

**SOCIETY FOR THE PREVENTION OF CRUELTY  
TO ANIMALS, TAMPA BAY, FLORIDA, INC.**

**Financial Statements  
(Unaudited)**

**December 31, 2016 and 2015  
(With Independent Accountant's Review Report Thereon)**

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

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1530 W. Cleveland Street ■ Tampa, Florida 33606  
Main: 813.594.1400 ■ Fax: 813.594.1408 ■ www.mhm-pc.com

## **Independent Accountant's Review Report**

The Board of Directors  
Society for the Prevention of Cruelty to Animals,  
Tampa Bay, Florida, Inc.:

We have reviewed the accompanying financial statements of Society for the Prevention of Cruelty to Animals, Tampa Bay, Florida, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of unrestricted support and revenue, expenses, and other changes in unrestricted net assets, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Mayer Hoffman McCann P.C.*

March 21, 2017  
Tampa, Florida

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Statements of Financial Position**

**December 31, 2016 and 2015  
(Unaudited)**

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Current assets:		
Cash and cash equivalents (Note 9)	\$ 572,745	476,131
Accounts receivable:		
Contributions (Note 4)	1,264,167	72,932
Settlement receivable (Note 16)	341,670	-
Other	39,744	9,969
Inventories	78,719	25,044
Prepaid expenses	55,527	64,406
	2,352,572	648,482
Total current assets	2,352,572	648,482
Investments (Notes 2, 6, and 14)	4,761,152	4,383,546
Beneficial interest in assets held by others (Note 12)	20,000	20,000
Property and equipment, net (Note 3)	5,364,252	3,129,007
Other assets	6,590	5,950
	\$ 12,504,566	8,186,985
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 168,605	74,460
Accrued expenses	99,318	59,980
Current installments of capital lease obligation (Note 7)	6,384	-
Current installments of long-term debt (Note 6)	49,445	306
Current portion of annuity obligation (Note 11)	45,610	22,845
	369,362	157,591
Total current liabilities	369,362	157,591
Capital lease obligation, less current installments (Note 7)	34,639	-
Long-term debt, less current installments (Note 6)	2,637,129	947,046
Annuity obligation, excluding current portion (Note 11)	519,801	553,385
	3,560,931	1,658,022
Total liabilities	3,560,931	1,658,022
Net assets:		
Unrestricted:		
Undesignated	581,547	-
Net investment in property and equipment	2,636,655	2,181,655
Board designated for facility enhancement	85,527	31,934
Board designated endowments (Note 10)	2,939,807	2,714,504
	6,243,536	4,928,093
Temporarily restricted (Note 5)	1,854,616	755,387
Permanently restricted for endowment (Notes 5 and 10)	845,483	845,483
	8,943,635	6,528,963
Total net assets	8,943,635	6,528,963
Commitments (Notes 7 and 15)	-	-
	\$ 12,504,566	8,186,985

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Statements of Unrestricted Support and Revenue, Expenses,  
and Other Changes in Unrestricted Net Assets**

**For the Years Ended December 31, 2016 and 2015  
(Unaudited)**

	<b>2016</b>	<b>2015</b>
Operating support and revenue:		
Special events (Note 13)	\$ 176,577	114,547
Less special events costs (Note 13)	(94,728)	(40,144)
	81,849	74,403
Sales of pet supplies and urns	156,380	135,461
Cost of pet supplies and urns sold	(76,959)	(69,748)
	79,421	65,713
Contributions	891,148	624,213
Bequests and trusts	3,256,226	1,223,740
Program service fees	602,783	400,582
Investment return designated for current operations (Note 2)	78,799	87,149
Other income	2,079	14,016
In-kind support (Note 13)	41,148	34,896
	4,872,183	2,384,596
Net assets released from restrictions:		
Expiration of time restrictions - bequests, trusts and annuities	99,916	242,700
	99,916	242,700
Total operating support and revenue	5,133,369	2,767,412
Operating expenses:		
Program services	3,521,293	3,123,073
Supporting services	1,094,780	874,371
Total operating expenses	4,616,073	3,997,444
Increase (decrease) in unrestricted net assets from operations	517,296	(1,230,032)
Other changes:		
Investment return deficient to cover amounts designated for current operations (Note 2)	284,929	(170,932)
Change in value of split-interest agreements	(53,434)	(74,750)
Contributions designated for long-term purposes	109,974	83,440
Donated vehicle	17,949	-
Settlement award (Note 16)	341,670	-
Net assets released from restrictions:		
Satisfaction of capital expenditure restrictions	97,059	37,761
Increase (decrease) in unrestricted net assets	\$ 1,315,443	(1,354,513)

See accompanying independent accountant's review report and notes to financial statements.

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Statements of Changes in Net Assets**

**For the Years Ended December 31, 2016 and 2015  
(Unaudited)**

	<b>2016</b>	<b>2015</b>
Unrestricted net assets:		
Total operating support and revenue	\$ 5,033,453	2,524,712
Total operating expenses	(4,616,073)	(3,997,444)
Investment return deficient to cover amounts designated for current operations (Note 2)	284,929	(170,932)
Change in the value of split-interest agreements	(53,434)	(74,750)
Contributions designated for long-term purposes purposes	109,974	83,440
Donated vehicle	17,949	-
Settlement award (Note 16)	341,670	-
Net assets released from restrictions	196,975	280,461
Increase (decrease) in unrestricted net assets	1,315,443	(1,354,513)
Temporarily restricted net assets:		
Contributions	-	82,629
Bequests and trusts	1,250,000	72,000
Charitable gift annuity contributions (Note 11)	46,204	44,838
Net assets released from restrictions	(196,975)	(280,461)
Increase (decrease) in temporarily restricted net assets	1,099,229	(80,994)
Increase (decrease) in net assets	2,414,672	(1,435,507)
Net assets at beginning of year	6,528,963	7,964,470
Net assets at end of year	\$ 8,943,635	6,528,963

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Statement of Functional Expenses**

**For the Year Ended December 31, 2016  
(With Comparative Information for 2015)  
(Unaudited)**

	Program Services	Supporting Services			Total	
		Management and General	Development	Total	2016	2015
Salaries, wages and contract labor	\$ 1,900,678	86,521	332,308	418,829	2,319,507	1,950,861
Payroll taxes	147,162	7,798	25,662	33,460	180,622	154,330
Employee benefits	186,615	42,136	22,681	64,817	251,432	215,849
	<u>2,234,455</u>	<u>136,455</u>	<u>380,651</u>	<u>517,106</u>	<u>2,751,561</u>	<u>2,321,040</u>
Professional fees and contract services	253,181	80,337	103,416	183,753	436,934	545,533
Office supplies	9,568	22,517	6,567	29,084	38,652	21,969
Kennel food and supplies	81,044	-	-	-	81,044	88,838
Clinic medicine and supplies	242,819	-	-	-	242,819	196,163
Communications	26,187	2,160	4,934	7,094	33,281	30,628
Advertising	103,077	-	1,816	1,816	104,893	54,364
Postage and shipping	4,806	649	150,795	151,444	156,250	115,037
Building repairs and maintenance	65,122	5,100	19,930	25,030	90,152	74,165
Utilities	74,395	5,512	7,716	13,228	87,623	91,894
Insurance	100,958	6,054	8,473	14,527	115,485	104,886
Equipment rental and maintenance	22,000	3,665	3,908	7,573	29,573	15,297
Printing and publications	15,228	721	24,329	25,050	40,278	25,792
Automotive	14,511	1,292	2,223	3,515	18,026	16,445
Conferences, conventions and meetings	3,749	13,721	26,355	40,076	43,825	41,879
Interest expense (Note 6)	33,472	-	-	-	33,472	-
Other	14,649	4,649	30,033	34,682	49,331	41,279
In-kind expense (Note 13)	34,538	-	6,610	6,610	41,148	34,896
	<u>3,333,759</u>	<u>282,832</u>	<u>777,756</u>	<u>1,060,588</u>	<u>4,394,347</u>	<u>3,820,105</u>
Total expenses before depreciation and amortization						
Depreciation and amortization	187,534	14,231	19,961	34,192	221,726	177,339
	<u>187,534</u>	<u>14,231</u>	<u>19,961</u>	<u>34,192</u>	<u>221,726</u>	<u>177,339</u>
Total expenses - 2016	\$ <u>3,521,293</u>	<u>297,063</u>	<u>797,717</u>	<u>1,094,780</u>	<u>4,616,073</u>	
Total expenses - 2015	\$ <u>3,123,073</u>	<u>208,919</u>	<u>665,452</u>	<u>874,371</u>		<u>3,997,444</u>

See accompanying independent accountant's review report and notes to financial statements.

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Statement of Functional Expenses**

**For the Year Ended December 31, 2015  
(Unaudited)**

	Program Services	Supporting Services			Total Expenses
		Management and General	Development	Total	
Salaries, wages and contract labor	\$ 1,622,891	47,766	280,204	327,970	1,950,861
Payroll taxes	138,894	3,662	11,774	15,436	154,330
Employee benefits	161,444	29,364	25,041	54,405	215,849
	<u>1,923,229</u>	<u>80,792</u>	<u>317,019</u>	<u>397,811</u>	<u>2,321,040</u>
Professional fees and contract services	412,009	73,732	59,792	133,524	545,533
Office supplies	6,739	10,014	5,216	15,230	21,969
Kennel food and supplies	88,838	-	-	-	88,838
Clinic medicine and supplies	196,163	-	-	-	196,163
Communications	24,777	1,919	3,932	5,851	30,628
Advertising	34,052	2,000	18,312	20,312	54,364
Postage and shipping	738	719	113,580	114,299	115,037
Building repairs and maintenance	46,184	3,496	24,485	27,981	74,165
Utilities	76,507	5,385	10,002	15,387	91,894
Insurance	90,774	4,714	9,398	14,112	104,886
Equipment rental and maintenance	12,820	984	1,493	2,477	15,297
Printing and publications	13,255	670	11,867	12,537	25,792
Automotive	11,450	1,131	3,864	4,995	16,445
Conferences, conventions and meetings	8,041	5,309	28,529	33,838	41,879
Other	16,432	5,864	18,983	24,847	41,279
In-kind expense (Note 13)	18,554	-	16,342	16,342	34,896
	<u>2,980,562</u>	<u>196,729</u>	<u>642,814</u>	<u>839,543</u>	<u>3,820,105</u>
Total expenses before depreciation and amortization					
Depreciation and amortization	<u>142,511</u>	<u>12,190</u>	<u>22,638</u>	<u>34,828</u>	<u>177,339</u>
Total expenses	<u>\$ 3,123,073</u>	<u>208,919</u>	<u>665,452</u>	<u>874,371</u>	<u>3,997,444</u>

See accompanying independent accountant's review report and notes to financial statements.



**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Statements of Cash Flows**

**For the Years Ended December 31, 2016 and 2015  
(Unaudited)**

	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,414,672	(1,435,507)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	221,726	177,339
Net realized and unrealized losses (gains) on investments	(284,929)	170,932
Change in values of split-interest agreements	53,434	74,750
Contributions restricted under charitable gift annuity agreements	(46,204)	(44,838)
Contributions designated for long-term purposes	(109,974)	(83,440)
Noncash stock donation	(6,733)	(30,317)
Noncash vehicle donation	(17,949)	-
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	(1,562,680)	191,100
Decrease (increase) in inventories	(53,675)	2,959
Decrease (increase) in prepaid expenses and other assets	8,239	(3,238)
Increase (decrease) in accounts payable	94,145	(15,715)
Increase (decrease) in accrued expenses	39,338	(42,275)
Net cash provided by (used in) operating activities	749,410	(1,038,250)
Cash flows from investing activities:		
Property and equipment purchases	(2,392,303)	(1,168,202)
Purchases of investments	(989,196)	(1,619,875)
Proceeds from the sale of investments	903,252	2,498,051
Net cash used in investing activities	(2,478,247)	(290,026)
Cash flows from financing activities:		
Proceeds received from issuance of long-term debt	1,736,004	980,708
Principal payments on capital lease obligation	(2,055)	-
Principal payments on long-term debt	(423)	-
Loan costs paid	-	(36,555)
Proceeds received from contributions restricted for:		
Charitable gift annuity agreements	80,000	75,000
Long-term purposes	109,974	83,440
Payments to annuitants	(98,049)	(92,384)
Net cash provided by financing activities	1,825,451	1,010,209
Net increase (decrease) in cash and cash equivalents	96,614	(318,067)
Cash and cash equivalents at beginning of year	476,131	794,198
Cash and cash equivalents at end of year	\$ 572,745	476,131
Supplemental disclosure of cash flow information:		
Equipment financed with capital lease	\$ 43,078	-
Cash paid during the year for interest	\$ 88,285	38,090

See accompanying independent accountant's review report and notes to financial statements.

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**December 31, 2016 and 2015**

**Notes to Financial Statements  
(Unaudited)**

**(1) Description of Organization and Summary of Significant Accounting Policies**

**(a) Description of Organization**

The Society for the Prevention of Cruelty to Animals, Tampa Bay, Florida, Inc. (the SPCA), a Florida not-for-profit corporation, has as its mission to improve the community by promoting humane care, preventing animal cruelty, and reducing pet overpopulation. On February 1, 2013, the SPCA formed STB Ventures, LLC (STB), a Florida limited liability company and wholly-owned subsidiary of the SPCA, for the purpose of developing initiatives for expanding the core mission of the SPCA. Effective January 1, 2016, all of STB's operations were moved to the SPCA.

**(b) Financial Accounting Standards**

The Financial Accounting Standards Board (FASB) issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) - authoritative and nonauthoritative - and making the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance is incorporated into ASC Topic 105, *Generally Accepted Accounting Principles*.

**(c) Financial Statement Presentation**

The Society's financial statements report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted or permanently restricted. In addition, the Society is required to present a statement of cash flows.

**(d) Contributions**

All contributions are considered to be available for the general programs of the Society unless specifically restricted by the donor. The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of changes in net assets as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue of the unrestricted net asset class.

**(e) Cash and Cash Equivalents**

Cash and cash equivalents represent cash and short-term, highly liquid investments with original maturities of three months or less.

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Notes to Financial Statements (Unaudited) - Continued**

**(1) Description of Organization and Summary of Significant Accounting Policies - Continued**

**(f) Investments**

Investments are reported at fair value. Fair value is determined by using quoted market prices, where available. Where not available, the present value of estimated, expected future cash flows or another reasonable method is used. No investment or group of investments represents a significant concentration of market risk.

**(g) Inventories**

Supplies inventories purchased for use in program and supporting services are carried at the lower of cost or market. Cost is determined using the first-in, first-out method.

**(h) Property and Equipment**

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for property and equipment in excess of \$500 and with a useful life of at least one year are capitalized. Similarly, donated property and equipment with a fair market value in excess of \$500 as of the date of receipt are capitalized.

**(i) Debt Issuance Costs**

In April 2015, the Financial Accounting Standards Board (FASB) amended its guidance on presentation of debt issuance costs. Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), amends U.S. GAAP to require debt issuance costs related to debt to be reported in the statement of financial position as a direct deduction from the face amount of that debt. The debt issuance costs will no longer be classified as a deferred charge or deferred credit. The amendments are effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016, with early adoption permitted. The Organization has adopted the provisions of ASU 2015-03 for the year ended December 31, 2016 and has recorded its debt issuance costs as a reduction of the face amount of debt reported in the statements of financial position.

**(j) Accounts Receivable**

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Society provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience, third-party contracts, and other circumstances, which may affect the ability of donors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Society's policy to charge off uncollectible accounts when management determines the receivable will not be collected.

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Notes to Financial Statements (Unaudited) - Continued**

**(1) Description of Organization and Summary of Significant Accounting Policies - Continued**

**(k) Donated Materials and Services**

Many individuals volunteer their time and perform a variety of tasks that assist the Society with its cruelty prevention and animal care and placement programs. Amounts have been reported in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by an individual possessing those skills and which would be typically purchased if not provided by donation. The Society also receives a significant number of volunteer hours per year that have not been recorded in the accompanying financial statements.

**(l) Income Taxes**

The Society has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. Income earned in furtherance of the Society's tax-exempt purpose is exempt from Federal and State income taxes. The Society is treated as a publicly supported organization, and not as a private foundation. The Society has adopted the provisions of ASC Topic 740, *Accounting for Uncertainty in Income Taxes* and does not believe it has any material income tax exposure relating to uncertain tax positions. The Society's income tax filings for periods after the fiscal year ended December 31, 2012 remain subject to examination.

**(m) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases or decreases in net assets during the period. Actual results could differ from those estimates.

**(n) Functional Allocation of Expenses**

The costs of providing the Society's various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs, such as utilities and insurance, have been allocated among programs and supporting services benefitted.

**(o) Fair Value Measurements**

The Society has adopted the provisions of ASC 820, *Fair Value Measurement*, which requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices that are observable for the assets or liability (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Notes to Financial Statements (Unaudited) - Continued**

**(1) Description of Organization and Summary of Significant Accounting Policies - Continued**

**(p) Reclassifications**

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation.

**(2) Investments**

At December 31, 2016 and 2015, the cost and market values of investments were as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market funds	\$ 578,580	578,580	395,994	395,994
Certificate of deposit	5,000	5,000	5,000	5,000
Common stock	1,118,624	1,253,197	1,192,520	1,244,929
Corporate bonds	1,057,274	1,061,362	1,109,479	1,106,983
Mutual funds - equities	<u>623,967</u>	<u>705,441</u>	<u>540,762</u>	<u>538,177</u>
	3,383,445	3,603,580	3,243,755	3,291,083
Gift annuities:				
Money market funds	50,167	50,167	119,472	119,472
Common stock	418,866	481,323	363,641	388,198
Corporate bonds	505,267	507,271	481,226	482,055
Mutual funds - equities	<u>98,007</u>	<u>118,811</u>	<u>98,007</u>	<u>102,738</u>
	<u>1,072,307</u>	<u>1,157,572</u>	<u>1,062,346</u>	<u>1,092,463</u>
	<u>\$ 4,455,752</u>	<u>4,761,152</u>	<u>4,306,101</u>	<u>4,383,546</u>

As described in Note 6, the Organization has pledged \$677,750 of its investments to serve as collateral under a construction loan. The loan agreement limits the Organization's ability to withdraw funds below the amount of collateral throughout the term of the loan which matures February 2025.

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Notes to Financial Statements (Unaudited) - Continued**

**(2) Investments - Continued**

Investment return for the years ended December 31, 2016 and 2015 includes the following:

	<b>2016</b>	<b>2015</b>
Interest and dividends	\$ 107,295	119,204
Net realized and unrealized gains (losses)	284,929	(170,932)
	392,224	(51,728)
Less: investment management fees	28,496	32,055
Net investment return	363,728	(83,783)
Investment return designated for current operations	78,799	87,149
Investment return deficient to cover amounts designated for current operations	\$ 284,929	(170,932)

The Organization designates a portion of its investment return for current operations based on budgeted cash flow needs, as described in Note 10.

**(3) Property and Equipment**

Property and equipment at December 31, 2016 and 2015 consists of the following:

	<b>2016</b>	<b>2015</b>
Land	\$ 338,062	338,062
Buildings and improvements	6,274,261	3,402,348
Construction in progress	-	807,329
Shelter equipment	736,024	384,467
Furniture and equipment	69,134	49,894
Transportation equipment	157,377	139,428
	7,574,858	5,121,528
Less: accumulated depreciation	2,210,606	1,992,521
	\$ 5,364,252	3,129,007

Depreciation expense for the years ended December 31, 2016 and 2015 was \$218,085 and \$174,140, respectively.

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Notes to Financial Statements (Unaudited) - Continued**

**(4) Contributions Receivable**

Contributions receivable at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Bequests and trust	\$ 1,250,000	72,000
Pledges	14,167	932
Total contributions receivable	<u>\$ 1,264,167</u>	<u>72,932</u>
Amounts due in:		
Less than one year	\$ 1,260,833	72,932
One to five years	3,334	-
	<u>\$ 1,264,167</u>	<u>72,932</u>

**(5) Temporary and Permanent Restrictions on Net Assets**

Temporarily restricted net assets as of December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Bequests	\$ 1,250,000	72,000
Capital contributions	-	97,059
Charitable gift annuities	604,616	586,328
	<u>\$ 1,854,616</u>	<u>755,387</u>

Permanently restricted net assets include the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
General endowment	\$ 153,466	153,466
Feline endowment	92,017	92,017
Education program endowment	150,000	150,000
Summer camp endowment	100,000	100,000
Behavior program endowment	100,000	100,000
Spay/neuter and crisis care endowment	250,000	250,000
	<u>\$ 845,483</u>	<u>845,483</u>

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Notes to Financial Statements (Unaudited) - Continued**

**(6) Long-Term Debt**

The Society's long-term debt consists of the following notes payable at December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
4.75% construction note payable to a commercial bank, due in monthly installments of interest only through the construction period ending February 2017; monthly installments of principal and interest due thereafter through February 2020 (the "Change Date") based on a 25 year amortization. On the Change Date, the interest rate on the loan will change to a variable rate equal to the greater of 4.75% or the weekly average Five-Year Treasury Constant Maturities Rate plus 3.5%. Monthly installments of principal and interest will be due through January 2025, with a final balloon payment due February 2025; secured by real property and \$677,750 of investment securities.	\$ 2,710,094	974,090
6.4% note payable to a financing company, payable in six monthly installments of \$99, including interest, from June 2016 through November 2016, then monthly installments of \$153, including interest, through November 2020; secured by software.	<u>6,195</u>	<u>6,618</u>
Total long-term debt	2,716,289	980,708
Less unamortized debt issuance costs	<u>29,715</u>	<u>33,356</u>
Long-term debt, less unamortized debt issuance costs	2,686,574	947,352
Less current installments	<u>49,445</u>	<u>306</u>
Long-term debt, excluding current installments	<u>\$ 2,637,129</u>	<u>947,046</u>

The Organization may draw up to \$2,711,000 under the construction loan through February 2017. At December 31, 2016, the additional lending capacity under this loan was \$906.

For the year ended December 31, 2016, total interest cost capitalized was \$54,813, total interest cost charged to operations was \$33,472 and total interest cost incurred was \$88,285. For the year ended December 31, 2015, \$38,090 of total interest cost incurred was fully capitalized.



**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Notes to Financial Statements (Unaudited) - Continued**

**(6) Long-Term Debt - Continued**

Aggregate maturities of long-term debt as of December 31, 2016 for the next five years and thereafter are as follows:

<u>Year Ending December 31,</u>		
2017	\$	49,445
2018		61,403
2019		64,453
2020		67,199
2021		69,109
Thereafter		<u>2,404,680</u>
	\$	<u><u>2,716,289</u></u>

**(7) Leases**

The Society leases certain office equipment under noncancellable operating leases and medical equipment under a capital lease which expire over the next six years. Rental expense on operating leases was approximately \$14,000 and \$11,000 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments under noncancellable operating leases (with initial or remaining lease terms in excess of one year) and the present value of future minimum capital lease payments at December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	<u>Capital Lease</u>	<u>Operating Lease</u>	<u>Total</u>
2017	\$ 8,385	11,731	20,116
2018	8,385	10,375	18,760
2019	8,385	9,584	17,969
2020	8,385	5,628	14,013
2021	8,385	2,909	11,294
Thereafter	<u>5,588</u>	<u>-</u>	<u>5,588</u>
	47,513	<u>40,227</u>	<u>87,740</u>
Less amount representing interest	<u>6,490</u>		
Present value of capital lease payments	41,023		
Less current installments under capital lease obligation	<u>6,384</u>		
Capital lease obligation, less current installments	<u>\$ 34,639</u>		

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Notes to Financial Statements (Unaudited) - Continued**

**(8) Retirement Plan**

In 1994, the Society established a 403(b) retirement plan for eligible employees. Under this plan, the Society matches 25% of employee contributions to a maximum combined contribution of 25% of each participant's current year compensation. For the years ended December 31, 2016 and 2015, the Society made matching contributions of \$9,598 and \$8,378, respectively.

**(9) Concentration of Credit Risk**

The Society maintains its cash balances with a large regional financial institution. At December 31, 2016, total cash balances exceeded federal insurance limits by approximately \$322,000.

**(10) Endowments**

The Society's endowments consist of several individual funds established for a variety of purposes. The Society's total endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with the State of Florida *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) and ASC Topic 958-205-45-28, *Classification of Donor Restricted Endowment Funds Subject to UPMIFA*, the Society classifies investment earnings on endowments as a component of temporarily restricted net assets if not appropriated for expenditure in the period earned. Once investment earnings are appropriated for expenditure, the Society reclassifies the amount appropriated as a component of unrestricted net assets.

The Board of Directors has interpreted Florida UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable and classified as temporarily restricted net assets until appropriated for expenditure.

*Investment Return Objectives, Risk Parameters, and Strategies.* The Society has adopted investment policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The policies stipulate that the endowment investments should be managed as a long-term goal designed to maximize the returns without exposure to undue risk. Whereas it is understood that fluctuating rates of return are characteristic of the securities markets, the greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns.

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Notes to Financial Statements (Unaudited) - Continued**

**(10) Endowments - Continued**

*Spending Policy.* The Society has a policy of appropriating for distribution each year the amount of the Society's current operating cash flow deficit. The Society's endowment funds contain certain temporarily restricted net assets that are not subject to general spending policies.

Endowment net asset composition by type of fund as of December 31, 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
December 31, 2016:				
Board-designated endowment funds	\$ 2,939,807	-	-	2,939,807
Donor-restricted endowment funds	-	604,616	845,483	1,450,099
	<u>\$ 2,939,807</u>	<u>604,616</u>	<u>845,483</u>	<u>4,389,906</u>
December 31, 2015:				
Board-designated endowment funds	\$ 2,714,504	-	-	2,714,504
Donor-restricted endowment funds	-	586,328	845,483	1,431,811
	<u>\$ 2,714,504</u>	<u>586,328</u>	<u>845,483</u>	<u>4,146,315</u>

Changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Balance at December 31, 2014	\$ 3,989,858	541,490	845,483	5,376,831
Contributions	-	44,838	-	44,838
Investment income	70,877	18,329	-	89,206
Net depreciation	(143,132)	(27,799)	-	(170,931)
Reclassifications	(101,853)	101,853	-	-
Withdrawals	(1,101,246)	(92,383)	-	(1,193,629)
Balance at December 31, 2015	\$ 2,714,504	586,328	845,483	4,146,315
Contributions	-	46,204	-	46,204
Investment income	45,413	18,741	-	64,154
Net appreciation	165,233	66,409	-	231,642
Reclassifications	14,657	(14,657)	-	-
Withdrawals	-	(98,409)	-	(98,409)
Balance at December 31, 2016	<u>\$ 2,939,807</u>	<u>604,616</u>	<u>845,483</u>	<u>4,389,906</u>

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Notes to Financial Statements (Unaudited) - Continued**

**(11) Split-Interest Gifts**

During the years ended December 31, 2016 and 2015, the Society received \$80,000 and \$75,000, respectively, under its charitable gift annuity program. As required by the State of Florida these amounts are segregated from other assets of the Society in separate investment accounts. In connection with these gifts, the Society records a liability representing the estimated present value of the future payments required under the gift annuity contract over the remainder of the donor's life expectancy using discount rates ranging from approximately 1% to 7%. The difference between the total amount of the gift and the estimated liability is considered to be a temporarily restricted contribution. Contributions totaling \$46,204 and \$44,838 were recorded during the years ended December 31, 2016 and 2015, respectively.

**(12) Funds Held by Community Foundations**

In 1999, the Society established accounts at the Community Foundation of Tampa Bay and Pinellas County Community Foundation (Foundations) with payments of \$10,000 each. These amounts are included in the accompanying statements of financial position as the Society's beneficial interest in assets held by others as of December 31, 2016 and 2015. Earnings on these funds are distributed on a periodic basis to the Society. Each Foundation has been granted variance power over the earnings on these funds which provides each Foundation with the unilateral power to redirect the funds to other beneficiaries. Because the Foundations have been granted variance power, funds contributed by donors to the Foundations on behalf of the Society are not considered to be an asset.

**(13) In-Kind Support**

For the years ended December 31, 2016 and 2015, in-kind support included the following:

	<u>2016</u>	<u>2015</u>
Pet food, medical, kennel and shelter supplies	\$ 34,538	18,554
Development items	<u>6,610</u>	<u>16,342</u>
	<u>\$ 41,148</u>	<u>34,896</u>

For the years ended December 31, 2016 and 2015, total additional in-kind support and donated materials included in special event revenues and expenses was \$54,310 and \$3,194, respectively.

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Notes to Financial Statements (Unaudited) - Continued**

**(14) Fair Value Measurements**

Financial instruments measured at fair value are classified and disclosed in the following categories:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are money market mutual funds, common stock, and equity mutual funds.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The Society's investments in corporate bonds and its certificate of deposit are included in Level 2.

Level 3: Valuation is based on unobservable inputs.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Fair value of assets measured on a recurring basis at December 31, 2016 is as follows:

	<b>Fair Value as of 12/31/2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market funds	\$ 628,747	628,747	-	-
Certificate of deposit	5,000	-	5,000	-
Corporate bonds	1,568,633	-	1,568,633	-
Common stock:				
Balanced	1,613	1,613	-	-
Consumer discretionary	158,743	158,743	-	-
Consumer staples	169,051	169,051	-	-
Energy	109,176	109,176	-	-
Financials	274,416	274,416	-	-
Healthcare	215,954	215,954	-	-
Industrials	222,436	222,436	-	-
Information technology	257,306	257,306	-	-
Materials	101,719	101,719	-	-
Telecommunication services	120,063	120,063	-	-
Utilities	104,043	104,043	-	-
Mutual funds:				
Mid cap	409,589	409,589	-	-
Small cap	414,663	414,663	-	-
	<u>\$ 4,761,152</u>	<u>3,187,519</u>	<u>1,573,633</u>	<u>-</u>

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
TAMPA BAY, FLORIDA, INC.**

**Notes to Financial Statements (Unaudited) - Continued**

**(14) Fair Value Measurements - Continued**

Fair value of assets measured on a recurring basis at December 31, 2015 is as follows:

	<u>Fair Value as of 12/31/2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 515,467	515,467	-	-
Certificate of deposit	5,000	-	5,000	-
Corporate bonds	1,589,038	-	1,589,038	-
Common stock:				
Consumer discretionary	104,451	104,451	-	-
Consumer staples	266,184	266,184	-	-
Energy	85,881	85,881	-	-
Financials	268,302	268,302	-	-
Healthcare	234,991	234,991	-	-
Industrials	290,141	290,141	-	-
Information technology	186,867	186,867	-	-
Materials	-	-	-	-
Telecommunication services	97,823	97,823	-	-
Utilities	98,487	98,487	-	-
Mutual funds:				
Mid cap	322,763	322,763	-	-
Small cap	318,151	318,151	-	-
	<u>\$ 4,383,546</u>	<u>2,789,508</u>	<u>1,594,038</u>	<u>-</u>

**(15) Commitments**

The Society has employment agreements with two key employees which expire in 2018 and 2019. For each employee, the agreement establishes a base salary, provisions for salary increases and for earning an incentive bonus and other benefits. The agreements may be terminated with or without cause by either party, which could result in separation payments not to exceed six months of base salary under certain circumstances, as defined by the agreements.

**(16) Settlement Award**

In November 2016, the Organization was awarded a settlement related to an economic claim, in the amount of \$341,670, net of claims expenses totaling \$60,868. The settlement was received in January 2017.

**(17) Subsequent Events**

The Society has evaluated subsequent events through March 21, 2017, the date the financial statements were available for issuance.