

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

**Financial Statements  
(Unaudited)**

**December 31, 2017 and 2016  
(With Independent Accountant's Review Report Thereon)**

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

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## **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, 2017 and 2016 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 organization 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 20, 2018  
Tampa, Florida

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

**Statements of Financial Position**

**December 31, 2017 and 2016  
(Unaudited)**

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Current assets:		
Cash and cash equivalents (Note 9)	\$ 528,883	572,745
Accounts receivable:		
Contributions (Note 4)	119,624	1,264,167
Settlement receivable (Note 16)	-	341,670
Other	22,119	39,744
Inventories	68,007	78,719
Prepaid expenses	119,330	55,527
	<hr/>	<hr/>
Total current assets	857,963	2,352,572
Investments (Notes 2, 6, and 14)	5,765,989	4,761,152
Receivable under remainder trust (Note 11)	99,355	-
Beneficial interest in assets held by others (Note 12)	20,000	20,000
Property and equipment, net (Note 3)	5,112,187	5,364,252
Other assets	6,590	6,590
	<hr/>	<hr/>
	\$ 11,862,084	12,504,566
	<hr/>	<hr/>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 117,565	168,605
Accrued expenses	95,583	99,318
Current installments of capital lease obligations (Note 7)	10,343	6,384
Current installments of long-term debt (Note 6)	61,315	49,445
Current portion of annuity obligation (Note 11)	54,305	45,610
	<hr/>	<hr/>
Total current liabilities	339,111	369,362
Capital lease obligations, less current installments (Note 7)	46,112	34,639
Long-term debt, less current installments (Note 6)	2,579,889	2,637,129
Annuity obligation, excluding current portion (Note 11)	431,863	519,801
	<hr/>	<hr/>
Total liabilities	3,396,975	3,560,931
Net assets:		
Unrestricted:		
Undesignated	1,096,844	581,547
Net investment in property and equipment	2,414,528	2,636,655
Board designated for facility enhancement	62,469	85,527
Board designated endowments (Note 10)	3,178,102	2,939,807
	<hr/>	<hr/>
	6,751,943	6,243,536
Temporarily restricted (Note 5)	867,683	1,854,616
Permanently restricted for endowment (Notes 5 and 10)	845,483	845,483
	<hr/>	<hr/>
Total net assets	8,465,109	8,943,635
Commitments and contingencies (Notes 7 and 15)		
	<hr/>	<hr/>
	\$ 11,862,084	12,504,566
	<hr/>	<hr/>

**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, 2017 and 2016  
(Unaudited)**

	<b>2017</b>	<b>2016</b>
Operating support and revenue:		
Public support:		
Special events (Note 13)	\$ 168,674	176,577
Less special events costs (Note 13)	(60,635)	(94,728)
	108,039	81,849
Contributions and grants	897,387	891,404
Bequests and trusts	1,834,860	3,256,226
In-kind support (Note 13)	29,946	41,148
	2,870,232	4,270,627
Revenue:		
Program service fees from:		
Veterinary services	1,356,832	277,608
Adoption, intake and other fees	457,322	423,008
Investment return designated for current operations (Note 2)	93,141	78,799
Sales of pet supplies and urns, net	27,203	27,268
Other income	494	2,079
	1,934,992	808,762
Net assets released from restrictions:		
Expiration of time restrictions - bequests, trusts and annuities	1,255,078	99,916
Total operating support and revenue	6,060,302	5,179,305
Operating expenses:		
Program services	4,694,547	3,609,931
Supporting services	1,186,950	1,052,078
Total operating expenses	5,881,497	4,662,009
Increase in unrestricted net assets from operations	178,805	517,296
Other changes:		
Investment return in excess of amounts designated for current operations (Note 2)	321,753	284,929
Change in value of split-interest agreements	9,546	(53,434)
Contributions designated for long-term purposes	-	109,974
Donated vehicle	-	17,949
Settlement award (Note 16)	-	341,670
Loss on disposal of equipment	(1,697)	-
Net assets released from restrictions:		
Satisfaction of capital expenditure restrictions	-	97,059
Increase in unrestricted net assets	\$ 508,407	1,315,443

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

**Statements of Changes in Net Assets**

**For the Years Ended December 31, 2017 and 2016  
(Unaudited)**

	<u>2017</u>	<u>2016</u>
Unrestricted net assets:		
Total operating support and revenue (excluding net assets released from restrictions)	\$ 4,805,224	5,079,389
Total operating expenses	(5,881,497)	(4,662,009)
Investment return in excess of amounts designated for current operations (Note 2)	321,753	284,929
Change in the value of split-interest agreements	9,546	(53,434)
Contributions designated for long-term purposes	-	109,974
Donated vehicle	-	17,949
Settlement award (Note 16)	-	341,670
Loss on disposal of equipment	(1,697)	-
Net assets released from restrictions	<u>1,255,078</u>	<u>196,975</u>
Increase in unrestricted net assets	508,407	1,315,443
Temporarily restricted net assets:		
Contributions	102,355	-
Bequests and trusts	113,790	1,250,000
Charitable gift annuity contributions (Note 11)	52,000	46,204
Net assets released from restrictions	<u>(1,255,078)</u>	<u>(196,975)</u>
Increase (decrease) in temporarily restricted net assets	<u>(986,933)</u>	<u>1,099,229</u>
Increase (decrease) in net assets	(478,526)	2,414,672
Net assets at beginning of year	<u>8,943,635</u>	<u>6,528,963</u>
Net assets at end of year	<u>\$ 8,465,109</u>	<u>8,943,635</u>

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

**Statement of Functional Expenses**

**For the Year Ended December 31, 2017  
(With Comparative Information for 2016)  
(Unaudited)**

	Program Services			Supporting Services			Total	
	Veterinary Services	Shelter and Other Programs	Total	Management and General	Development	Total	2017	2016
Salaries and wages	\$ 873,273	1,418,721	2,291,994	137,548	340,541	478,089	2,770,083	2,275,879
Payroll taxes	68,574	111,727	180,301	10,892	26,202	37,094	217,395	180,622
Employee benefits	63,441	166,156	229,597	28,139	21,028	49,167	278,764	237,634
	1,005,288	1,696,604	2,701,892	176,579	387,771	564,350	3,266,242	2,694,135
Professional fees and contract services	116,939	236,050	352,989	144,673	69,556	214,229	567,218	486,751
Office supplies	8,872	13,975	22,847	10,518	12,626	23,144	45,991	38,652
Kennel food and supplies	4,551	56,872	61,423	-	-	-	61,423	81,044
Clinic medicine and supplies	395,202	154,855	550,057	-	-	-	550,057	288,755
Communications	9,780	22,196	31,976	2,328	4,132	6,460	38,436	33,281
Advertising	41,277	41,229	82,506	-	2,262	2,262	84,768	104,893
Postage and shipping	379	707	1,086	859	210,247	211,106	212,192	156,250
Building repairs and maintenance	11,400	55,746	67,146	6,279	7,334	13,613	80,759	90,152
Utilities	30,520	59,272	89,792	6,517	7,642	14,159	103,951	87,623
Insurance	20,483	55,531	76,014	6,473	8,145	14,618	90,632	115,485
Equipment rental and maintenance	26,833	29,373	56,206	1,582	2,443	4,025	60,231	29,573
Printing and publications	-	17,786	17,786	319	16,162	16,481	34,267	40,278
Automotive	320	14,518	14,838	1,280	2,974	4,254	19,092	18,026
Conferences, conventions and meetings	5,780	12,141	17,921	9,045	12,229	21,274	39,195	43,825
Interest expense (Note 6)	132,888	-	132,888	-	-	-	132,888	33,472
Bad debt	32,943	-	32,943	-	-	-	32,943	-
Other	37,615	10,911	48,526	4,012	25,052	29,064	77,590	56,940
In-kind expense (Note 13)	1,000	22,566	23,566	-	6,380	6,380	29,946	41,148
	1,882,070	2,500,332	4,382,402	370,464	774,955	1,145,419	5,527,821	4,440,283
Total expenses before depreciation and amortization								
Depreciation and amortization	147,566	164,579	312,145	19,168	22,363	41,531	353,676	221,726
Total expenses - 2017	\$ 2,029,636	2,664,911	4,694,547	389,632	797,318	1,186,950	5,881,497	
Total expenses - 2016	\$ 719,017	2,890,914	3,609,931	298,275	753,803	1,052,078		4,662,009

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, 2016  
(Unaudited)**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Veterinary Services</u>	<u>Shelter and Other Programs</u>	<u>Total</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>	
Salaries and wages	\$ 252,853	1,604,197	1,857,050	86,521	332,308	418,829	2,275,879
Payroll taxes	20,849	126,313	147,162	7,798	25,662	33,460	180,622
Employee benefits	11,414	175,316	186,730	28,338	22,566	50,904	237,634
	<u>285,116</u>	<u>1,905,826</u>	<u>2,190,942</u>	<u>122,657</u>	<u>380,536</u>	<u>503,193</u>	<u>2,694,135</u>
Professional fees and contract services	93,373	236,203	329,576	95,347	61,828	157,175	486,751
Office supplies	5,571	3,997	9,568	22,517	6,567	29,084	38,652
Kennel food and supplies	2,765	78,279	81,044	-	-	-	81,044
Clinic medicine and supplies	112,730	176,025	288,755	-	-	-	288,755
Communications	4,478	22,264	26,742	2,160	4,379	6,539	33,281
Advertising	61,054	42,023	103,077	-	1,816	1,816	104,893
Postage and shipping	4,593	681	5,274	649	150,327	150,976	156,250
Building repairs and maintenance	10,657	54,465	65,122	5,100	19,930	25,030	90,152
Utilities	13,496	60,899	74,395	5,512	7,716	13,228	87,623
Insurance	36,898	64,060	100,958	6,054	8,473	14,527	115,485
Equipment rental and maintenance	5,892	16,108	22,000	3,665	3,908	7,573	29,573
Printing and publications	762	14,466	15,228	721	24,329	25,050	40,278
Automotive	22	14,489	14,511	1,292	2,223	3,515	18,026
Conferences, conventions and meetings	938	3,749	4,687	13,721	25,417	39,138	43,825
Interest expense (Note 6)	33,472	-	33,472	-	-	-	33,472
Other	10,254	12,254	22,508	4,649	29,783	34,432	56,940
In-kind expense (Note 13)	43	34,495	34,538	-	6,610	6,610	41,148
	<u>682,114</u>	<u>2,740,283</u>	<u>3,422,397</u>	<u>284,044</u>	<u>733,842</u>	<u>1,017,886</u>	<u>4,440,283</u>
Total expenses before depreciation and amortization							
Depreciation and amortization	<u>36,903</u>	<u>150,631</u>	<u>187,534</u>	<u>14,231</u>	<u>19,961</u>	<u>34,192</u>	<u>221,726</u>
Total expenses	<u>\$ 719,017</u>	<u>2,890,914</u>	<u>3,609,931</u>	<u>298,275</u>	<u>753,803</u>	<u>1,052,078</u>	<u>4,662,009</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, 2017 and 2016  
(Unaudited)**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (478,526)	2,414,672
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	353,676	221,726
Loss on disposal of equipment	1,697	-
Net realized and unrealized gains on investments	(321,753)	(284,929)
Change in values of split-interest agreements	(9,546)	53,434
Contributions restricted under charitable gift annuity agreements	(52,000)	(46,204)
Contributions designated for long-term purposes	-	(109,974)
Noncash contribution under charitable remainder trust	(99,355)	-
Noncash stock donation	-	(6,733)
Noncash vehicle donation	-	(17,949)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	1,503,838	(1,562,680)
Decrease (increase) in inventories	10,712	(53,675)
Decrease (increase) in prepaid expenses and other assets	(63,803)	8,239
Increase (decrease) in accounts payable	(51,040)	94,145
Increase (decrease) in accrued expenses	(3,735)	39,338
Net cash provided by operating activities	<u>790,165</u>	<u>749,410</u>
Cash flows from investing activities:		
Property and equipment purchases	(75,544)	(2,392,303)
Purchases of investments	(1,992,732)	(989,196)
Proceeds from the sale of investments	<u>1,309,648</u>	<u>903,252</u>
Net cash used in investing activities	<u>(758,628)</u>	<u>(2,478,247)</u>
Cash flows from financing activities:		
Proceeds received from issuance of long-term debt	-	1,736,004
Principal payments on capital lease obligation	(8,685)	(2,055)
Principal payments on long-term debt	(49,017)	(423)
Proceeds received from contributions restricted for:		
Charitable gift annuity agreements	85,000	80,000
Long-term purposes	-	109,974
Payments to annuitants	<u>(102,697)</u>	<u>(98,049)</u>
Net cash provided by (used in) financing activities	<u>(75,399)</u>	<u>1,825,451</u>
Net increase (decrease) in cash and cash equivalents	<u>(43,862)</u>	<u>96,614</u>
Cash and cash equivalents at beginning of year	<u>572,745</u>	<u>476,131</u>
Cash and cash equivalents at end of year	<u>\$ 528,883</u>	<u>572,745</u>
Supplemental disclosure of cash flow information:		
Equipment financed with capital lease	<u>\$ 24,117</u>	<u>43,078</u>
Cash paid during the year for interest	<u>\$ 132,888</u>	<u>88,285</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.**

**Notes to Financial Statements  
(Unaudited)**

**December 31, 2017 and 2016**

**(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 "Society"), 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 accordance with Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), the Organization classifies debt issuance costs related to debt in the accompanying statement of financial position as a direct deduction from the face amount of that debt.

**(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.

**(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.

**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**

**(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, 2013 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 Topic 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).

**(p) Reclassifications**

Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation.

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

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

**(2) Investments**

At December 31, 2017 and 2016, the cost and market values of investments were as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market funds	\$ 442,097	442,097	578,580	578,580
Certificate of deposit	5,000	5,000	5,000	5,000
Common stock	1,411,519	1,623,586	1,118,624	1,253,197
Corporate bonds	1,519,963	1,517,611	1,057,274	1,061,362
Mutual funds - equities	791,136	971,085	623,967	705,441
	<u>4,169,715</u>	<u>4,559,379</u>	<u>3,383,445</u>	<u>3,603,580</u>
Gift annuities:				
Money market funds	76,987	76,987	50,167	50,167
Common stock	404,848	487,463	418,866	481,323
Corporate bonds	505,174	505,911	505,267	507,271
Mutual funds - equities	100,165	136,249	98,007	118,811
	<u>1,087,174</u>	<u>1,206,610</u>	<u>1,072,307</u>	<u>1,157,572</u>
	<u>\$ 5,256,889</u>	<u>5,765,989</u>	<u>4,455,752</u>	<u>4,761,152</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.

Investment return for the years ended December 31, 2017 and 2016 includes the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 126,881	107,295
Net realized and unrealized gains	<u>321,753</u>	<u>284,929</u>
	448,634	392,224
Less: investment management fees	<u>33,740</u>	<u>28,496</u>
Net investment return	414,894	363,728
Investment return designated for current operations	<u>93,141</u>	<u>78,799</u>
Investment return in excess of amounts designated for current operations	<u>\$ 321,753</u>	<u>284,929</u>

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

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
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**Notes to Financial Statements (Unaudited) - Continued**

**(3) Property and Equipment**

Property and equipment at December 31, 2017 and 2016 consists of the following:

	<b>2017</b>	<b>2016</b>
Land	\$ 338,062	338,062
Buildings and improvements	6,280,996	6,274,261
Shelter equipment	791,472	736,024
Furniture and equipment	70,353	69,134
Transportation equipment	187,377	157,377
	7,668,260	7,574,858
Less: accumulated depreciation	2,556,073	2,210,606
	\$ 5,112,187	5,364,252

Depreciation expense for the years ended December 31, 2017 and 2016 was \$350,029 and \$218,085, respectively.

**(4) Contributions Receivable**

Contributions receivable at December 31, 2017 and 2016 consist of the following:

	<b>2017</b>	<b>2016</b>
Bequests and trust	\$ 113,790	1,250,000
Pledges	5,834	14,167
Total contributions receivable	\$ 119,624	1,264,167
Amounts due in:		
Less than one year	\$ 119,624	1,260,833
One to five years	-	3,334
	\$ 119,624	1,264,167

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

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

Temporarily restricted net assets as of December 31, 2017 and 2016 consist of the following:

	<b>2017</b>	<b>2016</b>
Bequests	\$ 113,790	1,250,000
Charitable remainder trust	99,355	-
Fence repair	3,000	-
Charitable gift annuities	651,538	604,616
	\$ 867,683	1,854,616

Permanently restricted net assets include the following at December 31, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
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
	\$ 845,483	845,483

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**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, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
<p>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 at 4.75% 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 be changed 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.</p>	\$ 2,662,673	2,710,094
<p>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.</p>	4,599	6,195
Total long-term debt	2,667,272	2,716,289
Less: unamortized debt issuance costs	26,068	29,715
Long-term debt, less unamortized debt issuance costs	2,641,204	2,686,574
Less: current installments	61,315	49,445
Long-term debt, excluding current installments	\$ 2,579,889	2,637,129

For the year ended December 31, 2017, total interest expense was \$132,888. 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.



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

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

Aggregate maturities of long-term debt as of December 31, 2017 for the next five years and thereafter are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 61,315
2019	64,410
2020	67,000
2021	69,109
2022	72,512
Thereafter	<u>2,332,926</u>
	<u>\$ 2,667,272</u>

**(7) Leases**

The Society leases certain office space and equipment under noncancellable operating leases and medical equipment under capital leases which expire over the next six years. Rental expense on operating leases was approximately \$26,000 and \$14,000 for the years ended December 31, 2017 and 2016, respectively.

At December 31, 2017, the gross amount of equipment and related accumulated amortization recorded under capital leases was \$67,195 and \$12,851, respectively. At December 31, 2016, the gross amount of equipment and related accumulated amortization recorded under capital leases was \$43,078 and \$2,992, respectively.

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
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**Notes to Financial Statements (Unaudited) - Continued**

**(7) Leases - Continued**

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, 2017 are as follows:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2018	\$ 13,120	11,875	24,995
2019	13,120	9,584	22,704
2020	13,120	5,628	18,748
2021	13,120	2,909	16,029
2022	10,325	-	10,325
Thereafter	1,576	-	1,576
	<u>64,381</u>	<u>29,996</u>	<u>94,377</u>
Less: amount representing interest	<u>7,926</u>		
Present value of capital lease payments	56,455		
Less: current installments under capital lease obligation	<u>10,343</u>		
Capital lease obligation, less current installments	<u>\$ 46,112</u>		

**(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 up to \$1,500. For the years ended December 31, 2017 and 2016, the Society made matching contributions of \$10,965 and \$9,598, respectively.

**(9) Concentration of Credit Risk**

The Society maintains its cash balances with a large regional financial institution. At December 31, 2017, total cash balances exceeded federal insurance limits by approximately \$279,000.

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

**(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.

*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.

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

**(10) Endowments - Continued**

Endowment net asset composition by type of fund as of December 31, 2017 and 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
December 31, 2017:				
Board-designated endowment funds	\$ 3,178,102	-	-	3,178,102
Donor-restricted endowment funds	-	651,538	845,483	1,497,021
	<u>\$ 3,178,102</u>	<u>651,538</u>	<u>845,483</u>	<u>4,675,123</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>

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
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	2,939,807	604,616	845,483	4,389,906
Contributions	15,550	52,000	-	67,550
Investment income	51,039	19,974	-	71,013
Net appreciation	187,256	62,095	-	249,351
Reclassifications	(15,550)	15,550	-	-
Withdrawals	-	(102,697)	-	(102,697)
Balance at December 31, 2017	<u>\$ 3,178,102</u>	<u>651,538</u>	<u>845,483</u>	<u>4,675,123</u>

**SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS,  
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**Notes to Financial Statements (Unaudited) - Continued**

**(11) Split-Interest Gifts**

*Charitable Gift Annuities*

The Organization is certified by the State of Florida to market and manage charitable gift annuity contracts. Under these contracts, a donor transfers assets to the Organization at the beginning of the contract and the Organization makes predetermined periodic payments to the donor or their named beneficiary over their lifetime. Upon the donors' death, the remaining assets are available for the Organization's use. 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. During the years ended December 31, 2017 and 2016, the Society received \$85,000 and \$80,000, respectively, under its charitable gift annuity program. Contributions totaling \$52,000 and \$46,204 were recorded during the years ended December 31, 2017 and 2016, respectively.

*Receivable under Remainder Trust*

The Organization has been named a remainder beneficiary under a charitable remainder unitrust agreement. The trust provides for the payment of quarterly distributions to two donors over their lifetimes equal to 7% of the fair value of the trust assets as of the beginning of each year. Upon the death of the two beneficiaries, the remaining assets will be distributed to the Organization for its use. The receivable under remainder trust is reported at estimated fair value.

**(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, 2017 and 2016. 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.

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

**(13) In-Kind Support**

For the years ended December 31, 2017 and 2016, in-kind support included the following:

	<u>2017</u>	<u>2016</u>
Pet food, medical, kennel and shelter supplies	\$ 23,566	34,538
Development items	6,380	6,610
	<u>\$ 29,946</u>	<u>41,148</u>

For the years ended December 31, 2017 and 2016, total additional in-kind support and donated materials included in special event revenues and expenses was \$27,380 and \$54,310, respectively.

**(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 Society's receivable under a charitable remainder trust is included in Level 3.

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.

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

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

Fair value of assets measured on a recurring basis at December 31, 2017 and 2016 are as follows:

	<b>Fair Value as of 12/31/2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market funds	\$ 519,084	519,084	-	-
Certificate of deposit	5,000	-	5,000	-
Corporate bonds	2,023,522	-	2,023,522	-
Common stock:				
Consumer discretionary	168,744	168,744	-	-
Consumer staples	150,945	150,945	-	-
Energy	145,673	145,673	-	-
Financials	360,366	360,366	-	-
Healthcare	391,983	391,983	-	-
Industrials	260,627	260,627	-	-
Information technology	364,410	364,410	-	-
Materials	65,632	65,632	-	-
Telecommunication services	83,981	83,981	-	-
Utilities	118,688	118,688	-	-
Mutual funds:				
Mid cap	554,666	554,666	-	-
Small cap	552,668	552,668	-	-
	<u>5,765,989</u>	<u>3,737,467</u>	<u>2,028,522</u>	<u>-</u>
Receivable under remainder trust	99,355	-	-	99,355
	<u>\$ 5,865,344</u>	<u>3,737,467</u>	<u>2,028,522</u>	<u>99,355</u>
	<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>

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

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

The following table sets forth a summary of the change in the fair value of assets measured using significant unobservable inputs (Level 3) for the year ended December 31, 2017:

Balance at December 31, 2016	\$	-
Contribution		<u>99,355</u>
Balance at December 31, 2017	\$	<u><u>99,355</u></u>

***Qualitative Information About Significant Unobservable Inputs Used in Level 3 Fair Value Measurements***

The Organization utilizes a discounted cash flow method to estimate the fair value of the receivable under remainder trust. At December 31, 2017, significant unobservable inputs include using a discount rate of 2.6% and estimated life expectancies of income beneficiaries ranging from 17 to 18 years.

**(15) Commitments and Contingencies**

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.

The Organization is involved in various legal actions arising during the ordinary course of its operations. The potential loss under these claims, if any, is not determinable at this time. Management believes any potential loss would be expected to fall within the Organization's insurance policy limits. The only anticipated financial exposure would be payment of the insurance policy deductible, a nominal amount. In the opinion of management, no material liability exists with respect to these claims.

**(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 20, 2018, the date the financial statements were available for issuance.