850</u>
<b>Total public support</b>	<u>1,535,350</u>	<u>275,029</u>	<u>1,810,379</u>	<u>4,030,611</u>
Revenue:				
Program service fees:				
Veterinarian fees	1,838,774	-	1,838,774	1,649,541
Adoption fees	548,532	-	548,532	514,371
Behavioral Services	96,994	-	96,994	63,464
Pet supplies fees	27,213	-	27,213	32,044
Miscellaneous	859	-	859	7,029
Investment and trust income	<u>121,992</u>	<u>-</u>	<u>121,992</u>	<u>158,337</u>
<b>Total Revenue</b>	<u>2,634,364</u>	<u>-</u>	<u>2,634,364</u>	<u>2,424,786</u>
Net assets released from restrictions	<u>274,473</u>	<u>(274,473)</u>	<u>-</u>	<u>-</u>
<b>Total operating public support and revenue</b>	<u>4,444,187</u>	<u>556</u>	<u>4,444,743</u>	<u>6,455,397</u>
<b>Expenses</b>				
Program Services:				
Prevention of cruelty to animals	<u>3,202,192</u>	<u>-</u>	<u>3,202,192</u>	<u>3,331,700</u>
Supporting Services:				
Management and general	341,080	-	341,080	349,985
Fundraising	<u>397,119</u>	<u>-</u>	<u>397,119</u>	<u>598,370</u>
Total supporting services	<u>738,199</u>	<u>-</u>	<u>738,199</u>	<u>948,355</u>
<b>Total Expenses</b>	<u>3,940,391</u>	<u>-</u>	<u>3,940,391</u>	<u>4,280,055</u>
<b>Excess of operating support and revenues over expenses</b>	<u>503,796</u>	<u>556</u>	<u>504,352</u>	<u>2,175,342</u>
<b>Nonoperating Changes in Net Assets</b>				
Net realized losses on investments	(100,860)	-	(100,860)	(9,075)
Net unrealized gain on investments	886,008	-	886,008	935,735
Change in value of perpetual trust	-	56,482	56,482	89,774
Bad debt expenses	(27,750)	-	(27,750)	-
Net assets released from restrictions	<u>1,378,389</u>	<u>(1,378,389)</u>	<u>-</u>	<u>-</u>
<b>Total nonoperating changes</b>	<u>2,135,787</u>	<u>(1,321,907)</u>	<u>813,880</u>	<u>1,016,434</u>
<b>Changes in net assets</b>	<u>2,639,583</u>	<u>(1,321,351)</u>	<u>1,318,232</u>	<u>3,191,776</u>
<b>Net Assets</b>				
Beginning of year	<u>12,656,806</u>	<u>2,295,494</u>	<u>14,952,300</u>	<u>11,760,524</u>
<b>End of year</b>	<u>\$15,296,389</u>	<u>\$ 974,143</u>	<u>\$16,270,532</u>	<u>\$14,952,300</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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
<b>Operating Public Support and Revenue:</b>			
Public Support – Received Directly:			
Contributions	\$ 1,383,273	\$ 241,273	\$ 1,624,546
Legacies and bequests	2,315,215	-	2,315,215
Grants	<u>90,850</u>	<u>-</u>	<u>90,850</u>
<b>Total public support</b>	<u>3,789,338</u>	<u>241,273</u>	<u>4,030,611</u>
Revenue:			
Program service fees:			
Veterinarian fees	1,649,541	-	1,649,541
Adoption fees	514,371	-	514,371
Behavioral Services	63,464	-	63,464
Pet supplies fees	32,044	-	32,044
Miscellaneous	7,029	-	7,029
Investment and trust income	<u>158,337</u>	<u>-</u>	<u>158,337</u>
<b>Total Revenue</b>	<u>2,424,786</u>	<u>-</u>	<u>2,424,786</u>
Net assets released from restrictions	<u>120,490</u>	<u>(120,490)</u>	<u>-</u>
<b>Total operating public support and revenue</b>	<u>6,334,614</u>	<u>120,783</u>	<u>6,455,397</u>
<b>Expenses</b>			
Program Services:			
Prevention of cruelty to animals	<u>3,331,700</u>	<u>-</u>	<u>3,331,700</u>
Supporting Services:			
Management and general	349,985	-	349,985
Fundraising	<u>598,370</u>	<u>-</u>	<u>598,370</u>
Total supporting services	<u>948,355</u>	<u>-</u>	<u>948,355</u>
<b>Total Expenses</b>	<u>4,280,055</u>	<u>-</u>	<u>4,280,055</u>
<b>Excess of operating support and             revenues over expenses</b>	<u>2,054,559</u>	<u>120,783</u>	<u>2,175,342</u>
<b>Nonoperating Changes in Net Assets</b>			
Loss on disposal of fixed assets	-	-	-
Net realized gain (losses) on investments	(9,075)	-	(9,075)
Net unrealized gain (losses) on investments	935,735	-	935,735
Change in value of perpetual trust	-	89,774	89,774
Bad debt expenses	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total nonoperating changes</b>	<u>926,660</u>	<u>89,774</u>	<u>1,016,434</u>
<b>Changes in net assets</b>	2,981,219	210,557	3,191,776
<b>Net Assets</b>			
Beginning of year	<u>9,675,587</u>	<u>2,084,937</u>	<u>11,760,524</u>
<b>End of year</b>	<u>\$ 12,656,806</u>	<u>\$ 2,295,494</u>	<u>\$ 14,952,300</u>

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

***STATEMENT OF FUNCTIONAL EXPENSES***

**Year Ended December 31, 2020 With Summarized Information For 2019**

	<u>Program Services</u>	<u>2020</u>			<u>2019 Total</u>
		<u>Management And General Services</u>	<u>Fund Raising</u>	<u>Total Expenses</u>	
Salaries	\$1,677,005	\$ 88,471	\$ 243,173	\$ 2,008,649	\$2,130,141
Employee benefits	160,705	5,353	14,904	180,962	197,209
Payroll taxes	<u>132,999</u>	<u>1,891</u>	<u>18,815</u>	<u>153,705</u>	<u>179,766</u>
<b>Total salaries and related expenses</b>	1,970,709	95,715	276,892	2,343,316	2,507,116
Veterinary expense	596,670	-	-	596,670	654,548
Fundraising expense	-	-	61,432	61,432	200,772
Marketing expense	15,245	-	15,245	30,490	53,402
Adoption/intake expense	32,341	-	-	32,341	39,294
Investigation/cruelty expense	11,848	-	-	11,848	19,177
Kennel expense	38,642	-	-	38,642	54,804
Building/ground expense	57,740	2,761	5,291	65,792	71,280
Office expense	74,238	3,549	6,803	84,590	77,964
Computer expense	32,486	1,553	2,977	37,016	68,670
Telephone	16,148	772	1,480	18,400	19,773
Utilities	27,598	1,320	2,529	31,447	35,967
Fosters	298	-	-	298	1,234
Professional fees	-	219,387	-	219,387	143,524
Insurance	115,506	5,522	10,584	131,612	115,769
Volunteer expense	185	-	-	185	6,547
Interest	-	3,256	-	3,256	-
Administrative expense – other	<u>68,403</u>	<u>354</u>	<u>678</u>	<u>69,435</u>	<u>77,668</u>
<b>Total expenses before depreciation</b>	3,058,057	334,189	383,911	3,776,157	4,147,509
Depreciation of property and equipment	<u>144,135</u>	<u>6,891</u>	<u>13,208</u>	<u>164,234</u>	<u>132,546</u>
<b>Total expenses</b>	<u>\$3,202,192</u>	<u>\$341,080</u>	<u>\$397,119</u>	<u>\$3,940,391</u>	<u>\$4,280,055</u>

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

***STATEMENT OF FUNCTIONAL EXPENSES***

**Year Ended December 31, 2019**

	<u>Program Services</u>	<u>Management And General Services</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries	\$1,699,188	\$148,458	\$282,495	\$2,130,141
Employee benefits	148,414	25,242	23,553	197,209
Payroll taxes	<u>144,273</u>	<u>12,055</u>	<u>23,438</u>	<u>179,766</u>
<b>Total salaries and related expenses</b>	1,991,875	185,755	329,486	2,507,116
Veterinary expense	654,548	-	-	654,548
Fundraising expense	-	-	200,772	200,772
Marketing expense	26,701	-	26,701	53,402
Adoption/intake expense	39,294	-	-	39,294
Investigation/cruelty expense	19,177	-	-	19,177
Kennel expense	54,804	-	-	54,804
Building/ground expense	63,159	2,707	5,414	71,280
Office expense	69,082	2,961	5,921	77,964
Computer expense	60,847	2,608	5,215	68,670
Telephone	17,520	751	1,502	19,773
Utilities	31,869	1,366	2,732	35,967
Fosters	1,234	-	-	1,234
Professional fees	-	143,524	-	143,524
Insurance	102,580	4,396	8,793	115,769
Volunteer expense	6,547	-	-	6,547
Administrative expense – other	<u>75,017</u>	<u>884</u>	<u>1,767</u>	<u>77,668</u>
<b>Total expenses before depreciation</b>	3,214,254	344,952	588,303	4,147,509
Depreciation of property and equipment	<u>117,446</u>	<u>5,033</u>	<u>10,067</u>	<u>132,546</u>
<b>Total expenses</b>	<u>\$3,331,700</u>	<u>\$349,985</u>	<u>\$598,370</u>	<u>\$4,280,055</u>



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

***STATEMENTS OF CASH FLOWS***

**Years Ended December 31, 2020 And 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total change in net assets	<u>\$1,318,232</u>	<u>\$ 3,191,776</u>
Adjustments to reconcile total change in net assets to net cash provided by operating activities:		
Depreciation	164,234	132,546
Net realized and unrealized gain on long-term investments	(785,148)	(926,660)
Bad debt expense	27,750	-
Change in value of perpetual trust	(56,482)	(89,774)
Changes in operating assets and liabilities		
Decrease in pledges receivable	36,632	188,794
Increase (decrease) in accrued income	(1,353)	2,220
Decrease (increase) in prepaid expenses and other assets	15,690	(10,309)
(Decrease) increase in accounts payable and accrued expenses	<u>(114,127)</u>	<u>135,560</u>
<b>Total adjustments</b>	<u>(712,804)</u>	<u>(567,623)</u>
<b>Net cash provided by operating activities</b>	<u>605,428</u>	<u>2,624,153</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(232,652)	(787,932)
Purchase of investments	(5,900,988)	(395,619)
Proceeds from sale of investments	<u>4,193,094</u>	<u>749,963</u>
<b>Net cash used for investing activities</b>	<u>(1,940,546)</u>	<u>(433,588)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from refundable advance	<u>488,397</u>	<u>-</u>
<b>Net cash provided by financing activities</b>	<u>488,397</u>	<u>-</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(846,721)	2,190,565
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>3,127,870</u>	<u>937,305</u>
End of year	<u>\$2,281,149</u>	<u>\$ 3,127,870</u>

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

## *NOTES TO FINANCIAL STATEMENTS*

Years Ended December 31, 2020 And 2019

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### (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, 2020 and 2019, 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. The allowance was \$27,750 at December 31, 2020. 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, 2020 And 2019**

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***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, 2020 And 2019**

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***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 (2017 – 2019) or expected to be taken in the Society’s 2020 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

***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 2019 financial statements to conform to the 2020 presentation.

**(3) INVESTMENTS**

Investments at December 31, 2020 and 2019, consist of the following:

	<u>2020</u>		
	<u>Market Value</u>	<u>Cost</u>	<u>Appreciation (Depreciation)</u>
Common Stocks	\$4,110,290	\$2,347,866	\$1,762,424
Fixed Income Securities	2,134,472	2,033,271	101,201
Mutual Funds and ETF’s	<u>2,785,667</u>	<u>2,056,790</u>	<u>728,877</u>
	<u>\$9,030,429</u>	<u>\$6,437,927</u>	<u>\$2,592,502</u>

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**Years Ended December 31, 2020 And 2019**

	<u>2019</u>		
	<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>

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

	<u>2020</u>	<u>2019</u>
Realized losses	\$ (100,860)	\$ (9,075)
Unrealized gains	886,008	935,735
Interest and dividends, net	<u>121,992</u>	<u>130,265</u>
	<u>\$ 907,140</u>	<u>\$ 1,056,925</u>

**(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.



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**Years Ended December 31, 2020 And 2019**

**(5) CONTRIBUTIONS RECEIVABLE**

Contributions receivable are due as follows:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 29,808	\$ 66,440
Due in one to five years	<u>-</u>	<u>-</u>
Total contributions receivable	29,808	66,440
Less: Allowance	<u>(27,750)</u>	<u>-</u>
Net present value of contributions receivable	<u>\$ 2,058</u>	<u>\$ 66,440</u>

No allowance for uncollectible contributions receivable has been recorded at December 31, 2019 based on management's estimate of collectability.

**(6) PROPERTY AND EQUIPMENT**

Property and equipment at December 31 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 131,672	\$ 131,672
Buildings and Improvements	4,712,220	3,211,211
Furniture and Equipment	412,970	280,645
Vehicles	69,357	69,357
Construction-in-progress	<u>15,893</u>	<u>1,416,575</u>
	5,342,112	5,109,460
Less accumulated depreciation and amortization	<u>(655,037)</u>	<u>(490,803)</u>
	<u>\$4,687,075</u>	<u>\$4,618,657</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$164,324 and \$132,456, respectively.

**(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, 2020 and 2019, the fair values of these assets were \$634,846 and \$597,474, respectively.

The trust provided \$28,072 in income without restriction in 2019. No distributions of trust income were made in 2020.

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, 2020 and 2019, the fair value of these assets were \$225,848 and \$206,738, respectively.

**(8) REFUNDABLE ADVANCE**

On April 30, 2020, the Society received a \$488,397 loan under the Small Business Administration's ("SBA") Payment Protection Program (the "PPP Loan"). The Society considers this to be a conditional contribution as it expects to meet the criteria for loan forgiveness upon incurring eligible expenditures and when its application for forgiveness is accepted by the SBA. The Society considers the incurrence of eligible expenses and the acceptance of its application for forgiveness to be barriers in the PPP Loan agreement and as such, will recognize contribution income when these conditions are substantially met. If such conditions are not met, the Society is required to repay the PPP Loan in two years from the date of the agreement at a 1% annual interest rate.

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**Years Ended December 31, 2020 And 2019**

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**(9) LINE OF CREDIT**

Since March 2020, the Society has a line of credit with an investment broker in the amount of \$500,000. The line bears a variable interest rate based upon the JP Morgan Chase Guaranty Prime Rate Floating (the “Index”). Based upon the current Index rate the interest rate on the line is 3.042% at December 31, 2020. The line matures on February 12, 2022 and is collateralized by the Society’s investments. There was no outstanding amount on the line at December 31, 2020.

**(10) NET ASSETS WITH DONOR RESTRICTIONS**

Net assets subject to donor-imposed restrictions at December 31, 2020 and 2019 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Beneficial interest in restricted trust	\$ 225,848	\$ 206,738
Beneficial interest in perpetual trust	634,846	597,474
Capital Campaign	-	1,378,389
Generator	-	82,700
Medical Equipment	12,200	-
Wellness Clinic	74,761	-
Signage	10,000	-
Outdoor dog run	4,000	-
Adoption sponsorships	7,488	20,193
Kennel sponsorships providing shelter, food and medical	<u>5,000</u>	<u>10,000</u>
	<u>\$ 974,143</u>	<u>\$ 2,295,494</u>

Net assets released from donor-imposed restrictions for the years ended December 31, 2020 and 2019 comprised the following:

	<u>2020</u>	<u>2019</u>
Operating		
Capital Campaign	\$ -	\$ 68,000
Generator	82,700	-
Kennel sponsorships providing shelter, food and medical	<u>191,773</u>	<u>52,490</u>
	274,473	120,490
Non-operating		
Capital Campaign - Kennel	<u>1,378,389</u>	<u>-</u>
	<u>\$1,652,862</u>	<u>\$120,490</u>

**(11) 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>	
2021	\$ 5,912
2022	5,556
2023	5,202
2024	<u>3,795</u>
Total	<u>\$ 20,465</u>



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**Years Ended December 31, 2020 And 2019**

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**(12) 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, 2020 and 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,281,149	\$3,127,870
Investments	9,030,429	6,537,387
Contributions receivable	2,058	66,440
Accrued income	<u>20,949</u>	<u>19,596</u>
Total financial assets	11,334,585	9,751,293
Less:		
Net assets with donor restrictions not expected to be spent in twelve months	<u>-</u>	<u>(5,000)</u>
Financial assets available to meet general expenditures Over the next twelve months	<u>\$11,334,585</u>	<u>\$9,746,293</u>

**(13) REVENUE FROM CONTRACTS WITH CUSTOMERS**

Revenue from contracts with customers due to transfer of goods or services for the years ended December 31, 2020 and 2019 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.

**(14) CONTINGENCIES**

At December 31, 2020, 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.

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 current operating environment is changing rapidly. The extent of the impact that the COVID-19 pandemic will have on the financial performance of the Society's operations and investments is not reasonably estimable as of the date that the financial statements were available for issuance. The Society will continue to monitor the effects of the COVID-19 pandemic and will adjust its operations as necessary.

**(15) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 28, 2021 the date which the financial statements were available to be issued.