

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**THE PENNSYLVANIA SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
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YEARS ENDED DECEMBER 31, 2016 AND 2015**

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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, 2016 and 2015, 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, 2016 and 2015, 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  
June 29, 2017

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

<b>ASSETS</b>	2016	2015
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 139,831	\$ 99,642
Accounts Receivable, Net	24,265	36,084
Trusts Receivable	42,184	32,378
Grants Receivable and Promises to Give, Current Portion	152,149	125,299
Bequests and Contributions Receivable	155,487	147,240
Other Receivables	3,922	1,483
Inventory	158,137	162,936
Prepaid Expenses	200,718	242,937
Deposits	33,213	33,213
Property Held for Sale	211,600	-
Total Current Assets	1,121,506	881,212
<b>PROPERTY AND EQUIPMENT, NET</b>	6,300,648	6,350,785
<b>OTHER ASSETS</b>		
Investments	6,538,928	7,725,002
Beneficial Interests in Perpetual Trusts Held by Third Parties	11,876,600	11,802,302
Grants Receivable and Promises to Give, Less Current Portion	81,719	151,269
Total Other Assets	18,497,247	19,678,573
Total Assets	\$ 25,919,401	\$ 26,910,570
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Line of Credit	\$ -	\$ 350,000
Capital Lease Obligation, Current Portion	3,675	3,565
Accounts Payable and Accrued Expenses	530,767	602,974
Charitable Gift Annuity, Current Portion	860	6,405
Deferred Rent	5,011	4,005
Deferred Revenue	48,087	-
Total Current Liabilities	588,400	966,949
<b>LONG TERM LIABILITIES</b>		
Postretirement Health Benefits Obligation	353,192	323,225
Charitable Gift Annuity, Less Current Portion	13,986	25,987
Capital Lease Obligation, Less Current Portion	16,143	19,817
Total Long Term Liabilities	383,321	369,029
Total Liabilities	971,721	1,335,978
<b>NET ASSETS</b>		
Unrestricted	8,786,931	9,226,465
Temporarily Restricted	3,752,984	4,014,660
Permanently Restricted	12,407,765	12,333,467
Total Net Assets	24,947,680	25,574,592
Total Liabilities and Net Assets	\$ 25,919,401	\$ 26,910,570

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT, REVENUES AND GAINS</b>				
Program Revenue	\$ 2,868,562	\$ -	\$ -	\$ 2,868,562
Contributions	1,798,870	505,563	-	2,304,433
Contributions - In-Kind	618,399	-	-	618,399
Bequests	1,924,107	27,325	-	1,951,432
Trusts	427,159	155,420	-	582,579
Promises to Give	-	5,302	-	5,302
Grants	77,505	319,497	-	397,002
Special Events	640,647	197,894	-	838,541
Interest and Dividends, Net of Investment Fees	45,496	49,120	-	94,616
Net Realized and Unrealized Gain on Investments	104,020	124,566	-	228,586
Other Revenue	2,780	-	-	2,780
Increase in Fair Value of Beneficial Interests in Perpetual Trusts Held by Third Parties	-	-	74,298	74,298
Gain on Disposition of Equipment	865	-	-	865
<b>Total</b>	<b>8,508,410</b>	<b>1,384,687</b>	<b>74,298</b>	<b>9,967,395</b>
Net Assets Release from Restrictions	1,646,363	(1,646,363)	-	-
<b>Total Support, Revenue and Gains</b>	<b>10,154,773</b>	<b>(261,676)</b>	<b>74,298</b>	<b>9,967,395</b>
<b>EXPENSES</b>				
Program Expenses:				
Humane Law Enforcement and Litigation	2,041,138	-	-	2,041,138
Spay and Neuter and Public Veterinary Care	2,325,371	-	-	2,325,371
Adoptions, Lifesaving, and Shelter Hospital	4,095,081	-	-	4,095,081
Humane Education	204,579	-	-	204,579
Management and General	685,723	-	-	685,723
Fundraising/Development	1,242,415	-	-	1,242,415
<b>Total Operating Expenses</b>	<b>10,594,307</b>	<b>-</b>	<b>-</b>	<b>10,594,307</b>
<b>CHANGE IN NET ASSETS</b>	<b>(439,534)</b>	<b>(261,676)</b>	<b>74,298</b>	<b>(626,912)</b>
Net Assets - Beginning of Year	9,226,465	4,014,660	12,333,467	25,574,592
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 8,786,931</b>	<b>\$ 3,752,984</b>	<b>\$ 12,407,765</b>	<b>\$ 24,947,680</b>

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2016**

	Program Expenses					Management and General	Fundraising	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				
Salaries and Wages	\$ 966,954	\$ 930,279	\$ 1,987,701	\$ 105,059	\$ 3,989,993	\$ 419,350	\$ 529,024	\$ 948,374	\$ 4,938,367
Payroll Taxes and Employee Benefits	181,227	180,454	390,990	20,097	772,768	69,436	81,137	150,573	923,341
Retirement Benefits	-	-	-	-	-	63,201	-	63,201	63,201
Training and Other Employment Costs	14,821	9,618	16,045	451	40,935	324	428	752	41,687
Workers Compensation	43,592	172,394	126,447	1,205	343,638	9,061	6,032	15,093	358,731
Insurance	253,236	28,888	76,902	7,749	366,775	9,166	8,740	17,906	384,681
Medical Supplies	1,482	472,141	302,570	-	776,193	-	-	-	776,193
Other Supplies, Postage, and Shipping	10,475	25,001	216,721	8,237	260,434	8,852	26,993	35,845	296,279
Pet Food	-	2,155	102,120	-	104,275	-	-	-	104,275
Events	990	-	2,405	285	3,680	-	169,636	169,636	173,316
Leased Equipment and Facility	9,005	13,896	53,389	2,808	79,098	5,067	5,856	10,923	90,021
Direct Mail	25,625	25,625	25,625	25,625	102,500	-	167,235	167,235	269,735
Humane Services	8,555	42,678	72,669	-	123,902	-	-	-	123,902
Legal and Audit	367,945	7,143	19,377	3,855	398,320	16,408	53,172	69,580	467,900
Consulting and Contracted Services	4,895	101,429	22,748	2,341	131,413	24,425	100,403	124,828	256,241
Network and Website	1,101	6,828	9,532	197	17,658	1,869	32,983	34,852	52,510
Telephone	18,931	8,811	14,665	315	42,722	894	2,184	3,078	45,800
Utilities	9,139	27,421	144,513	810	181,883	5,515	3,691	9,206	191,089
Repairs, Maintenance, and Facilities	4,355	23,702	98,776	367	127,200	2,463	1,646	4,109	131,309
Vehicle and Transportation	62,071	2,912	29,124	389	94,496	799	1,431	2,230	96,726
Advertising and Printing	21,646	22,142	17,837	19,291	80,916	17,543	22,952	40,495	121,411

See accompanying Notes to Financial Statements.



**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

	Program Expenses				Total Program Expense	Management and General	Fundraising	Total Support Expense	Total Expense
	Humane Law Enforcement and Litigation	Spay and Neuter and Public Veterinary Care	Adoptions Lifesaving and Shelter Hospital	Humane Education					
Dues, Licenses and Subscriptions	\$ 3,718	\$ 5,595	\$ 5,664	\$ 750	\$ 15,727	\$ 995	\$ 4,016	\$ 5,011	\$ 20,738
Bank, Credit Card and Payroll Fees	9,027	33,547	20,191	1,116	63,881	5,758	15,876	21,634	85,515
Bad Debt	-	14,283	-	-	14,283	-	-	-	14,283
Travel, Meals, Entertainment and Other	3,469	3,176	16,237	774	23,656	2,292	3,488	5,780	29,436
Depreciation	18,879	42,745	233,079	2,058	296,761	8,061	5,492	13,553	310,314
Interest	-	508	254	-	762	14,244	-	14,244	15,006
Grant Awards	-	122,000	89,500	800	212,300	-	-	-	212,300
Total Expense	<u>\$ 2,041,138</u>	<u>\$ 2,325,371</u>	<u>\$ 4,095,081</u>	<u>\$ 204,579</u>	<u>\$ 8,666,169</u>	<u>\$ 685,723</u>	<u>\$ 1,242,415</u>	<u>\$ 1,928,138</u>	<u>\$ 10,594,307</u>

See accompanying Notes to Financial Statements.

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

	Program Expenses					Management and General	Fundraising	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				
Salaries and Wages	\$ 997,793	\$ 1,034,530	\$ 1,692,400	\$ 125,049	\$ 3,849,772	\$ 358,028	\$ 505,034	\$ 863,062	\$ 4,712,834
Payroll Taxes and Employee Benefits	182,402	187,108	306,118	20,054	695,682	64,631	73,006	137,637	833,319
Retirement Benefits	-	-	-	-	-	175,259	-	175,259	175,259
Training and Other Employment Costs	22,231	6,875	16,396	576	46,078	863	1,274	2,137	48,215
Workers Compensation	47,564	48,819	116,373	1,018	213,774	3,970	3,807	7,777	221,551
Insurance	321,386	39,236	64,247	13,965	438,834	9,751	11,155	20,906	459,740
Medical Supplies	2,523	391,838	257,392	-	651,753	-	-	-	651,753
Other Supplies, Postage, and Shipping	16,513	44,129	232,546	7,502	300,690	11,448	26,075	37,523	338,213
Pet Food	-	614	73,383	-	73,997	-	-	-	73,997
Events	178	845	2,615	70	3,708	64	242,435	242,499	246,207
Leased Equipment and Facility	8,243	25,903	27,188	2,233	63,567	2,958	4,172	7,130	70,697
Direct Mail	17,868	17,966	17,944	17,874	71,652	-	116,608	116,608	188,260
Humane Services	9,677	44,752	66,666	-	121,095	-	-	-	121,095
Legal and Audit	292,100	39,116	31,058	3,726	366,000	22,527	14,656	37,183	403,183
Consulting and Contracted Services	12,769	66,285	69,205	2,888	151,147	14,601	39,899	54,500	205,647
Network and Website	331	9,826	-	266	10,423	2,536	30,868	33,404	43,827
Telephone	19,624	9,646	11,384	460	41,114	1,362	2,153	3,515	44,629
Utilities	11,336	33,983	139,484	1,111	185,914	6,190	4,870	11,060	196,974
Repairs, Maintenance, and Facilities	5,792	33,064	98,975	830	138,661	2,299	2,026	4,325	142,986
Vehicle and Transportation	80,451	6,300	31,292	667	118,710	952	2,245	3,197	121,907
Advertising and Printing	1,183	4,999	6,820	1,139	14,141	372	3,738	4,110	18,251

See accompanying Notes to Financial Statements.

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

	Program Expenses				Total Program Expense	Management and General	Fundraising	Total Support Expense	Total Expense
	Humane Law Enforcement and Litigation	Spay and Neuter and Public Veterinary Care	Adoptions Lifesaving and Shelter Hospital	Humane Education					
Dues, Licenses and Subscriptions	\$ 5,085	\$ 3,222	\$ 2,673	\$ 798	\$ 11,778	\$ 1,085	\$ 4,778	\$ 5,863	\$ 17,641
Bank, Credit Card and Payroll Fees	6,558	31,359	15,478	1,119	54,514	4,990	14,733	19,723	74,237
Bad Debt	-	22,567	54	-	22,621	-	-	-	22,621
Travel, Meals, Entertainment and Other	6,417	5,740	12,038	448	24,643	2,611	3,260	5,871	30,514
Depreciation	24,726	49,493	190,297	3,134	267,650	8,639	6,838	15,477	283,127
Interest	1,302	1,302	1,256	726	4,586	6,534	3,630	10,164	14,750
Grant Awards	-	118,800	67,500	-	186,300	10,000	-	10,000	196,300
Total Expense	<u>\$ 2,094,052</u>	<u>\$ 2,278,317</u>	<u>\$ 3,550,782</u>	<u>\$ 205,653</u>	<u>\$ 8,128,804</u>	<u>\$ 711,670</u>	<u>\$ 1,117,260</u>	<u>\$ 1,828,930</u>	<u>\$ 9,957,734</u>

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENTS OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (626,912)	\$ (1,646,485)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	310,314	283,127
Bad Debt Expense	14,283	22,621
Net Realized and Unrealized (Gains) Losses on Investments	(228,586)	159,206
(Increase) Decrease in Fair Value of Beneficial Interests in Perpetual Trusts Held by Third Parties	(74,298)	871,437
(Gain) Loss on Disposition of Equipment	(865)	8,193
Contributions of Property, Leasehold Improvements and Equipment	(211,600)	(36,128)
(Increase) Decrease in:		
Accounts Receivable	(2,464)	(50,385)
Other Receivables	(2,439)	53,666
Trusts Receivable	(9,806)	(4,720)
Grants Receivable and Promises to Give	42,700	(127,341)
Bequests and Contributions Receivable	(8,247)	(25,103)
Inventory	4,799	(16,333)
Prepaid Expenses	42,219	41,126
Deposits	-	(18,213)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(72,207)	180,416
Charitable Gift Annuity	(17,546)	24,531
Deferred Rent	1,006	4,005
Deferred Revenue	48,087	-
Postretirement Health Benefits Obligation	29,967	140,880
Net Cash Used by Operating Activities	(761,595)	(135,500)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property and Equipment	(259,312)	(341,840)
Purchase of Investments	(1,510,474)	(1,734,280)
Proceeds from Sale of Investments	2,925,134	2,390,892
Net Cash Provided by Investing Activities	1,155,348	314,772
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment on Line of Credit	(350,000)	(150,000)
Payments on Loan Payable	-	(16,789)
Payments of Capital Lease Obligation	(3,564)	-
Net Cash Used by Financing Activities	(353,564)	(166,789)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	40,189	12,483

See accompanying Notes to Financial Statements.

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
STATEMENTS OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2016 AND 2015  
(CONTINUED)**

	2016	2015
Net Increase in Cash and Cash Equivalents - Forwarded	\$ 40,189	\$ 12,483
Cash and Cash Equivalents - Beginning of Year	99,642	87,159
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 139,831</b>	<b>\$ 99,642</b>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 15,092	\$ 16,221
 <b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Capital Lease Obligation Invested for the Use of Equipment	\$ 19,818	\$ 23,382
Contributions of Leasehold Improvements and Equipment	\$ -	\$ 36,128
Contribution of Property Held for Sale		
Contributed Property	\$ 230,000	\$ -
Selling Costs	(18,400)	-
Net Contribution of Property Held for Sale	\$ 211,600	\$ -

*See accompanying Notes to Financial Statements.*

**THE PENNSYLVANIA SOCIETY FOR  
THE PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

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

- Humane Law Enforcement – to prevent animal cruelty and neglect by enforcing Pennsylvania's anti-cruelty laws;
- Humane Litigation – to oversee the prosecution of cruelty cases brought by the Humane Law Enforcement team;
- Humane Education – to prevent animal cruelty and to promote responsible pet ownership by educating children and adults in the community about the humane treatment of animals;
- Adoptions, Foster and Rescue – to place formerly neglected, abused, or unwanted animals in forever homes, which includes collaboration with other animal shelters;
- Behavior & Enrichment – to assess incoming animals, design individual enrichment and /or behavior modification plans and offer classes providing training and support to adopters and current pet owners to improve pet retention;
- Surgical Services – to offer affordable and accessible surgical services to the community, including spay/neuter, which helps reduce pet overpopulation;
- Public Veterinary Care – to provide low-cost wellness, preventative, geriatric, and end of life pet care services to the community, including 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.

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

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**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, 2016 and 2015, the PSPCA had \$12,407,765 and \$12,333,467 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, 2016 and 2015, the PSPCA had \$3,752,984 and \$4,014,660 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:

	2016	2015
Accounts Receivable	\$ 176,205	\$ 203,372
Less: Allowance for Doubtful Accounts	(151,940)	(167,288)
Net Accounts Receivable	\$ 24,265	\$ 36,084

**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, equity securities, and bonds 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 the straight-line method over the estimated useful lives of the respective assets. The PSPCA will capitalize assets purchased with a cost greater than \$1,000, as described in the PSPCA's capitalization policy. Maintenance and minor repairs are charged to expense when incurred. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the statement of activities. The PSPCA records contributed assets at their fair value as of the date of contribution.

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

Long lived assets, such as property and equipment are reviewed periodically for impairment based on comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets' carrying amounts are adjusted to fair value. There were no such adjustments during the years ended December 31, 2016 and 2015.

The estimated useful lives for depreciation are:

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

**Contributions and Grants**

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

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

**Contributions and Grants (Continued)**

Contributions and grants that are expected to be collected within one year are recorded at their net realizable value; management believes the grant and contribution receivables at December 31, 2016 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, 2016 were fully collectible.

**Charitable Gift Annuity**

Donors have contributed assets to the PSPCA in exchange for promises by the PSPCA to pay a fixed amount for a specified period of time to such donors. Under the terms of these agreements, no trust exists as the assets received are held by, and the annuity liability is an obligation of, the PSPCA. The discount rates used to measure the liabilities were 1.6% and 2.0% during 2016 and 2015.

**Trusts Receivable**

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 unrestricted support and are recognized as revenue in the period received or distributed.

**Bequests**

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

**Program Revenue**

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

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

**Donated Services**

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

**Functional Allocation of Expenses**

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

**Uniform Prudent Management of Institutional Funds Act**

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

**Fair Value Measurements**

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

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

**Level 1**

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

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

**Fair Value Measurements (Continued)**

**Level 2**

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

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

**Level 3**

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

Beneficial interests in perpetual trusts held by third parties 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, 2016 and 2015, 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.

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

**Income Taxes (Continued)**

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

**Reclassification**

Certain amounts previously reported in the financial statements for the year ended December 31, 2015 have been reclassified to conform to the current year financial statement presentation.

**Subsequent Events**

In preparing these financial statements, the PSPCA has evaluated events and transactions for potential recognition or disclosure through June 29, 2017, the date the financial statements were available to be issued.

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

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

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

The PSPCA has unconditional grants and promises to give from several contributors for multi-year periods. Amounts to be received in excess of one year have been discounted to the net present value at 0.62%. Unconditional promises to give at December 31, 2016 are as follows:

Receivable Less Than One Year	\$ 152,149
Receivable One to Four Years	<u>83,000</u>
Total Grants Receivable and Unconditional Promises to Give	235,149
Less:	
Discount on Net Present Value	(1,281)
Net Grants Receivable and Unconditional Promises to Give	<u><u>\$ 233,868</u></u>

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**NOTE 4 PROPERTY AND EQUIPMENT**

Property and Equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 788,296	\$ 788,296
Buildings, Building Improvements and Dog Park	8,692,952	8,669,849
Leasehold Improvements	31,794	30,114
Furniture and Equipment	1,487,467	1,397,173
Transportation Equipment	622,209	497,835
Assets Held Under Capital Lease	23,383	23,383
Total	<u>11,646,101</u>	<u>11,406,650</u>
Less Accumulated Depreciation	<u>5,345,453</u>	<u>5,055,865</u>
Total Property and Equipment	<u><u>\$ 6,300,648</u></u>	<u><u>\$ 6,350,785</u></u>

Depreciation expense was \$310,314 and \$283,127 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 5 PROPERTY HELD FOR SALE**

On December 12, 2016, the Society received a donation of property with a fair market value of \$211,600, which includes a contribution of property valued at \$230,000 less estimated settlement costs of \$18,400. This property has been held for sale at December 31, 2016 with the expected sale occurring in the next calendar year.

**NOTE 6 INVESTMENTS AND INVESTMENT INCOME**

Investments are comprised of the following

	<u>2016</u>	<u>2015</u>
Stocks	\$ 2,359,879	\$ 1,097
Mutual Funds	1,513,667	7,281,763
Bonds	1,791,662	-
Money Market	873,720	442,142
Total	<u><u>\$ 6,538,928</u></u>	<u><u>\$ 7,725,002</u></u>

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**NOTE 6 INVESTMENTS AND INVESTMENT INCOME (CONTINUED)**

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

	<u>2016</u>	<u>2015</u>
Interest and Dividends	\$ 142,733	\$ 163,347
Net Realized and Unrealized Gain (Loss) on Investments	228,586	(159,206)
Investment Fees	(48,117)	-
Total	<u>\$ 323,202</u>	<u>\$ 4,141</u>

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

**NOTE 7 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, 2016 are:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 873,720	\$ 873,720	\$ -	\$ -
Mutual Funds	1,513,667	1,513,667	-	-
Stocks	2,359,879	2,359,879	-	-
Bonds	1,791,662	200,891	1,590,771	-
Beneficial Interests in Perpetual Trusts				
Held by Third Parties	11,876,600	-	-	11,876,600
Total Investments	<u>\$ 18,415,528</u>	<u>\$ 4,948,157</u>	<u>\$ 1,590,771</u>	<u>\$ 11,876,600</u>

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**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

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

	Total	Level 1	Level 2	Level 3
Money Market Funds	\$ 442,142	\$ 442,142	\$ -	\$ -
Mutual Funds	7,281,763	7,281,763	-	-
Stocks	1,097	1,097	-	-
Bonds	-	-	-	-
Beneficial Interests in Perpetual Trusts				
Held by Third Parties	11,802,302	-	-	11,802,302
Total Investments	<u>\$ 19,527,304</u>	<u>\$ 7,725,002</u>	<u>\$ -</u>	<u>\$ 11,802,302</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, 2016:

	Beneficial Interests in Perpetual Trusts Held by Third Parties
Beginning Balance at January 1, 2016	\$ 11,802,302
Increase in Fair Value Included in Change in Net Assets	74,298
Ending Balance at December 31, 2016	<u>\$ 11,876,600</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, 2015:

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

**NOTE 8 ENDOWMENT ACTIVITY**

The purpose of PSPCA's investment funds is 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 investments, without putting the principal value of these funds at imprudent risk.



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**NOTE 8      ENDOWMENT ACTIVITY (CONTINUED)**

The endowment funds and investments of the PSPCA shall be invested in a portfolio of funds which will provide an opportunity to optimize inflation-adjusted total returns within acceptable levels of risk and volatility. Consistent rebalancing to the target allocations will ensure a long term, low risk, prudent strategy. The Board of Directors of the PSPCA is responsible for overseeing the endowment and investment 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 short-term and long-term distribution requirements of endowment and investment funds, (2) provide sufficient liquidity to meet distribution requirements, and (3) 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, and will be measured against established industry benchmarks weighted in line with the long-term strategic asset allocation.

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, 2016 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Assets, Beginning of Year	\$ 3,281,887	\$ 531,165	\$ 3,813,052
Investment Return:			
Interest and Dividends, Net of Investment Fees	49,120	-	49,120
Net Realized and Unrealized Gains	124,566	-	124,566
Total Investment Return	173,686	-	173,686
Distributions of Endowment Income	(210,972)	-	(210,972)
Endowment Assets, End of Year	<u>\$ 3,244,601</u>	<u>\$ 531,165</u>	<u>\$ 3,775,766</u>

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**NOTE 8 ENDOWMENT ACTIVITY (CONTINUED)**

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

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

The PSPCA also held investments that do not meet the definition of endowment assets totaling \$2,763,162 and \$3,911,950 at December 31, 2016 and 2015, respectively.

**NOTE 9 BENEFICIAL INTERESTS IN PERPETUAL TRUSTS HELD BY OTHERS**

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

For the year ended December 31, 2016, disbursements from trusts reported as revenue amounted to \$582,579, of which \$579,178 relates to perpetual trusts in which the PSPCA has a beneficial interest. For the year ended December 31, 2015, disbursements from trusts reported as revenue amounted to \$538,885, of which \$536,004 relates to perpetual trusts in which the PSPCA has a beneficial interest.

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**NOTE 10      LINE OF CREDIT**

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

On February 1, 2014, the PSPCA amended its line of credit agreement reducing the commercial letter of credit capacity under the line from \$300,000 to \$250,000. On February 12, 2015, the PSPCA entered into an amended line of credit agreement, the terms of which extended the expiration date of the line of credit to June 1, 2015 and reduced the required amount of the PSCPA's investments collateralizing the line of credit to \$750,000. On May 21, 2015, the expiration date of the line of credit was extended to June 1, 2016. On December 1, 2015, the commercial letter of credit capacity under the line was reduced from \$250,000 to \$200,000. On September 22, 2016, the expiration date of the line of credit was extended to June 1, 2017, which on June 2, 2017 was extended for an additional three months to September 1, 2017.

Outstanding borrowings under the line as of December 31, 2016 and 2015 totaled \$0 and \$350,000, respectively. The interest rate on borrowings under the line of credit was increased from 3.50% to 3.75% as of December 31, 2016. Interest expense related to the line of credit was \$14,244 and \$14,519 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 11      LOAN PAYABLE**

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

Interest expense incurred on this loan payable was \$231 for the year ended December 31, 2015.

**NOTE 12      CHARITABLE GIFT ANNUITY**

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

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**NOTE 12 CHARITABLE GIFT ANNUITY (CONTINUED)**

The PSCPA paid \$3,542 and \$2,859 of annuity payments in 2016 and 2015, respectively. In 2016, and thereafter, \$860 is payable annually to the donors.

The PSCPA computes the present value of the annuity payable using the life expectancy of the donors and the discount rates in effect at the date of the gifts were there 1.6% and 2.0% in 2016 and 2015, respectively.

The total liability related to the charitable gift annuities was \$14,846 and \$32,392 at December 31, 2016 and 2015, respectively.

**NOTE 13 POSTRETIREMENT HEALTH BENEFIT PLAN**

The PSCPA 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 PSCPA's discretion, subject to certain limitations.

The PSCPA 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 PSCPA recognizes the change in postretirement benefit obligation of the unfunded plan in unrestricted net assets.

**NOTE 14 CAPITAL LEASE OBLIGATION**

The Society is the lessee of medical equipment under a capital lease expiring on December 31, 2021. The lease requires the PSCPA to make seventy-two monthly payments of \$363, including an interest rate of 3.75%. This lease has a bargain purchase option where at the end of this lease the PSCPA can purchase this equipment for \$1. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are being depreciated over their estimated useful lives. Depreciation of the assets under capital leases is included in depreciation expense.

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**NOTE 14 CAPITAL LEASE OBLIGATION (CONTINUED)**

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

	<u>2016</u>	<u>2015</u>
Medical Equipment	\$ 23,383	\$ 23,383
Less: Accumulated Depreciation	3,897	-
Total Medical Equipment	<u>\$ 19,486</u>	<u>\$ 23,383</u>

Minimum future lease payments under a capital lease as of December 31, 2016 are:

<u>Year Ending December 31</u>	<u>Amount</u>
2017	\$ 4,353
2018	4,353
2019	4,353
2020	4,353
2021	4,353
Total Minimum Lease Payments	<u>21,765</u>
Less: Amount Representing Interest	1,947
Present Value of Minimum Lease Payments	<u>\$ 19,818</u>

**NOTE 15 OPERATING LEASES**

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

The following are the minimum payments, as of December 31, 2016, required under the leases:

<u>Year Ending December 31</u>	<u>Amount</u>
2017	\$ 90,336
2018	94,386
2019	81,884
2020	25,470
Total	<u>\$ 292,076</u>

For the years ended December 31, 2016 and 2015 equipment and facility rental expense for all operating leases was \$90,021 and \$70,697, respectively.

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**NOTE 16 CONTRIBUTIONS – IN-KIND**

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

The following is a summary of the in-kind contributions received by the PSPCA during the years ended December 31, 2016 and 2015. The in-kind contributions have been recorded as revenue and are also included as expenses where applicable in the statement of activities.

	2016	2015
Donated Legal Services	\$ 426,232	\$ 359,197
Donated Other Services	128,140	51,481
Donated Leasehold Improvements and Equipment	-	36,128
Donated Goods	64,027	130,290
	\$ 618,399	\$ 577,096

**NOTE 17 RELATED PARTIES**

For the year ended December 31, 2016 and 2015, the PSPCA paid for architectural services in the amount of \$12,327 and \$15,306 respectively, by the architectural firm in which a member of the PSPCA Board of Directors is employed. This architectural firm also donated \$48,286 of services in 2015. These amounts are included in in-kind contributions as donated other services.

**NOTE 18 403(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, non-resident aliens and employees covered by a collective bargaining agreement). The PSPCA pays the administrative expenses of the plan. On September 1, 2012, the PSPCA began making employer matching contributions equal to 25% of the employee’s salary reduction contributions limited to the first 6% for employees who are at least 21 years of age and have either completed one year of service with the PSPCA or have been previously employed by another organization in the non-profit health or social service field. For the years ended December 31, 2016 and 2015, the PSPCA had contributed, net of forfeitures to the plan, \$18,961 and \$29,191, respectively, to the 403(b) thrift plan.

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**NOTE 19 LITIGATION**

The PSPCA periodically finds itself a defendant in legal suits that have developed in the normal course of business. The PSPCA maintains both liability and umbrella insurance with limits of coverage which management believes to be more than adequate to cover any potential claims. Accordingly, the PSPCA has not accrued any claims liability as of and for the years ended December 31, 2016 and 2015.

**NOTE 20 HUMANE LAW ENFORCEMENT**

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

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

**NOTE 21 NET ASSETS**

Temporarily and permanently restricted net assets at December 31, 2016 and 2015 comprised the following:

	2016	2015
Temporarily Restricted Net Assets:		
Land, Buildings, Vehicles and Equipment	\$ 271,135	\$ 388,828
Program Support in Specific Pennsylvania Counties	3,301,174	3,311,533
Humane Law Enforcement and Litigation Support	18,855	14,293
Spay and Neuter and Public Veterinary Care Support	-	6,500
Adoptions, Lifesaving, and Shelter Hospital Support	2,040	21,440
Other Program Support	7,060	6,799
Restricted for Use in Future Periods	152,720	265,267
Total	\$ 3,752,984	\$ 4,014,660
Permanently Restricted Net Assets:		
Permanent Endowments	\$ 531,165	\$ 531,165
Beneficial Interests in Perpetual Trusts Held by Third Parties (Note 9)	11,876,600	11,802,302
Total	\$ 12,407,765	\$ 12,333,467



Investment advisory services are offered through CliftonLarsonAllen  
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