

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

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017



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

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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, 2018 and 2017, 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.

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

Emphasis of Matter

For the year ended December 31, 2018, the Montgomery County Society for the Prevention of Cruelty to Animals adopted new accounting guidance, implementing the FASB's ASU 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. Our opinion is not modified with respect to this matter.

For the year(s) ended December 31, 2018, the Montgomery County Society for the Prevention of Cruelty to Animals early implemented Accounting Standards Update No. 2018-08 ("ASU 2018-08"), Not-for-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Our opinion is not modified with respect to this matter.

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, 2018 and 2017, 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.

Maillie LLP

Oaks, Pennsylvania
March 8, 2019

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,029,345	\$ 1,425,166
Investments	<u>40,117,300</u>	<u>43,621,359</u>
TOTAL CASH AND INVESTMENTS	42,146,645	45,046,525
Inventories	31,046	34,136
Prepaid expenses	<u>47,367</u>	<u>47,557</u>
TOTAL CURRENT ASSETS	42,225,058	45,128,218
LAND, BUILDINGS AND EQUIPMENT, net	<u>1,806,141</u>	<u>1,870,478</u>
TOTAL ASSETS	<u>\$ 44,031,199</u>	<u>\$ 46,998,696</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 59,468	\$ 97,522
Accrued payroll and payroll taxes	<u>44,653</u>	<u>47,021</u>
TOTAL CURRENT LIABILITIES	<u>104,121</u>	<u>144,543</u>
NET ASSETS		
Without donor restrictions	43,079,000	45,992,501
With donor restrictions	<u>848,078</u>	<u>861,652</u>
TOTAL NET ASSETS	<u>43,927,078</u>	<u>46,854,153</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 44,031,199</u>	<u>\$ 46,998,696</u>

See accompanying notes.

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

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and revenue		
Shelter operations		
Small animals	\$ 69,483	\$ 69,452
Adoptions	72,578	76,519
Resale items	23,581	21,462
Miscellaneous	425,842	482,531
Public support		
Memberships	118,000	151,604
Fall appeal	100,841	88,007
Miscellaneous donations	335,999	390,072
Estates and donations	447,243	1,561,976
Municipal appropriations	2,950	1,950
State appropriations	9,320	7,840
Interest and dividends	564,710	432,249
Net unrealized and realized gain (loss) on investments	(2,702,557)	5,461,627
TOTAL SUPPORT AND REVENUE	<u>(532,010)</u>	<u>8,745,289</u>
Operating expenses		
Program services	1,931,884	1,912,428
Management and general	425,212	386,993
Fund-raising	24,395	25,041
TOTAL OPERATING EXPENSES	<u>2,381,491</u>	<u>2,324,462</u>
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FORWARD	 <u>\$ (2,913,501)</u>	 <u>\$ 6,420,827</u>

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

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FORWARDED	\$ <u>(2,913,501)</u>	\$ <u>6,420,827</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Income from investments	13,918	32,489
Net unrealized loss on investments	<u>(27,492)</u>	<u>-</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(13,574)</u>	<u>32,489</u>
CHANGE IN NET ASSETS	(2,927,075)	6,453,316
NET ASSETS AT BEGINNING OF YEAR	<u>46,854,153</u>	<u>40,400,837</u>
NET ASSETS AT END OF YEAR	<u>\$ 43,927,078</u>	<u>\$ 46,854,153</u>

See accompanying notes.

**MONTGOMERY COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			Totals
	Program Services	Management and General	Fund-Raising	
FUNCTIONAL EXPENSES				
Salaries, officers	\$ 4,898	\$ 158,339	\$ -	\$ 163,237
Salaries	971,908	108,323	-	1,080,231
Employee benefits	187,798	30,178	-	217,976
Payroll taxes	104,418	9,080	-	113,498
Accounting fees	-	12,292	-	12,292
Legal fees	-	4,314	-	4,314
Bank fees	-	80	-	80
Office	6,637	6,637	-	13,274
Telephone	8,978	8,978	-	17,956
Occupancy	240,165	42,382	-	282,547
Training expenses	11,049	-	-	11,049
Depreciation	98,640	17,407	-	116,047
Shelter	84,336	-	-	84,336
Veterinarian	149,411	-	-	149,411
Residence and horse farm	21,817	-	-	21,817
Publicity and humane education	26,837	-	-	26,837
Miscellaneous	-	17,777	-	17,777
Fund-raising expenses	-	-	24,395	24,395
Resale items	5,567	-	-	5,567
Vehicle expenses	9,425	9,425	-	18,850
TOTAL FUNCTIONAL EXPENSES	\$ 1,931,884	\$ 425,212	\$ 24,395	\$ 2,381,491

See accompanying notes.

2017

<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Totals</u>
\$ 4,684	\$ 151,458	\$ -	\$ 156,142
959,166	106,574	-	1,065,740
192,974	15,412	-	208,386
102,991	8,956	-	111,947
-	10,680	-	10,680
-	4,876	-	4,876
-	200	-	200
7,567	7,567	-	15,134
8,941	8,942	-	17,883
257,831	45,415	-	303,246
5,101	566	-	5,667
93,825	16,558	-	110,383
100,579	-	-	100,579
127,563	-	-	127,563
13,034	-	-	13,034
27,865	-	-	27,865
-	3,207	-	3,207
-	-	25,041	25,041
3,725	-	-	3,725
6,582	6,582	-	13,164
<u>\$ 1,912,428</u>	<u>\$ 386,993</u>	<u>\$ 25,041</u>	<u>\$ 2,324,462</u>

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

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,927,075)	\$ 6,453,316
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	116,047	110,383
(Increase) decrease in		
Inventories	3,090	(10,610)
Prepaid expenses	190	(13,068)
Increase (decrease) in		
Accounts payable	(38,054)	37,262
Accrued payroll and payroll taxes	(2,368)	8,005
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(2,848,170)</u>	<u>6,585,288</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) sale of investments, net	3,504,059	(6,320,098)
Purchase of equipment and building improvements	<u>(51,710)</u>	<u>(119,094)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>3,452,349</u>	<u>(6,439,192)</u>
NET INCREASE IN CASH	604,179	146,096
CASH AT BEGINNING OF YEAR	<u>1,425,166</u>	<u>1,279,070</u>
CASH AT END OF YEAR	<u>\$ 2,029,345</u>	<u>\$ 1,425,166</u>

See accompanying notes.

MONTGOMERY COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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.

Functional Allocation of Expenses

Expenses are summarized and categorized based upon their functional allocation as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy costs, which are allocated on a square footage basis, as well as salaries and employee benefits which are allocated based on estimated time.

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.

Change in Accounting Principle

In June 2018, the FASB issued Accounting Standards Update No. 2018-08 ("ASU 2018-08"), *Not-for-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Society has early implemented ASU 2018-08 for these financial statements dated December 31, 2018 and 2017 and for the year(s) then ended.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

On August 18, 2016, FASB issued ASU 2016-14, Not-For-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Montgomery County Society for the Prevention of Cruelty to Animals has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Contributions

In accordance with FASB ASC 958-605, unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

Financial Statement Presentation

Under Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-10-65-1, the Society is required to report information regarding its financial position and activities according to two mutually exclusive classes according to the existence or absence of donor-imposed restrictions. See Net Assets with Donor Restrictions and Net Assets without Donor Restrictions

Net Assets with Donor Restrictions:

The part of net assets of the Society that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is received and recognized.

Net Assets without Donor Restrictions:

The part of net assets of the Society that is not subject to donor-imposed restrictions.

**MONTGOMERY COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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>
Land Improvements	5-20
Buildings and Improvements	5-39
Motorized equipment	5-7
Office 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.

Date of Management's Review

Management has evaluated subsequent events through March 8, 2019, the date which the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017.

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

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
FIXED INCOME				
Government bonds	\$ 1,397,033	\$ 1,334,308	\$ 900,771	\$ 898,835
Corporate bonds	<u>13,795,951</u>	<u>13,730,649</u>	<u>13,915,118</u>	<u>14,105,216</u>
	<u>15,192,984</u>	<u>15,064,957</u>	<u>14,815,889</u>	<u>15,004,051</u>
EQUITIES				
International mutual funds	2,793,203	2,710,483	2,764,849	3,281,965
U.S. equities	<u>16,137,163</u>	<u>22,341,860</u>	<u>15,564,800</u>	<u>25,335,343</u>
	<u>18,930,366</u>	<u>25,052,343</u>	<u>18,329,649</u>	<u>28,617,308</u>
TOTAL INVESTMENT	<u>\$ 34,123,350</u>	<u>\$ 40,117,300</u>	<u>\$ 33,145,538</u>	<u>\$ 43,621,359</u>

Investment fees in 2018 and 2017 were \$270,035 and \$249,430, respectively.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE C - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Main shelter		
Land	\$ 19,100	\$ 19,100
Land improvements	121,387	121,387
Buildings and improvements	2,081,072	2,061,066
Motorized equipment	414,512	414,512
Other equipment	437,131	415,996
Branch shelter, Perkiomenville		
Land	22,500	22,500
Land improvements	102,175	102,175
Buildings and improvements	1,430,373	1,425,574
Motorized equipment	84,418	84,418
Other equipment	201,709	198,117
Branch shelter, Abington		
Land	48,750	48,750
Land improvements	16,312	16,312
Building and improvements	1,414,660	1,412,482
Other equipment	44,319	44,319
	<u>6,438,418</u>	<u>6,386,708</u>
Accumulated depreciation	<u>(4,632,277)</u>	<u>(4,516,230)</u>
	<u>\$ 1,806,141</u>	<u>\$ 1,870,478</u>

NOTE D - NET ASSETS

Net assets with donor restrictions for capital projects consist of the following:

	<u>2018</u>	<u>2017</u>
Mary S.T. Bush Restricted Fund	\$ 295,504	\$ 316,854
Fehr Fund	92,887	92,239
Mazer Fund	459,687	452,559
	<u>\$ 848,078</u>	<u>\$ 861,652</u>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE E - RETIREMENT PLAN

The Society implemented a 403(b) plan in 2007. A required match of \$14,001 and a supplemental contribution of \$43,569 were made in March 2018 for 2017 payroll. A required match of \$14,787 and a supplemental contribution of \$41,550 were made in March 2017 for 2016 payroll.

NOTE F - LIQUIDITY

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Society has over \$40 million in liquid assets not subject to donor restrictions. In addition, the Society has a significant amount of assets invested under active management.