

**PENNSYLVANIA SOCIETY FOR
THE PREVENTION OF CRUELTY TO ANIMALS**
Financial Statements
December 31, 2024
With Independent Auditor's Report

Pennsylvania Society for the Prevention of Cruelty to Animals
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December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pennsylvania Society for the Prevention of Cruelty to Animals:

Opinion

We have audited the financial statements of the Pennsylvania Society for the Prevention of Cruelty to Animals (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pennsylvania Society for the Prevention of Cruelty to Animals as of December 31, 2024 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pennsylvania Society for the Prevention of Cruelty to Animals and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pennsylvania Society for the Prevention of Cruelty to Animals' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pennsylvania Society for the Prevention of Cruelty to Animals' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pennsylvania Society for the Prevention of Cruelty to Animals' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Pennsylvania Society for the Prevention of Cruelty to Animals' 2023 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated February 25, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



January 20, 2026

Pennsylvania Society for the Prevention of Cruelty to Animals
Statement of Financial Position
December 31, 2024 With Comparative Totals for 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 1,473,685	\$ 1,224,371
Accounts receivable, net	88,018	81,999
Contributions receivable, net	242,889	412,641
Prepaid expenses and other assets	188,118	196,323
Inventory	112,745	79,023
Investments	8,197,361	7,321,983
Property and equipment, net	8,808,759	8,825,985
Right-to-use asset	77,178	134,896
Beneficial interest in perpetual trusts	<u>13,023,541</u>	<u>13,168,224</u>
 Total assets	 <u>\$ 32,212,294</u>	 <u>\$ 31,445,445</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 861,394	\$ 836,140
Postretirement health benefits obligation	137,408	142,999
Lease liability	77,178	134,896
Notes payable	<u>385,528</u>	<u>281,558</u>
Total liabilities	<u>1,461,508</u>	<u>1,395,593</u>
Net assets		
Without donor restrictions	15,604,688	15,207,065
With donor restrictions	<u>15,146,098</u>	<u>14,842,787</u>
Total net assets	<u>30,750,786</u>	<u>30,049,852</u>
 Total liabilities and net assets	 <u>\$ 32,212,294</u>	 <u>\$ 31,445,445</u>

The Notes to Financial Statements are an integral part of this statement.

Pennsylvania Society for the Prevention of Cruelty to Animals
Statement of Activities
Year Ended December 31, 2024 With Comparative Total for 2023

	Without	With	Total	
	Donor Restrictions	Donor Restrictions	2024	2023
Revenue and support				
Program revenue	\$ 3,434,887	\$ -	\$ 3,434,887	\$ 3,037,453
Contributions	2,864,836	800,328	3,665,164	2,953,918
Contributions of non-financial assets	333,441	-	333,441	595,871
Bequests	4,459,544	-	4,459,544	3,466,217
Grants	938,462	150,000	1,088,462	796,692
Special events, net of expenses of \$316,521 and \$316,521 for 2024 and 2023, respectively	839,166	-	839,166	1,291,602
Distributions from perpetual trusts	544,750	-	544,750	582,164
Investment income, net	393,149	74,664	467,813	425,139
Other revenue	90,881	-	90,881	1,747,208
Change in value of beneficial interest in perpetual trusts	-	(144,683)	(144,683)	1,010,648
Net assets released from restrictions	-	-	-	-
Endowment income distribution	75,944	(75,944)	-	-
Other	501,054	(501,054)	-	-
Total revenue and support	<u>14,476,114</u>	<u>303,311</u>	<u>14,779,425</u>	<u>15,906,912</u>
Expenses				
Program services				
Rescue, rehabilitation and placement	5,392,908	-	5,392,908	5,834,071
Shelter hospital, surgery and public Veterinary care	5,419,731	-	5,419,731	4,946,930
Animal law enforcement, litigation and humane education	1,558,114	-	1,558,114	1,517,577
Total program services	<u>12,370,753</u>	<u>-</u>	<u>12,370,753</u>	<u>12,298,578</u>
Supporting services				
Management and general	466,712	-	466,712	450,948
Fundraising	1,241,026	-	1,241,026	1,190,533
Total supporting services	<u>1,707,738</u>	<u>-</u>	<u>1,707,738</u>	<u>1,641,481</u>
Total expenses	<u>14,078,491</u>	<u>-</u>	<u>14,078,491</u>	<u>13,940,059</u>
Change in net assets	397,623	303,311	700,934	1,966,853
Net assets				
Beginning of year	<u>15,207,065</u>	<u>14,842,787</u>	<u>30,049,852</u>	<u>28,082,999</u>
End of year	<u>\$ 15,604,688</u>	<u>\$ 15,146,098</u>	<u>\$ 30,750,786</u>	<u>\$ 30,049,852</u>

The Notes to Financial Statements are an integral part of this statement.

Pennsylvania Society for the Prevention of Cruelty to Animals
Statement of Functional Expenses
Year Ended December 31, 2024 With Comparative Totals for 2023

	Program Services			Supporting Expenses		Totals	
	Rescue Rehabilitation and Placement	Spay and Shelter Hospital, Surgery and Public Veterinary Care	Animal Law Enforcement, Litigation and Humane Education	Management and General	Fundraising	2024	2023
Animal and veterinary care expenses	\$ 580,240	\$ 1,437,780	\$ 36,488	\$ -	\$ -	\$ 2,054,508	\$ 2,060,745
Employment expenses	3,555,574	3,581,490	1,199,869	287,314	774,622	9,398,869	9,133,517
Facilities, utilities and vehicle expenses	512,971	112,460	105,401	9,420	14,606	754,858	751,726
Information technology	76,326	75,057	22,741	7,054	64,627	245,805	276,763
Leased equipment and facility	79,453	25,638	9,071	3,373	10,423	127,958	133,301
Professional services	137,599	70,026	108,848	122,573	17,809	456,855	543,583
Program fees, bank fees and other	27,871	31,402	29,882	31,873	16,628	137,656	176,210
Development and marketing expenses	-	-	-	-	341,116	341,116	337,895
Depreciation	422,874	85,878	45,814	5,105	1,195	560,866	526,319
Total	\$ 5,392,908	\$ 5,419,731	\$ 1,558,114	\$ 466,712	\$ 1,241,026	\$ 14,078,491	\$ 13,940,059

The Notes to Financial Statements are an integral part of this statement.

Pennsylvania Society for the Prevention of Cruelty to Animals
Statement of Cash Flows
Year Ended December 31, 2024 With Comparative Totals for 2023

	<u>2024</u>	<u>2023</u>
Operating activities		
Change in net assets	\$ 700,934	\$ 1,966,853
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	560,866	526,319
Bad debt expense	20,591	15,106
Amortization of right-to-use asset	57,718	54,364
Net realized and unrealized gain on investments	(177,823)	(271,742)
Change in value of beneficial interest in perpetual trusts	144,683	(1,010,648)
Change in operating assets and liabilities		
Accounts receivable, net	(26,610)	(42,691)
Contributions receivable, net	169,752	78,061
Inventory	(33,722)	17,563
Prepaid expenses and other assets	8,205	(85,076)
Accounts payable and accrued expenses	25,254	59,507
Postretirement health benefits obligation	(5,591)	(66,841)
Lease liability	<u>(57,718)</u>	<u>(54,364)</u>
Net cash provided by operating activities	<u>1,386,539</u>	<u>1,186,411</u>
Investing activities		
Purchase of property and equipment	(543,640)	(141,540)
Purchase of investments	(9,439,259)	(3,298,966)
Proceeds from sale of investments	<u>8,741,704</u>	<u>1,050,213</u>
Net cash used in investing activities	<u>(1,241,195)</u>	<u>(2,390,293)</u>
Financing activities		
Proceeds from notes payable	137,220	-
Payments on notes payable	<u>(33,250)</u>	<u>(7,530)</u>
Net cash provided by (used in) financing activities	<u>103,970</u>	<u>(7,530)</u>
Net change in cash and cash equivalents	249,314	(1,211,412)
Cash and cash equivalents		
Beginning of year	<u>1,224,371</u>	<u>2,435,783</u>
End of year	<u>\$ 1,473,685</u>	<u>\$ 1,224,371</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 7,644</u>	<u>\$ 7,854</u>

The Notes to Financial Statements are an integral part of this statement.

Pennsylvania Society for the Prevention of Cruelty to Animals
Notes to Financial Statements
December 31, 2024

1. NATURE OF ACTIVITIES

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

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

On December 31, 2023, the operations of Main Line Rescue, Inc. d/b/a Main Line Animal Rescue (a previously controlled organization) was merged into the PSPCA. Main Line Animal Rescue was a Pennsylvania nonprofit corporation, specializing in the rescue and placement of abused, unwanted and abandoned companion animals. Prior to the merger the PSPCA was the sole member of Main Line Animal Rescue.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). As a result, revenues are recognized when earned and expenses are recognized when incurred.

Pennsylvania Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

December 31, 2024

Financial Statement Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions.

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

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

Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could vary from those estimates. Significant estimates include the net realizable value of accounts and contributions receivable, the fair value of investments, the fair value of the beneficial interest in perpetual trusts held by third parties, the depreciable lives of property and equipment and the allocation of functional expenses.

Fair Value Measurements of Assets and Liabilities

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

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the PSPCA has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

Money Market Funds and Certificates of Deposit: Valued at cost which approximates fair value.

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U.S. Treasury, Corporate and Municipal Bonds: Valued based on investment managers use of pricing services using market data.

Common Stocks and Exchange-Traded and Mutual Funds: Valued at quoted prices for identical assets or liabilities in active markets that the PSPCA has the ability to access.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the PSPCA believes its valuation methods are appropriate and consistent, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments with a maturity date of three months or less on the date of acquisition.

Accounts Receivable, Net

Accounts receivable represent unsecured noninterest bearing obligations and are carried at original invoice amounts less an estimate made for credit losses based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for credit losses by identifying troubled accounts and performing a historical and future looking analysis. Receivables are written off when deemed uncollectible. Any uncollectible amounts would not be material to the financial statements. Accounts receivable totaled \$81,999 and \$54,414 as of January 1, 2024 and 2023, respectively. Account receivable at December 31, 2024 are expected to be collected within one year.

Contributions Receivable, Net

The PSPCA records contributions receivable that are expected to be collected within one year at net realizable value (see Note 4). Contributions receivable with expected collection past one year are recorded at net present value using risk-free rates applicable to the years in which the promises are received. The PSPCA monitors the collectability of these receivables and an allowance for uncollectable promises to give is recorded based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Inventory

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

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value as determined by quoted market prices with gains and losses included in the statement of activities. Dividend and interest income is recorded as earned.

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

Property and Equipment, Net

Property and equipment are capitalized and recorded at cost, if purchased, and at fair value at the date of donation if donated. Depreciation is calculated using the straight-line method over the lower of estimated useful lives of the respective assets or lease term, if applicable.

Pennsylvania Society for the Prevention of Cruelty to Animals
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The estimated useful lives for depreciation are:

<u>Description</u>	<u>Estimated Life (Years)</u>
Land	N/A
Buildings and dog park	39-50
Building improvements	10-39
Furniture and equipment	5-10
Transportation equipment	4
Leasehold improvements	5

Property and equipment are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Management has determined that no assessment was required for the year ended December 31, 2024.

Beneficial Interest in Perpetual Trusts

The PSPCA has been named as an irrevocable beneficiary of perpetual trusts held and administered by independent trustees. The perpetual trusts provide for the distribution of all or a portion of the net income of the trusts to the PSPCA; however, the PSPCA will never receive the assets of the trusts. At the date PSPCA receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statement of activities and a beneficial interest in perpetual trust is recorded in the statement of financial position at the fair value of the underlying trust assets. Thereafter, the beneficial interest in the trusts are reported at the fair value of the PSPCA's portion of trusts' assets in the statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities. Beneficial interest in perpetual trusts are measured at fair value using Level 3 valuation inputs.

Post-Retirement Health Benefits Obligation

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

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

Contributions

Contributions received (including bequests and grants) are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

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

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Contributions of Non-Financial Assets

The PSPCA records donated services that create or enhance nonfinancial assets and that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The PSPCA records the value of donated materials at fair value on date of donation when there is an objective basis available to measure their value. Donated materials are included as support in the accompanying statement of activities at their estimated values at the time received.

Revenue Recognition

The PSPCA accounts for revenue from contracts with customers as exchange transactions in the statements of activities as revenue without donor restrictions.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the PSPCA performs the following steps in accordance with Topic 606: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the PSPCA satisfies each performance obligation.

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

There were no contract liabilities at January 1, 2023.

Leases

Operating leases are recorded as right-of-use assets and lease liabilities in the statement of financial position in accordance with of Accounting Standards Update 2016-02, *Leases* (Topic 842). The PSPCA categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the PSPCA to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with a term of twelve months or less are not included on the statement of financial position and are accounted for as an expense in the statement of activities. The PSPCA had no finance leases during the year ended December 31, 2024.

Operating lease assets represent the PSPCA's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The PSPCA uses the implicit rate when readily determinable. When the lease does not provide an implicit rate, the PSPCA uses a secured borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

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Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Functional Allocation of Expenses

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

Income Tax Status

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

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

Concentration of Credit Risk

The PSPCA has significant cash and money market fund balances at financial institutions which throughout the year regularly exceed the amounts insured by either the Federal Deposit Insurance Corporation for up to \$250,000 or the Securities Investor Protection Corporation. Any loss incurred or lack of access to such funds could have a significant adverse impact on the PSPCA's financial condition, change in net assets, and cash flows.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the PSPCA's financial statements for the year ended December 31, 2023, from which the summarized information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Pennsylvania Society for the Prevention of Cruelty to Animals
Notes to Financial Statements
December 31, 2024

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the PSPCA's financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year at December 31, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,473,685	\$ 1,224,371
Accounts receivable, net	88,018	81,999
Contributions receivable, net	242,889	412,641
Investments	<u>8,197,361</u>	<u>7,321,983</u>
Total financial assets	10,001,953	9,040,994
Less: Financial assets not available for general expenditures within one year		
Restricted by donors for specific purposes or periods	<u>(2,122,557)</u>	<u>(1,674,563)</u>
Total financial assets available within one year	<u>\$ 7,879,396</u>	<u>\$ 7,366,431</u>

Liquidity Management

The PSPCA has a goal to maintain financial assets, which consist of cash and cash equivalents, receivables and cash equivalents held in the PSPCA's investment account on hand to meet 30 days of normal operating expenses.

As part of its liquidity management, the PSPCA invests cash in excess of daily requirements in various investment funds held by the PSPCA's third party investment brokerage house. These funds can be easily accessed by the PSPCA. As more fully described in Note 7, the PSPCA also has a line of credit agreement in the amount of \$950,000.

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net at December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 203,111	\$ 412,641
Receivable in one to five years	<u>50,000</u>	<u>-</u>
	253,111	412,641
Less: Discount	<u>(10,222)</u>	<u>-</u>
Total contributions receivable, net	<u>\$ 242,889</u>	<u>\$ 412,641</u>

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5. INVESTMENTS

Investments at December 31, 2024 and 2023 are comprised of the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,931,588	3,203,781
U.S. Treasury bonds	408,358	88,194
Municipal bonds	95,207	103,907
Corporate bonds	1,214,230	951,621
Exchange traded funds		
Fixed income	943,073	198,668
Equity	1,826,795	889,888
Equity mutual funds	51,329	309,009
Common stocks	<u>1,726,781</u>	<u>1,576,915</u>
Total investments	<u>\$ 8,197,361</u>	<u>\$ 7,321,983</u>

Investment income was comprised of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 322,102	\$ 185,105
Net realized and unrealized gain	177,823	271,742
Less: Investment management fees	<u>(32,112)</u>	<u>(31,708)</u>
	<u>\$ 467,813</u>	<u>\$ 425,139</u>

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land	\$ 828,536	\$ 828,536
Buildings, building improvements and dog park	13,622,421	13,242,504
Leasehold improvements	31,794	31,794
Furniture and equipment	2,682,454	2,665,450
Transportation equipment	913,787	817,820
Website	<u>93,938</u>	<u>93,938</u>
	18,172,930	17,680,042
Less: Accumulated depreciation	<u>(9,364,171)</u>	<u>(8,854,057)</u>
	<u>\$ 8,808,759</u>	<u>\$ 8,825,985</u>

Depreciation expense was \$560,866 and \$526,319 for the years ended December 31, 2024 and 2023, respectively.

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7. LINE OF CREDIT

The PSPCA has a line of credit agreement with Republic Bank in the amount of \$950,000, of which up to \$750,000 can be utilized as a cash advance. This agreement has an expiration date of January 1, 2025. There were no outstanding borrowings under the line as of December 31, 2024 and 2023. The interest rate on borrowings under the line of credit was 3.25% as of December 31, 2024 and 2023, respectively. Interest expense related to the line of credit was \$-0- for each of the years ended December 31, 2024 and 2023, respectively.

The PSPCA has two letters of credit with Republic Bank in the amounts of \$50,000 and \$150,000, respectively. These agreements have an expiration date of January 1, 2026. Management and the bank verbally agreed to extend these agreements through the issuance date. There were no outstanding borrowings under the letters of credit as of December 31, 2024 and 2023.

8. POST-RETIREMENT HEALTH BENEFITS OBLIGATION

The PSPCA provides lifetime health insurance coverage to four former employees in which the PSPCA pays 100% of the health insurance premiums. Premiums paid by the PSPCA was \$22,325 and \$22,181 for the years ended December 31, 2024 and 2023, respectively.

The PSPCA has recognized a liability by discounting the future payments of health insurance premiums by 6.2% at December 31, 2024 and 2023 over the remaining life expectancy for each former employee. The PSPCA has set aside no assets for this liability for the years ended December 31, 2024 and 2023.

The following health benefit payments are expected to be paid:

2025	\$ 21,885
2026	21,885
2027	21,885
2028	21,665
2029	21,357
Thereafter	<u>71,780</u>
	180,457
Less: Discount	<u>(43,049)</u>
	<u>\$ 137,408</u>

9. LOAN PAYABLES- ECONOMIC INJURY DISASTER LOAN PROGRAM

In June 2020, the PSPCA and Main Line Animal Rescue each received loans in the amount of \$150,000 from the Small Business Administration under the economic injury loan program. Pursuant to the terms of the agreement, monthly payments of principal and interest in the amount of \$641 began in June 2021 and are payable each month through May 2050. The loans bear interest at a rate of 2.75% per annum. The loan is secured by all the assets of PSPCA.

In 2024 the PSPCA entered into 4 vehicle non-interest bearing loans totaling \$137,220. Three of the loans are for a term of 60 months and require combined monthly payments of \$1,760 through January 2029. The fourth loan is for a term of 36 months and requires monthly payments of \$878 through May 2027. The loans are secured by the vehicles.

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The loans payable mature as follows for years ending December 31:

2025	\$ 39,612
2026	39,834
2027	33,915
2028	29,759
2029	10,637
Thereafter	<u>231,771</u>
	<u>\$ 385,528</u>

10. CONTRIBUTIONS OF NON-FINANCIAL ASSETS

The following is a summary of the contributions of non-financial assets received by the PSPCA during the years ended December 31, 2024 and 2023. The contributions of nonfinancial assets are valued and are reported at the estimated fair value based on current rates for similar legal services, space and utilities and goods. The contributions of non-financial assets have been recorded as revenue in statement of activities and are also included as programs expenses in the statements of activities and functional expenses.

	<u>2024</u>	<u>2023</u>
Donated legal services	\$ 11,024	\$ 83,076
Donated space and utilities (Lancaster County)	54,898	54,898
Donated goods	<u>267,519</u>	<u>457,897</u>
	<u>\$ 333,441</u>	<u>\$ 595,871</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>Balance December 31, 2023</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance December 31, 2024</u>
Subject to expenditure for specified purposes				
Program support in specific Pennsylvania counties	\$ 155,175	\$ -	\$ -	\$ 155,175
Spay and neuter and public veterinary care support	993	25,600	(13,997)	12,596
Adoptions, lifesaving and shelter hospital support	228,875	44,613	(242,665)	30,823
Other program support	70,966	405,093	(184,694)	291,365
Restricted for use in future periods	<u>9,698</u>	<u>450,000</u>	<u>(59,698)</u>	<u>400,000</u>
	<u>465,707</u>	<u>925,306</u>	<u>(501,054)</u>	<u>889,959</u>
Net assets to be maintained indefinitely				
Endowment - General operations	1,208,856	99,686	(75,944)	1,232,598
Beneficial interests in perpetual trusts held by third parties	<u>13,168,224</u>	<u>(144,683)</u>	<u>-</u>	<u>13,023,541</u>
Total net assets to be maintained indefinitely	<u>14,377,080</u>	<u>(44,997)</u>	<u>(75,944)</u>	<u>14,256,139</u>
	<u>\$ 14,842,787</u>	<u>\$ 880,309</u>	<u>\$ (576,998)</u>	<u>\$ 15,146,098</u>

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	<u>Balance December 31, 2022</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance December 31, 2023</u>
Subject to expenditure for specified purposes				
Program support in specific Pennsylvania counties	\$ 141,493	\$ 13,682	\$ -	\$ 155,175
Spay and neuter and public veterinary care support	34,493	-	(33,500)	993
Adoptions, lifesaving and shelter hospital support	287,144	211,000	(269,269)	228,875
Other program support	69,061	100,456	(98,551)	70,966
Restricted for use in future periods	<u>9,698</u>	<u>-</u>	<u>-</u>	<u>9,698</u>
	<u>541,889</u>	<u>325,138</u>	<u>(401,320)</u>	<u>465,707</u>
Net assets to be maintained indefinitely				
Endowment - General operations	973,052	302,183	(66,379)	1,208,856
Beneficial interests in perpetual trusts held by third parties	<u>12,157,576</u>	<u>1,010,648</u>	<u>-</u>	<u>13,168,224</u>
Total net assets to be maintained indefinitely	<u>13,130,628</u>	<u>1,312,831</u>	<u>(66,379)</u>	<u>14,377,080</u>
	<u>\$ 13,672,517</u>	<u>\$ 1,637,969</u>	<u>\$ (467,699)</u>	<u>\$ 14,842,787</u>

Income from the endowment is for either operations or veterinary salaries. The endowment have a cumulative historic dollar value of \$1,233,879 and \$1,208,857 at December 31, 2024 and 2023, respectively. Certain individual endowments are underwater by \$20,249 and \$19,148 at December 31, 2024 and 2023, respectively.

12. ENDOWMENT FUNDS

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

The PSPCA has adopted an investment policy for all investments to produce a predictable level of funds to meet the PSPCA's organizational objectives while achieving a maximum total return for the assets at a level consistent with prudent management. Under this policy, as approved by the Board, the assets are invested in a manner that is intended to produce returns that exceed the spending policy, while assuming a moderate level of investment risk. Actual returns may vary from the intended results. To satisfy its long-term rate of return objectives, the PSPCA relies on a total return strategy in which investment returns are achieved through both capital appreciation and yield. The PSPCA targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The spending policy calculates the amount of money annually distributed from the endowment fund to support various programs. The spending rate was equal to 7% of the endowment assets under management at the beginning of the years ended December 31, 2024 and 2023.

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Changes in the invested endowment assets for the years ended December 31, 2024 and 2023 are as follows:

	<u>With Donor Restrictions</u>
Endowment assets, December 31, 2022	\$ 973,052
Investment income, net	86,033
Additions	216,150
Spending policy distribution	<u>(66,379)</u>
Endowment assets, December 31, 2023	1,208,856
Investment income, net	74,664
Additions	25,022
Spending policy distribution	<u>(75,944)</u>
Endowment assets, December 31, 2024	<u>\$ 1,232,598</u>

13. LEASES

The PSPCA leases certain office equipment under lease obligations which have been classified as operating leases and contain no lease renewals. The leases require monthly payments in varying amounts. Weighted average remaining lease term (in years) as of December 31, 2024 and 2023 was 1.25 and 2.25, respectively. Cash payments for leases during year ended December 31, 2024 and 2023 was \$64,241. Weighted average discount rate for 2024 and 2023 was 6%. Equipment lease expense in the statement of functional expenses was \$127,958 and \$133,300 as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, the maturities of the PSPCA's lease liabilities are as follows:

2025	64,241
2026	16,060
Less: Imputed interest	<u>(3,123)</u>
	<u>\$ 77,178</u>

14. ANIMAL LAW ENFORCEMENT

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

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15. 403(b) THRIFT PLAN

The PSPCA has a defined contribution 403(b) thrift plan that is subject to the provisions of the Employment Retirement Income Security Act of 1974 ("ERISA") and covers all employees (except leased employees and nonresident aliens). The PSPCA makes employer matching contribution equal to 25% of the employee's salary reduction contributions limited to the first 6% for employees who are at least 18 years of age and have completed one year of service with the PSPCA. For the years ended December 31, 2024 and 2023, the PSPCA had contributed, net of forfeitures to the plan, \$32,733 and \$32,322, respectively, to the 403(b) thrift plan.

16. 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, 2024 and 2023.

17. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following is a summary of assets and liabilities measured at fair value on a recurring basis and the valuation inputs used to value them:

	<u>December 31,</u> <u>2024</u>	<u>Quoted</u> <u>Prices in</u> <u>Active</u> <u>Markets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Assets				
Investments				
Cash and cash equivalents	\$ 1,931,588	\$ 1,931,588	\$ -	\$ -
U.S. Treasury bonds	408,358	408,358	-	-
Municipal bonds	95,207	-	95,207	-
Corporate bonds	1,214,230	-	1,214,230	-
Exchange traded funds				
Fixed income	943,073	943,073	-	-
Equity	1,826,795	1,826,795	-	-
Equity mutual funds	51,329	51,329	-	-
Common stocks	1,726,781	1,726,781	-	-
Total investments	<u>8,197,361</u>	<u>6,887,924</u>	<u>1,309,437</u>	<u>-</u>
Beneficial interest in perpetual trusts	13,023,541	-	-	13,023,541
Total assets	<u>\$ 21,220,902</u>	<u>\$ 6,887,924</u>	<u>\$ 1,309,437</u>	<u>\$ 13,023,541</u>

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	<u>December 31,</u> <u>2023</u>	<u>Quoted</u> <u>Prices in</u> <u>Active</u> <u>Markets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Assets				
Investments				
Cash and cash equivalents	\$ 3,203,781	\$ 3,203,781	\$ -	\$ -
U.S. Treasury bonds	88,194	88,194	-	-
Municipal bonds	103,907	-	103,907	-
Corporate bonds	951,621	-	951,621	-
Exchange traded funds				
Fixed income	198,668	198,668	-	-
Equity	889,888	889,888	-	-
Equity mutual funds	309,009	309,009	-	-
Common stocks	<u>1,576,915</u>	<u>1,576,915</u>	<u>-</u>	<u>-</u>
Total investments	<u>7,321,983</u>	<u>6,266,455</u>	<u>1,055,528</u>	<u>-</u>
Beneficial interest in perpetual trusts	<u>13,168,224</u>	<u>-</u>	<u>-</u>	<u>13,168,224</u>
Total assets	<u>\$ 20,490,207</u>	<u>\$ 6,266,455</u>	<u>\$ 1,055,528</u>	<u>\$ 13,168,224</u>

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 20, 2026, the date on which the financial statements were available to be issued. No events have occurred that require recognition or disclosure in the financial statements.