

Independent Auditors' Report

To the Board of Directors
Montgomery County Society for the
Prevention of Cruelty to Animals
Conshohocken, Pennsylvania

We have audited the accompanying financial statements of the Montgomery County Society for the Prevention of Cruelty to Animals (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montgomery County Society for the Prevention of Cruelty to Animals as of December 31, 2017 and 2016, 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.



Oaks, Pennsylvania
March 8, 2018

**MONTGOMERY COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,425,166	\$ 1,279,070
Investments	43,621,359	37,301,261
TOTAL CASH AND INVESTMENTS	<u>45,046,525</u>	<u>38,580,331</u>
Inventories	34,136	23,526
Prepaid expenses	<u>47,557</u>	<u>34,489</u>
TOTAL CURRENT ASSETS	45,128,218	38,638,346
LAND, BUILDINGS AND EQUIPMENT, net	<u>1,870,478</u>	<u>1,861,767</u>
TOTAL ASSETS	<u>\$ 46,998,696</u>	<u>\$ 40,500,113</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 97,522	\$ 60,260
Accrued payroll and payroll taxes	<u>47,021</u>	<u>39,016</u>
TOTAL CURRENT LIABILITIES	<u>144,543</u>	<u>99,276</u>
NET ASSETS		
Unrestricted	33,753,098	29,164,357
Temporarily restricted	<u>13,101,055</u>	<u>11,236,480</u>
TOTAL NET ASSETS	<u>46,854,153</u>	<u>40,400,837</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 46,998,696</u>	<u>\$ 40,500,113</u>

See accompanying notes.

MONTGOMERY COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Support and revenue		
Shelter operations		
Small animals	\$ 69,452	\$ 81,826
Adoptions	76,519	85,223
Resale items	21,462	24,828
Miscellaneous	482,531	439,664
Public support		
Memberships	151,604	118,054
Fall appeal	88,007	106,989
Miscellaneous donations	390,072	394,765
Estates and donations	1,561,976	1,437,873
Municipal appropriations	1,950	2,950
State appropriations	7,840	7,280
Interest and dividends	432,249	426,677
Net unrealized and realized gain on investments	3,629,541	1,361,901
Net assets released from restrictions	-	12,260
TOTAL SUPPORT AND REVENUE	<u>6,913,203</u>	<u>4,500,290</u>
Operating expenses		
Salaries and payroll taxes	1,397,121	1,373,270
Bank fees	150	200
Employee medical insurance	146,274	145,684
Shelter	100,579	82,896
Veterinarian supplies	127,563	139,246
Residence and horse farm	13,034	13,712
Publicity and humane education	27,865	24,688
Heat, light and maintenance	156,564	186,345
Insurance	138,959	113,348
Motorized equipment	13,164	14,076
Office supplies and expenses	7,926	6,180
Other	300	730
Payroll preparation	7,208	7,116
Telephone	17,883	17,176
Humane enforcement and training	5,667	575
Legal fees	4,876	5,689
Accounting fees	10,680	10,525
Miscellaneous	2,234	9,059
Water	7,266	7,619
Fund-raising expenses	25,041	22,348
Resale items	3,725	2,952
Depreciation	110,383	117,002
TOTAL OPERATING EXPENSES	<u>2,324,462</u>	<u>2,300,436</u>
CHANGE IN UNRESTRICTED NET ASSETS FORWARD	<u>\$ 4,588,741</u>	<u>\$ 2,199,854</u>

MONTGOMERY COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
CHANGE IN UNRESTRICTED NET ASSETS FORWARDED	\$ <u>4,588,741</u>	\$ <u>2,199,854</u>
TEMPORARILY RESTRICTED NET ASSETS		
Income from investments	32,489	27,016
Contributions	-	3,563
Net unrealized and realized gain on investments	1,832,086	643,494
Net assets released from restriction	<u>-</u>	<u>(12,260)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>1,864,575</u>	<u>661,813</u>
CHANGE IN NET ASSETS	6,453,316	2,861,667
NET ASSETS AT BEGINNING OF YEAR	<u>40,400,837</u>	<u>37,539,170</u>
NET ASSETS AT END OF YEAR	<u>\$ 46,854,153</u>	<u>\$ 40,400,837</u>

See accompanying notes.

MONTGOMERY COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Totals</u>
FUNCTIONAL EXPENSES				
Salaries, officers	\$ 4,684	\$ 151,458	\$ -	\$ 156,142
Salaries	959,166	106,574	-	1,065,740
Employee benefits	192,974	15,412	-	208,386
Payroll taxes	102,991	8,956	-	111,947
Accounting fees	-	10,680	-	10,680
Legal fees	-	4,876	-	4,876
Bank fees	-	200	-	200
Office	7,567	7,567	-	15,134
Telephone	8,941	8,942	-	17,883
Occupancy	257,831	45,415	-	303,246
Training expenses	5,101	566	-	5,667
Depreciation	93,825	16,558	-	110,383
Shelter	100,579	-	-	100,579
Veterinarian	127,563	-	-	127,563
Residence and horse farm	13,034	-	-	13,034
Publicity and humane education	27,865	-	-	27,865
Miscellaneous	-	3,207	-	3,207
Fund-raising expenses	-	-	25,041	25,041
Resale items	3,725	-	-	3,725
Vehicle expenses	6,582	6,582	-	13,164
TOTAL FUNCTIONAL EXPENSES	\$ <u>1,912,428</u>	\$ <u>386,993</u>	\$ <u>25,041</u>	\$ <u>2,324,462</u>

See accompanying notes.

2016

<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Totals</u>
\$ 4,556	\$ 147,321	\$ -	\$ 151,877
944,427	104,936	-	1,049,363
51,303	5,700	-	57,003
103,523	11,503	-	115,026
-	10,525	-	10,525
-	5,689	-	5,689
-	200	-	200
6,648	6,648	-	13,296
8,588	8,588	-	17,176
378,570	66,807	-	445,377
575	-	-	575
99,452	17,550	-	117,002
82,896	-	-	82,896
139,246	-	-	139,246
13,712	-	-	13,712
24,688	-	-	24,688
-	17,409	-	17,409
-	-	22,348	22,348
2,952	-	-	2,952
7,038	7,038	-	14,076
<u>\$ 1,868,174</u>	<u>\$ 409,914</u>	<u>\$ 22,348</u>	<u>\$ 2,300,436</u>

MONTGOMERY COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,453,316	\$ 2,861,667
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	110,383	117,002
(Increase) decrease in		
Inventories	(10,610)	5,567
Prepaid expenses	(13,068)	(2,041)
Increase (decrease) in		
Accounts payable	37,262	15,865
Accrued payroll and payroll taxes	8,005	(1,228)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,585,288</u>	<u>2,996,832</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments, net	(6,320,098)	(3,644,414)
Purchase of equipment and building improvements	(119,094)	(195,044)
NET CASH USED BY INVESTING ACTIVITIES	<u>(6,439,192)</u>	<u>(3,839,458)</u>
NET INCREASE (DECREASE) IN CASH	146,096	(842,626)
CASH AT BEGINNING OF YEAR	<u>1,279,070</u>	<u>2,121,696</u>
CASH AT END OF YEAR	<u><u>\$ 1,425,166</u></u>	<u><u>\$ 1,279,070</u></u>

See accompanying notes.

MONTGOMERY COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Montgomery County Society for the Prevention of Cruelty to Animals (the "Society") is a nonprofit organization located in Montgomery County. The objectives of the Society are to support and maintain one or more shelters and staff for the humane housing of stray, unwanted, or abused animals; to procure safe and caring homes for the animals by all appropriate means; to promote humane education by all appropriate means; to maintain a clinic for the health of the animals and population control; to provide effective measures for the prevention of cruelty to animals; and for the enforcement of all laws enacted for the protection of all animals within its corporate limits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting

The financial statements are presented on an accrual basis, whereby revenues are recognized when earned and expenses when incurred.

Tax-Exempt Status

The Society has been granted exemption from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Financial Statement Presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements*. Under FASB ASC 958-205, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets - Unrestricted net assets consist of contributions that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Temporarily restricted net assets are restricted to contributions subject to donor-imposed stipulations that may or will be met either by actions of the Society and/or the passage of time.

MONTGOMERY COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted Net Assets - Permanently restricted net assets consist of contributions subject to donor-imposed stipulations that the contribution be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets related from restrictions.

Investments

Professional accounting standards require organizations to report investments at fair value and record unrealized gains and losses in the statements of activities.

Cash

Cash includes cash in bank and cash invested in money market or equivalent-type investments.

Custodial Credit Risk

The Society's cash balances are covered by a combination of FDIC and SIPC insurance.

Inventories

Inventories, which are carried at cost, consist of supplies held by the Society.

Land, Buildings and Equipment

Land, buildings and equipment are carried at cost. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

The useful lives of property and equipment for purposes of computing depreciation and amortization are:

	<u>Years</u>
Property improvements	39
Transportation vehicles	5
Machinery and equipment	5-7
Office furniture and equipment	5-7

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

**MONTGOMERY COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Date of Management's Review

Management has evaluated subsequent events through March 8, 2018, the date which the financial statements were available to be issued.

NOTE B - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Professional accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access. *Level 2* inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. *Level 3* inputs are unobservable inputs based on the assumptions used to measure assets and liabilities at fair value. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Society did not have Level 2 or Level 3 investments at December 31, 2017 and 2016.

Level 1 assets of the Society for which fair values are determined on a recurring basis are summarized as follows:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Fixed income	\$ 14,815,889	\$ 15,004,051	\$ 11,614,885	\$ 11,798,226
Equities	18,329,649	28,617,308	17,695,859	25,503,035
	<u>\$ 33,145,538</u>	<u>\$ 43,621,359</u>	<u>\$ 29,310,744</u>	<u>\$ 37,301,261</u>

The detail of the investments as of December 31, 2017, is as follows:

	Cost	Fair Value
FIXED INCOME		
Government bonds	\$ 900,771	\$ 898,835
Corporate bonds	13,915,118	14,105,216
	<u>\$ 14,815,889</u>	<u>\$ 15,004,051</u>
EQUITIES		
International mutual funds	\$ 2,764,849	\$ 3,281,965
U.S. equities	15,564,800	25,335,343
	<u>\$ 18,329,649</u>	<u>\$ 28,617,308</u>

Investment fees in 2017 and 2016 were \$249,430 and \$228,141, respectively.

**MONTGOMERY COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE C - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Main shelter		
Land	\$ 19,100	\$ 19,100
Land improvements	121,387	121,387
Buildings and improvements	2,061,066	1,975,956
Motorized equipment	414,512	414,512
Other equipment	415,996	396,716
Branch shelter, Perkiomenville		
Land	22,500	22,500
Land improvements	102,175	89,074
Buildings and improvements	1,425,574	1,425,574
Motorized equipment	84,418	84,418
Other equipment	198,117	198,094
Branch shelter, Abington		
Land	48,750	48,750
Land improvements	16,312	16,312
Building and improvements	1,412,482	1,410,902
Other equipment	44,319	44,319
	<u>6,386,708</u>	<u>6,267,614</u>
Accumulated depreciation	<u>(4,516,230)</u>	<u>(4,405,847)</u>
	<u>\$ 1,870,478</u>	<u>\$ 1,861,767</u>

NOTE D - NET ASSETS

Unrestricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Operating Fund	\$ 31,882,620	\$ 27,302,590
Plant Fund	<u>1,870,478</u>	<u>1,861,767</u>
	<u>\$ 33,753,098</u>	<u>\$ 29,164,357</u>

**MONTGOMERY COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE D - NET ASSETS (Continued)

Temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Lydick Trust Fund	\$ 255,737	\$ 223,768
Mary S.T. Bush Restricted Fund	316,854	277,033
Endowment Fund	1,337,969	1,169,042
Fehr Fund	92,239	90,904
Bowie Trust Fund	10,645,697	9,029,928
Mazer Fund	<u>452,559</u>	<u>445,805</u>
	<u>\$ 13,101,055</u>	<u>\$ 11,236,480</u>

NOTE E - RETIREMENT PLAN

The Society implemented a 403(b) plan in 2007. A required match of \$14,787 and a supplemental contribution of \$41,550 were made in March 2017 for 2016 payroll. A required match of \$14,787 and a supplemental contribution of \$37,293 were made in March 2016 for 2015 payroll.