

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

**THE PENNSYLVANIA SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
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YEARS ENDED DECEMBER 31, 2014 AND 2013**

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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, 2014 and 2013, 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, 2014 and 2013, 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
March 13, 2015

**THE PENNSYLVANIA SOCIETY FOR
THE PREVENTION OF CRUELTY TO ANIMALS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013**

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 87,159	\$ 483,697
Accounts Receivable, Net	8,320	53,584
Trusts Receivable	27,658	14,204
Grants Receivable and Promises to Give, Current Portion	68,500	34,926
Bequests and Contributions Receivable	122,137	-
Other Receivables	55,149	661
Inventory	146,603	152,134
Prepaid Expenses	284,063	104,273
Deposits	15,000	15,000
Total Current Assets	814,589	858,479
PROPERTY AND EQUIPMENT, NET	6,240,755	6,652,268
OTHER ASSETS		
Investments	8,540,820	8,979,370
Beneficial Interests in Perpetual Trusts Held by Others	12,673,739	12,562,152
Grants Receivable and Promises to Give, Less Current Portion	80,727	73,711
Total Other Assets	21,295,286	21,615,233
Total Assets	\$ 28,350,630	\$ 29,125,980
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 500,000	\$ 500,000
Loan Payable, Current Portion	9,439	8,980
Accounts Payable and Accrued Expenses	422,558	598,493
Charitable Gift Annuity, Current Portion	1,640	-
Total Current Liabilities	933,637	1,107,473
LONG TERM LIABILITIES		
Postretirement Health Benefits Obligation	182,345	228,185
Charitable Gift Annuity, Less Current Portion	6,221	-
Loan Payable, Less Current Portion	7,350	16,774
Total Long Term Liabilities	195,916	244,959
Total Liabilities	1,129,553	1,352,432
NET ASSETS		
Unrestricted	10,075,780	10,928,807
Temporarily Restricted	3,940,393	3,751,424
Permanently Restricted	13,204,904	13,093,317
Total Net Assets	27,221,077	27,773,548
Total Liabilities and Net Assets	\$ 28,350,630	\$ 29,125,980

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 Restricted	Permanently Restricted	Total
SUPPORT, REVENUES AND GAINS				
Program Revenue	\$ 2,617,413	\$ -	\$ -	\$ 2,617,413
Contributions	1,642,347	140,617	-	1,782,964
Contributions - 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 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
EXPENSES				
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>
CHANGE IN NET ASSETS BEFORE OTHER NON- RECURRING AND NON-OPERATING EXPENSE	(587,196)	188,969	111,587	(286,640)
OTHER NON-RECURRING AND NON-OPERATING EXPENSE				
Donation of Property	<u>(265,831)</u>	<u>-</u>	<u>-</u>	<u>(265,831)</u>
CHANGE IN NET ASSETS	(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>
NET ASSETS - END OF YEAR	<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 ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUES AND GAINS				
Program Revenue	\$ 2,664,325	\$ -	\$ -	\$ 2,664,325
Contributions	1,444,196	103,758	-	1,547,954
Contribution - In-Kind	574,294	-	-	574,294
Donated Rent	144,131	-	-	144,131
Bequests	1,487,969	1,000	-	1,488,969
Trusts	641,701	-	-	641,701
Promises to Give	-	99,079	-	99,079
Grants	50,575	133,246	-	183,821
Special Events	365,445	303,752	-	669,197
Interest and Dividends	119,581	62,363	-	181,944
Net Realized and Unrealized Gains on Investments	813,698	462,660	-	1,276,358
Other Revenue	17,667	-	-	17,667
Gain on Sale of Property	8,517	-	-	8,517
Increase in Fair Value of Beneficial Interests in Perpetual Trusts Held by Others	-	-	937,743	937,743
Total	<u>8,332,099</u>	<u>1,165,858</u>	<u>937,743</u>	<u>10,435,700</u>
Net Assets Release from Restrictions	<u>643,154</u>	<u>(643,154)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Gains	8,975,253	522,704	937,743	10,435,700
EXPENSES				
Program Expenses:				
Humane Law Enforcement and Litigation	1,799,507	-	-	1,799,507
Spay and Neuter and Public Veterinary Care	1,962,938	-	-	1,962,938
Adoptions, Lifesaving, and Shelter Hospital	3,855,213	-	-	3,855,213
Humane Education	26,649	-	-	26,649
Management and General	673,167	-	-	673,167
Fundraising/Development	1,112,966	-	-	1,112,966
Total Operating Expenses	<u>9,430,440</u>	<u>-</u>	<u>-</u>	<u>9,430,440</u>
CHANGE IN NET ASSETS BEFORE OTHER NON- RECURRING AND NON-OPERATING EXPENSE	(455,187)	522,704	937,743	1,005,260
OTHER NON-RECURRING AND NON-OPERATING EXPENSE				
Donation of Property	<u>(1,252,631)</u>	<u>-</u>	<u>-</u>	<u>(1,252,631)</u>
Total Other Expense	<u>(1,252,631)</u>	<u>-</u>	<u>-</u>	<u>(1,252,631)</u>
CHANGE IN NET ASSETS	(1,707,818)	522,704	937,743	(247,371)
Net Assets - Beginning of Year	<u>12,636,625</u>	<u>3,228,720</u>	<u>12,155,574</u>	<u>28,020,919</u>
NET ASSETS - END OF YEAR	<u>\$ 10,928,807</u>	<u>\$ 3,751,424</u>	<u>\$ 13,093,317</u>	<u>\$ 27,773,548</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 Support Expense	Total Expense
	Humane Law Enforcement and Litigation	Spay and Neuter and Public Veterinary Care	Adoptions Lifesaving and Shelter Hospital	Humane Education	Total Program Expense	Management and 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 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 Program Expense			Total Support Expense	Total Expense
	Humane Law Enforcement and Litigation	Spay and Neuter and Public Veterinary Care	Adoptions Lifesaving and Shelter Hospital	Humane Education		Management and 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 and 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
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013**

	Program Expenses				Total Program Expense			Total Support Expense	Total Expense
	Humane Law Enforcement and Litigation	Spay and Neuter and Public Veterinary Care	Adoptions Lifesaving and Shelter Hospital	Humane Education		Management and General	Fundraising		
Salaries	\$ 941,064	\$ 1,143,488	\$ 1,475,422	\$ -	\$ 3,559,974	\$ 303,593	\$ 422,620	\$ 726,213	\$ 4,286,187
Taxes and Benefits	204,444	230,382	293,203	-	728,029	31,140	69,994	101,134	829,163
Employment Expenses	27,145	2,553	6,968	-	36,666	3,593	857	4,450	41,116
Workers Compensation	61,815	61,054	152,115	-	274,984	-	1,741	1,741	276,725
Insurance	31,886	9,521	73,016	-	114,423	9,310	7,905	17,215	131,638
Medical Supplies	7,155	212,007	283,841	-	503,003	-	-	-	503,003
Office and Other Supplies	12,152	34,539	426,863	-	473,554	14,313	6,553	20,866	494,420
Pet Food	-	41	167,782	-	167,823	-	-	-	167,823
Events	-	-	-	-	-	-	188,917	188,917	188,917
Leased Equipment	6,653	21,751	17,879	-	46,283	5,728	7,742	13,470	59,753
Direct Mail, Postage and Shipping	1,437	1,327	13,672	-	16,436	1,047	184,937	185,984	202,420
Humane Services	74,045	29,022	86,538	26,649	216,254	-	-	-	216,254
Legal and Audit	188,451	27,989	27,989	-	244,429	114,165	57,083	171,248	415,677
Contract/Consulting Expense	16,481	14,771	11,949	-	43,201	104,593	56,359	160,952	204,153
Network and Website	11,466	12,186	10,997	-	34,649	6,511	45,255	51,766	86,415
Telephone	57,920	15,748	11,869	-	85,537	4,170	4,621	8,791	94,328
Utilities	7,810	13,340	148,665	-	169,815	2,777	4,254	7,031	176,846
Repairs, Maintenance, and Facilities Expenses	30,800	41,813	92,110	-	164,723	8,677	16,916	25,593	190,316
Vehicle Repairs and Maintenance	30,082	2,295	8,395	-	40,772	-	-	-	40,772
Advertising and Printing	8,354	13,502	12,994	-	34,850	8,180	7,315	15,495	50,345

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR
THE PREVENTION OF CRUELTY TO ANIMALS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013
(CONTINUED)**

	Program Expenses				Total Program Expense			Total Support Expense	Total Expense
	Humane Law Enforcement and Litigation	Spay and Neuter and Public Veterinary Care	Adoptions Lifesaving and Shelter Hospital	Humane Education		Management and General	Fundraising		
Donated Rent	\$ -	\$ -	\$ 144,131	\$ -	\$ 144,131	\$ -	\$ -	\$ -	\$ 144,131
Dues, Licenses and Subscriptions	505	5,420	827	-	6,752	965	1,536	2,501	9,253
Bank, Credit Card and Payroll Fees	3,461	25,287	20,350	-	49,098	-	15,813	15,813	64,911
Bad Debt Expense	-	14,217	-	-	14,217	-	-	-	14,217
Travel, Meals, Entertainment & Other	56,700	3,323	16,521	-	76,544	25,944	2,229	28,173	104,717
Depreciation	15,970	23,651	254,906	-	294,527	3,088	6,608	9,696	304,223
Insurance Settlements	-	-	-	-	-	21,663	-	21,663	21,663
Interest	3,711	3,711	3,711	-	11,133	3,710	3,711	7,421	18,554
Grant Awards	-	-	92,500	-	92,500	-	-	-	92,500
Total Expense	<u>\$ 1,799,507</u>	<u>\$ 1,962,938</u>	<u>\$ 3,855,213</u>	<u>\$ 26,649</u>	<u>\$ 7,644,307</u>	<u>\$ 673,167</u>	<u>\$ 1,112,966</u>	<u>\$ 1,786,133</u>	<u>\$ 9,430,440</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, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (552,471)	\$ (247,371)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	297,395	304,223
Bad Debt Expense	12,812	12,690
Net Realized and Unrealized Gains on Investments	(449,416)	(1,276,340)
Increase in Fair Value of Beneficial Interests in Perpetual Trusts Held by Others	(111,587)	(937,743)
Donations of Property	265,831	1,252,633
(Increase) Decrease in:		
Accounts Receivable	32,452	61,665
Other Receivables	(54,488)	-
Trusts Receivable	(13,454)	(14,204)
Grants Receivable and Promises to Give	(40,590)	(69,005)
Bequests and Contributions Receivable	(122,137)	-
Inventory	5,531	(22,590)
Prepaid Expenses	(179,790)	(9,613)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(175,935)	(143,917)
Charitable Gift Annuity	7,861	-
Postretirement Health Benefits Obligation	(45,840)	(57,543)
Net Cash Used by Operating Activities	(1,123,826)	(1,147,115)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(151,713)	(113,962)
Purchase of Investments	(3,422,905)	(8,416,424)
Proceeds from Sale of Investments	4,310,871	9,524,964
Net Cash Provided by Investing Activities	736,253	994,578
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan Payable	-	28,000
Payments on Loan Payable	(8,965)	(2,246)
Payments on Capital Lease Obligation	-	(6,771)
Net Cash Provided (Used) by Financing Activities	(8,965)	18,983
NET DECREASE IN CASH AND CASH EQUIVALENTS	(396,538)	(133,554)
Cash and Cash Equivalents - Beginning of Year	483,697	617,251
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 87,159	\$ 483,697
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 19,386	\$ 18,554

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR
THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 and at a Central Pennsylvania branch located in Danville. 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 and Lifesaving – to place formerly neglected, abused, or unwanted animals in forever homes;
- Behavior & Training – 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;
- Spay & Neuter – to reduce pet overpopulation by offering affordable and accessible surgery services to the community;
- 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. The PSPCA is 100 percent donor-funded and does not receive financial support from local, state, or federal government organizations. 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 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, 2014 AND 2013**

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, 2014 and 2013, the PSPCA had \$13,204,904 and \$13,093,317 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, 2014 and 2013, the PSPCA had \$3,944,144 and \$3,751,424 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.

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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:

	2014	2013
Accounts Receivable	\$ 156,863	\$ 193,207
Less: Allowance for Doubtful Accounts	(148,543)	(139,623)
Net Accounts Receivable	\$ 8,320	\$ 53,584

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.

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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 a combination of the half year convention and 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.

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, 2014 and 2013.

The estimated useful lives for depreciation are:

Buildings and Dog Park	50 years
Furniture and Equipment	10 years
Vehicles	4 years
Assets Held under Capital Lease	5 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.

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, 2014 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, 2014 were fully collectible.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charitable Gift Annuity

A donor has contributed assets to the PSPCA in exchange for a promise by the PSPCA to pay a fixed amount for a specified period of time to such donor. Under the terms of the agreement, no trust exists as the assets received are held by, and the annuity liability is an obligation of, the PSPCA. The discount rate used to measure the liability was 2.2% at December 31, 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 the 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.

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.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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).

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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, 2014 and 2013, 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 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.

The PSPCA's income tax returns are subject to review and examination by federal, state and local authorities. The tax returns for the years 2011, 2012 and 2013 are open for federal and state tax examinations.

Reclassifications

Certain reclassifications have been made to the December 31, 2013 financial statements in order to present them in conformity with the December 31, 2014 financial statements.

Subsequent Events

In preparing these financial statements, the PSPCA has evaluated events and transactions for potential recognition or disclosure through March 13, 2015, the date the financial statements were available to be issued.

**THE PENNSYLVANIA SOCIETY FOR
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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 five individual 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, 2014 are as follows:

Receivable Less Than One Year		68,500
Receivable One to Four Years		82,333
Total Unconditional Promises to Give		150,833
Less:		
Discount on Net Present Value		(1,606)
Net Unconditional Promises to Give		\$ 149,227

NOTE 4 PROPERTY AND EQUIPMENT

Property and Equipment consists of the following:

	2014	2013
Land	\$ 788,296	\$ 789,251
Buildings and Dog Park	8,433,853	8,908,785
Furniture and Equipment	1,316,961	1,242,579
Transportation Equipment	497,835	454,898
Total	11,036,945	11,395,513
Less Accumulated Depreciation	4,796,190	4,743,245
Total Property and Equipment	\$ 6,240,755	\$ 6,652,268

Depreciation expense was \$297,395 and \$304,223 for the years ended December 31, 2014 and 2013, respectively.

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NOTE 5 INVESTMENTS AND INVESTMENT INCOME

Investments are comprised of the following

	<u>2014</u>	<u>2013</u>
Stocks	\$ -	\$ 11,636
Mutual Funds	7,746,475	8,951,722
Money Market	794,345	16,012
Total	<u>\$ 8,540,820</u>	<u>\$ 8,979,370</u>

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

	<u>2014</u>	<u>2013</u>
Interest and Dividends	\$ 173,674	\$ 181,944
Net Realized and Unrealized Gains on Investments	449,416	1,276,358
Total	<u>\$ 623,090</u>	<u>\$ 1,458,302</u>

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

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, 2014 are:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 794,345	\$ 794,345	\$ -	\$ -
Mutual Funds	7,746,475	7,746,475	-	-
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>

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NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis as of December 31, 2013 are:

	Total	Level 1	Level 2	Level 3
Money Market Funds	\$ 16,012	\$ 16,012	\$ -	\$ -
Mutual Funds	8,951,722	8,951,722	-	-
Equities	11,636	11,636	-	-
Beneficial Interests in Perpetual Trusts				
Held by Others	12,562,152	-	-	12,562,152
Total Investments	<u>\$ 21,541,522</u>	<u>\$ 8,979,370</u>	<u>\$ -</u>	<u>\$ 12,562,152</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, 2014:

	Beneficial Interests in Perpetual Trusts 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	<u>\$ 12,673,739</u>

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, 2013:

	Beneficial Interests in Perpetual Trusts Held by Others
Beginning Balance at January 1, 2013	\$ 11,624,409
Increase in Fair Value Included in Change in Net Assets	937,743
Ending Balance at December 31, 2013	<u>\$ 12,562,152</u>

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.

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NOTE 7 ENDOWMENT ACTIVITY (CONTINUED)

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.

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

	Temporarily Restricted	Permanently Restricted	Total
	<u> </u>	<u> </u>	<u> </u>
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	<u>252,709</u>	<u>-</u>	<u>252,709</u>
Total Investment Return	320,795	-	320,795
Distributions of Endowment Income	<u>(154,625)</u>	<u>-</u>	<u>(154,625)</u>
Endowment Assets, End of Year	<u>\$ 3,561,425</u>	<u>\$ 531,165</u>	<u>\$ 4,092,590</u>

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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, 2013 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
	<u> </u>	<u> </u>	<u> </u>
Endowment Assets, Beginning of Year	\$ 3,034,646	\$ 531,165	\$ 3,565,811
Investment Return:			
Interest and Dividends	62,363	-	62,363
Net Realized and Unrealized Gains	462,660	-	462,660
Total Investment Return	<u>525,023</u>	<u>-</u>	<u>525,023</u>
Distributions of Endowment Income	<u>(164,414)</u>	<u>-</u>	<u>(164,414)</u>
Endowment Assets, End of Year	<u>\$ 3,395,255</u>	<u>\$ 531,165</u>	<u>\$ 3,926,420</u>

The PSPCA also held investments that do not meet the definition of endowment assets totaling \$4,448,230 and \$5,052,950 at December 31, 2014 and 2013, respectively.

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 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 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, 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. For the year ended December 31, 2013, disbursements from trusts reported as revenue amounted to \$641,701, of which \$527,085 relates to perpetual trusts in which the PSPCA has a beneficial interest.

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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 and extending the expiration date of the line of credit until February 1, 2015.

Outstanding borrowings under the line as of December 31, 2014 and 2013 totaled \$500,000. The interest rate on borrowings under the line of credit was 3.25% as of December 31, 2014. Interest expense related to the line of credit was \$18,629 and \$16,250 for the years ended December 31, 2014 and 2013, respectively.

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 PSCPA's investments collateralizing the line of credit to \$750,000.

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 will be 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 is 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.

Aggregate annual maturities of loan payable as of December 31, 2014, are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2015	\$ 9,439
2016	7,350
	<u>\$ 16,789</u>

Interest expenses incurred on this loan payable was \$1,061 and \$644 for the years ended December 31, 2014 and 2013, respectively.

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NOTE 11 CHARITABLE GIFT ANNUITY

The PSPCA has received an unrestricted contribution of cash in exchange for an annuity payable to the donor. The first annuity payment of \$316 was paid by the PSPCA in the fourth quarter 2014. In 2015 and thereafter, amounts totaling \$410 are payable quarterly to the donor. The PSPCA computes the present value of the annuity payable using the life expectancy of the donor and the discount rate in effect at the date of the gift which was 2.2%. The liability related to the charitable gift annuity was \$7,861 at December 31, 2014.

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.

NOTE 13 OPERATING LEASES

The PSPCA leases certain office equipment under lease obligations which have been classified as operating leases. The leases require monthly payments in varying amounts.

The following are the minimum payments required under the lease:

<u>Year Ending December 31</u>	<u>Amount</u>
2015	\$ 39,696
2016	39,696
2017	39,696
2018	39,696
2019	25,844
Total	<u>\$ 184,628</u>

For the years ended December 31, 2014 and 2013 equipment rental expense for all operating leases was \$31,364 and \$25,817, respectively.

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NOTE 14 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 year ended December 31, 2014 and 2013. The in-kind contributions have been recorded as revenue and are also included as expenses where applicable in the statement of activities.

	2014	2013
Donated Legal Services	\$ 242,390	\$ 370,842
Donated Other Services	30,608	74,399
Donated Goods	206,623	129,053
	\$ 479,621	\$ 574,294

NOTE 15 DONATED RENT AND RENTAL INCOME

The PSPCA leased its properties located in Centre Hall, Montrose, and Wellsboro, Pennsylvania to outside animal organizations for an annual rental fee of \$1. The PSPCA has estimated the amount of rent donated by the PSPCA to those lessees based on the square footage of each property multiplied by an estimated annual fair market lease value per square foot, using estimated lease values of nearby comparable property. Management estimates the fair market value of the rent for the property leased to outside animal organizations to be \$76,400 and \$144,131, which has been reflected as both donated rental income and rent expense for 2014 and 2013, respectively.

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.

Prior to the end of 2013, the PSPCA’s Board of Directors agreed to donate the Wellsboro and Montrose properties, with a combined net depreciated cost of \$1,252,631 to local animal welfare organizations, namely, the True Friends Animal Welfare Center and Animal Care Sanctuary, respectively. Transfer of those properties was finalized in early 2014.

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NOTE 16 403B THRIFT PLAN

The PSPCA has a tax sheltered deferred annuity 403(b) thrift plan that covers all full-time employees who have been with the PSPCA for a minimum of one year and are at least twenty-one years of age. Certain long-term, part-time employees may also be eligible. The PSPCA pays the administrative expenses of the plan. On September 1, 2012, the PSPCA began matching 25% of the employee's retirement contribution up to 6% for employees with one year of service or more. For the years ended December 31, 2014 and 2013, the PSPCA had contributed \$13,327 and \$11,484, respectively, to the 403(b) thrift plan.

NOTE 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, 2014 and 2013.

NOTE 18 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.

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NOTE 19 NET ASSETS

Temporarily and permanently restricted net assets at December 31, 2014 and 2013 comprised the following:

	2014	2013
Temporarily Restricted Net Assets:		
Potter County Held Investments	\$ 3,561,425	\$ 3,395,255
Potter County - Land	144,214	144,214
Multi-Year Pledge to be Used for Humane Education	50,125	75,431
Multi-Year Pledge to be Used for Veterinary and Adoptions	20,184	30,000
Multi-Year Pledge to be Used for Spay and Neuter Surgeries of Animals in PSPCA's care	29,632	-
Multi-Year Grant to be Used for General Operations	31,510	-
Multi-Year Grant to be Used for Humane Law Enforcement in Lancaster County	19,065	-
Donations to be Used in Clarion County	14,651	-
Donations to be Used in Stroudsburg	-	1,000
Donations to be Used for the Save a Life Medical Fund	21,199	14,773
Donation to be Used for the Danville Play Yard	11,246	11,246
Campaign to be Used for Rewards for Animal Cruelty Cases	12,558	13,458
Donations to be Used for Horse Watering Stations	10,242	10,242
Donations to be Used for Prizes (Cash or Medals)	6,799	6,899
Donation to be Used for Repairs of the Mobile Adoption Vehicle	4,157	5,855
Donations to be Used for the Purchase of Bulletproof Vests for Humane Law Enforcement Officers	1,821	82
Grant to be Used for the Purchase of Shelter Hospital Equipment	1,500	-
Donations to be Used for Dog Beds	65	2,385
Donations to be Used for the Mural Project	-	5,220
Donations to be Used for Humane Education - Pet Retention	-	5,000
Donations to be Used for Humane Education	-	30,280
Donations to be Used for Heat Systems for the Shelter and Hospital	-	84
Total	\$ 3,940,393	\$ 3,751,424
Permanently Restricted Net Assets:		
Permanent Endowments	\$ 531,165	\$ 531,165
Beneficial Interests in Perpetual Trusts Held by Third Parties (Note 8)	12,673,739	12,562,152
Total	\$ 13,204,904	\$ 13,093,317