The Pennsylvania Society for the Prevention of Cruelty to Animals and Subsidiary

Consolidated Financial Statements
Year Ended December 31, 2020

bbd

1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Pennsylvania Society for the Prevention of Cruelty to Animals
and Subsidiary
Philadelphia, Pennsylvania

We have audited the accompanying consolidated financial statements of The Pennsylvania Society for the Prevention of Cruelty to Animals and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Pennsylvania Society for the Prevention of Cruelty to Animals and Subsidiary as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

BBD LLP

Philadelphia, Pennsylvania
September 30, 2021

THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS	
CURRENT ASSETS	
Cash	$ 1,711,199
Accounts receivable, net and other receivables	35,587
Grants receivable and promises to give	211,749
Inventory	97,517
Prepaid expenses and other assets	104,723
Total current assets	2,160,775
PROPERTY AND EQUIPMENT, NET	10,146,147
OTHER ASSETS	
Investments	5,760,008
Beneficial interests in perpetual trusts held by third parties	14,224,426
Total other assets	19,984,434
Total assets	$ 32,291,356
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 652,488
Charitable gift annuity	2,727
Economic Injury Disaster Loan	3,588
Total current liabilities	658,803
LONG-TERM LIABILITIES	
Postretirement health benefits obligation	231,483
Charitable gift annuity	37,075
Economic Injury Disaster Loan	296,412
Total long-term liabilities	564,970
Total liabilities	1,223,773
NET ASSETS	
Without donor restrictions	11,941,944
With donor restrictions	19,125,639
Total net assets	31,067,583
Total liabilities and net assets	$ 32,291,356

See accompanying notes

THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Program revenue	$ 2,398,532	$ -	$ 2,398,532
Municipal contract stray revenue	30,600	-	30,600
Contributions	3,024,393	84,800	3,109,193
Contributions - in-kind	488,613	-	488,613
Bequests	812,486	-	812,486
Trusts	563,161	13,364	576,525
Grants	404,838	740,863	1,145,701
Special events, net of expenses	1,313,308	-	1,313,308
Interest and dividends, net of investment fees	14,747	52,859	67,606
Net realized and unreallized gain on investments	66,059	283,105	349,164
Other revenue	74,156	-	74,156
Increase in fair value of beneficial interests in perpetual trusts held by third parties	-	1,257,436	1,257,436
Net assets released from restrictions	1,268,167	(1,268,167)	-
Total revenue and support	10,459,060	1,164,260	11,623,320
EXPENSES			
Program services			
Humane law enforcement and litigation	1,498,874	-	1,498,874
Spay and neuter and public veterinary care	2,063,374	-	2,063,374
Adoptions, lifesaving and shelter hospital	4,299,669	-	4,299,669
Humane education	187,586	-	187,586
Rescue, rehabilitation and placement	1,377,851	-	1,377,851
Supporting services			
Management and general	846,610	-	846,610
Fundraising	1,144,539	-	1,144,539
Total expenses	11,418,503	-	11,418,503
Change in net assets before loan forgiveness	(959,443)	1,164,260	204,817
Paycheck Protection Program loan forgiveness	1,363,200	-	1,363,200
CHANGE IN NET ASSETS	403,757	1,164,260	1,568,017
NET ASSETS			
Beginning of year	11,538,187	17,961,379	29,499,566
End of year	$ 11,941,944	$ 19,125,639	$ 31,067,583

See accompanying notes

THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2020

	Program Expenses						Supporting Expenses			
	Humane Law Enforcement and Litigation	Spay and Neuter and Public Veterinary Care	Adoptions, Lifesaving and Shelter Hospital	Humane Education	Rescue, Rehabilitation and Placement	Total Program Expenses	Management and General	Fundraising	Total Support Expenses	Total Expenses
Employment expenses	$ 734,425	$ 1,177,372	$ 2,872,785	$ 110,023	$ 839,856	$ 5,734,461	$ 725,537	$ 828,431	$ 1,553,968	$ 7,288,429
Animal care expenses	26,697	442,966	458,339	41,687	105,028	1,074,717	401	148	549	1,075,266
Office and technology expenses	3,417	8,981	27,451	1,068	11,186	52,103	6,239	26,837	33,076	85,179
Utilities	21,982	55,053	166,597	2,732	58,284	304,648	7,132	41,210	48,342	352,990
Facilities and vehicle expenses	55,960	32,327	124,644	981	105,667	319,579	1,746	2,046	3,792	323,371
Professional services	571,519	95,270	165,002	2,943	-	834,734	70,165	20,679	90,844	925,578
Development and marketing expenses	19,336	20,197	20,479	19,336	-	79,348	203	169,223	169,426	248,774
Leased equipment and facility	10,128	22,541	109,011	4,917	2,521	149,118	12,319	10,673	22,992	172,110
Bank, credit card and payroll fees	4,830	34,892	32,792	716	21,475	94,705	5,602	33,043	38,645	133,350
Bad debt expense (recovery)	-	1,670	(5,183)	-	-	(3,513)	4,639	-	4,639	1,126
Travel, meals, entertainment and other	4,356	6,779	55,249	1,043	1,134	68,561	6,204	5,155	11,359	79,920
Depreciation	46,224	55,326	272,503	2,140	232,700	608,893	6,423	7,094	13,517	622,410
Grant awards	-	110,000	-	-	-	110,000	-	-	-	110,000
Total expenses	$ 1,498,874	$ 2,063,374	$ 4,299,669	$ 187,586	$ 1,377,851	$ 9,427,354	$ 846,610	$ 1,144,539	$ 1,991,149	$ 11,418,503

See accompanying notes

THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,568,017
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities	
Depreciation	622,410
Bad debt expense	1,126
Net realized and unrealized (gains) losses on investments	(349,164)
(Increase) decrease in fair value of beneficial interests in perpetual trusts held by third parties	(1,257,436)
(Increase) decrease in	
Accounts receivable, net and other receivables	132,755
Grants receivable and promises to give	454,808
Inventory	16,330
Prepaid expenses and other assets	74,847
Increase (decrease) in	
Accounts payable and accrued expenses	75,163
Charitable gift annuity	(2,031)
Postretirement health benefits obligation	(5,529)
Net cash provided by (used by) operating activities and change in cash	1,331,296
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	(213,112)
Purchase of investments	(1,676,845)
Proceeds from sale of investments	1,793,362
Net cash provided by (used by) investing activities	(96,595)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on line of credit	(462,500)
Proceeds from Economic Injury Disaster Loan	300,000
Net cash provided by (used by) financing activities	(162,500)
Net change in cash	1,072,201
CASH	
Beginning of year	638,998
End of year	$ 1,711,199

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid	$ 9,514

See accompanying notes

(1) NATURE OF ACTIVITIES

The Pennsylvania Society for the Prevention of Cruelty to Animals and Subsidiary includes The Pennsylvania Society for the Prevention of Cruelty to Animals (the ***"PSPCA"***) and Main Line Rescue, Inc. d/b/a Main Line Animal Rescue (***"MLAR"***), collectively, the Organization.

The PSPCA, a nonprofit 501(c)(3) organization, was established in the Commonwealth of Pennsylvania in 1867. The PSPCA has the distinction of being the state's oldest, largest and most comprehensive animal welfare organization, and is the second oldest humane organization in the United States. The PSPCA conducts its operations at its headquarters located in North Philadelphia, at two regional locations – the Central PA Center at Danville (Montour County) and the Lancaster Center, and at a satellite location, the Fishtown Center (Philadelphia). The PSPCA operates under a "no-kill" philosophy and is dedicated to preventing animal cruelty, rescuing animals from cruelty and neglect, rehabilitating animals medically and behaviorally, placing rescued animals with new, loving families, reducing pet overpopulation through low-cost spay and neuter services, and improving the health and quality of life of all animals in the region. The core services provided by the PSPCA include:

- Humane Law Enforcement – to prevent animal cruelty and neglect by enforcing Pennsylvania's anti-cruelty laws;
- Humane Litigation – to oversee the prosecution of cruelty cases brought by the Humane Law Enforcement team;
- Humane Education – to prevent animal cruelty and to promote responsible pet ownership and animal advocacy by educating children and adults in the community about the humane treatment of animals;
- Adoptions, Foster and Rescue – to place formerly neglected, abused or unwanted animals in forever homes, which includes collaboration with other animal shelters;
- Behavior & Enrichment – to assess incoming animals, design individual enrichment and/or behavior modification plans, and offer classes to provide training and support to adopters and current pet owners to improve pet retention;
- Surgical Services – to offer affordable and accessible surgical services to the community, including spay-neuter, which helps reduce pet overpopulation;
- Public Veterinary Care – to provide low-cost wellness, preventative, geriatric and end-of-life pet care services to the community, including exams and treatments, vaccine clinics, micro-chipping and flea/tick prevention; and
- Shelter Hospital Care – to provide high quality, personalized and compassionate veterinary treatment and medical rehabilitation of sick and injured animals in the PSPCA's care, a significant volume of which enter the shelter through Humane Law Enforcement, as well as providing innovative forensic support to our Humane Law Enforcement Team.

Main Line Rescue, Inc. d/b/a Main Line Animal Rescue is a Pennsylvania nonprofit corporation, specializing in the rescue and placement of abused, unwanted and abandoned companion animals. MLAR never discriminates on the basis of health, age or breed. By involving and educating the community, MLAR works to raise the public's awareness of the plight of homeless animals as well as to realize the benefits of adopting an animal in need. The animals are examined, vaccinated, spayed or neutered and receive any and all medical treatment before they are placed in carefully screened homes.

The Organization's sources of revenue include fees for program services, grants, bequests and contributions from donors and trusts (including at special events). The Organization relies on donor support and does not receive funding from Federal, state or local government agencies. Additionally, the Organization has a strong network of volunteers that support its mission and help connect the Organization to its community.

The Board of Directors of the Organization has the responsibility to direct and carry out activities including, but not limited to, the selection of the Chief Executive Officer, approval of annual budgets and strategic plans, and oversight of the management of the Organization. The Board of Directors also has the authority to borrow money, purchase, sell or transfer property.

(2) SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

U.S. generally accepted accounting principles (***"GAAP"***) require a nonprofit organization to consolidate the financial statements of affiliated nonprofit organizations when it has (a) certain kinds of control and (b) other kinds of control coupled with an economic interest.

The accompanying financial statements include the accounts of Pennsylvania Society for the Prevention of Cruelty to Animals and Main Line Rescue, Inc. d/b/a Main Line Animal Rescue. Intercompany transactions and balances have been eliminated in consolidation. The entities are referred to collectively as the Organization.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions. As of December 31, 2019, the Board of Directors designated funds of $190,919 to function as a board-designated endowment. In 2020, these funds in the amount of $195,806 were undesignated by the Board of Directors and are now available for operations.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organization and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as ***"net assets released from restrictions"***.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting the Organization to expend the income generated in accordance with the provisions of the contribution.

Accounting Estimates

In preparing financial statements in conformity with GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Concentration of Credit Risk

Cash is a financial instrument which potentially subjects the Organization to a concentration of credit risk. The Organization maintains cash deposits at a high-quality bank. At times, such deposits may exceed federally-insured limits.

Accounts Receivable

The Organization carries its accounts receivables at the invoice amount, appropriately reduced for any contractual allowances, less allowance for doubtful accounts. On a monthly basis, management evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on its assessment of uncollectible accounts receivable.

Management believes the grants and promises to give and bequests and contributions receivables at December 31, 2020 are fully collectible.

Inventory

Inventory, consisting of veterinary supplies, pharmaceuticals merchandise sold, is valued at the lower of cost (average cost) or net realizable value.

Property and Equipment

Land owned by the Organization is stated at cost, if purchased. Property and equipment are capitalized and recorded at cost, if purchased. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. The merchandise sold will capitalize assets purchased with a cost greater than $2,500, as described in the merchandise sold 's capitalization policy. Maintenance and minor repairs are charged to expense when incurred. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the statement of activities. The merchandise sold records contributed assets at their fair value as of the date of contribution.

The estimated useful lives for depreciation are:

Buildings and dog park	39-50 years
Building improvements	10-39 years
Furniture and equipment	5-10 years
Vehicles	4 years
Leasehold improvements	5 years
Assets held under capital lease	6 years

Investments

Investments are recorded in the statement of financial position at fair value, as determined based on quoted market prices. The net changes in fair value and the realized gains and losses on investments sold are reflected in the statement of activities as net realized and unrealized gains or losses on investments.

The Organization invests in a professional-managed portfolio that contains various types of securities ***(See Note 5)***. Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect the investment balances and the amounts reported in the financial statements.

Beneficial Interest in Perpetual Trusts Held by Third Parties

Beneficial interest in perpetual trusts held by third parties represents the Organization's proportionate share of the fair value of assets contributed to several trusts from which the Organization has the irrevocable rights to receive income earned in perpetuity. Because the Organization does not have the right to receive the assets in these trusts, the original contribution and subsequent changes in fair value have been reported as net assets with donor restrictions. The Organization receives disbursements from the perpetual trusts, which are reported as trusts revenue and included in the change in net assets without donor restrictions unless use of the disbursement is limited by donor-imposed restrictions. Additionally, from time to time the Organization will receive disbursements from other trusts where the Organization does not have a beneficial interest. These disbursements are also reported as trusts revenue and included in the change in net assets without donor restrictions unless use of the disbursements is limited by donor-imposed restrictions.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the PSPCA. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Organization 's own assumptions.

Beneficial interest in perpetual trusts held by third parties is valued in the fair value hierarchy using Level 3 inputs. Increase in the value of the beneficial interest during the year ended December 31, 2020 was $1,257,436. The balance of the beneficial interest in perpetual trusts held by third parties as of December 31, 2020 is $14,224,426.

Charitable Gift Annuity

Contributions of charitable gift annuities, held by Organization, are recorded at fair value of the related assets, and liabilities under the charitable gift annuities are recorded at the present value of the estimated payments to the beneficiaries. Estimated life expectancy is determined using IRS mortality rates. The liabilities are adjusted annually for amortization of discount and changes in actuarial assumptions. These adjustments are recorded as changes in the value of charitable gift annuities. The Organization records the present value of the estimated payments to beneficiaries discounted at a 6.2% rate.

Post-Retirement Health Benefits Obligation

The PSPCA sponsors a noncontributory defined post-retirement medical benefit plan covering certain retired employees. Benefits are limited to certain defined amounts and are payable under terms negotiated with each beneficiary. The plan is not currently funded and is subject to modification at the PSPCA's discretion, subject to certain limitations.

The PSPCA follows the accounting standards for postretirement benefits other than pensions, which requires the employer to recognize the funded status of the plan or the difference between the fair value of plan assets and the postretirement benefit obligation on the balance sheet. The PSPCA recognizes the change in postretirement benefit obligation of the unfunded plan in net assets without donor restrictions.

Revenue Recognition

Program revenues are recognized as revenue when the services are provided to the clients. Program revenue is made up of mainly sales of goods, adoption fees, medical procedures, medications, examination and other veterinary care. Performance obligations are determined based on the nature of the services provided. The Organization recognizes revenue for performance obligations satisfied over time based on actual charges incurred in relation to the total expected charges. Generally, performance obligations satisfied over time related to animals receiving inpatient care. The Organization measures performance obligations from admission to the point when there are no further services required for the animal, which is generally the time of discharge. The Organization recognizes revenues for performance obligations satisfied at a point in time, which generally relate to animals receiving outpatient or same day services when: (1) the services are provided and (2) when it is believed the animal does not require additional services.

Contributions, bequests, trusts and grants received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions, bequests, trusts, promises to give and grants whose restrictions are satisfied in the same period are reported as net assets without donor restrictions. Contributions, bequests, trusts and grants that are expected to be collected within one year are recorded at their net realizable value.

Unconditional contributions, bequests, trusts and grants are recognized as revenue when the related promise to give is received. Conditional contributions, bequests, trusts and grants – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Grants receivable and promises to give at December 31, 2020 are $211,749 and are expected to be collected in 2021. Grants receivable and promises to give are measured at fair value using the income approach using level 2 (other significant observable inputs) valuation inputs.

Unless restricted by the donor as to time or purpose, bequests are reported as support without donor restrictions and are recognized as revenue in the period received. The Organization received notification from various estates that the Organization may be a beneficiary of the final distribution of assets. Due to the uncertainty of these distributions and inability of management to estimate their value, they are considered conditional and are not included as revenue when notification is received.

The Organization will receive distributions from various trusts held by third parties either through beneficial ownership interests (in whole or in part) in perpetual trusts or through discretion of individual trusts or estates. Unless restricted by the donor as to time or purpose, trust distributions are reported as support without donor restrictions and are recognized as revenue in the period received or distributed.

The Organization holds special fundraising events throughout the year. The Organization records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place. Any amounts received in advance are deferred until the date of the event.

In-kind Contributions and Donated Services

The Organization records donated services that create or enhance nonfinancial assets and that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization records the value of contributed goods when there is an objective basis available to measure their value.

Contributions-in-kind are included as support in the accompanying statement of activities at their estimated values at the time received.

A substantial number of volunteers have donated time to the activities of the Organization. However, such contributed services do not meet the criteria for recognition of contributed services in accordance with generally accepted accounting principles and, accordingly, are not reflected in the accompanying financial statements.

Nonmonetary Exchange Transactions

Nonmonetary transactions are recorded based on the fair values of the services involved. Consequently, the amount recorded for these services received in a nonmonetary exchange is the fair value of the services provided (or the fair value any assets or services received if they are more clearly evident).

The PSCPA receives an agreed fee per stray dog intake in connection with providing stray dog services to the contracted Lancaster County municipalities. In exchange for the PSPCA's services, the City of Lancaster allows the PSPCA to use the shelter and there is no charge for utilities. Management estimates the fair market value of the facility and related utilities based on current lease rates per square foot for warehouse properties in Lancaster County and the pro-rated actual utility costs as provided by the City of Lancaster. The estimate fair market value of revenue and lease expense for the year ended December 31, 2020 was $61,780 and is included on the statement of activities in program revenue and functional expenses in leased equipment and facility.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include depreciation, interest, office and occupancy and supplies which are allocated on a square footage basis, as well as salaries and benefits which have been allocated based on estimates of time and effort.

Income Tax Status

The Internal Revenue Service has classified the PSPCA and MLAR as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (***"Code"***); as an organization, contributions to which are deductible under Section 170(c) of the Code; and as an organization that is not a private foundation as defined in Section 509(a) of the Code. As a result, no provision or liability for income taxes is included in the accompanying financial statements.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. The Organization believes that it had no uncertain tax positions as defined in GAAP.

(3) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

Cash and cash equivalents	$ 1,711,199
Accounts receivable, net and other receivables	35,587
Grants receivable and promises to give	211,749
Investments	5,760,008
Total financial assets	7,718,543
Less: financial assets not available for general expenditures within one year	
Restricted by donors for specific purposes or periods	(4,336,482)
Restricted by donors to be held in perpetuity	(564,731)
Total financial assets available within one year	$ 2,817,330

Liquidity Management

The Organization has a goal to maintain financial assets, which consist of cash, bequest receivable and cash equivalents held in the Organization's investment account on hand to meet 30 days of normal operating expenses, which are, on average, approximately $750,000.

As part of its liquidity management, the Organization invests cash in excess of daily requirements in various investment funds held by the Organization's third party investment brokerage house, which include cash equivalents, treasury, government and corporate bonds and equities. These funds can be easily accessed by the Organization. As more fully described in Note 6, the Organization also has a line of credit agreement in the amount of $950,000 with a limit for cash advances of $750,000. The Organization did not have an outstanding balance as of December 31, 2020 on the line of credit.

(4) PROPERTY AND EQUIPMENT

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

Land	$ 864,420
Buildings, building improvements and dog park	13,219,583
Leasehold improvements	31,794
Furniture and equipment	2,523,779
Transportation equipment	798,545
	17,438,121
Less: Accumulated depreciation	(7,291,974)
	$ 10,146,147

Depreciation expense was $622,410 for the year ended December 31, 2020.

(5) INVESTMENTS AND INVESTMENT INCOME

Investments at December 31, 2020 are comprised of the following:

Money market	$ 562,007
Certificates of deposit	70,000
Mutual funds - equities	55,082
Common stock	2,719,729
Fixed income	
U.S. Treasury bonds	421,167
Corporate bonds	1,344,587
Municipal bonds	80,186
Exchange-traded funds	
Fixed income	485,021
Equities	22,229
	$ 5,760,008

All investments held as of December 31, 2020 were measured at fair value on a recurring basis using Level 1 inputs, except for fixed income securities and certificates of deposit which were measured using Level 2 inputs.

(6) LINE OF CREDIT

The PSPCA has a line of credit agreement with Republic Bank in the amount of $950,000, of which up to $750,000 can be utilized as a cash advance. This agreement has an expiration date of December 1, 2021. There were no outstanding borrowings under the line as of December 31, 2020. The interest rate on borrowings under the line of credit was 3.25% as of December 31, 2020.

MLAR had available a line of credit with a commercial bank providing a maximum credit of $1,000,000. Borrowings under the line of credit were due on demand, bears interest at the prime rate (3.25 % at December 31, 2020) and was guaranteed by a long-term donor. There was an outstanding balance of $462,500 on the line of credit as of December 31, 2019. This line-of-credit was paid off in 2020 and is no longer available to the Organization. Interest expense incurred on the line of credit was $9,108 for the year ended December 31, 2020.

The PSPCA has two letters of credit with Republic Bank in the amounts of $50,000 and $150,000, respectively. These agreements have an expiration date of September 1, 2021. There were no outstanding borrowings under the letters of credit as of December 31, 2020. The interest rate on borrowings under the letters of credit was 4.25% as of December 31, 2020.

(7) LOAN PAYABLE- ECONOMIC INJURY DISASTER LOAN PROGRAM

In June 2020, the PSPCA and MLAR each received an unsecured loan in the amount of $150,000 from the Small Business Administration under the economic injury loan program. Pursuant to the terms of the agreement, monthly payments of principal and interest in the amount of $641 will begin in June 2021 and be due payable each month through May 2050. The loan bears interest at a rate of 2.75% per annum.

The loan payable matures as follows:

Year ending December 31,	
2021	$ 3,588
2022	7,324
2023	7,528
2024	7,738
2025	7,954
Thereafter	265,868
	$ 300,000

(8) LOAN FORGIVENESS

In April 2020, the PSPCA borrowed $1,363,200 under the Paycheck Protection Program funded by the Coronavirus Aid, Relief and Economic Security (CARES) Act. This loan is underwritten by Republic Bank and bears interest at 1% maturing May 1, 2022. This loan was eligible to be forgiven if the proceeds were used in accordance with the terms of the program. The PSPCA complied with the terms of the program and payment relief was received in 2020. Therefore, this amount has been recorded as an increase in net assets on the statement of activities in 2020.

(9) CONTRIBUTIONS – IN-KIND

The following is a summary of the in-kind contributions received by the Organization during the year ended December 31, 2020. The in-kind contributions have been recorded as revenue in the statement of activities and are also included as programs expenses in the statements of activities and functional expenses.

Donated legal services	$ 167,984
Donated other services	283,319
Donated space and utilities (Lancaster County)	61,780
Donated goods	37,310
	$ 550,393

(10) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes and periods:

	Balance December 31, 2019	Additions	Releases	Balance December 31, 2020
Subject to expenditure for specified purposes				
Land, buildings, vehicles and equipment	$ 334,311	$ 78,000	$ (132,590)	$ 279,721
Program support in specific Pennsylvania counties	93,758	13,364	-	107,122
Endowment - Program support in specific Pennsylvania counties	3,565,288	295,773	(112,907)	3,748,154
Spay and neuter and public veterinary care support	19,901	15,800	(33,111)	2,590
Adoptions, lifesaving and shelter hospital support	3,670	696,863	(536,638)	163,895
Other program support	411,206	-	(411,206)	-
Restricted for use in future periods	35,090	35,000	(35,090)	35,000
	4,463,224	1,134,800	(1,261,542)	4,336,482
Net assets to be maintained indefinitely				
Endowment - General operations	531,165	40,191	(6,625)	564,731
Beneficial interests in perpetual trusts held by third parties	12,966,990	1,257,436	-	14,224,426
Total net assets to be maintained indefinitely	13,498,155	1,297,627	(6,625)	14,789,157
	$ 17,961,379	$ 2,432,427	$ (1,268,167)	$ 19,125,639

(11) ENDOWMENT FUNDS

Endowment net assets are available to support the following purposes as of December 31,:

Endowments to be held in perpetuity	
General operations	$ 377,730
Veterinary salaries	187,001
Endowments with donor restrictions	
Program support in specific Pennsylvania counties	3,748,154
	$ 4,312,885

An accounting standard exists which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (***"UPMIFA"***). The Organization is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA.

In accordance with Pennsylvania statutes, the Organization has adopted investment and spending policies for its endowment assets that attempt to build and protect capital for future obligations while supporting current operations through a total return investment strategy and a spending policy set to maintain, and ideally increase, the purchasing power of the endowment and the investments. The Organization 's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

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

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions In Perpetuity	Total Endowment Assets
Endowment net assets, December 31, 2019	$ 190,919	$ 3,565,288	$ 531,165	$ 4,287,372
Interest and dividends, net of investment fees	-	46,234	6,625	52,859
Net realized and unrealized gains (losses)	(5,987)	249,539	33,566	277,118
Release from restriction	(184,932)	-	-	(184,932)
Spending policy distribution	-	(112,907)	(6,625)	(119,532)
Endowment net assets, December 31, 2020	$ -	$ 3,748,154	$ 564,731	$ 4,312,885

(12) OPERATING LEASES

The PSPCA leased the Fishtown satellite location space through May 2020 as well as certain office equipment under lease obligations which have been classified as operating leases. The leases require monthly payments in varying amounts. MLAR leases certain office equipment under lease obligations which have been classified as operating leases. The leases require monthly payments of $459 through March 2026.

The following are the minimum payments, as of December 31, 2020, required under the leases:

Year ending December 31,	
2021	$ 71,647
2022	72,689
2023	72,689
2024	72,689
2025	70,239
2026	17,437
	$ 377,390

For the year ended December 31, 2020, equipment and facility rental expense for all operating leases was $169,433 which includes $61,780 of expenses related to the use of Lancaster City shelter in exchange for stray dog intake services.

(13) HUMANE LAW ENFORCEMENT

The PSPCA performs its humane law enforcement activities under Pennsylvania statutes governing Human Society Police Officers and operates under the supervision of the Pennsylvania Secretary of Agriculture.

Neither the PSPCA nor its humane law enforcement officers are granted the same "qualified immunity" which attaches to federal, state and municipal law enforcement officers in the conduct of their official duties. With the passage of the Comprehensive Animal Cruelty Act 10 (formerly HB 1238) in Pennsylvania in June 2017, civil immunity is now provided for Humane Society police officers and veterinarians. However, the PSPCA may still be exposed to litigation arising from claims relating to its humane law enforcement function at the federal level. The PSPCA believes it has adequately insured those risks.

(14) 403(b) THRIFT PLAN

The PSPCA has a defined contribution 403(b) thrift plan that is subject to the provisions of the Employment Retirement Income Security Act of 1974 (***"ERISA"***) and covers all employees (except leased employees and nonresident aliens). The PSPCA makes employer matching contribution equal to 25% of the employee's salary reduction contributions limited to the first 6% for employees who are at least 18 years of age and have completed one year of service with the PSPCA. For the year ended December 31, 2020, the PSPCA had contributed, net of forfeitures to the plan, $25,690 to the 403(b) thrift plan.

(15) LITIGATION

The PSPCA periodically finds itself a defendant in legal suits that have developed in the normal course of business. The PSPCA maintains both liability and umbrella insurance with limits of coverage which management believes to be more than adequate to cover any potential claims. Accordingly, the PSPCA has not accrued any claims liability as of and for the year ended December 31, 2020.

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2021, the date on which the financial statements were available to be issued. The extent of the continued impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our clients and employees and impact on our donors and their level of contributions, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

In February 2021, the PSPCA received a second Paycheck Protection Program (***"PPP"***) loan for $1,342,200 pursuant to the federal CARES Act passed in response to the COVID-19 crisis.

In February 2021, MLAR sold the Grubbs Mill Property, including land and building, for approximately $585,000.

No other material subsequent events have occurred since December 31, 2020 that require recognition or disclosure in the financial statements.