

**THE PENNSYLVANIA SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**THE PENNSYLVANIA SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Pennsylvania Society for the Prevention of Cruelty to Animals (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

Board of Directors  
The Pennsylvania Society for the Prevention of Cruelty to Animals

***Opinion***

In our opinion, the 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 as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
May 26, 2016

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014**

| <b>ASSETS</b>  | 2015          | 2014          |
|--|---------------|---------------|
| <b>CURRENT ASSETS</b>  |               |               |
| Cash and Cash Equivalents                                    | \$ 174,765    | \$ 87,159     |
| Accounts Receivable, Net                                     | 36,084        | 8,320         |
| Trusts Receivable  | 32,378        | 27,658        |
| Grants Receivable and Promises to Give, Current Portion      | 125,299       | 68,500        |
| Bequests and Contributions Receivable                        | 147,240       | 122,137       |
| Other Receivables  | 1,483         | 55,149        |
| Inventory  | 162,936       | 146,603       |
| Prepaid Expenses   | 242,937       | 284,063       |
| Deposits   | 33,213        | 15,000        |
| Total Current Assets   | 956,335       | 814,589       |
| <b>PROPERTY AND EQUIPMENT, NET</b>                           | 6,350,785     | 6,240,755     |
| <b>OTHER ASSETS</b>  |               |               |
| Investments  | 7,649,879     | 8,540,820     |
| Beneficial Interests in Perpetual Trusts Held by Others      | 11,802,302    | 12,673,739    |
| Grants Receivable and Promises to Give, Less Current Portion | 151,269       | 80,727        |
| Total Other Assets   | 19,603,450    | 21,295,286    |
| Total Assets   | \$ 26,910,570 | \$ 28,350,630 |
| <b>LIABILITIES AND NET ASSETS</b>                            |               |               |
| <b>CURRENT LIABILITIES</b>                                   |               |               |
| Line of Credit   | \$ 350,000    | \$ 500,000    |
| Loan Payable, Current Portion                                | -             | 9,439         |
| Capital Lease Obligation, Current Portion                    | 3,565         | -             |
| Accounts Payable and Accrued Expenses                        | 602,974       | 422,558       |
| Charitable Gift Annuity, Current Portion                     | 6,405         | 1,640         |
| Deferred Rent  | 4,005         | -             |
| Total Current Liabilities                                    | 966,949       | 933,637       |
| <b>LONG TERM LIABILITIES</b>                                 |               |               |
| Postretirement Health Benefits Obligation                    | 323,225       | 182,345       |
| Charitable Gift Annuity, Less Current Portion                | 25,987        | 6,221         |
| Loan Payable, Less Current Portion                           | -             | 7,350         |
| Capital Lease Obligation, Less Current Portion               | 19,817        | -             |
| Total Long Term Liabilities                                  | 369,029       | 195,916       |
| Total Liabilities  | 1,335,978     | 1,129,553     |
| <b>NET ASSETS</b>  |               |               |
| Unrestricted   | 9,226,465     | 10,075,780    |
| Temporarily Restricted                                       | 4,014,660     | 3,940,393     |
| Permanently Restricted                                       | 12,333,467    | 13,204,904    |
| Total Net Assets   | 25,574,592    | 27,221,077    |
| Total Liabilities and Net Assets                             | \$ 26,910,570 | \$ 28,350,630 |

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

|  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|--|---------------------|---------------------------|---------------------------|----------------------|
| <b>SUPPORT, REVENUES AND GAINS</b>   |                     |                           |                           |                      |
| Program Revenue  | 2,718,206           | \$ -                      | \$ -                      | \$ 2,718,206         |
| Contributions  | 1,487,856           | 494,397                   | -                         | 1,982,253            |
| Contributions - In-Kind  | 577,096             | -                         | -                         | 577,096              |
| Bequests   | 2,064,720           | 10,005                    | -                         | 2,074,725            |
| Trusts   | 379,908             | 158,977                   | -                         | 538,885              |
| Promises to Give   | -                   | 227,528                   | -                         | 227,528              |
| Grants   | 68,962              | 127,839                   | -                         | 196,801              |
| Special Events   | 765,967             | 102,063                   | -                         | 868,030              |
| Interest and Dividends   | 93,385              | 69,962                    | -                         | 163,347              |
| Net Realized and Unrealized Loss on Investments                                      | (15,565)            | (143,641)                 | -                         | (159,206)            |
| Other Revenue  | 3,214               | -                         | -                         | 3,214                |
| Decrease in Fair Value of Beneficial Interests<br>in Perpetual Trusts Held by Others | -                   | -                         | (871,437)                 | (871,437)            |
| Loss on Disposition of Equipment   | (8,193)             | -                         | -                         | (8,193)              |
| Total  | <u>8,135,556</u>    | <u>1,047,130</u>          | <u>(871,437)</u>          | <u>8,311,249</u>     |
| Net Assets Release from Restrictions   | <u>972,863</u>      | <u>(972,863)</u>          | <u>-</u>                  | <u>-</u>             |
| Total Support, Revenue and Gains   | 9,108,419           | 74,267                    | (871,437)                 | 8,311,249            |
| <b>EXPENSES</b>  |                     |                           |                           |                      |
| Program Expenses:  |                     |                           |                           |                      |
| Humane Law Enforcement and Litigation  | 2,094,052           | -                         | -                         | 2,094,052            |
| Spay and Neuter and Public Veterinary Care   | 2,278,317           | -                         | -                         | 2,278,317            |
| Adoptions, Lifesaving, and Shelter Hospital  | 3,550,782           | -                         | -                         | 3,550,782            |
| Humane Education   | 205,653             | -                         | -                         | 205,653              |
| Management and General   | 711,670             | -                         | -                         | 711,670              |
| Fundraising/Development  | 1,117,260           | -                         | -                         | 1,117,260            |
| Total Operating Expenses   | <u>9,957,734</u>    | <u>-</u>                  | <u>-</u>                  | <u>9,957,734</u>     |
| <b>CHANGE IN NET ASSETS</b>  | (849,315)           | 74,267                    | (871,437)                 | (1,646,485)          |
| Net Assets - Beginning of Year   | <u>10,075,780</u>   | <u>3,940,393</u>          | <u>13,204,904</u>         | <u>27,221,077</u>    |
| <b>NET ASSETS - END OF YEAR</b>  | <u>\$ 9,226,465</u> | <u>\$ 4,014,660</u>       | <u>\$ 12,333,467</u>      | <u>\$ 25,574,592</u> |

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2014**

|   | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|---|----------------------|---------------------------|---------------------------|----------------------|
| <b>SUPPORT, REVENUES AND GAINS</b>  |                      |                           |                           |                      |
| Program Revenue   | 2,617,413            | \$ -                      | \$ -                      | \$ 2,617,413         |
| Contributions   | 1,642,347            | 140,617                   | -                         | 1,782,964            |
| Contribution - In-Kind  | 479,621              | -                         | -                         | 479,621              |
| Donated Rent  | 76,400               | -                         | -                         | 76,400               |
| Bequests  | 1,809,598            | 47,068                    | -                         | 1,856,666            |
| Trusts  | 380,802              | 176,219                   | -                         | 557,021              |
| Promises to Give  | -                    | 39,632                    | -                         | 39,632               |
| Grants  | 81,089               | 156,100                   | -                         | 237,189              |
| Special Events  | 669,369              | 42,715                    | -                         | 712,084              |
| Interest and Dividends  | 105,588              | 68,086                    | -                         | 173,674              |
| Net Realized and Unrealized Gains on Investments                                      | 196,707              | 252,709                   | -                         | 449,416              |
| Other Revenue   | 10,370               | -                         | -                         | 10,370               |
| Increase in Fair Value of Beneficial Interests<br>in Perpetual Trusts Held by Others  | -                    | -                         | 111,587                   | 111,587              |
| Total   | <u>8,069,304</u>     | <u>923,146</u>            | <u>111,587</u>            | <u>9,104,037</u>     |
| Net Assets Release from Restrictions  | <u>734,177</u>       | <u>(734,177)</u>          | <u>-</u>                  | <u>-</u>             |
| Total Support, Revenue and Gains  | 8,803,481            | 188,969                   | 111,587                   | 9,104,037            |
| <b>EXPENSES</b>   |                      |                           |                           |                      |
| Program Expenses:   |                      |                           |                           |                      |
| Humane Law Enforcement and Litigation   | 2,127,144            | -                         | -                         | 2,127,144            |
| Spay and Neuter and Public Veterinary Care  | 1,896,211            | -                         | -                         | 1,896,211            |
| Adoptions, Lifesaving, and Shelter Hospital   | 3,555,078            | -                         | -                         | 3,555,078            |
| Humane Education  | 203,241              | -                         | -                         | 203,241              |
| Management and General  | 603,093              | -                         | -                         | 603,093              |
| Fundraising/Development   | 1,005,910            | -                         | -                         | 1,005,910            |
| Total Operating Expenses  | <u>9,390,677</u>     | <u>-</u>                  | <u>-</u>                  | <u>9,390,677</u>     |
| <b>CHANGE IN NET ASSETS BEFORE OTHER NON-<br/>RECURRING AND NON-OPERATING EXPENSE</b> | (587,196)            | 188,969                   | 111,587                   | (286,640)            |
| <b>OTHER NON-RECURRING AND NON-OPERATING EXPENSE</b>                                  |                      |                           |                           |                      |
| Donation of Property  | (265,831)            | -                         | -                         | (265,831)            |
| Total Other Expense   | <u>(265,831)</u>     | <u>-</u>                  | <u>-</u>                  | <u>(265,831)</u>     |
| <b>CHANGE IN NET ASSETS</b>   | (853,027)            | 188,969                   | 111,587                   | (552,471)            |
| Net Assets - Beginning of Year  | <u>10,928,807</u>    | <u>3,751,424</u>          | <u>13,093,317</u>         | <u>27,773,548</u>    |
| <b>NET ASSETS - END OF YEAR</b>   | <u>\$ 10,075,780</u> | <u>\$ 3,940,393</u>       | <u>\$ 13,204,904</u>      | <u>\$ 27,221,077</u> |

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2015**

|  | Program Expenses                                  |  |   |                     | Total<br>Program<br>Expense | Management<br>and<br>General | Fundraising | Total<br>Support<br>Expense | Total<br>Expense |
|--|---|--|---|---------------------|-----------------------------|------------------------------|-------------|-----------------------------|------------------|
|  | Humane<br>Law<br>Enforcement<br>and<br>Litigation | Spay and<br>Neuter<br>and Public<br>Veterinary<br>Care | Adoptions<br>Lifesaving<br>and<br>Shelter<br>Hospital | Humane<br>Education |                             |                              |             |                             |                  |
| Salaries   | \$997,793   | \$1,034,530  | \$1,692,400   | \$125,049           | \$ 3,849,772                | \$358,028                    | \$505,034   | \$ 863,062                  | \$ 4,712,834     |
| Taxes and Benefits                               | 182,402   | 187,108  | 306,118   | 20,054              | 695,682                     | 239,890                      | 73,006      | 312,896                     | 1,008,578        |
| Employment Expenses                              | 23,318  | 8,051  | 18,394  | 712                 | 50,475                      | 1,263                        | 1,826       | 3,089                       | 53,564           |
| Workers Compensation                             | 47,564  | 48,819   | 116,373   | 1,018               | 213,774                     | 3,970                        | 3,807       | 7,777                       | 221,551          |
| Insurance  | 321,386   | 39,236   | 64,247  | 13,965              | 438,834                     | 9,751                        | 11,155      | 20,906                      | 459,740          |
| Medical Supplies                                 | 2,523   | 391,838  | 257,392   | -                   | 651,753                     | -                            | -           | -                           | 651,753          |
| Office and Other Supplies                        | 15,539  | 41,764   | 225,083   | 7,273               | 289,659                     | 10,591                       | 9,513       | 20,104                      | 309,763          |
| Pet Food   | -   | 614  | 73,383  | -                   | 73,997                      | -                            | -           | -                           | 73,997           |
| Events   | 178   | 845  | 2,615   | 70                  | 3,708                       | 64                           | 242,435     | 242,499                     | 246,207          |
| Leased Equipment and Facility                    | 8,243   | 25,903   | 27,188  | 2,233               | 63,567                      | 2,958                        | 4,172       | 7,130                       | 70,697           |
| Direct Mail, Postage and Shipping                | 18,842  | 20,331   | 25,407  | 18,103              | 82,683                      | 857                          | 133,170     | 134,027                     | 216,710          |
| Humane Services                                  | 9,677   | 44,752   | 66,666  | -                   | 121,095                     | -                            | -           | -                           | 121,095          |
| Legal and Audit                                  | 292,100   | 39,116   | 31,058  | 3,726               | 366,000                     | 22,527                       | 14,656      | 37,183                      | 403,183          |
| Contract/Consulting Expense                      | 12,769  | 66,285   | 69,205  | 2,888               | 151,147                     | 14,601                       | 39,899      | 54,500                      | 205,647          |
| Network and Website                              | 331   | 9,826  | -   | 266                 | 10,423                      | 2,536                        | 30,868      | 33,404                      | 43,827           |
| Telephone  | 19,624  | 9,646  | 11,384  | 460                 | 41,114                      | 1,362                        | 2,153       | 3,515                       | 44,629           |
| Utilities  | 11,336  | 33,983   | 139,484   | 1,111               | 185,914                     | 6,190                        | 4,870       | 11,060                      | 196,974          |
| Repairs, Maintenance, and<br>Facilities Expenses | 5,792   | 33,064   | 98,975  | 830                 | 138,661                     | 2,299                        | 2,026       | 4,325                       | 142,986          |
| Vehicle Repairs and Maintenance                  | 37,263  | 1,003  | 7,241   | 7                   | 45,514                      | 104                          | 29          | 133                         | 45,647           |
| Advertising and Printing                         | 1,183   | 4,999  | 6,820   | 1,139               | 14,141                      | 372                          | 3,738       | 4,110                       | 18,251           |

See accompanying Notes to Financial Statements.



**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

|  | Program Expenses                                  |  |   |                     | Total<br>Program<br>Expense | Management<br>and<br>General | Fundraising         | Total<br>Support<br>Expense | Total<br>Expense    |
|--|---|--|---|---------------------|-----------------------------|------------------------------|---------------------|-----------------------------|---------------------|
|  | Humane<br>Law<br>Enforcement<br>and<br>Litigation | Spay and<br>Neuter<br>and Public<br>Veterinary<br>Care | Adoptions<br>Lifesaving<br>and<br>Shelter<br>Hospital | Humane<br>Education |                             |                              |                     |                             |                     |
| Dues, Licenses and Subscriptions       | \$ 5,085  | \$ 3,222   | \$ 2,673  | \$ 798              | \$ 11,778                   | \$ 1,085                     | \$ 4,778            | \$ 5,863                    | \$ 17,641           |
| Bank, Credit Card and Payroll Fees     | 6,558   | 31,359   | 15,478  | 1,119               | 54,514                      | 4,990                        | 14,733              | 19,723                      | 74,237              |
| Bad Debt Expense                       | -   | 22,567   | 54  | -                   | 22,621                      | -                            | -                   | -                           | 22,621              |
| Travel, Meals, Entertainment and Other | 48,518  | 9,861  | 34,091  | 972                 | 93,442                      | 3,059                        | 4,924               | 7,983                       | 101,425             |
| Depreciation                           | 24,726  | 49,493   | 190,297   | 3,134               | 267,650                     | 8,639                        | 6,838               | 15,477                      | 283,127             |
| Interest                               | 1,302   | 1,302  | 1,256   | 726                 | 4,586                       | 6,534                        | 3,630               | 10,164                      | 14,750              |
| Grant Awards                           | -   | 118,800  | 67,500  | -                   | 186,300                     | 10,000                       | -                   | 10,000                      | 196,300             |
| Total Expense                          | <u>\$ 2,094,052</u>                               | <u>\$ 2,278,317</u>                                    | <u>\$ 3,550,782</u>                                   | <u>\$ 205,653</u>   | <u>\$ 8,128,804</u>         | <u>\$ 711,670</u>            | <u>\$ 1,117,260</u> | <u>\$ 1,828,930</u>         | <u>\$ 9,957,734</u> |

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2014**

|  | Program Expenses                                  |  |   |                     |                             |                              |             | Total<br>Support<br>Expense | Total<br>Expense |
|--|---|--|---|---------------------|-----------------------------|------------------------------|-------------|-----------------------------|------------------|
|  | Humane<br>Law<br>Enforcement<br>and<br>Litigation | Spay and<br>Neuter<br>and Public<br>Veterinary<br>Care | Adoptions<br>Lifesaving<br>and<br>Shelter<br>Hospital | Humane<br>Education | Total<br>Program<br>Expense | Management<br>and<br>General | Fundraising |                             |                  |
| Salaries   | \$ 995,123  | \$ 1,013,061   | \$ 1,541,617  | \$ 130,433          | \$ 3,680,234                | \$ 331,419                   | \$ 422,509  | \$ 753,928                  | \$ 4,434,162     |
| Taxes and Benefits                               | 166,074   | 177,182  | 261,308   | 12,937              | 617,501                     | 51,694                       | 60,465      | 112,159                     | 729,660          |
| Employment Expenses                              | 19,639  | 4,053  | 7,207   | 190                 | 31,089                      | 3,385                        | 1,374       | 4,759                       | 35,848           |
| Workers Compensation                             | 24,869  | 43,453   | 117,520   | 779                 | 186,621                     | 4,287                        | 3,439       | 7,726                       | 194,347          |
| Insurance  | 355,039   | 46,477   | 54,973  | 21,141              | 477,630                     | 16,461                       | 13,897      | 30,358                      | 507,988          |
| Medical Supplies                                 | 1,590   | 316,590  | 324,632   | -                   | 642,812                     | -                            | -           | -                           | 642,812          |
| Office and Other Supplies                        | 15,372  | 43,806   | 268,804   | 6,670               | 334,652                     | 7,591                        | 9,277       | 16,868                      | 351,520          |
| Pet Food   | -   | -  | 87,830  | -                   | 87,830                      | -                            | -           | -                           | 87,830           |
| Events   | -   | -  | 959   | -                   | 959                         | -                            | 227,018     | 227,018                     | 227,977          |
| Leased Equipment                                 | 3,753   | 5,816  | 7,889   | -                   | 17,458                      | 7,383                        | 6,523       | 13,906                      | 31,364           |
| Direct Mail, Postage and Shipping                | 19,151  | 18,646   | 21,443  | 18,029              | 77,269                      | 1,734                        | 132,072     | 133,806                     | 211,075          |
| Humane Services                                  | 38,078  | 29,717   | 94,635  | 100                 | 162,530                     | -                            | -           | -                           | 162,530          |
| Legal and Audit                                  | 205,318   | 2,833  | 12,118  | 1,700               | 221,969                     | 31,110                       | 28,069      | 59,179                      | 281,148          |
| Contract/Consulting Expense                      | 1,891   | 20,883   | 5,460   | 540                 | 28,774                      | 66,587                       | 35,366      | 101,953                     | 130,727          |
| Network and Website                              | 18,706  | 20,908   | 22,690  | 201                 | 62,505                      | 1,431                        | 18,129      | 19,560                      | 82,065           |
| Telephone  | 50,700  | 11,111   | 17,178  | 655                 | 79,644                      | -                            | 1,240       | 1,240                       | 80,884           |
| Utilities  | 25,008  | 23,773   | 138,576   | 916                 | 188,273                     | 5,042                        | 3,909       | 8,951                       | 197,224          |
| Repairs, Maintenance, and<br>Facilities Expenses | 14,471  | 27,368   | 102,736   | 859                 | 145,434                     | 5,689                        | 2,252       | 7,941                       | 153,375          |
| Vehicle Repairs and Maintenance                  | 42,939  | 553  | 5,749   | -                   | 49,241                      | -                            | -           | -                           | 49,241           |
| Advertising and Printing                         | 3,305   | 3,687  | 3,800   | 3,324               | 14,116                      | 2,585                        | 6,222       | 8,807                       | 22,923           |

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2014  
(CONTINUED)**

|                                      | Program Expenses                                  |  |   |                     | Total<br>Program<br>Expense |                              |                     | Total<br>Support<br>Expense | Total<br>Expense    |
|--------------------------------------|---|--|---|---------------------|-----------------------------|------------------------------|---------------------|-----------------------------|---------------------|
|                                      | Humane<br>Law<br>Enforcement<br>and<br>Litigation | Spay and<br>Neuter<br>and Public<br>Veterinary<br>Care | Adoptions<br>Lifesaving<br>and<br>Shelter<br>Hospital | Humane<br>Education |                             | Management<br>and<br>General | Fundraising         |                             |                     |
| Donated Rent                         | \$ -  | \$ -   | \$ 76,400   | \$ -                | \$ 76,400                   | \$ -                         | \$ -                | \$ -                        | \$ 76,400           |
| Dues, Licenses and Subscriptions     | 2,154   | 3,144  | 2,317   | 350                 | 7,965                       | 1,749                        | 2,434               | 4,183                       | 12,148              |
| Bank, Credit Card and Payroll Fees   | 6,031   | 27,817   | 21,524  | 790                 | 56,162                      | 2,009                        | 19,600              | 21,609                      | 77,771              |
| Bad Debt Expense                     | -   | 12,812   | -   | -                   | 12,812                      | -                            | -                   | -                           | 12,812              |
| Travel, Meals, Entertainment & Other | 54,810  | 2,792  | 24,730  | 548                 | 82,880                      | 6,713                        | 2,253               | 8,966                       | 91,846              |
| Depreciation                         | 58,321  | 36,037   | 185,791   | 2,987               | 283,136                     | 7,951                        | 6,308               | 14,259                      | 297,395             |
| Insurance Settlements                | -   | -  | -   | -                   | -                           | 44,719                       | -                   | 44,719                      | 44,719              |
| Interest                             | 4,802   | 3,692  | 3,692   | 92                  | 12,278                      | 3,554                        | 3,554               | 7,108                       | 19,386              |
| Grant Awards                         | -   | -  | 143,500   | -                   | 143,500                     | -                            | -                   | -                           | 143,500             |
| Total Expense                        | <u>\$ 2,127,144</u>                               | <u>\$ 1,896,211</u>                                    | <u>\$ 3,555,078</u>                                   | <u>\$ 203,241</u>   | <u>\$ 7,781,674</u>         | <u>\$ 603,093</u>            | <u>\$ 1,005,910</u> | <u>\$ 1,609,003</u>         | <u>\$ 9,390,677</u> |

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENTS OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2015 AND 2014**

|  | 2015           | 2014         |
|--|----------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                |              |
| Change in Net Assets   | \$ (1,646,485) | \$ (552,471) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:      |                |              |
| Depreciation   | 283,127        | 297,395      |
| Bad Debt Expense   | 22,621         | 12,812       |
| Net Realized and Unrealized (Gains) Losses on Investments                                    | 159,206        | (449,416)    |
| (Increase) Decrease in Fair Value of Beneficial Interests in Perpetual Trusts Held by Others | 871,437        | (111,587)    |
| Donations of Property  | -              | 265,831      |
| Loss on Disposition of Equipment   | 8,193          | -            |
| Contributions of Leasehold Improvements and Equipment  | (36,128)       | -            |
| (Increase) Decrease in:  |                |              |
| Accounts Receivable  | (50,385)       | 32,452       |
| Other Receivables  | 53,666         | (54,488)     |
| Trusts Receivable  | (4,720)        | (13,454)     |
| Grants Receivable and Promises to Give   | (127,341)      | (40,590)     |
| Bequests and Contributions Receivable  | (25,103)       | (122,137)    |
| Inventory  | (16,333)       | 5,531        |
| Prepaid Expenses   | 41,126         | (179,790)    |
| Deposits   | (18,213)       | -            |
| Increase (Decrease) in:  |                |              |
| Accounts Payable and Accrued Expenses  | 180,416        | (175,935)    |
| Charitable Gift Annuity  | 24,531         | 7,861        |
| Deferred Rent  | 4,005          | -            |
| Postretirement Health Benefits Obligation  | 140,880        | (45,840)     |
| Net Cash Used by Operating Activities  | (135,500)      | (1,123,826)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                |              |
| Acquisition of Property and Equipment  | (365,222)      | (151,713)    |
| Purchase of Investments  | (1,659,157)    | (3,422,905)  |
| Proceeds from Sale of Investments  | 2,390,892      | 4,310,871    |
| Net Cash Provided by Investing Activities  | 366,513        | 736,253      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                |              |
| Repayment on Line of Credit  | (150,000)      | -            |
| Payments on Loan Payable   | (16,789)       | (8,965)      |
| Proceeds from Capital Lease Obligation   | 23,382         | -            |
| Net Cash Used by Financing Activities  | (143,407)      | (8,965)      |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                  | 87,606         | (396,538)    |
| Cash and Cash Equivalents - Beginning of Year  | 87,159         | 483,697      |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>   | \$ 174,765     | \$ 87,159    |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                      |                |              |
| Interest Paid  | \$ 16,221      | \$ 19,386    |
| <b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>  |                |              |
| Capital Lease Obligation Invested for the Use of Equipment                                   | \$ 23,382      | \$ -         |
| Contributions of Leasehold Improvements and Equipment  | \$ 36,128      | \$ -         |

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Pennsylvania Society for the Prevention of Cruelty to Animals (the "PSPCA"), a nonprofit 501(c)(3) organization, was established in the Commonwealth of Pennsylvania in 1867. The PSPCA is the second oldest humane organization in the United States, and the first, and largest, in Pennsylvania. The PSPCA conducts its operations at its headquarters located in Philadelphia, at a Central Pennsylvania branch located in Danville, and at a satellite branch in Fishtown (Philadelphia, PA). The PSPCA is dedicated to preventing animal cruelty, rescuing animals from abuse and neglect, providing lifesaving care and treatments, reducing pet overpopulation through low-cost spay and neuter services, and improving the welfare 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 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 plans and offer classes providing 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 vaccine clinics, grooming, 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.

The PSPCA's sources of revenue include fees for program services, grants, bequests, and contributions from donors and trusts (including at special events). The PSPCA is 100 percent donor-funded and does not receive financial support from local, state, or federal government agencies. Additionally, the PSPCA has a strong network of volunteers that support its mission and bring the organization closer to its community.

The Board of Directors of the PSPCA 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 PSPCA. The Board of Directors also has the authority to borrow money, purchase, sell or transfer property.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**Classification of Net Assets**

Resources in the accompanying financial statements are classified for accounting and reporting purposes into three classes of net assets according to the existence or absence of donor-imposed restrictions as follows:

**Permanently Restricted Net Assets**

Net assets subject to donor-imposed restrictions that are to be maintained permanently by the PSPCA or used to account for funds and split-interest agreements which have been accepted with donor stipulations that principal be maintained intact in perpetuity. Investment income from these net assets is included in unrestricted net assets, unless otherwise restricted. At December 31, 2015 and 2014, the PSPCA had \$12,333,467 and \$13,204,904 in permanently restricted net assets, respectively.

**Temporarily Restricted Net Assets**

Net assets subject to donor-imposed restrictions related to a specific time period or purpose. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2015 and 2014, the PSPCA had \$4,014,660 and \$3,940,393 in temporarily restricted net assets, respectively.

**Unrestricted Net Assets**

Net assets that are not subject to donor-imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as net assets released from restrictions.

**Cash and Cash Equivalents**

Cash and cash equivalents includes liquid instruments with original maturities of three months or less which the PSPCA intends to utilize to fund operations. The PSPCA maintains its primary depository account with a commercial bank. During the year, the PSPCA may have cash balances on deposit in excess of the federally insured limit.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

The PSPCA 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.

Accounts Receivable consisted of the following at December 31:

|                                       | 2015       | 2014       |
|---------------------------------------|------------|------------|
| Accounts Receivable                   | \$ 203,372 | \$ 156,863 |
| Less: Allowance for Doubtful Accounts | (167,288)  | (148,543)  |
| Net Accounts Receivable               | \$ 36,084  | \$ 8,320   |

**Inventory**

Inventory, consisting of veterinary medical supplies and pharmaceuticals, is valued at the lower of cost (average cost) or market.

**Investments**

Investments are stated fair value. The investments in mutual funds are valued at the net asset value of shares held by the PSPCA at year end. Invested cash is stated at cost which approximates fair value.

Investments in mutual funds and equity securities with readily determinable fair values are carried at quoted market value. The net changes in fair value and the realized gains and losses on investments sold are reflected in the statements of activities as net realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is reasonably possible that such changes in the values of investments will occur in the near-term and that changes could materially affect the amounts reported in the statement of financial position.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Land owned by the PSPCA is stated at cost. Property and equipment are capitalized and recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. The PSPCA will capitalize assets purchased with a cost greater than \$1,000, as described in the PSPCA'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 PSPCA records contributed assets at their fair value as of the date of contribution.

Donations of equipment and improvements are recorded as support at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, PSPCA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor and reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Long lived assets, such as property and equipment are reviewed periodically for impairment based on comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets' carrying amounts are adjusted to fair value. There were no such adjustments during the years ended December 31, 2015 and 2014.

The estimated useful lives for depreciation are:

|                                 |          |
|---------------------------------|----------|
| Buildings and Dog Park          | 50 years |
| Building Improvements           | 10 years |
| Furniture and Equipment         | 10 years |
| Vehicles                        | 4 years  |
| Leasehold Improvements          | 5 years  |
| Assets Held under Capital Lease | 6 years  |

**Contributions and Grants**

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future use or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions and Grants (Continued)**

Contributions and grants that are expected to be collected within one year are recorded at their net realizable value; management believes the grant and contribution receivables at December 31, 2015 were fully collectible.

**Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Management believes the promises to give at December 31, 2015 were fully collectible.

**Charitable Gift Annuity**

Donors have contributed assets to the PSPCA in exchange for promises by the PSPCA to pay a fixed amount for a specified period of time to such donors. Under the terms of these agreements, no trust exists as the assets received are held by, and the annuity liability is an obligation of, the PSPCA. The discount rates used to measure the liabilities were 2.0% and 2.2% during 2015 and 2014.

**Trusts Receivable**

The PSPCA will receive distributions from various trusts held by others either through beneficial ownership interests (in whole or in part) in perpetual trusts or through discretion of individual trusts or estates. From time to time, the PSPCA will receive notification of a disbursement, but does not receive the disbursement until after year end. The PSPCA will recognize these disbursements at the time of notification as revenue in the period such notice is received.

**Bequests**

Unless restricted by the donor as to time or purpose, bequests are reported as unrestricted support and are recognized as revenue in the period received.

**Program Revenue**

Program revenue is recorded as services are provided. The PSPCA's services are primarily funded through payments for adoptions, public veterinary care, and spay and neuter and other surgeries.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Services**

A substantial number of volunteers have donated time to the activities of the PSPCA. 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.

**Functional Allocation of Expenses**

The costs of providing the PSPCA's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which cannot be directly identified with specific functions are allocated based on estimates of staff hours devoted to various functions or by square footage.

**Uniform Prudent Management of Institutional Funds Act**

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides guidance on the classification of endowment fund net assets for states that have enacted versions of the UPMIFA, and enhances disclosures for endowment funds. Because UPMIFA has not become law in the Commonwealth of Pennsylvania, possible reclassifications of net assets are not required to be made.

**Fair Value Measurements**

The PSPCA has categorized its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

Financial assets recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

**Level 1**

Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the PSPCA has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

**Level 2**

Financial assets whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

**Level 3**

Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset (examples include certain private equity investments, long-term promises to give and split-interest agreements).

Beneficial interests in perpetual trusts held by others represent the PSPCA's proportionate share of the fair value of assets contributed to several trusts, from which the PSPCA has the irrevocable right to receive income earned in perpetuity.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, although the PSPCA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2015 and 2014, respectively.

**Income Taxes**

The PSPCA is a nonprofit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal, state and local income taxes. Accordingly, there is no provision for income taxes. The PSPCA is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to tax on unrelated business income taxes.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

The PSPCA follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard had no impact on the PSPCA's financial statements.

**Reclassification**

Certain amounts previously reported in the financial statements for the year ended December 31, 2014 have been reclassified to conform to the current year financial statement presentation.

**Subsequent Events**

In preparing these financial statements, the PSPCA has evaluated events and transactions for potential recognition or disclosure through May 26, 2016, the date the financial statements were available to be issued.

**NOTE 2 CONCENTRATION OF CREDIT RISK INVOLVING CASH**

The PSPCA maintains cash balances at various financial institutions. The Federal Deposit Insurance Corporation insures balances up to \$250,000 at each institution. At times, the PSPCA may have cash balances on deposit in excess of the federally insured limit.

**NOTE 3 GRANTS RECEIVABLE AND PROMISES TO GIVE**

The PSPCA has unconditional grants and promises to give from several contributors for multi-year periods. Amounts to be received in excess of one year have been discounted to the net present value at 0.62%. Unconditional promises to give at December 31, 2015 are as follows:

|  |                          |
|--|--------------------------|
| Receivable Less Than One Year                              | \$ 125,299               |
| Receivable One to Four Years                               | <u>154,000</u>           |
| Total Grants Receivable and Unconditional Promises to Give | 279,299                  |
| Less:  |                          |
| Discount on Net Present Value                              | (2,731)                  |
| Net Grants Receivable and Unconditional Promises to Give   | <u><u>\$ 276,568</u></u> |

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 4      PROPERTY AND EQUIPMENT**

Property and Equipment consists of the following:

|   | 2015         | 2014         |
|---|--------------|--------------|
| Land  | \$ 788,296   | \$ 788,296   |
| Buildings, Building Improvements and Dog Park | 8,699,963    | 8,433,853    |
| Furniture and Equipment                       | 1,420,556    | 1,316,961    |
| Transportation Equipment                      | 497,835      | 497,835      |
| Total   | 11,406,650   | 11,036,945   |
| Less Accumulated Depreciation                 | 5,055,865    | 4,796,190    |
| Total Property and Equipment                  | \$ 6,350,785 | \$ 6,240,755 |

Depreciation expense was \$283,127 and \$297,395 for the years ended December 31, 2015 and 2014, respectively.

**NOTE 5      INVESTMENTS AND INVESTMENT INCOME**

Investments are comprised of the following

|              | 2015         | 2014         |
|--------------|--------------|--------------|
| Stocks       | \$ 1,097     | \$ -         |
| Mutual Funds | 7,231,427    | 7,746,475    |
| Money Market | 417,355      | 794,345      |
| Total        | \$ 7,649,879 | \$ 8,540,820 |

Investment income consists of the following for the years ended December 31:

|   | 2015       | 2014       |
|---|------------|------------|
| Interest and Dividends                                    | \$ 163,347 | \$ 173,674 |
| Net Realized and Unrealized Gain (Loss)<br>on Investments | (159,206)  | 449,416    |
| Total   | \$ 4,141   | \$ 623,090 |

Dividends and interest income earned on funds restricted by donors, if any, is reported as an increase to temporarily restricted net assets.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 6 FAIR VALUE MEASUREMENTS**

The PSPCA uses fair value measurements to record fair value adjustments to certain assets. For additional information on how the PSPCA values all other assets refer to Note 1 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis as of December 31, 2015 are:

|  | Total                | Level 1             | Level 2     | Level 3              |
|--|----------------------|---------------------|-------------|----------------------|
| Money Market Funds                       | \$ 417,355           | \$ 417,355          | \$ -        | \$ -                 |
| Mutual Funds                             | 7,231,427            | 7,231,427           | -           | -                    |
| Stocks                                   | 1,097                | 1,097               | -           | -                    |
| Beneficial Interests in Perpetual Trusts |                      |                     |             |                      |
| Held by Others                           | 11,802,302           | -                   | -           | 11,802,302           |
| Total Investments                        | <u>\$ 19,452,181</u> | <u>\$ 7,649,879</u> | <u>\$ -</u> | <u>\$ 11,802,302</u> |

Assets measured at fair value on a recurring basis as of December 31, 2014 are:

|  | Total                | Level 1             | Level 2     | Level 3              |
|--|----------------------|---------------------|-------------|----------------------|
| Money Market Funds                       | \$ 794,345           | \$ 794,345          | \$ -        | \$ -                 |
| Mutual Funds                             | 7,746,475            | 7,746,475           | -           | -                    |
| Equities                                 | -                    | -                   | -           | -                    |
| Beneficial Interests in Perpetual Trusts |                      |                     |             |                      |
| Held by Others                           | 12,673,739           | -                   | -           | 12,673,739           |
| Total Investments                        | <u>\$ 21,214,559</u> | <u>\$ 8,540,820</u> | <u>\$ -</u> | <u>\$ 12,673,739</u> |

**Level 3 Assets**

The following table represents a summary of changes in the fair value of the PSPCA's level 3 assets for the year ended December 31, 2015:

|   |   |
|---|---|
|   | Beneficial Interests<br>in Perpetual Trusts<br>Held by Others |
| Beginning Balance at January 1, 2015                    | \$ 12,673,739   |
| Decrease in Fair Value Included in Change in Net Assets | (871,437)   |
| Ending Balance at December 31, 2015                     | <u>\$ 11,802,302</u>  |

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Level 3 Assets (Continued)**

The following table represents a summary of changes in the fair value of the PSPCA's level 3 assets for the year ended December 31, 2014:

|   |   |
|---|---|
|   | Beneficial Interests<br>in Perpetual Trusts<br>Held by Others |
| Beginning Balance at January 1, 2014                    | \$ 12,562,152   |
| Increase in Fair Value Included in Change in Net Assets | 111,587   |
| Ending Balance at December 31, 2014                     | \$ 12,673,739   |

**NOTE 7 ENDOWMENT ACTIVITY**

The PSPCA's investment funds are to support current operations through a total return investment strategy and a spending policy set to maintain, and ideally increase, the purchasing power of the endowment, without putting the principal value of these funds at imprudent risk.

The endowment funds of the PSPCA shall be invested in a portfolio of index funds which will provide safety through wide diversification and earnings designed to match market performance, both achieved at low cost. Consistent rebalancing to the target allocations will ensure a long term, low risk, prudent strategy. The Socially Responsible Guidelines of the Pennsylvania Society for the Prevention of Cruelty to Animals shall be consulted and shall guide investment decisions. The Board of Directors of the PSPCA is responsible for overseeing the investment of endowment assets, establishing a recommended investment policy, selecting and de-selecting investment managers, setting performance objectives and monitoring performance in meeting these objectives.

The investment goals for all investment funds of the PSPCA: (1) meet payout requirements of endowment funds, (2) provide sufficient liquidity to meet distribution requirements, (3) earn a total return of approximately 3.2% in excess of estimated inflation of 3.0% as measured by the Consumer Price Index over a five-year time horizon, and (4) earn competitive returns relative to capital market measures. Investment goals and performance are to be computed net of investment management and independent investment consultant fees.

An endowment is an established fund of cash, securities, or other assets to provide income for the maintenance of the PSPCA. The use of the assets of the fund may be permanently restricted, temporarily restricted, or unrestricted. Endowment funds are generally established by donor-restricted gifts or bequests to provide a permanent source of income, or a term endowment, which is to provide income for a specific period. A board-designated endowment, which results from an internal designation, is not donor restricted and is classified as unrestricted net assets.

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**NOTE 7      ENDOWMENT ACTIVITY (CONTINUED)**

A summary of the endowment activity by net asset class for the year ended December 31, 2015 is as follows:

|                                     | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|-------------------------------------|---------------------------|---------------------------|---------------------|
| Endowment Assets, Beginning of Year | \$ 3,561,425              | \$ 531,165                | \$ 4,092,590        |
| Investment Return:                  |                           |                           |                     |
| Interest and Dividends              | 69,962                    | -                         | 69,962              |
| Net Realized and Unrealized Loss    | (143,614)                 | -                         | (143,614)           |
| Total Investment Return             | (73,652)                  | -                         | (73,652)            |
| Distributions of Endowment Income   | (205,886)                 | -                         | (205,886)           |
| Endowment Assets, End of Year       | <u>\$ 3,281,887</u>       | <u>\$ 531,165</u>         | <u>\$ 3,813,052</u> |

A summary of the endowment activity by net asset class for the year ended December 31, 2014 is as follows:

|                                     | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|-------------------------------------|---------------------------|---------------------------|---------------------|
| Endowment Assets, Beginning of Year | \$ 3,395,255              | \$ 531,165                | \$ 3,926,420        |
| Investment Return:                  |                           |                           |                     |
| Interest and Dividends              | 68,086                    | -                         | 68,086              |
| Net Realized and Unrealized Gains   | 252,709                   | -                         | 252,709             |
| Total Investment Return             | 320,795                   | -                         | 320,795             |
| Distributions of Endowment Income   | (154,625)                 | -                         | (154,625)           |
| Endowment Assets, End of Year       | <u>\$ 3,561,425</u>       | <u>\$ 531,165</u>         | <u>\$ 4,092,590</u> |

The PSPCA also held investments that do not meet the definition of endowment assets totaling \$3,836,827 and \$4,448,230 at December 31, 2015 and 2014, respectively.



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**NOTE 8      BENEFICIAL INTERESTS IN PERPETUAL TRUSTS HELD BY OTHERS**

Beneficial interests in perpetual trusts held by third parties represents the PSPCA's proportionate share of the fair value of assets contributed to several trusts from which the PSPCA has the irrevocable rights to receive income earned in perpetuity. Because the PSPCA 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 permanently restricted net assets. The PSPCA receives disbursements from the perpetual trusts, which are reported as trusts revenue and included in the change in unrestricted net assets unless use of the disbursement is limited by donor-imposed restrictions. Additionally, from time to time the PSPCA will receive disbursements from other trusts where the PSPCA does not have a beneficial interest. These disbursements are also reported as trusts revenue and included in the change in unrestricted net assets unless use of the disbursements is limited by donor-imposed restrictions.

For the year ended December 31, 2015, disbursements from trusts reported as revenue amounted to \$538,885, of which \$536,004 relates to perpetual trusts in which the PSPCA has a beneficial interest. For the year ended December 31, 2014, disbursements from trusts reported as revenue amounted to \$557,021, of which \$554,279 relates to perpetual trusts in which the PSPCA has a beneficial interest.

**NOTE 9      LINE OF CREDIT**

On August 26, 2011, the PSPCA opened a line of credit for working capital requirements to borrow up to \$800,000. As part of this agreement, the PSPCA was limited to cash advances up to \$500,000. This agreement included provisions enabling the PSPCA to be issued a commercial letter of credit not to exceed \$300,000. The line of credit is collateralized by securities in the PSPCA's investment accounts. Borrowings under the line of credit bore interest at the Wall Street Journal prime rate of interest, plus 1.00%. In February 2013, the line of credit agreement was amended to reduce the interest rate on borrowings under the line to the Wall Street Journal prime rate of interest.

On February 1, 2014, the PSPCA amended its line of credit agreement reducing the commercial letter of credit capacity under the line from \$300,000 to \$250,000. On February 12, 2015, the PSPCA entered into an amended line of credit agreement, the terms of which extended the expiration date of the line of credit to June 1, 2015 and reduced the required amount of the PSPCA's investments collateralizing the line of credit to \$750,000. On May 21, 2015, the expiration date of the line of credit was extended to June 1, 2016. On December 1, 2015, the commercial letter of credit capacity under the line was reduced from \$250,000 to \$200,000.

Outstanding borrowings under the line as of December 31, 2015 and 2014 totaled \$350,000 and \$500,000, respectively. The interest rate on borrowings under the line of credit was increased from 3.25% to 3.50% as of December 31, 2015. Interest expense related to the line of credit was \$14,519 and \$18,629 for the years ended December 31, 2015 and 2014, respectively.

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**NOTE 10    LOAN PAYABLE**

On September 12, 2013, the PSPCA entered into a loan payable agreement, in the amount of \$28,000, to purchase telephone equipment to be used as part of the PSPCA's operations. The PSPCA was required to pay 35 payments in the amount of \$839 in both interest and principal with a final payment due on September 1, 2016. Interest on the unpaid principal balance was 5% per annum based on a year of 360 days until paid in full. The outstanding balance at December 31, 2014 under this loan payable agreement was \$16,789. On April 22, 2015, the PSPCA paid the remaining outstanding balance of this loan payable in full.

Interest expenses incurred on this loan payable was \$231 and \$1,061 for the years ended December 31, 2015 and 2014, respectively.

**NOTE 11    CHARITABLE GIFT ANNUITY**

The PSPCA has received unrestricted contributions of cash in exchange for annuities payable to the donors.

The PSCPA paid \$2,859 and \$316 of annuity payments in 2015 and 2014, respectively. In 2016, and thereafter, amounts totaling \$1,460 are payable quarterly and \$430 is payable annually to the donors.

The PSPCA computes the present value of the annuity payable using the life expectancy of the donors and the discount rates in effect at the date of the gifts which was 2.2% and 2.0%.

The total liability related to the charitable gift annuities was \$32,392 and \$7,861 at December 31, 2015 and 2014, respectively.

**NOTE 12    POSTRETIREMENT HEALTH BENEFIT PLAN**

The PSPCA sponsors a noncontributory defined benefit postretirement 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 unrestricted net assets.

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**NOTE 13 CAPITAL LEASE OBLIGATION**

The Society is the lessee of medical equipment under a capital lease expiring on December 31, 2021. The lease requires the PSPCA to make seventy-two monthly payments of \$361, including an interest rate of 3.50%. This lease has a bargain purchase option where at the end of this lease the PSPCA can purchase this equipment for \$1. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are being depreciated over their estimated useful lives. Depreciation of the assets under capital leases is included in depreciation expense.

The following is a summary of the equipment held under a capital lease:

|                                |                  |
|--------------------------------|------------------|
| Medical Equipment              | \$ 23,382        |
| Less: Accumulated Depreciation | -                |
| Total Medical Equipment        | <u>\$ 23,382</u> |

Minimum future lease payments under a capital lease as of December 31, 2015 are:

| <u>Year Ending December 31</u>          | <u>Amount</u>    |
|---|------------------|
| 2016                                    | \$ 4,326         |
| 2017                                    | 4,326            |
| 2018                                    | 4,326            |
| 2019                                    | 4,326            |
| 2020                                    | 4,326            |
| Thereafter                              | <u>4,326</u>     |
| Total Minimum Lease Payments            | 25,956           |
| Less: Amount Representing Interest      | <u>2,574</u>     |
| Present Value of Minimum Lease Payments | <u>\$ 23,382</u> |

**NOTE 14 OPERATING LEASES**

The PSPCA leases the Fishtown satellite location space as well as certain office equipment under lease obligations which have been classified as operating leases. The leases require monthly payments in varying amounts.

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**NOTE 14 OPERATING LEASES (CONTINUED)**

The following are the minimum payments, as of December 31, 2015, required under the leases:

| <u>Year Ending December 31</u> | <u>Amount</u>     |
|--------------------------------|-------------------|
| 2016                           | \$ 90,336         |
| 2017                           | 90,336            |
| 2018                           | 94,386            |
| 2019                           | 81,884            |
| 2020                           | 25,470            |
| Total                          | <u>\$ 382,412</u> |

For the years ended December 31, 2015 and 2014 equipment and facility rental expense for all operating leases was \$70,697 and \$31,364, respectively.

**NOTE 15 CONTRIBUTIONS – IN-KIND**

Contributions of in-kind assets are recorded at their fair values in the period received. Donated services are recognized as in-kind contributions. Donated services are recognized if the services provided require specialized skills or are provided by individuals who possess skills that would typically need to be purchased if not provided by donation. Donated materials are recognized at the estimated fair value at the date of receipt. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

The following is a summary of the in-kind contributions received by the PSPCA during the years ended December 31, 2015 and 2014. The in-kind contributions have been recorded as revenue and are also included as expenses where applicable in the statement of activities.

|  | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| Donated Legal Services                       | \$ 359,197        | \$ 242,390        |
| Donated Other Services                       | 51,481            | 30,608            |
| Donated Leasehold Improvements and Equipment | 36,128            | 34,254            |
| Donated Goods                                | 130,290           | 172,369           |
|  | <u>\$ 577,096</u> | <u>\$ 479,621</u> |

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**NOTE 16      DONATED RENT AND RENTAL INCOME**

The PSPCA had leased its property located in Centre Hall, Pennsylvania to an outside animal organization for an annual rental fee of \$1. The PSPCA had estimated the amount of rent donated by the PSPCA to this lease based on the square footage of the property multiplied by an estimated annual fair market lease value per square foot, using estimated lease values of nearby comparable properties. Management had estimated the fair market value of the rent for the property leased to the outside animal organization to be \$76,400, which was reflected as donated rental income and rent expense for 2014.

Prior to the end of 2014, the PSPCA's Board of Directors agreed to donate the Centre Hall property, with a combined net depreciated cost of \$265,831 to a local animal welfare organization, namely, Pets Come First. Transfer of this property was finalized in early 2015.

**NOTE 17      RELATED PARTIES**

For the year ended December 31, 2015, the PSPCA paid for architectural services in the amount of \$15,306 by the architectural firm in which a member of the PSPCA Board of Directors is employed. This architectural firm also donated \$48,286 of services and these amounts are included in in-kind contributions as donated other services.

**NOTE 18      403B 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, non-resident aliens and employees covered by a collective bargaining agreement). The PSPCA pays the administrative expenses of the plan. On September 1, 2012, the PSPCA began making employer matching contributions equal to 25% of the employee's salary reduction contributions limited to the first 6% for employees who are at least 21 years of age and have either completed one year of service with the PSPCA or have been previously employed by another organization in the non-profit health or social service field. For the years ended December 31, 2015 and 2014, the PSPCA had contributed, net of forfeitures to the plan, \$29,191 and \$13,327, respectively, to the 403(b) thrift plan.

**NOTE 19      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 years ended December 31, 2015 and 2014.

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**NOTE 20 HUMANE LAW ENFORCEMENT**

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

Under Pennsylvania law, neither the PSPCA nor its humane law enforcement officers are granted the “qualified immunity” which attaches to federal, state and municipal law enforcement officers in the conduct of their official duties; accordingly, the PSPCA may be exposed to litigation arising from claims related to its humane law enforcement function. The PSPCA believes it has adequately insured those risks.

**NOTE 21 NET ASSETS**

Temporarily and permanently restricted net assets at December 31, 2015 and 2014 comprised the following:

|   | 2015         | 2014         |
|---|--------------|--------------|
| Temporarily Restricted Net Assets:  |              |              |
| Potter County Held Investments  | \$ 3,281,887 | \$ 3,561,425 |
| Potter County - Land  | 144,214      | 144,214      |
| Multi-Year Pledge to be Used for Humane Education   | 24,664       | 50,125       |
| Multi-Year Pledge to be Used for Veterinary and Adoptions   | 10,000       | 20,184       |
| Multi-Year Pledge to be Used for Spay and Neuter Surgeries<br>of Animals in PSPCA's care          | 29,877       | 29,632       |
| Multi-Year Grant to be Used for General Operations  | 23,755       | 31,510       |
| Multi-Year Grant to be Used for Humane Law Enforcement<br>in Lancaster County                     | 3,333        | 19,065       |
| Multi-Year Pledges to be Used for Rent and Fitout at the<br>Fishtown Satellite Location           | 173,638      | -            |
| Donations to be Used in Clarion County  | 29,646       | 14,651       |
| Donations to be Used for the Save a Life Medical Fund   | 13,725       | 21,199       |
| Donation to be Used for the Danville Play Yard  | -            | 11,246       |
| Donations to be Used for Rewards for Animal Cruelty Cases   | 13,558       | 12,558       |
| Donations to be Used for Horse Watering Stations  | 10,242       | 10,242       |
| Donations to be Used for Prizes (Cash or Medals)  | 6,799        | 6,799        |
| Donations to be Used for Repairs of the Mobile Adoption Vehicle                                   | -            | 4,157        |
| Donations to be Used for the Purchase of Bulletproof Vests for<br>Humane Law Enforcement Officers | 735          | 1,821        |
| Grant to be Used for the Purchase of Shelter Hospital Equipment                                   | -            | 1,500        |
| Donations to be Used for Dog Beds   | 1,115        | 65           |
| Donations to be used for Construction of a Transport/Rescue Center                                | 106,628      | -            |
| Donations to be used for the Purchase of Transport Vehicles and<br>Vehicle Wraps                  | 122,795      | -            |

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**NOTE 21    NET ASSETS (CONTINUED)**

|   | 2015          | 2014          |
|---|---------------|---------------|
| Balance Forwarded   | \$ 3,996,611  | \$ 3,940,393  |
| Donations to be used to Fund Free Community Vaccine Clinics             | 1,500         | -             |
| Donations to be used to Offset Adoption Fees                            | 2,000         | -             |
| Donations to fund an Intern in the Behavior Department                  | 2,000         | -             |
| Grant to be Used for Spay & Neuter Surgical Supplies                    | 5,000         | -             |
| Donations to be Used for the Care of Specific Shelter Animals           | 1,915         | -             |
| Donations to be Used for Shelter Hospital Dog Housing & Enrichment      | 4,949         | -             |
| Donations to be Used for Danville Training Trail                        | 685           | -             |
| Total   | \$ 4,014,660  | \$ 3,940,393  |
| <br>Permanently Restricted Net Assets:                                  |               |               |
| Permanent Endowments  | \$ 531,165    | \$ 531,165    |
| Beneficial Interests in Perpetual Trusts Held by Third Parties (Note 8) | 11,802,302    | 12,673,739    |
| Total   | \$ 12,333,467 | \$ 13,204,904 |