

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

**Financial Statements
(Unaudited)**

**December 31, 2019 and 2018
(With Independent Accountant's Review Report Thereon)**

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

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Mayer Hoffman McCann P.C.

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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, 2019 and 2018 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.

Subsequent Event

We draw your attention to Note 17, which describes the subsequent event resulting in additional risks and uncertainties impacting the Society for the Prevention of Cruelty to Animals, Tampa Bay, Florida, Inc. associated with the COVID-19 pandemic. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.

Mayer Hoffman McCann P.C.

June 17, 2020
Clearwater, Florida

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

Statements of Financial Position

**December 31, 2019 and 2018
(Unaudited)**

Assets	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 370,583	531,463
Accounts receivable:		
Contributions	479,085	289,807
Other	61,255	21,781
Inventories	75,771	69,216
Prepaid expenses	<u>115,961</u>	<u>69,474</u>
Total current assets	1,102,655	981,741
Investments	6,646,924	7,057,932
Contributions receivable, less current portion	62,382	35,994
Receivable under remainder trust	111,553	92,765
Beneficial interest in assets held by others	20,000	20,000
Property and equipment, net	4,628,601	4,841,895
Other assets	<u>12,508</u>	<u>9,550</u>
	<u>\$ 12,584,623</u>	<u>13,039,877</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 160,177	130,212
Accrued expenses	234,054	245,554
Deferred revenue	-	50,000
Current installments of capital lease obligations	11,509	10,910
Current installments of long-term debt	67,000	64,361
Current portion of annuity obligation	<u>6,157</u>	<u>26,490</u>
Total current liabilities	478,897	527,527
Capital lease obligations, less current installments	23,693	35,202
Long-term debt, less current installments	2,455,805	2,519,167
Annuity obligation, excluding current portion	<u>135,541</u>	<u>141,358</u>
Total liabilities	3,093,936	3,223,254
Net assets:		
Without donor restrictions:		
Undesignated	-	776,571
Operating reserves	5,706,061	5,289,109
Net investment in property and equipment	2,070,594	2,212,255
Board designated for facility enhancement	<u>8,756</u>	<u>70,014</u>
	7,785,411	8,347,949
With donor restrictions	<u>1,705,276</u>	<u>1,468,674</u>
Total net assets	<u>9,490,687</u>	<u>9,816,623</u>
	<u>\$ 12,584,623</u>	<u>13,039,877</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 Support and Revenue, Expenses, and Other Changes in Net Assets
Without Donor Restrictions**

**For the Years Ended December 31, 2019 and 2018
(Unaudited)**

	2019	2018
Operating support and revenue:		
Public support:		
Special events	\$ 400,419	185,137
Less: special events costs	(142,750)	(98,120)
	257,669	87,017
Contributions and grants	1,129,831	1,047,127
Bequests and trusts	807,993	3,734,471
In-kind support	17,704	65,585
	2,213,197	4,934,200
Revenue:		
Program service fees from:		
Veterinary services	2,246,163	1,880,558
Adoption, intake and other fees	577,948	567,115
Investment return designated for current operations	133,439	114,771
Sales of pet supplies and urns, net	29,825	26,183
Other income	11,563	6,589
	2,998,938	2,595,216
Net assets released from restrictions:		
Expiration of time restrictions - bequests, trusts and annuities	367,568	656,573
Total operating support and revenue	5,579,703	8,185,989
Operating expenses:		
Program services	5,611,781	5,212,083
Supporting services	1,378,163	1,355,116
Total operating expenses	6,989,944	6,567,199
Increase (decrease) in net assets without donor restrictions from operations	(1,410,241)	1,618,790
Other changes:		
Investment return in excess of (deficient to cover) amounts designated for current operations	854,101	(333,610)
Donated equipment	-	9,807
Change in value of split-interest agreements	(4,906)	297,481
Gain (loss) on disposal of equipment	(1,492)	538
Net assets released from restrictions:		
Satisfaction of capital expenditure restrictions	-	3,000
Increase (decrease) in net assets without donor restrictions	\$ (562,538)	1,596,006

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, 2019 and 2018
(Unaudited)**

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions:		
Total operating support and revenue (excluding net assets released from restrictions)	\$ 5,212,135	7,529,416
Total operating expenses	(6,989,944)	(6,567,199)
Investment return in excess of (deficient to cover) amounts designated for current operations	854,101	(333,610)
Donated equipment	-	9,807
Change in the value of split-interest agreements	(4,906)	297,481
Gain (loss) on disposal of equipment	(1,492)	538
Net assets released from restrictions	<u>367,568</u>	<u>659,573</u>
Increase (decrease) in net assets without donor restrictions	(562,538)	1,596,006
Net assets with donor restrictions:		
Contributions and grants	76,555	89,794
Bequests and trusts	492,418	278,807
Charitable gift annuity contributions	-	53,070
Change in value of split-interest agreements	18,788	(6,590)
Unappropriated endowment earnings	16,409	-
Net assets released from restrictions	<u>(367,568)</u>	<u>(659,573)</u>
Increase (decrease) in net assets with donor restrictions	<u>236,602</u>	<u>(244,492)</u>
Increase (decrease) in net assets	(325,936)	1,351,514
Net assets at beginning of year	<u>9,816,623</u>	<u>8,465,109</u>
Net assets at end of year	<u>\$ 9,490,687</u>	<u>9,816,623</u>

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

Statement of Functional Expenses

**For the Year Ended December 31, 2019
(With Comparative Information for 2018)
(Unaudited)**

	Program Services			Supporting Services			Total Expenses	
	Veterinary Services	Shelter and Other Programs	Total	Management and General	Development	Total	2019	2018
Salaries and wages	\$ 1,095,870	1,625,098	2,720,968	252,231	354,521	606,752	3,327,720	3,102,735
Payroll taxes	82,127	121,872	203,999	18,893	26,260	45,153	249,152	232,499
Employee benefits	103,677	179,291	282,968	40,366	32,839	73,205	356,173	341,512
	1,281,674	1,926,261	3,207,935	311,490	413,620	725,110	3,933,045	3,676,746
Professional fees and contract services	284,745	213,527	498,272	152,591	109,555	262,146	760,418	719,989
Office supplies	9,027	19,130	28,157	2,512	8,303	10,815	38,972	54,312
Kennel food and supplies	5,504	73,894	79,398	-	403	403	79,801	61,665
Clinic medicine and supplies	492,905	177,888	670,793	-	-	-	670,793	581,606
Communications	9,376	26,581	35,957	2,370	5,881	8,251	44,208	41,028
Advertising	50,610	96,995	147,605	120	2,675	2,795	150,400	151,127
Postage and shipping	750	148	898	879	182,109	182,988	183,886	213,454
Building repairs and maintenance	11,984	99,461	111,445	-	-	-	111,445	99,185
Utilities	28,610	79,185	107,795	-	-	-	107,795	105,408
Insurance	20,882	53,290	74,172	3,975	4,101	8,076	82,248	84,029
Equipment rental and maintenance	13,102	82,334	95,436	44	2,124	2,168	97,604	57,959
Printing and publications	-	5,954	5,954	-	25,284	25,284	31,238	35,103
Automotive	313	21,939	22,252	1,898	3,574	5,472	27,724	22,186
Conferences, conventions and meetings	13,317	28,423	41,740	11,531	7,427	18,958	60,698	43,683
Interest expense	126,348	-	126,348	-	-	-	126,348	129,964
Bad debt	2,532	-	2,532	50,000	-	50,000	52,532	428
Other	51,556	16,269	67,825	3,121	20,230	23,351	91,176	88,421
In-kind expense	-	8,336	8,336	2,490	6,878	9,368	17,704	65,585
	2,403,235	2,929,615	5,332,850	543,021	792,164	1,335,185	6,668,035	6,231,878
Total expenses before depreciation and amortization								
Depreciation and amortization	153,064	125,867	278,931	21,489	21,489	42,978	321,909	335,321
Total expenses - 2019	\$ 2,556,299	3,055,482	5,611,781	564,510	813,653	1,378,163	6,989,944	
Total expenses - 2018	\$ 2,411,955	2,800,128	5,212,083	476,214	878,902	1,355,116		6,567,199

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, 2018
(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	\$ 1,019,865	1,522,182	2,542,047	224,938	335,750	560,688	3,102,735
Payroll taxes	76,628	114,989	191,617	16,022	24,860	40,882	232,499
Employee benefits	87,769	186,557	274,326	40,798	26,388	67,186	341,512
	<u>1,184,262</u>	<u>1,823,728</u>	<u>3,007,990</u>	<u>281,758</u>	<u>386,998</u>	<u>668,756</u>	<u>3,676,746</u>
Professional fees and contract services	252,082	216,138	468,220	104,520	147,249	251,769	719,989
Office supplies	11,204	14,411	25,615	12,877	15,820	28,697	54,312
Kennel food and supplies	2,069	59,375	61,444	-	221	221	61,665
Clinic medicine and supplies	427,966	153,640	581,606	-	-	-	581,606
Communications	10,072	21,839	31,911	4,248	4,869	9,117	41,028
Advertising	105,906	43,657	149,563	578	986	1,564	151,127
Postage and shipping	823	595	1,418	770	211,266	212,036	213,454
Building repairs and maintenance	11,449	67,783	79,232	10,620	9,333	19,953	99,185
Utilities	30,201	58,864	89,065	8,716	7,627	16,343	105,408
Insurance	26,854	44,181	71,035	6,930	6,064	12,994	84,029
Equipment rental and maintenance	8,145	45,942	54,087	1,341	2,531	3,872	57,959
Printing and publications	-	13,319	13,319	607	21,177	21,784	35,103
Automotive	843	17,597	18,440	1,214	2,532	3,746	22,186
Conferences, conventions and meetings	11,098	16,506	27,604	10,989	5,090	16,079	43,683
Interest expense	129,964	-	129,964	-	-	-	129,964
Bad debt	428	-	428	-	-	-	428
Other	46,965	18,748	65,713	8,055	14,653	22,708	88,421
In-kind expense	230	42,985	43,215	-	22,370	22,370	65,585
	<u>2,260,561</u>	<u>2,659,308</u>	<u>4,919,869</u>	<u>453,223</u>	<u>858,786</u>	<u>1,312,009</u>	<u>6,231,878</u>
Total expenses before depreciation and amortization							
Depreciation and amortization	151,394	140,820	292,214	22,991	20,116	43,107	335,321
Total expenses	<u>\$ 2,411,955</u>	<u>2,800,128</u>	<u>5,212,083</u>	<u>476,214</u>	<u>878,902</u>	<u>1,355,116</u>	<u>6,567,199</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, 2019 and 2018
(Unaudited)**

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (325,936)	1,351,514
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	321,909	335,321
Loss (gain) on disposal of equipment	1,492	(538)
Net realized and unrealized losses (gains) on investments	(870,510)	333,610
Change in values of split-interest agreements	(13,882)	(290,891)
Contributions restricted under charitable gift annuity agreements	-	(53,070)
Donated securities	(14,879)	(487,846)
Donated equipment	-	(9,807)
Changes in operating assets and liabilities:		
Increase in receivables	(255,140)	(205,839)
Increase in inventories	(6,555)	(1,209)
Decrease (increase) in prepaid expenses and other assets	(49,445)	46,896
Increase in accounts payable	29,965	12,647
Increase (decrease) in accrued expenses	(11,500)	151,681
Increase (decrease) in deferred revenue	(50,000)	48,290
	(1,244,481)	1,230,759
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Property and equipment purchases	(111,267)	(52,537)
Proceeds from the sale of equipment	4,808	1,500
Purchases of investments	(1,228,501)	(3,038,777)
Proceeds from the sale of investments	2,524,898	1,901,070
	1,189,938	(1,188,744)
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Principal payments on capital lease obligation	(10,910)	(10,343)
Principal payments on long-term debt	(64,371)	(61,323)
Proceeds received from contributions restricted for:		
Charitable gift annuity agreements	-	85,000
Payments to annuitants	(31,056)	(52,769)
	(106,337)	(39,435)
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	(160,880)	2,580
Cash and cash equivalents at beginning of year	531,463	528,883
Cash and cash equivalents at end of year	\$ 370,583	531,463
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 126,348	129,964

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, 2019 and 2018

(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 an operating reserve for the purpose of ensuring the sustainability of the Society’s mission.

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 - Continued
(Unaudited)**

(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.

Contribution revenue earned on grants is recognized as related costs are incurred as revenue without donor restrictions. Revenue on contracts is recognized as value is transferred to customers which generally is indicated via the incurring of allowable costs under the contract.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions received pending designation by the donor are considered to be net assets with donor restrictions until donor stipulations are known at which time such amounts are reclassified, if required.

(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.

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

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

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

(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.

(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, 2015 remain subject to examination.

(l) 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.

(m) Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform with the 2019 presentation.

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

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

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

(n) 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.

(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) Recent Accounting Pronouncement

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that will supersede most current revenue recognition guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Additionally, the guidance requires disclosures related to the nature, amount, timing and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU No. 2015-14 which deferred the provisions of ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date for all entities that have not yet adopted Topic 606 to annual reporting periods beginning after December 15, 2020. The Society is currently evaluating the full effect that the adoption of this standard will have on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit-Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit-Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The contribution standard was applied using the modified retrospective method. This method was applied to transactions that were not complete or had otherwise already been recognized as of January 1, 2019. The impact related to the adopting of the new standard did not have material impact on the Society's 2019 results. In evaluating the effects of the change, contributions in process as of the date of adoption were considered. As such no disclosures have been provided on the effect on the December 31, 2019 financial statements.

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

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

(2) Investments

At December 31, 2019 and 2018, the cost and market values of investments were as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market funds	\$ 571,363	571,363	505,350	505,350
Common stock	1,608,377	1,927,835	1,982,454	2,072,042
Corporate bonds	1,996,384	2,071,069	2,481,135	2,449,727
Mutual funds - equities	926,699	1,127,347	1,110,305	1,120,694
U.S. savings bonds	487,847	517,665	487,847	498,849
	<u>5,590,670</u>	<u>6,215,279</u>	<u>6,567,091</u>	<u>6,646,662</u>
Gift annuities:				
Money market funds	16,279	16,279	4,099	4,099
Common stock	131,325	162,470	155,211	169,125
Corporate bonds	201,680	205,490	201,471	200,448
Mutual funds - equities	32,701	47,406	32,700	37,598
	<u>381,985</u>	<u>431,645</u>	<u>393,481</u>	<u>411,270</u>
	<u>\$ 5,972,655</u>	<u>6,646,924</u>	<u>6,960,572</u>	<u>7,057,932</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, 2019 and 2018 includes the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 171,655	152,394
Net realized and unrealized gains (losses)	870,510	(333,610)
Investment management fees	(38,216)	(37,623)
	<u>1,003,949</u>	<u>(218,839)</u>
Total investment return	1,003,949	(218,839)
Restricted investment return	16,409	-
Investment return designated for current operations	133,439	114,771
	<u>150,048</u>	<u>114,771</u>
Investment return in excess of (deficient to cover) amounts designated for current operations	\$ <u>854,101</u>	<u>(333,610)</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 - Continued
(Unaudited)**

(3) Property and Equipment

Property and equipment at December 31, 2019 and 2018 consists of the following:

	2019	2018
Land	\$ 338,062	338,062
Buildings and improvements	6,352,937	6,320,855
Shelter equipment	833,888	805,600
Furniture and equipment	62,004	70,353
Transportation equipment	130,570	150,197
	7,717,461	7,685,067
Less: accumulated depreciation	3,088,860	2,843,172
	\$ 4,628,601	4,841,895

Depreciation expense for the years ended December 31, 2019 and 2018 was \$318,261 and \$331,674, respectively.

(4) Contributions Receivable

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

	2019	2018
Bequests and trust	\$ 492,418	278,807
Pledges	100,000	51,000
Total contributions receivable	592,418	329,807
Less: unamortized discount	951	4,006
Less: allowance for doubtful pledges	50,000	-
Net contribution receivable	\$ 541,467	325,801
Amounts due in:		
Less than one year	\$ 529,085	289,807
One to five years	63,333	40,000
	\$ 592,418	329,807

Contributions due in more than one year are discounted to net present value using a discount rate of 1.62%.

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

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

(5) Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2019 and 2018 consist of the following:

	2019	2018
Subject to time restrictions:		
Bequests	\$ 492,418	278,807
Charitable remainder trust	111,553	92,765
Charitable gift annuities	137,800	165,590
	741,771	537,162
Subject to use restrictions:		
Unappropriated endowment earnings	16,409	-
Animal medical care and adoption fees	101,613	86,029
	118,022	86,029
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	\$ 1,705,276	1,468,674

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

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

(6) Long-Term Debt

The Society's long-term debt consists of the following notes payable at December 31, 2019 and 2018:

	2019	2018
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.	\$ 2,540,115	2,602,867
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.	1,463	3,082
Total long-term debt	2,541,578	2,605,949
Less: unamortized debt issuance costs	18,773	22,421
Long-term debt, less unamortized debt issuance costs	2,522,805	2,583,528
Less: current installments	67,000	64,361
Long-term debt, excluding current installments	\$ 2,455,805	2,519,167

Total interest expense was \$126,348 and \$129,964 for the years ended December 31, 2019 and 2018, respectively.

Aggregate maturities of long-term debt as of December 31, 2019 for the next five years and thereafter are as follows:

Year Ending December 31,	
2020	\$ 67,000
2021	69,109
2022	72,512
2023	76,083
2024	79,522
Thereafter	2,177,352
	\$ 2,541,578

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

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

(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 \$50,000 and \$44,000 for the years ended December 31, 2019 and 2018, respectively.

At December 31, 2019, the gross amount of equipment and related accumulated amortization recorded under capital leases was \$67,195 and \$37,795, 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.

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, 2019 are as follows:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2020	\$ 13,120	13,329	26,449
2021	13,120	13,329	26,449
2022	10,325	8,452	18,777
2023	1,577	7,702	9,279
2024	-	6,646	6,646
Thereafter	-	59	59
	38,142	49,517	87,659
Less: amount representing interest	2,940		
Present value of capital lease payments	35,202		
Less: current installments under capital lease obligations	11,509		
Capital lease obligations, less current installments	\$ 23,693		

(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, 2019 and 2018, the Society made matching contributions of \$14,307 and \$13,147, respectively.

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

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

(9) Concentration of Credit Risk

The Society maintains its cash balances with a large regional financial institution. At December 31, 2019, total cash balances exceeded federal insurance limits by approximately \$146,000.

(10) Endowments

The Society's endowments consist of several individual funds established by donors for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds 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 - Continued
(Unaudited)**

(10) Endowments - Continued

Endowment net asset composition by type of fund as of December 31, 2019 and 2018 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, 2019:			
Board-designated endowment funds	\$ -	-	-
Donor-restricted endowment funds	-	999,692	999,692
	<u>\$ -</u>	<u>999,692</u>	<u>999,692</u>
December 31, 2018:			
Board-designated endowment funds	\$ -	-	-
Donor-restricted endowment funds	-	1,011,073	1,011,073
	<u>\$ -</u>	<u>1,011,073</u>	<u>1,011,073</u>

Changes in endowment net assets for the years ended December 31, 2019 and 2018 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, 2017	\$ -	1,497,021	1,497,021
Contributions	-	53,070	53,070
Investment income	-	10,293	10,293
Net depreciation	-	(96,525)	(96,525)
Withdrawals	-	(452,786)	(452,786)
Balance at December 31, 2018	-	1,011,073	1,011,073
Investment income	-	7,401	7,401
Net appreciation	-	60,439	60,439
Withdrawals	-	(79,221)	(79,221)
Balance at December 31, 2019	<u>\$ -</u>	<u>999,692</u>	<u>999,692</u>

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

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

(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 certain bequests and a portion of investment return to its operating reserve, which totaled \$5,706,061 and \$5,289,109 as of December 31, 2019 and 2018, respectively. The operating reserve was established to fund the 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, 2019 and 2018, the Society's financial assets were as follows:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 370,583	531,463
Contributions and other receivables	602,722	347,582
Investments	6,646,924	7,057,932
Receivable under remainder trust	111,553	92,765
Beneficial interest in assets held by others	<u>20,000</u>	<u>20,000</u>
Total financial assets	7,751,782	8,049,742
Less amounts unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Unappropriated earnings on endowment restricted for summer camp	(16,409)	-
Long-term contributions receivable	(62,382)	(35,994)
Donor imposed use restrictions	(51,613)	-
Charitable gift annuities	(137,800)	(165,590)
Charitable remainder trust	(111,553)	(92,765)
Endowments	(845,483)	(845,483)
Board-designations:		
Operating reserves	(5,706,061)	(5,289,109)
Facility enhancement	<u>(8,756)</u>	<u>(70,014)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 811,725</u>	<u>1,550,787</u>

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

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

(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, 2019 and 2018, the Society received \$0 and \$85,000, respectively, under its charitable gift annuity program. Contributions totaling \$0 and \$53,070 were recorded during the years ended December 31, 2019 and 2018, 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, 2019 and 2018. 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 - Continued
(Unaudited)**

(14) In-Kind Support

For the years ended December 31, 2019 and 2018, in-kind support included the following:

	<u>2019</u>	<u>2018</u>
Pet food, medical, kennel and shelter supplies	\$ 8,336	43,215
Development items	<u>9,368</u>	<u>22,370</u>
	<u>\$ 17,704</u>	<u>65,585</u>

For the years ended December 31, 2019 and 2018, total additional in-kind support and donated materials included in special event revenues and expenses were \$22,605 and \$47,350, 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 - Continued
(Unaudited)**

(15) Fair Value Measurements - Continued

Fair value of assets measured on a recurring basis at December 31, 2019 are as follows:

	Fair Value as of December 31, 2019	Level 1	Level 2	Level 3
Money market funds	\$ 587,642	587,642	-	-
Corporate bonds	2,276,559	-	2,276,559	-
Common stock:				
Communication services	109,019	109,019	-	-
Consumer discretionary	122,406	122,406	-	-
Consumer staples	297,839	297,839	-	-
Energy	62,454	62,454	-	-
Financials	295,247	295,247	-	-
Healthcare	307,694	307,694	-	-
Industrials	315,729	315,729	-	-
Information technology	164,841	164,841	-	-
Manufacturing	39,503	39,503	-	-
Materials	38,552	38,552	-	-
Real Estate	101,901	101,901	-	-
Transport and warehousing	66,156	66,156	-	-
Utilities	168,964	168,964	-	-
Mutual funds:				
Mid cap	597,392	597,392	-	-
Small cap	577,361	577,361	-	-
U.S. savings bonds	517,665	-	517,665	-
	<u>6,646,924</u>	<u>3,852,700</u>	<u>2,794,224</u>	<u>-</u>
Receivable under remainder trust	<u>111,553</u>	<u>-</u>	<u>-</u>	<u>111,553</u>
	<u>\$ 6,758,477</u>	<u>3,852,700</u>	<u>2,794,224</u>	<u>111,553</u>

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

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

(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	-	-
Certificate of deposit	2,650,175	-	2,650,175	-
Corporate bonds	142,535	142,535	-	-
Common stock:				
Consumer discretionary	420,472	420,472	-	-
Consumer staples	140,730	140,730	-	-
Energy	328,193	328,193	-	-
Financials	296,076	296,076	-	-
Healthcare	256,398	256,398	-	-
Industrials	265,310	265,310	-	-
Information technology	145,193	145,193	-	-
Materials	76,459	76,459	-	-
Telecommunication services	169,801	169,801	-	-
Utilities	591,225	591,225	-	-
Mutual funds:				
Mid cap	567,067	567,067	-	-
Small cap	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	<u>92,765</u>	<u>-</u>	<u>-</u>	<u>92,765</u>
	<u>\$ 7,150,697</u>	<u>3,908,908</u>	<u>3,149,024</u>	<u>92,765</u>

The following table sets forth a summary of changes in fair value for the years ended December 31, 2019 and 2018 for which the Organization has used Level 3 inputs to determine fair value:

Balance at December 31, 2017	\$ 99,355
Change in value	<u>(6,590)</u>
Balance at December 31, 2018	92,765
Change in value	<u>18,788</u>
Balance at December 31, 2019	<u>\$ 111,553</u>

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

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

(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, 2019, significant unobservable inputs include using a discount rate of 2.6% 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 June 17, 2020, the date the financial statements were available for issuance.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. As of the date of issuance of the financial statements, the Organization's operations have not been significantly impacted, however, the Organization continues to monitor the situation. No impairments were recorded as of the balance sheet date as no triggering events or changes in circumstances had occurred as of that date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization's results of operations, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

In connection with the U.S. Federal Government's economic stimulus program in response to the pandemic the Society obtained a Paycheck Protection Program loan of approximately \$734,000 in April 2020.