

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

Financial Statements

**December 31, 2020 and 2019
(With Independent Auditor's 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 Auditor's Report

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

We have audited the accompanying financial statements of the Society for the Prevention of Cruelty to Animals, Tampa Bay, Florida, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 year ended December 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society for the Prevention of Cruelty to Animals, Tampa Bay, Florida, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the year ended December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

May 21, 2021
Clearwater, Florida

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

Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,142,655	408,670
Accounts receivable:		
Bequests and trusts	255,832	492,418
Pledges	11,235	16,667
Other	30,092	23,168
Inventories	63,937	75,771
Prepaid expenses	99,787	115,961
	1,603,538	1,132,655
Total current assets		
Investments	6,639,266	6,646,924
Bequests and trusts receivable, less current portion	681,932	693,369
Pledges receivable, less current portion	-	32,382
Receivable under remainder trust	106,746	111,553
Beneficial interest in assets held by others	20,000	20,000
Property and equipment, net	4,384,098	4,668,601
Other assets	5,950	12,508
	\$ 13,441,530	13,317,992
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 90,822	200,177
Accrued expenses	245,299	234,054
Deferred revenue	49,957	-
Current installments of capital lease obligations	12,140	11,509
Current installments of long-term debt	80,788	67,000
Current portion of annuity obligation	5,941	6,157
	484,947	518,897
Total current liabilities		
Capital lease obligations, less current installments	11,553	23,693
Long-term debt, less current installments	2,371,004	2,455,805
Annuity obligation, excluding current portion	129,816	135,541
	2,997,320	3,133,936
Total liabilities		
Net assets:		
Without donor restrictions:		
Undesignated	398,762	-
Operating reserves	5,970,414	5,706,061
Net investment in property and equipment	1,908,613	2,070,594
Board designated for facility enhancement	51,459	8,756
	8,329,248	7,785,411
With donor restrictions	2,114,962	2,398,645
	10,444,210	10,184,056
Total net assets		
	\$ 13,441,530	13,317,992

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

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

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

For the Year Ended December 31, 2020

Operating support and revenue:	
Public support:	
Special events	\$ 73,875
Less: special events costs	<u>(12,163)</u>
	61,712
Contributions and grants	1,995,711
Bequests and trusts	1,485,070
In-kind support	<u>95,228</u>
	3,637,721
Revenue:	
Program service fees from:	
Veterinary services	2,367,735
Adoption, intake and other fees	470,564
Investment return designated for current operations	103,303
Sales of pet supplies and urns, net	21,698
Other income	<u>43,825</u>
	3,007,125
Net assets released from restrictions:	
Expiration of time restrictions - bequests, trusts and annuities	<u>538,792</u>
Total operating support and revenue	7,183,638
Operating expenses:	
Program services	5,152,636
Supporting services	<u>1,641,411</u>
Total operating expenses	<u>6,794,047</u>
Increase in net assets without donor restrictions from operations	389,591
Other changes:	
Investment return in excess of amounts designated for current operations	179,148
Change in value of split-interest agreements	(22,040)
Loss on disposal of equipment	<u>(2,862)</u>
Increase in net assets without donor restrictions	<u>\$ 543,837</u>

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

Statement of Changes in Net Assets

For the Year Ended December 31, 2020

Net assets without donor restrictions:	
Total operating support and revenue (excluding net assets released from restrictions)	\$ 6,644,846
Total operating expenses	(6,794,047)
Investment return in excess of amounts designated for current operations	179,148
Change in value of split-interest agreements	(22,040)
Loss on disposal of equipment	(2,862)
Net assets released from restrictions	<u>538,792</u>
Increase in net assets without donor restrictions	543,837
Net assets with donor restrictions:	
Contributions and grants	12,661
Bequests and trusts	244,395
Change in value of split-interest agreements	(4,807)
Unappropriated endowment earnings	2,860
Net assets released from restrictions	<u>(538,792)</u>
Decrease in net assets with donor restrictions	<u>(283,683)</u>
Increase in net assets	260,154
Net assets at beginning of year	<u>10,184,056</u>
Net assets at end of year	<u><u>\$ 10,444,210</u></u>

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

Statement of Functional Expenses

For the Year Ended December 31, 2020

	<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	\$ 1,063,042	1,559,275	2,622,317	418,866	342,794	761,660	3,383,977
Payroll taxes	76,728	104,295	181,023	30,914	25,345	56,259	237,282
Employee benefits	111,983	169,426	281,409	33,041	25,392	58,433	339,842
	<u>1,251,753</u>	<u>1,832,996</u>	<u>3,084,749</u>	<u>482,821</u>	<u>393,531</u>	<u>876,352</u>	<u>3,961,101</u>
Professional fees and contract services	292,894	139,643	432,537	76,750	187,655	264,405	696,942
Office supplies	6,516	7,528	14,044	4,108	1,746	5,854	19,898
Kennel food and supplies	4,193	63,127	67,320	-	279	279	67,599
Clinic medicine and supplies	432,783	166,392	599,175	-	-	-	599,175
Communications	13,017	25,781	38,798	2,277	2,542	4,819	43,617
Advertising	11,114	45,140	56,254	226	92,035	92,261	148,515
Postage and shipping	788	144	932	542	199,640	200,182	201,114
Building repairs and maintenance	17,158	11,825	28,983	30,762	30,456	61,218	90,201
Utilities	29,084	55,739	84,823	7,627	7,551	15,178	100,001
Insurance	23,398	47,749	71,147	4,255	4,482	8,737	79,884
Equipment rental and maintenance	8,624	49,720	58,344	200	2,214	2,414	60,758
Printing and publications	-	14,257	14,257	115	15,963	16,078	30,335
Automotive	224	13,360	13,584	1,067	450	1,517	15,101
Conferences, conventions and meetings	4,487	8,609	13,096	3,789	2,186	5,975	19,071
Interest expense	125,864	-	125,864	-	-	-	125,864
Bad debt	2,568	8,765	11,333	-	10,000	10,000	21,333
Other	60,094	19,854	79,948	4,393	14,443	18,836	98,784
In-kind expense	-	74,383	74,383	-	20,845	20,845	95,228
	<u>2,284,559</u>	<u>2,585,012</u>	<u>4,869,571</u>	<u>618,932</u>	<u>986,018</u>	<u>1,604,950</u>	<u>6,474,521</u>
Total expenses before depreciation and amortization							
Depreciation and amortization	154,783	128,282	283,065	18,321	18,140	36,461	319,526
Total expenses	<u>\$ 2,439,342</u>	<u>2,713,294</u>	<u>5,152,636</u>	<u>637,253</u>	<u>1,004,158</u>	<u>1,641,411</u>	<u>6,794,047</u>

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

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

Statement of Cash Flows

For the Year Ended December 31, 2020

Cash flows from operating activities:	
Increase in net assets	\$ 260,154
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	319,526
Loss on disposal of equipment	2,862
Net realized and unrealized gains on investments	(182,008)
Change in values of split-interest agreements	26,847
Donated securities	(28,451)
Changes in operating assets and liabilities:	
Decrease in receivables	278,913
Decrease in inventories	11,834
Decrease in prepaid expenses and other assets	22,732
Decrease in accounts payable	(109,355)
Increase in accrued expenses	11,245
Increase in deferred revenue	49,957
Net cash provided by operating activities	664,256
Cash flows from investing activities:	
Property and equipment purchases	(61,152)
Proceeds from the sale of equipment	26,915
Purchases of investments	(858,356)
Proceeds from the sale of investments	1,076,473
Net cash provided by investing activities	183,880
Cash flows from financing activities:	
Principal payments on capital lease obligations	(11,509)
Principal payments on long-term debt	(74,661)
Payments to annuitants	(27,981)
Net cash used in financing activities	(114,151)
Net increase in cash and cash equivalents	733,985
Cash and cash equivalents at beginning of year	408,670
Cash and cash equivalents at end of year	\$ 1,142,655
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	\$ 125,864

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

Notes to Financial Statements

December 31, 2020 and 2019

(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

(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.

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) 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.

(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) 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.

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

Notes to Financial Statements - Continued

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

(i) 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.

(j) Revenue Recognition

The Society has multiple revenue streams that are accounted for as reciprocal exchange transactions including veterinary services, pet supplies and other sales, and adoption and intake services. Revenue is recognized at a point in time when the Society satisfies a performance obligation when services or products are provided to a customer, or when an animal is delivered to a customer. Veterinary service revenue includes online pharmacy revenue in which the Society is acting as an agent facilitating the sale of third party prescriptions to customers. Online pharmacy revenue is reported net of related expenses. Sales taxes related to these sales are collected from customers and remitted to the appropriate taxing authority and are not reflected in the Society's statements of support and revenue, expenses, and other changes in net assets without donor restrictions as revenue.

(k) Donated Materials and Services

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

(l) Income Taxes

The Society has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. Income earned in furtherance of the Society's tax-exempt purpose is exempt from Federal and State income taxes. The Society is treated as a publicly supported organization, and not as a private foundation. The Society has adopted the provisions of 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, 2016 remain subject to examination.

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

Notes to Financial Statements - Continued

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

(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.

(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) Going Concern Evaluation

On an annual basis, as required by ASC Topic 205, *Presentation of Financial Statements - Going Concern*, the Society performs an evaluation to determine whether there are conditions or events (known and reasonably knowable), considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued. Management's assessment did not indicate that substantial doubt is raised about the ability to remain a going concern for one year from the date the financial statements were available for issuance.

(p) 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.

(q) Advertising

The Society's policy is to expense advertising costs as incurred. Advertising costs were approximately \$149,000 during the year ended December 31, 2020.

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

Notes to Financial Statements - Continued

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

(r) Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

(s) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that supersedes 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 June 2020, the FASB issued ASU No. 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, 2019. The Society adopted this guidance on January 1, 2020 using the modified retrospective approach. As part of the adoption, the Society has evaluated each of the five steps of ASC Topic 606 which are as follows: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) performance obligations are satisfied. The Society has determined that the adoption of ASC Topic 606 did not have an impact on the Society’s financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of support and revenue, expenses, and other changes in net assets without donor restrictions. In June 2020, the FASB issued ASU No. 2020-05, which deferred the effective date for all entities that have not yet adopted Topic 842 to annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Society is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

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

Notes to Financial Statements - Continued

(2) Investments

At December 31, 2020 and 2019, the cost and market values of investments were as follows:

	2020		2019	
	Cost	Market	Cost	Market
Money market funds	\$ 665,503	665,503	571,363	571,363
Common stock	1,500,009	1,834,786	1,608,377	1,927,835
Corporate bonds	1,750,674	1,874,677	1,996,384	2,071,069
Mutual funds - equities	926,699	1,314,881	926,699	1,127,347
U.S. savings bonds	180,000	539,834	180,000	517,665
	<u>5,022,885</u>	<u>6,229,681</u>	<u>5,282,823</u>	<u>6,215,279</u>
Gift annuities:				
Money market funds	48,638	48,638	16,279	16,279
Common stock	118,872	148,580	131,325	162,470
Corporate bonds	150,761	157,108	201,680	205,490
Mutual funds - equities	32,700	55,259	32,701	47,406
	<u>350,971</u>	<u>409,585</u>	<u>381,985</u>	<u>431,645</u>
	<u>\$ 5,373,856</u>	<u>6,639,266</u>	<u>5,664,808</u>	<u>6,646,924</u>

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

Investment return for the year ended December 31, 2020 includes the following:

Interest and dividends	\$ 137,806
Net realized and unrealized gains	182,008
Investment management fees	<u>(34,503)</u>
Total investment return	285,311
Restricted investment return	2,860
Investment return designated for current operations	<u>103,303</u>
Investment return in excess of amounts designated for current operations	<u>\$ 179,148</u>

The Society 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

(3) Property and Equipment

Property and equipment at December 31, 2020 and 2019 consists of the following:

	2020	2019
Land	\$ 338,062	338,062
Buildings and improvements	6,414,825	6,392,937
Shelter equipment	738,462	833,888
Furniture and equipment	62,004	62,004
Transportation equipment	123,800	130,570
	7,677,153	7,757,461
Less: accumulated depreciation	3,293,055	3,088,860
	\$ 4,384,098	4,668,601

Depreciation expense for the year ended December 31, 2020 was \$315,879.

(4) Contributions Receivable

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

	2020	2019
Bequests and trusts	\$ 180,062	492,418
Trust receivable over 10 years	757,702	693,369
Pledges	11,235	100,000
Total contributions receivable	948,999	1,285,787
Less: unamortized discount on pledges	-	951
Less: allowance for doubtful pledges	-	50,000
Net contribution receivable	\$ 948,999	1,234,836
Amounts due in:		
Less than one year	\$ 267,067	529,085
One to five years	681,932	756,702
	\$ 948,999	1,285,787

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

(5) Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2020 and 2019 consist of the following:

	2020	2019
Subject to time restrictions:		
Bequests	\$ 937,764	1,185,787
Charitable remainder trust	106,746	111,553
Charitable gift annuities	137,800	137,800
	1,182,310	1,435,140
Subject to use restrictions:		
Unappropriated endowment earnings	19,269	16,409
Animal medical care and adoption fees	61,400	101,613
Restricted for capital expenditures	6,500	-
	87,169	118,022
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	\$ 2,114,962	2,398,645

In 2020, the Society recorded a prior period adjustment to correct an error related to its beneficial interest in an irrevocable trust. In 2019, the Society received notification it had been named a beneficiary in an irrevocable trust held by a third party. Under the terms of the trust, the Society will receive disbursements equal to 10% of the fair value of the trust portfolio annually over a 10 year period beginning in 2021. The effect of this prior period adjustment was to simultaneously increase bequests and trusts receivable and net assets with donor restrictions by \$693,369 at December 31, 2019.

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

Notes to Financial Statements - Continued

(6) Long-Term Debt

The Society's long-term debt consists of the following notes payable at December 31, 2020 and 2019:

	2020	2019
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% (4.875% at December 31, 2020). 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.	\$ 2,466,918	2,540,115
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
Total long-term debt	2,466,918	2,541,578
Less: unamortized debt issuance costs	15,126	18,773
Long-term debt, less unamortized debt issuance costs	2,451,792	2,522,805
Less: current installments	80,788	67,000
Long-term debt, excluding current installments	\$ 2,371,004	2,455,805

Total interest expense was \$125,864 for the year ended December 31, 2020.

Aggregate maturities of long-term debt as of December 31, 2020 for the next five years are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 80,788
2022	69,109
2023	72,512
2024	76,083
2025	2,168,426
	\$ 2,466,918

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

Notes to Financial Statements - 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 \$46,000 for the year ended December 31, 2020.

At December 31, 2020, the gross amount of equipment and related accumulated amortization recorded under capital leases was \$67,195 and \$49,798, 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.

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, 2020 are as follows:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2021	\$ 13,119	12,500	25,619
2022	10,324	12,500	22,824
2023	1,578	12,500	14,078
2024	-	11,444	11,444
2025	-	2,458	2,458
	<u>25,021</u>	<u>51,402</u>	<u>76,423</u>
Less: amount representing interest	<u>1,328</u>		
Present value of capital lease payments	23,693		
Less: current installments under capital lease obligations	<u>12,140</u>		
Capital lease obligations, less current installments	<u>\$ 11,553</u>		

(8) Retirement Plan

In 1994, the Society established a 403(b) retirement plan for eligible employees. Under this plan, the Society matches 25% of employee contributions up to \$1,500. For the year ended December 31, 2020, the Society made matching contributions of \$17,918.

(9) Concentration of Credit Risk

The Society maintains its cash balances with a large regional financial institution. At December 31, 2020, total cash balances exceeded federal insurance limits by approximately \$885,000.

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

Notes to Financial Statements - Continued

(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

(10) Endowments - Continued

Endowment net asset composition by type of fund as of December 31, 2020 and 2019 is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Endowment Net Assets
December 31, 2020:			
Board-designated endowment funds	\$ -	-	-
Donor-restricted endowment funds	-	1,002,552	1,002,552
	<u>\$ -</u>	<u>1,002,552</u>	<u>1,002,552</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>

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Endowment Net Assets
Balance at December 31, 2019	\$ -	999,692	999,692
Investment income	-	15,870	15,870
Net appreciation	-	24,087	24,087
Withdrawals	-	(37,097)	(37,097)
Balance at December 31, 2020	<u>\$ -</u>	<u>1,002,552</u>	<u>1,002,552</u>

(11) Liquidity and Availability of Resources

The Society is supported by contributions with and without donor restrictions. 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 \$5,970,414 and \$5,706,061 as of December 31, 2020 and 2019, 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.

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

Notes to Financial Statements - Continued

(11) Liquidity and Availability of Resources - Continued

As of December 31, 2020 and 2019, the Society's financial assets available to meet cash needs for general expenditures within one year were as follows:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,142,655	408,670
Bequests and trusts receivable	937,764	1,185,787
Pledges and other receivables	41,327	72,217
Investments	6,639,266	6,646,924
Receivable under remainder trust	106,746	111,553
Beneficial interest in assets held by others	20,000	20,000
Total financial assets	8,887,758	8,445,151
Less amounts unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Unappropriated earnings on endowment restricted for summer camp	(19,269)	(16,409)
Long-term bequests and trusts receivable	(681,932)	(693,369)
Long-term pledges receivable	-	(32,382)
Donor imposed use restrictions	(30,989)	(51,613)
Charitable gift annuities	(137,800)	(137,800)
Charitable remainder trust	(106,746)	(111,553)
Endowments	(845,483)	(845,483)
Board-designations:		
Operating reserves	(5,970,414)	(5,706,061)
Facility enhancement	(51,459)	(8,756)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,043,666	841,725

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

Notes to Financial Statements - 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 year ended December 31, 2020, no funds were received by the Society under its charitable gift annuity program and therefore, no contributions were recorded.

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, 2020 and 2019. 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.

(14) In-Kind Support

For the year ended December 31, 2020, in-kind support included the following:

Pet food, medical, kennel and shelter supplies	\$ 74,383
Development items	<u>20,845</u>
	<u>\$ 95,228</u>

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

Notes to Financial Statements - Continued

(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 and U.S. savings bonds 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.

Fair value of assets measured on a recurring basis at December 31, 2020 are as follows:

	Fair Value as of December 31, 2020	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 714,141	714,141	-	-
Corporate bonds	2,031,785	-	2,031,785	-
Common stock:				
Communication services	88,096	88,096	-	-
Consumer discretionary	173,776	173,776	-	-
Consumer staples	289,577	289,577	-	-
Energy	28,291	28,291	-	-
Financials	174,311	174,311	-	-
Healthcare	324,444	324,444	-	-
Industrials	320,139	320,139	-	-
Information technology	249,025	249,025	-	-
Materials	40,983	40,983	-	-
Real Estate	146,252	146,252	-	-
Utilities	148,472	148,472	-	-
Mutual funds:				
Mid cap	686,871	686,871	-	-
Small cap	683,269	683,269	-	-
U.S. savings bonds	539,834	-	539,834	-
	<u>6,639,266</u>	<u>4,067,647</u>	<u>2,571,619</u>	<u>-</u>
Receivable under remainder trust	106,746	-	-	106,746
	<u>\$ 6,746,012</u>	<u>4,067,647</u>	<u>2,571,619</u>	<u>106,746</u>

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

Notes to Financial Statements - Continued

(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
Investments:				
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>

The following table sets forth a summary of changes in fair value for the years ended December 31, 2020 for which the Society has used Level 3 inputs to determine fair value:

Balance at December 31, 2019	\$ 111,553
Change in value	(4,807)
Settlements	-
Balance at December 31, 2020	<u>\$ 106,746</u>

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

Notes to Financial Statements - 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, 2020, significant unobservable inputs include using a discount rate of 2.6% and estimated life expectancies of income beneficiaries ranging from 14 to 15 years.

(16) Commitments and Contingencies

The Society has an employment agreement with a key employee which expires in 2024. 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) Risks and Uncertainties

The novel coronavirus ("COVID-19") spread rapidly across the world in the first quarter of 2020 and was declared a pandemic by the World Health Organization in March 2020. The government and private sector responses to contain its spread began to adversely affect the broader economy and business in general in March 2020 and those impacts will likely affect operations beyond 2020, although such effects may vary significantly. The duration and extent of the pandemic and its effects over longer terms cannot be reasonably estimated as of the date the financial statements were available for issuance. The risks and uncertainties resulting from the pandemic that may affect the results of operating activities, cash flows and financial condition include the nature and duration of the curtailment of various program activities and the long-term effect on governmental support and contributions.

The pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. As a result, there has been heightened market risk and the Society's investment portfolio has incurred significant volatility in fair value since March 2020. Because the values of the Society's individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in future periods, if any, and the related impact on the Society's liquidity cannot be determined at this time.

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

(18) Paycheck Protection Program Loan

The Society applied for and received a forgivable Paycheck Protection Program loan of \$734,400 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on April 9, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs and that certain employment levels are maintained over a specified 24 week period.

To the extent a portion of the loan does not meet the criteria to be forgiven, principal and interest is payable monthly through the maturity date of April 14, 2022. The loan carries an interest rate of 1%. Through December 31, 2020, the Society fully utilized the proceeds on qualified costs and such amount has been reported as grant revenue in the accompanying statement of support and revenue, expenses and other changes in net assets without donor restrictions. In December 2020, a formal request for forgiveness was submitted. In January 2021, subsequent to year end, the Society received notice of the legal release of the obligation.

(19) Subsequent Events

The Society has evaluated subsequent events through May 21, 2021, the date the financial statements were available for issuance. The Society is in the process of applying for an Employee Retention Tax Credit subsequent to year-end but the collection and determination of the amount is uncertain as of the date the financial statements were available to be issued.