

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

Financial Statements

**December 31, 2022 and 2021
(With Independent Auditors' Report Thereon)**

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

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Society for the Prevention of Cruelty to Animals, Tampa Bay, Florida, Inc. (the "Society"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of support and revenue, expenses, and other changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, and its functional expenses for the year ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Society for the Prevention of Cruelty to Animals, Tampa Bay, Florida, Inc.'s 2021 financial statements and our report dated June 21, 2022 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

July 19, 2023
St. Petersburg, Florida

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

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,224,632	1,563,614
Accounts receivable:		
Grants	1,442,746	-
Bequests and trusts	944,807	1,439,009
Pledges	123,481	361,437
Other	18,381	36,970
Inventories	97,737	71,049
Prepaid expenses	131,537	139,114
Total current assets	5,983,321	3,611,193
Investments	4,871,028	6,731,526
Bequests and trusts receivable, less current portion	509,684	652,140
Pledges receivable, less current portion	102,185	122,121
Receivable under remainder trust	-	120,314
Beneficial interest in assets held by others	20,000	20,000
Operating lease right-of-use assets, net	26,484	-
Property and equipment, net	4,353,604	4,261,167
Other assets	5,950	5,950
	\$ 15,872,256	15,524,411
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 145,476	242,024
Accrued expenses	422,106	313,736
Deferred revenue	38,715	23,128
Current portion of operating lease liabilities	12,279	-
Current portion of long-term debt	87,470	83,260
Current portion of annuity obligation	1,679	4,325
Total current liabilities	707,725	666,473
Operating lease liabilities, less current portion	14,205	-
Long-term debt, less current portion	2,209,950	2,292,949
Annuity obligation, excluding current portion	104,339	103,372
Total liabilities	3,036,219	3,062,794
Net assets:		
Without donor restrictions:		
Undesignated	1,508,835	-
Operating reserves	5,168,620	5,856,459
Net investment in property and equipment	2,029,700	1,884,958
Board designated for facility enhancement	236,921	255,793
	8,944,076	7,997,210
With donor restrictions	3,891,961	4,464,407
Total net assets	12,836,037	12,461,617
	\$ 15,872,256	15,524,411

See accompanying independent auditors' 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, 2022 and 2021

	2022	2021
Operating support and revenue:		
Public support:		
Special events	\$ 293,872	115,740
Less: special events costs	(105,061)	(31,497)
	188,811	84,243
Contributions and grants	2,901,414	1,437,383
Bequests and trusts	2,172,373	1,162,614
In-kind support	26,215	62,627
	5,288,813	2,746,867
Revenue:		
Program service fees from:		
Veterinary services	1,941,132	2,553,521
Adoption, intake and other fees	736,850	515,781
Investment return designated for current operations	97,631	106,791
Sales of pet supplies and urns, net	32,521	25,663
Other income	8,928	2,227
	2,817,062	3,203,983
Net assets released from restrictions:		
Expiration of time restrictions - bequests, trusts and annuities	1,763,994	335,623
Total operating support and revenue	9,869,869	6,286,473
Operating expenses:		
Program services	6,134,452	5,396,478
Supporting services	2,110,377	1,868,061
Total operating expenses	8,244,829	7,264,539
Increase (decrease) in net assets without donor restrictions from operations	1,625,040	(978,066)
Other changes:		
Investment return in excess of (deficient to cover) amounts designated for current operations	(552,639)	648,076
Change in value of split-interest agreements	(20,013)	3,179
Transfer to restore corpus of endowment funds	(105,522)	-
Loss on disposal of equipment	-	(5,227)
Increase (decrease) in net assets without donor restrictions	\$ 946,866	(332,038)

See accompanying independent auditors' 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, 2022 and 2021

	2022	2021
Net assets without donor restrictions:		
Total operating support and revenue (excluding net assets released from restrictions)	\$ 8,105,875	5,950,850
Total operating expenses	(8,244,829)	(7,264,539)
Investment return in excess of (deficient to cover) amounts designated for current operations	(552,639)	648,076
Change in value of split-interest agreements	(20,013)	3,179
Transfer to restore corpus of endowment funds	(105,522)	-
Loss on disposal of equipment	-	(5,227)
Net assets released from restrictions	1,763,994	335,623
Increase (decrease) in net assets without donor restrictions	946,866	(332,038)
Net assets with donor restrictions:		
Contributions and grants	572,064	1,252,893
Bequests and trusts	555,542	1,404,216
Change in value of split-interest agreements	82,861	13,568
Endowment earnings (losses)	(124,441)	14,391
Transfer to restore corpus of endowment funds	105,522	-
Net assets released from restrictions	(1,763,994)	(335,623)
Increase (decrease) in net assets with donor restrictions	(572,446)	2,349,445
Increase in net assets	374,420	2,017,407
Net assets at beginning of year	12,461,617	10,444,210
Net assets at end of year	\$ 12,836,037	12,461,617

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

Statement of Functional Expenses

**For the Year Ended December 31, 2022
(With Comparative Totals for 2021)**

	Program Services			Supporting Services			Total Expenses	
	Veterinary Services	Shelter and Other Programs	Total	Management and General	Development	Total	2022	2021
Salaries and wages	\$ 1,387,287	2,061,183	3,448,470	484,945	564,852	1,049,797	4,498,267	3,567,309
Payroll taxes	104,405	153,192	257,597	35,221	41,430	76,651	334,248	269,917
Employee benefits	120,437	207,230	327,667	46,797	54,551	101,348	429,015	319,945
	1,612,129	2,421,605	4,033,734	566,963	660,833	1,227,796	5,261,530	4,157,171
Professional fees and contract services	214,801	185,526	400,327	133,295	191,216	324,511	724,838	906,448
Office supplies	8,129	3,757	11,886	2,573	5,592	8,165	20,051	11,861
Kennel food and supplies	6,550	111,618	118,168	-	711	711	118,879	83,133
Clinic medicine and supplies	385,453	222,648	608,101	-	-	-	608,101	612,487
Communications	14,853	29,283	44,136	2,706	3,081	5,787	49,923	45,489
Advertising	11,489	80,655	92,144	-	79,350	79,350	171,494	156,776
Postage and shipping	597	161	758	383	233,736	234,119	234,877	203,407
Building repairs and maintenance	31,406	10,977	42,383	29,382	40,451	69,833	112,216	72,220
Utilities	32,875	63,656	96,531	7,314	10,069	17,383	113,914	105,041
Insurance	22,075	58,419	80,494	5,906	7,696	13,602	94,096	86,405
Equipment rental and maintenance	19,719	44,692	64,411	149	4,428	4,577	68,988	50,379
Printing and publications	-	8,390	8,390	138	19,917	20,055	28,445	27,119
Automotive	3,349	13,860	17,209	376	1,817	2,193	19,402	12,470
Conferences, conventions and meetings	11,497	23,437	34,934	11,354	9,054	20,408	55,342	31,007
Interest expense	116,147	-	116,147	-	-	-	116,147	120,639
Bad debt	1,062	34,000	35,062	-	-	-	35,062	100,029
Other	57,887	28,816	86,703	18,526	29,953	48,479	135,182	116,860
In-kind expense	-	24,705	24,705	-	1,510	1,510	26,215	62,627
Total expenses before depreciation and amortization	2,550,018	3,366,205	5,916,223	779,065	1,299,414	2,078,479	7,994,702	6,961,568
Depreciation and amortization	109,297	108,932	218,229	13,421	18,477	31,898	250,127	302,971
Total expenses	\$ 2,659,315	3,475,137	6,134,452	792,486	1,317,891	2,110,377	8,244,829	
Total expenses - 2021	\$ 2,421,895	2,974,583	5,396,478	843,818	1,024,243	1,868,061		7,264,539

See accompanying independent auditors' 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, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 374,420	2,017,407
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	250,127	302,971
Loss on disposal of equipment	-	5,227
Net realized and unrealized losses (gains) on investments	677,080	(662,467)
Change in values of split-interest agreements	(62,848)	(16,747)
Donated securities	(53,486)	(5,250)
Noncash contributions of equipment and forgiveness of capital lease payments	-	(94,703)
Changes in operating assets and liabilities:		
Increase in receivables	(326,432)	(1,632,586)
Increase in inventories	(26,688)	(7,112)
Decrease (increase) in prepaid expenses and other assets	7,577	(39,327)
Increase (decrease) in accounts payable	(96,548)	151,202
Increase in accrued expenses	108,370	68,437
Increase (decrease) in deferred revenue	15,587	(26,829)
	867,159	60,223
Net cash provided by operating activities		
Cash flows from investing activities:		
Property and equipment purchases	(338,916)	(105,729)
Proceeds from the sale of equipment	-	100
Purchases of investments	(566,308)	(707,221)
Proceeds from the sale of investments	1,803,212	1,282,678
	897,988	469,828
Net cash provided by investing activities		
Cash flows from financing activities:		
Principal payments on capital lease obligations	-	(4,980)
Principal payments on long-term debt	(82,437)	(79,231)
Payments to annuitants	(21,692)	(24,881)
	(104,129)	(109,092)
Net cash used in financing activities		
Net increase in cash and cash equivalents	1,661,018	420,959
Cash and cash equivalents at beginning of year	1,563,614	1,142,655
Cash and cash equivalents at end of year	\$ 3,224,632	1,563,614
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 116,147	120,639
Additions to operating lease right-of-use assets and operating lease liabilities recognized from the adoption of ASC 842	\$ 38,630	-

See accompanying independent auditors' report and notes to financial statements.

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

Notes to Financial Statements

December 31, 2022 and 2021

(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. The Society received one conditional pledge from a donor in the amount of \$800,000 that has not been recognized as of December 31, 2022 because the condition has not been met.

(e) Cash and Cash Equivalents

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

(f) 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 \$2,500 and with a useful life of at least one year are capitalized. Similarly, donated property and equipment with a fair market value in excess of \$2,500 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 the year ended December 31, 2019 and thereafter 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 \$171,000 and \$157,000 during the years ended December 31, 2022 and 2021, respectively.

**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) Leases

The Society leases certain office equipment under operating lease agreements. The Society determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, net and current and non-current operating lease liabilities on the accompanying statements of financial position.

Operating ROU assets represent the Society’s right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating ROU assets and operating lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As an accounting policy election, the Society uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments if the rate implicit in a lease is not-readily determinable. The Society does not assume renewals in its determination of the lease term unless it is reasonably certain that it will exercise that option. The Society’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Society has lease agreements comprised of lease and non-lease components. The non-lease components are primarily comprised of equipment maintenance and real estate taxes that are passed on from the lessor. The Society made an accounting policy election by class of underlying asset not to separate lease and nonlease components in a contract. The Society’s lease agreements may also include rental payments based on equipment usage and other variable factors. Operating lease liabilities are not remeasured as a result of changes in equipment usage. These variable payments are recognized in the period in which the related obligation is incurred and are excluded from the measurement of the operating lease ROU asset and operating lease liability. Additionally, the Society has elected not to recognize a lease liability or ROU asset for short-term leases (leases with a term of twelve months or less).

(s) Comparative Financial Information

The statement of functional expenses includes certain prior year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Society’s financial statements for the year ended December 31, 2021, from which the summarized information was derived.

**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

(t) Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 changes in net assets. In June 2020, the FASB issued ASU No. 2020-05, which deferred the effective date for all entities that had 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 adopted Topic 842 effective January 1, 2022 and applied it to all existing, long-term leases using the modified retrospective method.

The new standard provides a number of optional practical expedients in transition. The Society elected the “package of practical expedients” which permitted the Society not to reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. The new standard also provided practical expedients for ongoing accounting. The Society also elected the short-term lease recognition exemption for all leases that qualified. For those leases that qualified, existing short-term leases at the transition date and those entered into subsequent to the transition date, the Society did not recognize ROU assets or lease liabilities. As a result of the adoption of this standard, the Society recognized operating lease ROU assets of \$38,630 and corresponding operating lease liabilities of \$38,630 as of January 1, 2022, which was based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases. See Note 7 for further information on the Society’s leases.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of support and revenue, expenses, and other changes in net assets without donor restrictions, apart from contributions of cash or other financial assets. The ASU also requires enhanced disclosure, including disaggregation of nonfinancial assets recognized by category and qualitative information about each category. The amendments in this ASU have been applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. On January 1, 2022, the Society adopted ASU 2020-07 using a retrospective approach. The adoption of this standard had no impact on the Society’s financial statements.

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

Notes to Financial Statements - Continued

(2) Investments

At December 31, 2022 and 2021, the cost and market values of investments were as follows:

	2022		2021	
	Cost	Market	Cost	Market
Money market funds	\$ 541,895	541,895	105,274	105,274
Common stock	1,706,796	2,020,510	1,492,702	2,258,361
Corporate bonds	880,025	816,451	1,786,269	1,840,042
Mutual funds - equities	557,829	695,101	926,699	1,542,104
U.S. savings bonds	150,000	475,458	180,000	564,320
	3,836,545	4,549,415	4,490,944	6,310,101
Gift annuities:				
Money market funds	25,761	25,761	51,105	51,105
Common stock	104,524	140,608	111,625	165,401
Corporate bonds	149,931	138,095	171,570	172,745
Mutual funds - equities	12,309	17,149	17,320	32,174
	292,525	321,613	351,620	421,425
	\$ 4,129,070	4,871,028	4,842,564	6,731,526

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 years ended December 31, 2022 and 2021 includes the following:

	2022	2021
Interest and dividends	\$ 129,627	144,116
Net realized and unrealized gains (losses)	(677,080)	662,467
Investment management fees	(31,996)	(37,325)
	(579,449)	769,258
Total investment return	(579,449)	769,258
Restricted investment return	(124,441)	14,391
Investment return designated for current operations	97,631	106,791
	(52,810)	121,182
Investment return in excess of (deficient to cover) amounts designated for current operations	\$ (552,639)	648,076

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, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>	<u>Estimated Life</u>
Land	\$ 338,062	338,062	n/a
Construction in progress	316,744	19,250	n/a
Buildings and improvements	6,461,474	6,452,093	10 - 30 years
Shelter equipment	857,270	825,228	5 - 7 years
Furniture and equipment	62,004	62,004	5 - 7 years
Transportation equipment	128,400	128,400	5 - 10 years
	<u>8,163,954</u>	<u>7,825,037</u>	
Less: accumulated depreciation	<u>3,810,350</u>	<u>3,563,870</u>	
	<u>\$ 4,353,604</u>	<u>4,261,167</u>	

Depreciation expense for the years ended December 31, 2022 and 2021, was \$246,479 and \$299,323 respectively.

(4) Contributions Receivable

Contributions receivable at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Bequests and trusts	\$ 888,175	1,366,549
Trust receivable over 10 years	566,316	724,600
Pledges	<u>331,479</u>	<u>585,215</u>
Total contributions receivable	1,785,970	2,676,364
Less: unamortized discount on pledges	5,813	1,657
Less: allowance for doubtful pledges	<u>100,000</u>	<u>100,000</u>
Net contribution receivable	<u>\$ 1,680,157</u>	<u>2,574,707</u>
Amounts due in:		
Less than one year	\$ 1,189,101	1,800,446
One to five years	<u>596,869</u>	<u>875,918</u>
	<u>\$ 1,785,970</u>	<u>2,676,364</u>

Contributions due in more than one year are discounted to net present value using a discount rate of 4.41% and 1.62% at December 31, 2022 and 2021, respectively.

**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, 2022 and 2021 consist of the following:

	2022	2021
Subject to time restrictions:		
Bequests	\$ 1,454,491	2,091,149
Charitable remainder trust	-	120,314
Charitable gift annuities	104,000	104,000
Contributions restricted for future periods	22,225	-
	1,580,716	2,315,463
Subject to use restrictions:		
Unappropriated endowment earnings	14,741	33,660
Animal medical care and adoption fees	58,766	60,386
Restricted for capital expenditures	1,392,255	1,209,415
	1,465,762	1,303,461
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	\$ 3,891,961	4,464,407

**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, 2022 and 2021:

	2022	2021
4.875% construction note payable to a commercial bank, due in monthly installments of principal and interest through January 2025, with a final balloon payment due February 2025; secured by real property and \$677,750 of investment securities.	\$ <u>2,304,451</u>	<u>2,387,687</u>
Total long-term debt	2,304,451	2,387,687
Less: unamortized debt issuance costs	7,031	11,478
Long-term debt, less unamortized debt issuance costs	2,297,420	2,376,209
Less: current installments	87,470	83,260
Long-term debt, less current installments	\$ 2,209,950	2,292,949

Total interest expense was \$116,147 and \$120,639 for the years ended December 31, 2022 and 2021, respectively.

Aggregate maturities of long-term debt as of December 31, 2022 for each of the next three years are as follows:

Year Ending December 31,	
2023	\$ 87,470
2024	93,536
2025	2,123,445
	\$ 2,304,451

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

Notes to Financial Statements - Continued

(7) Leases

The Society leases certain office equipment and facilities under noncancellable operating leases which expire over the next three years.

The following table summarize the operating lease line items in the accompanying statement of financial position at December 31, 2022:

Operating lease right-of-use-assets	\$ <u>26,484</u>
Total right-of-use assets	26,484
Current portion of operating lease liabilities	12,279
Operating lease liabilities, less current portion	<u>14,205</u>
Total operating lease liabilities	<u>\$ 26,484</u>

As of December 31, 2022, the weighted average remaining lease term and weighted average discount rate was 2.21 years and 1.11%, respectively. Operating cash flows from operating leases were \$12,500 for the year ended December 31, 2022.

The following summarizes the components in the accompanying statement of support and revenue, expenses, and other changes in net assets without donor restrictions for the year ended December 31, 2022:

Operating lease costs	\$ 12,500
Short-term lease costs	2,125
Variable lease costs	<u>16,496</u>
Total lease costs	<u>\$ 31,121</u>

Future maturities of lease liabilities as of December 31, 2022 were as follows:

Year Ending December 31,	
2023	\$ 12,500
2024	11,444
2025	<u>2,858</u>
Total operating lease payments	26,802
Less: imputed interest	<u>318</u>
Present value of lease liabilities	26,484
Less: current portion	<u>12,279</u>
Lease liabilities, net of current portion	<u>\$ 14,205</u>

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

Notes to Financial Statements - Continued

(7) Leases - Continued

Rent expense under operating leases in 2021 was approximately \$30,000. Future minimum lease payments under noncancellable operating leases and the remaining purchase commitments for equipment at December 31, 2021 (as classified under prior authoritative lease accounting guidance) were as follows:

<u>Year Ending December 31,</u>	
2022	\$ 12,500
2023	12,500
2024	11,444
2025	<u>815</u>
	<u>\$ 37,259</u>

(8) Retirement Plan

In 1994, the Society established a 403(b) retirement plan for eligible employees. Under this plan, the Society matches 25% of employee contributions up to \$1,500. For the years ended December 31, 2022 and 2021, the Society made matching contributions of approximately \$24,000 and \$26,000, respectively.

(9) Concentration of Credit Risk

The Society maintains its cash balances with a large regional financial institution. As of December 31, 2022, total cash balances exceeded federal insurance limits by approximately \$3,056,000.

(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.

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

Notes to Financial Statements - Continued

(10) Endowments - Continued

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.

Endowment Funds with Deficits: From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). These deficits resulted from unfavorable market fluctuations in 2022. In 2022, the Organization suspended its appropriations from these endowment funds and transferred \$105,522 to restore endowment funds to the amounts required to be maintained by donors and by law.

**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, 2022 and 2021 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, 2022:			
Board-designated endowment funds	\$ -	-	-
Donor-restricted endowment funds	-	860,224	860,224
	<u>\$ -</u>	<u>860,224</u>	<u>860,224</u>
December 31, 2021:			
Board-designated endowment funds	\$ -	-	-
Donor-restricted endowment funds	-	879,143	879,143
	<u>\$ -</u>	<u>879,143</u>	<u>879,143</u>

Changes in endowment net assets for the years ended December 31, 2022 and 2021 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, 2020	\$ -	864,752	864,752
Investment income	-	16,015	16,015
Net appreciation	-	99,345	99,345
Withdrawals	-	(100,969)	(100,969)
Balance at December 31, 2021	-	879,143	879,143
Transfer to restore corpus of endowments	-	105,522	105,522
Investment income	-	21,870	21,870
Net depreciation	-	(146,311)	(146,311)
Balance at December 31, 2022	<u>\$ -</u>	<u>860,224</u>	<u>860,224</u>

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

Notes to Financial Statements - Continued

(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 \$5,168,620 and \$5,856,459 as of December 31, 2022 and 2021, 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, 2022 and 2021, the Society's financial assets available to meet cash needs for general expenditures within one year were as follows:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 3,224,632	1,563,614
Bequests and trusts receivable	1,454,491	2,091,149
Pledges and other receivables	244,047	520,528
Investments	4,871,028	6,731,526
Receivable under remainder trust	-	120,314
Beneficial interest in assets held by others	20,000	20,000
Total financial assets	9,814,198	11,047,131
Less amounts unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Unappropriated earnings on endowment restricted for summer camp	(14,741)	(33,660)
Long-term bequests and trusts receivable	(509,684)	(652,140)
Long-term pledges receivable	(102,185)	(122,121)
Donor imposed use restrictions	(23,781)	(26,205)
Charitable gift annuities	(104,000)	(104,000)
Charitable remainder trust	-	(120,314)
Endowments	(845,483)	(845,483)
Board-designations:		
Operating reserves	(5,168,620)	(5,856,459)
Facility enhancement	(236,921)	(255,793)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,808,783	3,030,956

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

Notes to Financial Statements - Continued

(12) Split-Interest Gifts

Receivable Under Remainder Trust

The Society was named a remainder beneficiary under a charitable remainder unitrust agreement. The trust provided 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. The receivable under remainder trust was reported at estimated fair value. In 2022, upon the death of the two income beneficiaries, the remaining assets of \$203,175 were distributed to the Society for its use. For the years ended December 31, 2022 and 2021, the Society recognized appreciation of \$82,861 and \$13,568, respectively, included as a component of change in value of split-interest agreements in the accompanying statements of support and revenue, expenses, and other changes in net assets without donor restrictions. At December 31, 2022 and 2021, the outstanding receivable under remainder trust was \$0 and \$120,314, respectively.

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, 2022 and 2021, no funds were received by the Society under its charitable gift annuity program and therefore, no contributions were recorded.

(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, 2022 and 2021. 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

(14) Fair Value Measurements

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

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

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The Society's investments in corporate bonds and 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, 2022 are as follows:

	Fair Value as of December 31, 2022	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 567,656	567,656	-	-
Corporate bonds	954,546	-	954,546	-
Common stock:				
Communication services	38,611	38,611	-	-
Consumer discretionary	141,280	141,280	-	-
Consumer staples	177,162	177,162	-	-
Energy	83,995	83,995	-	-
Financials	261,570	261,570	-	-
Healthcare	331,532	331,532	-	-
Industrials	222,481	222,481	-	-
Information technology	203,605	203,605	-	-
International	377,730	377,730	-	-
Materials	46,239	46,239	-	-
Real estate	162,864	162,864	-	-
Utilities	114,049	114,049	-	-
Mutual funds:				
Mid cap	359,171	359,171	-	-
Small cap	353,079	353,079	-	-
U.S. savings bonds	475,458	-	475,458	-
	<u>\$ 4,871,028</u>	<u>3,441,024</u>	<u>1,430,004</u>	<u>-</u>

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

Notes to Financial Statements - Continued

(14) Fair Value Measurements - Continued

Fair value of assets measured on a recurring basis at December 31, 2021 are as follows:

	Fair Value as of December 31, 2021	Level 1	Level 2	Level 3
	<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 156,379	156,379	-	-
Corporate bonds	2,012,787	-	2,012,787	-
Common stock:				
Communication services	50,921	50,921	-	-
Consumer discretionary	234,942	234,942	-	-
Consumer staples	203,035	203,035	-	-
Energy	68,184	68,184	-	-
Financials	331,293	331,293	-	-
Healthcare	377,403	377,403	-	-
Industrials	369,632	369,632	-	-
Information technology	396,057	396,057	-	-
Materials	45,639	45,639	-	-
Real estate	227,725	227,725	-	-
Utilities	118,931	118,931	-	-
Mutual funds:				
Mid cap	813,498	813,498	-	-
Small cap	760,780	760,780	-	-
U.S. savings bonds	564,320	-	564,320	-
	<u>6,731,526</u>	<u>4,154,419</u>	<u>2,577,107</u>	<u>-</u>
Receivable under remainder trust	<u>120,314</u>	<u>-</u>	<u>-</u>	<u>120,314</u>
	<u>\$ 6,851,840</u>	<u>4,154,419</u>	<u>2,577,107</u>	<u>120,314</u>

The following table sets forth a summary of changes in fair value for the years ended December 31, 2022 and 2021 for which the Society has used Level 3 inputs to determine fair value for its receivable under a charitable remainder trust:

Balance at December 31, 2020	\$ 106,746
Change in value	<u>13,568</u>
Balance at December 31, 2021	120,314
Change in value	82,861
Distribution of trust assets	<u>(203,175)</u>
Balance at December 31, 2022	<u>\$ -</u>

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

Notes to Financial Statements - Continued

(14) 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 a remainder trust. At December 31, 2021, significant unobservable inputs include using a discount rate of 1.6% and estimated life expectancies of income beneficiaries ranging from 13 to 14 years.

(15) In-Kind Support

For the years ended December 31, 2022 and 2021, in-kind support included the following:

	<u>2022</u>	<u>2021</u>
Pet food, medical, kennel and shelter supplies	\$ 24,705	53,552
Development items	<u>1,510</u>	<u>9,075</u>
	<u>\$ 26,215</u>	<u>62,627</u>

Pet food, medical, kennel and shelter supplies are used by the Society in its Shelter program and development items are used by the Society in its special events. Pet food, medical, kennel, shelter and development supplies are valued at wholesale values that would be received for selling similar items in the United States.

(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.

In May 2021, the Society purchased certain equipment and entered into a six year purchasing commitment with the capital lease vendor whereby the Society committed to buying approximately \$158,400 of services and testing supplies on an annual contract year or \$950,400 cumulatively over the six year term in exchange for certain credits which were used to acquire \$75,990 of equipment in 2021 and \$18,713 of capital lease payments which were forgiven. The Society purchased approximately \$153,000 and \$73,400 of services and testing supplies under the purchasing agreement for the years ended December 31, 2022 and 2021, respectively. The Society's remaining minimum purchase commitment between 2023 and 2027 is approximately \$724,000.

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

Notes to Financial Statements - Continued

(16) Commitments and Contingencies - Continued

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) Federal Financial Assistance

The CARES Act provides an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit was equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was increased to \$10,000 of qualified wages per quarter and available to entities who received Paycheck Protection Program loans. Based on the 2021 relief provisions, the Society qualified and applied for the tax credit in 2022 retrospectively for calendar year 2020 and the first two calendar quarters through June 30, 2021.

The Society has elected to apply the provisions of ASU 2018-08, *Clarifying Guidance for Contributions Received and Contributions Made (Topic 958-605)* as the relevant guidance for a not-for-profit entity for this type of conditional federal award. During the year ended December 31, 2022, the Society accrued approximately \$1.44 million in ERC which is included with contributions and grants in the accompanying statement of support and revenue, expenses, and other changes in net assets without donor restrictions. The Society collected approximately \$1.2 million of the ERC in 2023 and received a notification from the IRS that the balance due of approximately \$250,000 has been approved.

(18) Subsequent Events

The Society has evaluated subsequent events through July 19, 2023, the date the financial statements were available for issuance.