

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

**Financial Statements
(Unaudited)**

**December 31, 2018 and 2017
(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 the Society for the Prevention of Cruelty to Animals, Tampa Bay, Florida, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of support and revenue, expenses, and other changes in net assets without donor restrictions, 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, 2019
Tampa, Florida

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

Statements of Financial Position

**December 31, 2018 and 2017
(Unaudited)**

Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 531,463	528,883
Accounts receivable:		
Contributions	289,807	119,624
Other	21,781	22,119
Inventories	69,216	68,007
Prepaid expenses	69,474	119,330
	981,741	857,963
Investments	7,057,932	5,765,989
Contributions receivable, less current portion	35,994	-
Receivable under remainder trust	92,765	99,355
Beneficial interest in assets held by others	20,000	20,000
Property and equipment, net	4,841,895	5,112,187
Other assets	9,550	6,590
	\$ 13,039,877	11,862,084
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 130,212	117,565
Accrued expenses	245,554	93,873
Deferred revenue	50,000	1,710
Current installments of capital lease obligations	10,910	10,343
Current installments of long-term debt	64,361	61,315
Current portion of annuity obligation	26,490	54,305
	527,527	339,111
Capital lease obligations, less current installments	35,202	46,112
Long-term debt, less current installments	2,519,167	2,579,889
Annuity obligation, excluding current portion	141,358	431,863
	3,223,254	3,396,975
Net assets:		
Without donor restrictions:		
Undesignated	776,571	1,096,844
Net investment in property and equipment	2,212,255	2,414,528
Board designated for facility enhancement	70,014	62,469
Board designated endowments	5,289,109	3,178,102
	8,347,949	6,751,943
With donor restrictions	1,468,674	1,713,166
	9,816,623	8,465,109
	\$ 13,039,877	11,862,084

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 Support and Revenue, Expenses, and Other Changes in Net Assets
Without Donor Restrictions**

**For the Years Ended December 31, 2018 and 2017
(Unaudited)**

	2018	2017
Operating support and revenue:		
Public support:		
Special events	\$ 185,137	168,674
Less: special events costs	(98,120)	(60,635)
	87,017	108,039
Contributions and grants	1,047,127	897,387
Bequests and trusts	3,734,471	1,834,860
In-kind support	65,585	29,946
	4,934,200	2,870,232
Revenue:		
Program service fees from:		
Veterinary services	1,886,885	1,356,832
Adoption, intake and other fees	560,788	457,322
Investment return designated for current operations	114,771	93,141
Sales of pet supplies and urns, net	26,183	27,203
Other income	6,589	494
	2,595,216	1,934,992
Net assets released from restrictions:		
Expiration of time restrictions - bequests, trusts and annuities	656,573	1,255,078
	8,185,989	6,060,302
Operating expenses:		
Program services	5,242,405	4,694,547
Supporting services	1,324,794	1,186,950
	6,567,199	5,881,497
Increase in net assets without donor restrictions from operations	1,618,790	178,805
Other changes:		
Investment return in excess of (deficient to cover) amounts designated for current operations	(333,610)	321,753
Donated equipment	9,807	-
Change in value of split-interest agreements	297,481	9,546
Gain (loss) on disposal of equipment	538	(1,697)
Net assets released from restrictions:		
Satisfaction of capital expenditure restrictions	3,000	-
	1,596,006	508,407
Increase in net assets without donor restrictions	\$ 1,596,006	508,407

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, 2018 and 2017
(Unaudited)**

	2018	2017
Net assets without donor restrictions:		
Total operating support and revenue (excluding net assets released from restrictions)	\$ 7,529,416	4,805,224
Total operating expenses	(6,567,199)	(5,881,497)
Investment return in excess of (deficient to cover) amounts designated for current operations	(333,610)	321,753
Donated equipment	9,807	-
Change in the value of split-interest agreements	297,481	9,546
Gain (loss) on disposal of equipment	538	(1,697)
Net assets released from restrictions	659,573	1,255,078
Increase in net assets without donor restrictions	1,596,006	508,407
Net assets with donor restrictions:		
Contributions and grants	89,794	102,355
Bequests and trusts	278,807	113,790
Charitable gift annuity contributions	53,070	52,000
Change in value of split-interest agreements	(6,590)	-
Net assets released from restrictions	(659,573)	(1,255,078)
Decrease in net assets with donor restrictions	(244,492)	(986,933)
Increase (decrease) in net assets	1,351,514	(478,526)
Net assets at beginning of year	8,465,109	8,943,635
Net assets at end of year	\$ 9,816,623	8,465,109

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

Statement of Functional Expenses

**For the Year Ended December 31, 2018
(With Comparative Information for 2017)
(Unaudited)**

	Program Services			Supporting Services			Total Expenses	
	Veterinary Services	Shelter and Other Programs	Total	Management and General	Development	Total	2018	2017
Salaries and wages	\$ 1,019,865	1,522,182	2,542,047	224,938	335,750	560,688	3,102,735	2,770,083
Payroll taxes	76,628	114,989	191,617	16,022	24,860	40,882	232,499	217,395
Employee benefits	87,769	186,557	274,326	40,798	26,388	67,186	341,512	278,764
	1,184,262	1,823,728	3,007,990	281,758	386,998	668,756	3,676,746	3,266,242
Professional fees and contract services	252,082	246,460	498,542	104,520	116,927	221,447	719,989	567,218
Office supplies	11,204	14,411	25,615	12,877	15,820	28,697	54,312	45,991
Kennel food and supplies	2,069	59,375	61,444	-	221	221	61,665	61,423
Clinic medicine and supplies	427,966	153,640	581,606	-	-	-	581,606	550,057
Communications	10,072	21,839	31,911	4,248	4,869	9,117	41,028	38,436
Advertising	105,906	43,657	149,563	578	986	1,564	151,127	84,768
Postage and shipping	823	595	1,418	770	211,266	212,036	213,454	212,192
Building repairs and maintenance	11,449	67,783	79,232	10,620	9,333	19,953	99,185	80,759
Utilities	30,201	58,864	89,065	8,716	7,627	16,343	105,408	103,951
Insurance	26,854	44,181	71,035	6,930	6,064	12,994	84,029	90,632
Equipment rental and maintenance	8,145	45,942	54,087	1,341	2,531	3,872	57,959	60,231
Printing and publications	-	13,319	13,319	607	21,177	21,784	35,103	34,267
Automotive	843	17,597	18,440	1,214	2,532	3,746	22,186	19,092
Conferences, conventions and meetings	11,098	16,506	27,604	10,989	5,090	16,079	43,683	39,195
Interest expense	129,964	-	129,964	-	-	-	129,964	132,888
Bad debt	428	-	428	-	-	-	428	32,943
Other	46,965	18,748	65,713	8,055	14,652	22,707	88,420	77,590
In-kind expense	230	42,985	43,215	-	22,371	22,371	65,586	29,946
	2,260,561	2,689,630	4,950,191	453,223	828,464	1,281,687	6,231,878	5,527,821
Total expenses before depreciation and amortization								
Depreciation and amortization	151,394	140,820	292,214	22,991	20,116	43,107	335,321	353,676
Total expenses - 2018	\$ 2,411,955	2,830,450	5,242,405	476,214	848,580	1,324,794	6,567,199	
Total expenses - 2017	\$ 2,029,636	2,664,911	4,694,547	389,632	797,318	1,186,950		5,881,497

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, 2017
(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	\$ 873,273	1,418,721	2,291,994	137,548	340,541	478,089	2,770,083
Payroll taxes	68,574	111,727	180,301	10,892	26,202	37,094	217,395
Employee benefits	63,441	166,156	229,597	28,139	21,028	49,167	278,764
	<u>1,005,288</u>	<u>1,696,604</u>	<u>2,701,892</u>	<u>176,579</u>	<u>387,771</u>	<u>564,350</u>	<u>3,266,242</u>
Professional fees and contract services	116,939	236,050	352,989	144,673	69,556	214,229	567,218
Office supplies	8,872	13,975	22,847	10,518	12,626	23,144	45,991
Kennel food and supplies	4,551	56,872	61,423	-	-	-	61,423
Clinic medicine and supplies	395,202	154,855	550,057	-	-	-	550,057
Communications	9,780	22,196	31,976	2,328	4,132	6,460	38,436
Advertising	41,277	41,229	82,506	-	2,262	2,262	84,768
Postage and shipping	379	707	1,086	859	210,247	211,106	212,192
Building repairs and maintenance	11,400	55,746	67,146	6,279	7,334	13,613	80,759
Utilities	30,520	59,272	89,792	6,517	7,642	14,159	103,951
Insurance	20,483	55,531	76,014	6,473	8,145	14,618	90,632
Equipment rental and maintenance	26,833	29,373	56,206	1,582	2,443	4,025	60,231
Printing and publications	-	17,786	17,786	319	16,162	16,481	34,267
Automotive	320	14,518	14,838	1,280	2,974	4,254	19,092
Conferences, conventions and meetings	5,780	12,141	17,921	9,045	12,229	21,274	39,195
Interest expense	132,888	-	132,888	-	-	-	132,888
Bad debt	32,943	-	32,943	-	-	-	32,943
Other	37,615	10,911	48,526	4,012	25,052	29,064	77,590
In-kind expense	1,000	22,566	23,566	-	6,380	6,380	29,946
	<u>1,882,070</u>	<u>2,500,332</u>	<u>4,382,402</u>	<u>370,464</u>	<u>774,955</u>	<u>1,145,419</u>	<u>5,527,821</u>
Total expenses before depreciation and amortization							
Depreciation and amortization	147,566	164,579	312,145	19,168	22,363	41,531	353,676
Total expenses	<u>\$ 2,029,636</u>	<u>2,664,911</u>	<u>4,694,547</u>	<u>389,632</u>	<u>797,318</u>	<u>1,186,950</u>	<u>5,881,497</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, 2018 and 2017
(Unaudited)**

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,351,514	(478,526)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	335,321	353,676
Loss (gain) on disposal of equipment	(538)	1,697
Net realized and unrealized losses (gains) on investments	333,610	(321,753)
Change in values of split-interest agreements	(290,891)	(9,546)
Contributions restricted under charitable gift annuity agreements	(53,070)	(52,000)
Noncash contribution under charitable remainder trust	-	(99,355)
Donated securities	(487,846)	-
Donated equipment	(9,807)	-
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	(205,839)	1,503,838
Decrease (increase) in inventories	(1,209)	10,712
Decrease (increase) in prepaid expenses and other assets	46,896	(63,803)
Increase (decrease) in accounts payable	12,647	(51,040)
Increase (decrease) in accrued expenses	151,681	(5,445)
Increase in deferred revenue	48,290	1,710
	1,230,759	790,165
Net cash provided by operating activities		
Cash flows from investing activities:		
Property and equipment purchases	(52,537)	(75,544)
Proceeds from the sale of equipment	1,500	-
Purchases of investments	(3,038,777)	(1,992,732)
Proceeds from the sale of investments	1,901,070	1,309,648
	(1,188,744)	(758,628)
Net cash used in investing activities		
Cash flows from financing activities:		
Principal payments on capital lease obligation	(10,343)	(8,685)
Principal payments on long-term debt	(61,323)	(49,017)
Proceeds received from contributions restricted for:		
Charitable gift annuity agreements	85,000	85,000
Payments to annuitants	(52,769)	(102,697)
	(39,435)	(75,399)
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	2,580	(43,862)
Cash and cash equivalents at beginning of year	528,883	572,745
Cash and cash equivalents at end of year	\$ 531,463	528,883
Supplemental disclosure of cash flow information:		
Equipment financed with capital lease	\$ -	24,117
Cash paid during the year for interest	\$ 129,964	132,888

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, 2018 and 2017

(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.

(b) Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

(c) Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Society’s Board of Directors (the “Board”) and/or management for general operating purposes. From time to time, the Society’s Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion. For example, the Society’s Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the purpose of securing the Society’s long-term financial viability.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Society reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the accompanying statement of support and revenue, expenses and other changes in net assets without donor restrictions as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained in perpetuity while permitting the Society to spend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

**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

(d) Contributions

The Society recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is recognized are presented as revenues without donor restrictions. Promises to give that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

(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.

(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 net realizable value. 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 \$1,000 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 \$1,000 as of the date of receipt are capitalized.

(i) 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 or others 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

(j) 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.

(k) 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 Accounting Standards Codification (ASC) Topic 740, *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, 2014 remain subject to examination.

(l) 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.

(m) 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. Expenses directly attributable to a specific functional area of the Society are reported as direct expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the functional areas based on either time spent by employees on each functional area or based on the Society's square footage analysis for all indirect occupancy-related expenses.

**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

(n) 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).

(o) Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform with the 2018 presentation.

(p) Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement or in the notes to the financial statements and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Society has adopted this ASU as of and for the year ended December 31, 2018. As a result, the Society changed the presentation of its net assets classes and expanded its footnote disclosures as required by the ASU.

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

Notes to Financial Statements (Unaudited) - Continued

(2) Investments

At December 31, 2018 and 2017, the cost and market values of investments were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market funds	\$ 505,350	505,350	442,097	442,097
Certificate of deposit	-	-	5,000	5,000
Common stock	1,982,454	2,072,042	1,411,519	1,623,586
Corporate bonds	2,481,135	2,449,727	1,519,963	1,517,611
Mutual funds - equities	1,110,305	1,120,694	791,136	971,085
U.S. savings bonds	487,847	498,849	-	-
	<u>6,567,091</u>	<u>6,646,662</u>	<u>4,169,715</u>	<u>4,559,379</u>
Gift annuities:				
Money market funds	4,099	4,099	76,987	76,987
Common stock	155,211	169,125	404,848	487,463
Corporate bonds	201,471	200,448	505,174	505,911
Mutual funds - equities	32,700	37,598	100,165	136,249
	<u>393,481</u>	<u>411,270</u>	<u>1,087,174</u>	<u>1,206,610</u>
	<u>\$ 6,960,572</u>	<u>7,057,932</u>	<u>5,256,889</u>	<u>5,765,989</u>

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, 2018 and 2017 includes the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 152,394	126,881
Net realized and unrealized gains (losses)	<u>(333,610)</u>	<u>321,753</u>
	(181,216)	448,634
Less: investment management fees	<u>37,623</u>	<u>33,740</u>
Net investment return	(218,839)	414,894
Investment return designated for current operations	<u>114,771</u>	<u>93,141</u>
Investment return in excess of (deficient to cover) amounts designated for current operations	<u>\$ (333,610)</u>	<u>321,753</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,
TAMPA BAY, FLORIDA, INC.**

Notes to Financial Statements (Unaudited) - Continued

(3) Property and Equipment

Property and equipment at December 31, 2018 and 2017 consists of the following:

	2018	2017
Land	\$ 338,062	338,062
Buildings and improvements	6,320,855	6,280,996
Shelter equipment	805,600	791,472
Furniture and equipment	70,353	70,353
Transportation equipment	150,197	187,377
	7,685,067	7,668,260
Less: accumulated depreciation	2,843,172	2,556,073
	\$ 4,841,895	5,112,187

Depreciation expense for the years ended December 31, 2018 and 2017 was \$331,674 and \$350,029, respectively.

(4) Contributions Receivable

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

	2018	2017
Bequests and trust	\$ 278,807	113,790
Pledges	51,000	5,834
Total contributions receivable	329,807	119,624
Less: unamortized discount	4,006	-
Net contribution receivable	\$ 325,801	119,624
Amounts due in:		
Less than one year	\$ 289,807	119,624
One to five years	40,000	-
	\$ 329,807	119,624

Contributions due in more than one year are discounted to net present value using a discount rate of 2.85%.

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

Notes to Financial Statements (Unaudited) - Continued

(5) Net Assets With Restrictions

Net assets with restrictions as of December 31, 2018 and 2017 consist of the following:

	2018	2017
Subject to time restrictions:		
Bequests	\$ 278,807	113,790
Charitable remainder trust	92,765	99,355
Charitable gift annuities	165,590	651,538
	537,162	864,683
Subject to use restrictions:		
Fence repairs	-	3,000
Animal medical care and adoption fees	86,029	-
	86,029	3,000
Endowments subject to the Society's spending policy and appropriation:		
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
Total net assets with donor restrictions	\$ 1,468,674	1,713,166

**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, 2018 and 2017:

	2018	2017
4.75% construction note payable to a commercial bank, due in monthly installments of interest only through the construction period ended 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.	\$ 2,602,867	2,662,673
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.	3,082	4,599
Total long-term debt	2,605,949	2,667,272
Less: unamortized debt issuance costs	22,421	26,068
Long-term debt, less unamortized debt issuance costs	2,583,528	2,641,204
Less: current installments	64,361	61,315
Long-term debt, excluding current installments	\$ 2,519,167	2,579,889

Total interest expense was \$129,964 and \$132,888 for the years ended December 31, 2018 and 2017, respectively.

Aggregate maturities of long-term debt as of December 31, 2018 for the next five years and thereafter are as follows:

Year Ending December 31,		
2019	\$	64,361
2020		67,000
2021		69,109
2022		72,512
2023		76,083
Thereafter		2,256,884
	\$	2,605,949

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

Notes to Financial Statements (Unaudited) - Continued

(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 five years. Rental expense on operating leases was approximately \$44,000 and \$26,000 for the years ended December 31, 2018 and 2017, respectively.

At December 31, 2018, the gross amount of equipment and related accumulated amortization recorded under capital leases was \$67,195 and \$25,792, 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.

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, 2018 are as follows:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
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
2023	1,576	-	1,576
	51,261	18,121	69,382
Less: amount representing interest	5,149		
Present value of capital lease payments	46,112		
Less: current installments under capital lease obligations	10,910		
Capital lease obligations, less current installments	\$ 35,202		

(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, 2018 and 2017, the Society made matching contributions of \$13,147 and \$10,965, respectively.

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

Notes to Financial Statements (Unaudited) - Continued

(9) Concentration of Credit Risk

The Society maintains its cash balances with a large regional financial institution. At December 31, 2018, total cash balances exceeded federal insurance limits by approximately \$274,000.

(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 net assets with donor restrictions 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 net assets without donor restrictions.

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 net assets with donor restrictions (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 net assets with donor restrictions 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 net assets with donor restrictions that are not subject to general spending policies.

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

Notes to Financial Statements (Unaudited) - Continued

(10) Endowments - Continued

Endowment net asset composition by type of fund as of December 31, 2018 and 2017 is as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
December 31, 2018:			
Board-designated endowment funds	\$ 5,289,109	-	5,289,109
Donor-restricted endowment funds	-	1,011,073	1,011,073
	<u>\$ 5,289,109</u>	<u>1,011,073</u>	<u>6,300,182</u>
December 31, 2017:			
Board-designated endowment funds	\$ 3,178,102	-	3,178,102
Donor-restricted endowment funds	-	1,497,021	1,497,021
	<u>\$ 3,178,102</u>	<u>1,497,021</u>	<u>4,675,123</u>

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Balance at December 31, 2016	\$ 2,939,807	1,450,099	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	3,178,102	1,497,021	4,675,123
Contributions	2,198,849	53,070	2,251,919
Investment income	59,487	10,293	69,780
Net depreciation	(147,329)	(96,525)	(243,854)
Withdrawals	-	(452,786)	(452,786)
Balance at December 31, 2018	<u>\$ 5,289,109</u>	<u>1,011,073</u>	<u>6,300,182</u>

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

Notes to Financial Statements (Unaudited) - Continued

(11) Liquidity and Availability of Resources

The Society is supported by both unrestricted and restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Society must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Occasionally, the Board designates a portion of any operating surplus to a quasi-endowment, which was \$5,289,109 as of December 31, 2018. The quasi-endowment was established to fund long-term needs of the Society and may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

As of December 31, 2018, the Society's financial assets were as follows:

Financial assets:	
Cash and cash equivalents	\$ 531,463
Contributions and other receivables	347,582
Investments	7,057,932
Receivable under remainder trust	92,765
Beneficial interest in assets held by others	<u>20,000</u>
Total financial assets	8,049,742
Less amounts unavailable for general expenditure within one year due to:	
Contractual or donor-imposed restrictions:	
Long-term contributions receivable	
Charitable gift annuities	(35,994)
Charitable remainder trust	(165,590)
Endowments	(92,765)
	<u>(845,483)</u>
Board-designations:	
Quasi-endowment	(5,289,109)
Facility enhancement	<u>(70,014)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,550,787</u>

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

Notes to Financial Statements (Unaudited) - Continued

(12) Split-Interest Gifts

Charitable Gift Annuities

The Society is certified by the State of Florida to market and manage charitable gift annuity contracts. Under these contracts, a donor transfers assets to the Society at the beginning of the contract and the Society 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 Society'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 restricted contribution. During the years ended December 31, 2018 and 2017, the Society received \$85,000 each year under its charitable gift annuity program. Contributions totaling \$53,070 and \$52,000 were recorded during the years ended December 31, 2018 and 2017, respectively.

Receivable Under Remainder Trust

The Society 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 Society for its use. The receivable under remainder trust is reported at estimated fair value.

(13) Funds Held by Community Foundations

In 1999, the Society established accounts at the Community Foundation of Tampa Bay and Pinellas County Community Foundation (the "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, 2018 and 2017. 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.

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

Notes to Financial Statements (Unaudited) - Continued

(14) In-Kind Support

For the years ended December 31, 2018 and 2017, in-kind support included the following:

	<u>2018</u>	<u>2017</u>
Pet food, medical, kennel and shelter supplies	\$ 43,214	23,566
Development items	<u>22,371</u>	<u>6,380</u>
	<u>\$ 65,585</u>	<u>29,946</u>

For the years ended December 31, 2018 and 2017, total additional in-kind support and donated materials included in special event revenues and expenses was \$47,350 and \$27,380, respectively.

(15) 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, U.S. savings 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.

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

Notes to Financial Statements (Unaudited) - Continued

(15) Fair Value Measurements - Continued

Fair value of assets measured on a recurring basis at December 31, 2018 are as follows:

	Fair Value as of			
	December 31, 2018	Level 1	Level 2	Level 3
Money market funds	\$ 509,449	509,449	-	-
Corporate bonds	2,650,175	-	2,650,175	-
Common stock:				
Consumer discretionary	142,535	142,535	-	-
Consumer staples	420,472	420,472	-	-
Energy	140,730	140,730	-	-
Financials	328,193	328,193	-	-
Healthcare	296,076	296,076	-	-
Industrials	256,398	256,398	-	-
Information technology	265,310	265,310	-	-
Real Estate	145,193	145,193	-	-
Telecommunications	76,459	76,459	-	-
Utilities	169,801	169,801	-	-
Mutual funds:				
Mid cap	591,225	591,225	-	-
Small cap	567,067	567,067	-	-
U.S. savings bonds	498,849	-	498,849	-
	<u>7,057,932</u>	<u>3,908,908</u>	<u>3,149,024</u>	<u>-</u>
Receivable under remainder trust	92,765	-	-	92,765
	<u>\$ 7,150,697</u>	<u>3,908,908</u>	<u>3,149,024</u>	<u>92,765</u>

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

Notes to Financial Statements (Unaudited) - Continued

(15) Fair Value Measurements - Continued

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

	Fair Value as of			
	December 31, 2017	Level 1	Level 2	Level 3
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>

The following table sets forth a summary of changes in fair value for the years ended December 31, 2018 and 2017 for which the Organization has used Level 3 inputs to determine fair value:

Balance at January 1, 2017	\$ -
Contributions	<u>99,355</u>
Balance at December 31, 2017	99,355
Change in value	<u>(6,590)</u>
Balance at December 31, 2018	<u>\$ 92,765</u>

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

Notes to Financial Statements (Unaudited) - Continued

(15) Fair Value Measurements - Continued

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

The Society utilizes a discounted cash flow method to estimate the fair value of the receivable under remainder trust. At December 31, 2018, significant unobservable inputs include using a discount rate of 2.4% and estimated life expectancies of income beneficiaries ranging from 16 to 17 years.

(16) Commitments and Contingencies

The Society has an employment agreement with a key employee which expires in 2019. The agreement establishes a base salary, provisions for salary increases and for earning an incentive bonus and other benefits. The agreement 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 agreement.

The Society 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 Society'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.

(17) Subsequent Events

The Society has evaluated subsequent events through March 20, 2019, the date the financial statements were available for issuance.