

# The Pennsylvania Society for the Prevention of Cruelty to Animals

Financial Statements  
Years Ended December 31, 2020 and 2019



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# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## CONTENTS

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INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Statements of Financial Position</i>	3
<i>Statements of Activities</i>	4
<i>Statements of Functional Expenses</i>	6
<i>Statements of Cash Flows</i>	8
<i>Notes to Financial Statements</i>	9

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Pennsylvania Society for the Prevention of Cruelty to Animals (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pennsylvania Society for the Prevention of Cruelty to Animals 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.

***Other Matters***

**Prior Period Financial Statements**

The financial statements of The Pennsylvania Society for the Prevention of Cruelty to Animals as of December 31, 2019, were audited by other auditors, whose report dated November 10, 2020, expressed an unmodified opinion on those statements.

***Emphasis of a Matter – Parent Only Financial Statements***

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of The Pennsylvania Society for the Prevention of Cruelty to Animals and Subsidiary, which comprises 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 (none of which is presented herein), and we expressed an unmodified opinion on those financial statements. Such consolidated financial statements are the general-purpose financial statements of The Pennsylvania Society for the Prevention of Cruelty to Animals and Subsidiary and the financial statements of the parent company presented herein are not a valid substitute for those consolidated financial statements.

BBD LLP

**Philadelphia, Pennsylvania  
September 30, 2021**

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,437,300	\$ 531,041
Accounts receivable, net of allowance of \$158,232 for 2020 and \$159,994 for 2019	10,840	2,191
Grants receivable and promises to give	211,749	126,028
Bequests and contributions receivable	12,986	148,381
Other receivables	11,761	9,181
Inventory	96,611	111,189
Prepaid expenses and other assets	89,774	161,251
<b>Total current assets</b>	<u>1,871,021</u>	<u>1,089,262</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>5,942,125</u>	<u>6,190,602</u>
<b>OTHER ASSETS</b>		
Investments	5,760,008	5,325,565
Beneficial interests in perpetual trusts held by third parties	14,224,426	12,966,990
Grants receivable and promises to give	-	429,529
Due from subsidiary	865,970	735,910
<b>Total other assets</b>	<u>20,850,404</u>	<u>19,457,994</u>
<b>Total assets</b>	<u>\$ 28,663,550</u>	<u>\$ 26,737,858</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 639,775	\$ 564,306
Charitable gift annuity	2,727	2,727
Economic Injury Disaster Loan	1,794	-
<b>Total current liabilities</b>	<u>644,296</u>	<u>567,033</u>
<b>LONG-TERM LIABILITIES</b>		
Postretirement health benefits obligation	231,483	237,012
Charitable gift annuity	37,075	39,106
Economic Injury Disaster Loan	148,206	-
<b>Total long-term liabilities</b>	<u>416,764</u>	<u>276,118</u>
<b>Total liabilities</b>	<u>1,061,060</u>	<u>843,151</u>
<b>NET ASSETS</b>		
Without donor restrictions	8,478,516	7,981,516
With donor restrictions	19,123,974	17,913,191
<b>Total net assets</b>	<u>27,602,490</u>	<u>25,894,707</u>
<b>Total liabilities and net assets</b>	<u>\$ 28,663,550</u>	<u>\$ 26,737,858</u>

See accompanying notes

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## STATEMENT OF ACTIVITIES

Year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Program revenue	\$ 2,398,532	\$ -	\$ 2,398,532
Municipal contract stray revenue	30,600	-	30,600
Contributions	2,367,858	60,485	2,428,343
Contributions - in-kind	484,058	-	484,058
Bequests	684,053	-	684,053
Trusts	563,161	13,364	576,525
Grants	300,168	740,863	1,041,031
Special events, net of expenses	1,136,872	-	1,136,872
Interest and dividends, net of investment fees	14,747	52,859	67,606
Net realized and unrealized gain on investments	72,049	283,105	355,154
Other revenue	40,312	-	40,312
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	<u>1,197,329</u>	<u>(1,197,329)</u>	<u>-</u>
<b>Total revenue and support</b>	<u>9,289,739</u>	<u>1,210,783</u>	<u>10,500,522</u>
<b>EXPENSES</b>			
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	4,623,019	-	4,623,019
Humane education	187,586	-	187,586
Supporting services			
Management and general	733,537	-	733,537
Fundraising/development	<u>1,049,549</u>	<u>-</u>	<u>1,049,549</u>
<b>Total expenses</b>	<u>10,155,939</u>	<u>-</u>	<u>10,155,939</u>
<b>Change in net assets before loan forgiveness</b>	(866,200)	1,210,783	344,583
Paycheck Protection Program loan forgiveness	<u>1,363,200</u>	<u>-</u>	<u>1,363,200</u>
<b>CHANGE IN NET ASSETS</b>	497,000	1,210,783	1,707,783
<b>NET ASSETS</b>			
Beginning of year	<u>7,981,516</u>	<u>17,913,191</u>	<u>25,894,707</u>
<b>End of year</b>	<u>\$ 8,478,516</u>	<u>\$ 19,123,974</u>	<u>\$ 27,602,490</u>

See accompanying notes

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## STATEMENT OF ACTIVITIES

Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Program revenue	\$ 3,048,419	\$ -	\$ 3,048,419
Municipal contract stray revenue	37,965	-	37,965
Contributions	1,565,017	431,765	1,996,782
Contributions - in-kind	378,654	-	378,654
Bequests	2,088,123	55,000	2,143,123
Trusts	432,652	159,396	592,048
Grants	45,651	440,324	485,975
Special events, net of expenses	920,224	62,538	982,762
Interest and dividends, net of investment fees	46,530	41,402	87,932
Net realized and unrealized gain on investments	205,000	529,086	734,086
Other revenue	251,647	-	251,647
Increase in fair value of beneficial interests in perpetual trusts held by third parties	-	1,532,683	1,532,683
Net assets released from restrictions	<u>1,692,904</u>	<u>(1,692,904)</u>	<u>-</u>
<b>Total revenue and support</b>	<u>10,712,786</u>	<u>1,559,290</u>	<u>12,272,076</u>
<b>EXPENSES</b>			
Program services			
Humane law enforcement and litigation	1,384,322	-	1,384,322
Spay and neuter and public veterinary care	2,228,321	-	2,228,321
Adoptions, lifesaving and shelter hospital	4,711,348	-	4,711,348
Humane education	193,438	-	193,438
Supporting services			
Management and general	693,660	-	693,660
Fundraising/development	<u>1,175,367</u>	<u>-</u>	<u>1,175,367</u>
<b>Total expenses</b>	<u>10,386,456</u>	<u>-</u>	<u>10,386,456</u>
<b>CHANGE IN NET ASSETS</b>	326,330	1,559,290	1,885,620
<b>NET ASSETS</b>			
Beginning of year	<u>7,655,186</u>	<u>16,353,901</u>	<u>24,009,087</u>
<b>End of year</b>	<u>\$ 7,981,516</u>	<u>\$ 17,913,191</u>	<u>\$ 25,894,707</u>

See accompanying notes

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2020

	Program Expenses					Supporting Expenses			Total Expenses
	Humane Law Enforcement and Litigation	Spay and Neuter and Veterinary Care	Adoptions, Lifesaving and Shelter Hospital	Humane Education	Total Program Expenses	Management and General	Fundraising	Total Support Expenses	
Employment expenses	\$ 734,425	\$ 1,177,372	\$ 2,872,785	\$ 110,023	\$ 4,894,605	\$ 673,517	\$ 770,329	\$ 1,443,846	\$ 6,338,451
Animal care expenses	26,697	442,966	458,339	41,687	969,689	401	148	549	970,238
Office and technology expenses	3,417	8,981	27,451	1,068	40,917	5,602	26,786	32,388	73,305
Utilities	21,982	55,053	166,597	2,732	246,364	7,132	41,210	48,342	294,706
Facilities and vehicle expenses	55,960	32,327	124,644	981	213,912	1,746	2,046	3,792	217,704
Professional services	571,519	95,270	165,002	2,943	834,734	11,177	20,679	31,856	866,590
Development and marketing expenses	19,336	20,197	20,479	19,336	79,348	203	132,501	132,704	212,052
Leased equipment and facility	10,128	22,541	109,011	4,917	146,597	12,175	10,661	22,836	169,433
Bank, credit card and payroll fees	4,830	34,892	32,792	716	73,230	4,383	32,945	37,328	110,558
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	67,427	6,139	5,150	11,289	78,716
Depreciation	46,224	55,326	272,503	2,140	376,193	6,423	7,094	13,517	389,710
Grant awards	-	110,000	323,350	-	433,350	-	-	-	433,350
<b>Total expenses</b>	<b>\$ 1,498,874</b>	<b>\$ 2,063,374</b>	<b>\$ 4,623,019</b>	<b>\$ 187,586</b>	<b>\$ 8,372,853</b>	<b>\$ 733,537</b>	<b>\$ 1,049,549</b>	<b>\$ 1,783,086</b>	<b>\$ 10,155,939</b>

See accompanying notes



# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

	Program Expenses					Supporting Expenses			
	Humane Law Enforcement and Litigation	Spay and Neuter and Public Veterinary Care	Adoptions Lifesaving and Shelter Hospital	Humane Education	Total Program Expenses	Management and General	Fundraising	Total Support Expenses	Total Expenses
Salaries and wages	\$ 752,972	\$ 1,190,553	\$ 2,996,862	\$ 105,282	\$ 5,045,669	\$ 597,257	\$ 788,333	\$ 1,385,590	\$ 6,431,259
Animal care expenses	45,748	536,573	506,631	26,414	1,115,366	-	-	-	1,115,366
Office and technology expenses	10,546	28,380	188,031	23,883	250,840	13,466	31,380	44,846	295,686
Utilities	22,652	58,153	180,992	2,737	264,534	7,156	38,558	45,714	310,248
Facilities and vehicle expenses	57,895	36,375	113,983	1,382	209,635	1,500	2,257	3,757	213,392
Professional services	409,024	154,088	177,004	3,934	744,050	26,867	39,214	66,081	810,131
Development and marketing expenses	22,861	23,072	28,671	22,861	97,465	9,510	163,515	173,025	270,490
Leased equipment and facility	7,713	18,242	134,058	3,288	163,301	6,926	8,140	15,066	178,367
Bank, credit card and payroll fees	9,054	34,930	47,225	1,178	92,387	7,268	34,474	41,742	134,129
Bad debt expense (recovery)	-	-	-	-	-	13,840	-	13,840	13,840
Travel, meals, entertainment and other	4,274	3,548	61,180	328	69,330	3,710	61,361	65,071	134,401
Depreciation	41,583	54,407	276,211	2,151	374,352	6,160	7,135	13,295	387,647
Grant awards	-	90,000	500	-	90,500	-	1,000	1,000	91,500
<b>Total expenses</b>	<b>\$ 1,384,322</b>	<b>\$ 2,228,321</b>	<b>\$ 4,711,348</b>	<b>\$ 193,438</b>	<b>\$ 8,517,429</b>	<b>\$ 693,660</b>	<b>\$ 1,175,367</b>	<b>\$ 1,869,027</b>	<b>\$ 10,386,456</b>

-7-

See accompanying notes

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## STATEMENTS OF CASH FLOWS

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 1,707,783	\$ 1,885,620
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	389,710	387,647
Bad debt expense	1,126	13,840
Net realized and unrealized (gains) losses on investments	(355,154)	(734,086)
(Increase) decrease in fair value of beneficial interests in perpetual trusts held by third parties	(1,257,436)	(1,532,683)
(Increase) decrease in		
Accounts receivable	(9,775)	3,853
Grants receivable and promises to give	343,808	503,713
Bequests and contributions receivable	135,395	94,991
Other receivables	(2,580)	5,845
Inventory	14,578	27,434
Prepaid expenses and other assets	71,477	94,527
Due from Subsidiary	(130,060)	(735,910)
Increase (decrease) in		
Accounts payable and accrued expenses	75,469	6,051
Charitable gift annuity	(2,031)	10,314
Deferred rent liability	-	(4,294)
Due to Subsidiary	-	(9,157)
Postretirement health benefits obligation	(5,529)	(62,900)
<b>Net cash provided by (used for) operating activities</b>	<u>976,781</u>	<u>(45,195)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(141,233)	(211,117)
Purchase of investments	(1,676,845)	(627,492)
Proceeds from sale of investments	<u>1,597,556</u>	<u>1,296,770</u>
<b>Net cash provided by (used for) investing activities</b>	<u>(220,522)</u>	<u>458,161</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Economic Injury Disaster Loan	150,000	-
Payments of capital lease obligation	<u>-</u>	<u>(3,958)</u>
<b>Net cash provided by (used for) financing activities</b>	<u>150,000</u>	<u>(3,958)</u>
<b>Change in cash</b>	906,259	409,008
<b>CASH</b>		
Beginning of year	<u>531,041</u>	<u>122,033</u>
<b>End of year</b>	<u>\$ 1,437,300</u>	<u>\$ 531,041</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 406</u>	<u>\$ 23,895</u>

See accompanying notes

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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### (1) NATURE OF ACTIVITIES

The Pennsylvania Society for the Prevention of Cruelty to Animals ("**PSPCA**" or "**Organization**"), 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.

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 relies on donor support and does not receive significant funding from federal, state or local government agencies. Additionally, the PSPCA has a strong network of volunteers that support its mission and help connect the Organization 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 financial statements only include the financial information of the PSPCA for the purposes of providing financial information in a stand-alone format at the request of management and the Board of Directors. These financial statements are not considered general purpose financial statements, which would require the consolidation of PSPCA's sole member subsidiary Main Line Rescue, Inc. d/b/a Main Line Animal Rescue.

### (2) SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The 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.

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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### **Financial Statement Presentation**

The PSPCA 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.

#### ***With donor restrictions***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the PSPCA 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 statements 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 PSPCA to expend the income generated in accordance with the provisions of the contribution.

### **Accounting Estimates**

In preparing financial statements in conformity with generally accepted accounting principles ("***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 PSPCA to a concentration of credit risk. The PSPCA maintains cash deposits at a high-quality bank. At times, such deposits may exceed federally-insured limits.

### **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.

Management believes the grants and promises to give and bequests and contributions receivables at December 31, 2020 and 2019 are fully collectible.

### **Inventory**

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

### **Property and Equipment**

Land owned by the PSPCA 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 PSPCA will capitalize assets purchased with a cost greater than \$2,500, 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.

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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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

### **Investments**

Investments are recorded in the statements 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 statements of activities as net realized and unrealized gains or losses on investments.

The PSPCA invests in a professional-managed portfolio that contains various types of securities (**See Note 6**). 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 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 net assets with donor restrictions. The PSPCA 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 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 net assets without donor restrictions unless use of the disbursements is limited by donor-imposed restrictions.

### **Fair Value Measurements of Assets and Liabilities**

Generally accepted accounting principles ("**GAAP**") define 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 PSPCA'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 PSPCA 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 PSPCA's own assumptions.

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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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. Increase in the value of the beneficial interest during the year ended December 31, 2019 was \$1,532,683. The balance of the beneficial interest in perpetual trusts held by third parties as of December 31, 2019 is \$12,966,990.

### **Charitable Gift Annuity**

Contributions of charitable gift annuities, held by PSPCA, 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 PSPCA 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 PSPCA 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 PSPCA 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 PSPCA 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.

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 PSPCA received notification from various estates that the PSPCA 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 PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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The PSPCA 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 PSPCA holds special fundraising events throughout the year. The PSPCA 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 PSPCA 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 PSPCA 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 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.

### **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 PSPCA 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 years ended December 31, 2020 and 2019 was \$61,780 and \$57,390, respectively and is included on the statements 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 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.

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# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 PSPCA believes that it had no uncertain tax positions as defined in GAAP.

### Reclassifications

Certain amounts in the 2019 summarized comparative totals have been reclassified in order to conform to the 2020 presentation.

### (3) LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,437,300	\$ 531,041
Accounts receivable, net	10,840	2,191
Grants receivable and promises to give	211,749	555,557
Bequests and contributions receivable	12,986	148,381
Other receivables	11,761	9,181
Investments	<u>5,760,008</u>	<u>5,325,565</u>
Total financial assets	7,444,644	6,571,916
Less: financial assets not available for general expenditures within one year		
Restricted by donors for specific purposes or periods	(4,334,817)	(4,415,036)
Restricted by donors to be held in perpetuity	<u>(564,731)</u>	<u>(531,165)</u>
Total financial assets available within one year	<u>\$ 2,545,096</u>	<u>\$ 1,625,715</u>

### Liquidity Management

The PSPCA has a goal to maintain financial assets, which consist of cash, bequest receivable and cash equivalents held in the PSPCA'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 PSPCA invests cash in excess of daily requirements in various investment funds held by the PSPCA'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 PSPCA. As more fully described in Note 7, the PSPCA also has a line of credit agreement in the amount of \$950,000 with a limit for cash advances of \$750,000. The PSPCA did not have an outstanding balance as of December 31, 2020 and 2019 on the line of credit.

### (4) GRANTS RECEIVABLE AND PROMISES TO GIVE

Grants receivable and promises to give at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Receivable less than one year	\$ 211,749	\$ 126,028
Receivable one to four years	<u>-</u>	<u>462,500</u>
	211,749	588,528
Less:		
Discount on net present value	<u>-</u>	<u>(32,971)</u>
	<u>\$ 211,749</u>	<u>\$ 555,557</u>



# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Grants receivable and promises to give are measured at fair value using the income approach using level 2 (other significant observable inputs) valuation inputs. Amounts to be received in excess of one year have been discounted to the net present value at 4.80%.

### (5) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31,

	<u>2020</u>	<u>2019</u>
Land	\$ 788,296	\$ 788,296
Buildings, building improvements and dog park	9,239,789	9,113,705
Leasehold improvements	31,794	31,794
Furniture and equipment	1,963,441	1,948,253
Transportation equipment	761,204	761,243
	<u>12,784,524</u>	<u>12,643,291</u>
Less: Accumulated depreciation	<u>(6,842,399)</u>	<u>(6,452,689)</u>
	<u>\$ 5,942,125</u>	<u>\$ 6,190,602</u>

Depreciation expense was \$389,710 and \$387,647 for the years ended December 31, 2020 and 2019, respectively.

### (6) INVESTMENTS

Investments at December 31, are comprised of the following:

	<u>2020</u>	<u>2019</u>
Money market	\$ 562,007	\$ 1,465,644
Certificates of deposit	70,000	-
Mutual funds - equities	55,082	48,999
Common stock	2,719,729	2,311,335
Fixed income		
U.S. Treasury bonds	421,167	427,317
Corporate bonds	1,344,587	1,046,420
Municipal bonds	80,186	-
Exchange-traded funds		
Fixed income	485,021	25,850
Equities	22,229	-
	<u>\$ 5,760,008</u>	<u>\$ 5,325,565</u>

All investments held as of December 31, 2020 and 2019 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.

### (7) 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 and 2019. The interest rate on borrowings under the line of credit was 3.25% as of December 31, 2020 and 2019, respectively. Interest expense related to the line of credit was \$-0- and \$23,895 for the years ended December 31, 2020 and 2019, respectively.

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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.

### (8) LOAN PAYABLE- ECONOMIC INJURY DISASTER LOAN PROGRAM

In June 2020, the PSPCA 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:

2021	\$ 1,794
2022	3,662
2023	3,764
2024	3,869
2025	3,977
Thereafter	<u>132,934</u>
	<u>\$ 150,000</u>

### (9) 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 statements of activities in 2020.

### (10) CONTRIBUTIONS – IN-KIND

The following is a summary of the in-kind contributions received by the PSPCA during the years ended December 31, 2020 and 2019. The in-kind contributions have been recorded as revenue in the statements of activities and are also included as programs expenses in the statements of activities and functional expenses.

	<u>2020</u>	<u>2019</u>
Donated legal services	\$ 167,984	\$ 268,370
Donated other services	283,319	-
Donated space and utilities (Lancaster County)	61,780	57,390
Donated goods	<u>32,755</u>	<u>110,284</u>
	<u>\$ 545,838</u>	<u>\$ 436,044</u>

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

### (11) NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>Balance</u> <u>December 31, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2020</u>
Subject to expenditure for specified purposes				
Land, buildings, vehicles and equipment	\$ 300,024	\$ 68,000	\$ (88,303)	\$ 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	6,000	1,485	(6,560)	925
Adoptions, lifesaving and shelter hospital support	3,670	696,863	(536,638)	163,895
In support of MLAR operations	398,404	-	(398,404)	-
Other program support	12,802	-	(12,802)	-
Restricted for use in future periods	<u>35,090</u>	<u>35,000</u>	<u>(35,090)</u>	<u>35,000</u>
	<u>4,415,036</u>	<u>1,110,485</u>	<u>(1,190,704)</u>	<u>4,334,817</u>
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	<u>12,966,990</u>	<u>1,257,436</u>	<u>-</u>	<u>14,224,426</u>
Total net assets to be maintained indefinitely	<u>13,498,155</u>	<u>1,297,627</u>	<u>(6,625)</u>	<u>14,789,157</u>
	<u>\$ 17,913,191</u>	<u>\$ 2,408,112</u>	<u>\$ (1,197,329)</u>	<u>\$ 19,123,974</u>
	<u>Balance</u> <u>December 31, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31, 2019</u>
Subject to expenditure for specified purposes				
Land, buildings, vehicles and equipment	\$ 195,668	\$ 186,655	\$ (82,299)	\$ 300,024
Program support in specific Pennsylvania counties	76,050	104,375	(86,667)	93,758
Endowment - Program support in specific Pennsylvania counties	3,090,453	590,047	(115,212)	3,565,288
Humane law enforcement and litigation support	1,801	218,958	(220,759)	-
Spay and neuter and public veterinary care support	-	23,625	(17,625)	6,000
Adoptions, lifesaving and shelter hospital support	2,415	434,589	(433,334)	3,670
In support of MLAR operations	860,904	-	(462,500)	398,404
Other program support	37,693	161,262	(186,153)	12,802
Restricted for use in future periods	<u>123,445</u>	<u>-</u>	<u>(88,355)</u>	<u>35,090</u>
	<u>4,388,429</u>	<u>1,719,511</u>	<u>(1,692,904)</u>	<u>4,415,036</u>
Net assets to be maintained indefinitely				
Endowment - General operations	531,165	-	-	531,165
Beneficial interests in perpetual trusts held by third parties	<u>11,434,307</u>	<u>1,532,683</u>	<u>-</u>	<u>12,966,990</u>
Total net assets to be maintained indefinitely	<u>11,965,472</u>	<u>1,532,683</u>	<u>-</u>	<u>13,498,155</u>
	<u>\$ 16,353,901</u>	<u>\$ 3,252,194</u>	<u>\$ (1,692,904)</u>	<u>\$ 17,913,191</u>

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

### (12) ENDOWMENT FUNDS

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

	<u>2020</u>	<u>2019</u>
Endowments to be held in perpetuity		
General operations	\$ 377,730	\$ 351,159
Veterinary salaries	187,001	180,006
Endowments with donor restrictions		
Program support in specific Pennsylvania counties	<u>3,748,154</u>	<u>3,565,288</u>
	<u>\$ 4,312,885</u>	<u>\$ 4,096,453</u>

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 PSPCA 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 PSPCA 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 PSPCA'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 years ended December 31, 2020 and 2019 are as follows:

	<u>With Donor Restrictions</u>	<u>With Donor Restrictions In Perpetuity</u>
Endowment net assets, December 31, 2018	\$ 3,090,453	\$ 531,165
Interest and dividends, net of investment fees	85,096	-
Net realized and unrealized gains	504,951	-
Spending policy distribution	<u>(115,212)</u>	<u>-</u>
Endowment net assets, December 31, 2019	3,565,288	531,165
Interest and dividends, net of investment fees	46,234	6,625
Net realized and unrealized gains	249,539	33,566
Spending policy distribution	<u>(112,907)</u>	<u>(6,625)</u>
Endowment net assets, December 31, 2020	<u>\$ 3,748,154</u>	<u>\$ 564,731</u>

### (13) 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.

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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

**Year ending December 31,**

2021	\$ 67,516
2022	67,181
2023	67,181
2024	67,181
2025	64,731
2026	<u>16,060</u>
	<u>\$ 349,850</u>

For the years ended December 31, 2020 and 2019, equipment and facility rental expense for all operating leases was \$169,433 and \$178,367, respectively which includes \$61,780 and \$57,390 of expenses related to the use of Lancaster City shelter in exchange for stray dog intake services.

### (14) 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.

### (15) RELATED PARTY

Advances to and amounts due to the PSPCA from Main Line Rescue, Inc. d/b/a Main Line Animal Rescue ("**Subsidiary**") are unsecured, with no set payment terms, and generally noninterest bearing. Related party amounts between the PSPCA and Subsidiary were \$865,970 and \$735,910 as of December 31, 2020 and 2019, respectively.

As part of its affiliation agreement, the PSPCA will provide both management and administrative support to its Subsidiary and its charitable purpose and mission. Costs expended on behalf of its Subsidiary are reimbursed. The PSPCA recognized no reimbursement for those services for the years ended December 31, 2020 and 2019.

### (16) 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 years ended December 31, 2020 and 2019, the PSPCA had contributed, net of forfeitures to the plan, \$25,690 and \$22,270, respectively, to the 403(b) thrift plan.

# THE PENNSYLVANIA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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### (17) 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, 2020 and 2019.

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