

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

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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

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YEARS ENDED DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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

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, 2019 and 2018, 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

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 855,149	\$ 2,029,345
Investments	48,778,714	40,117,300
TOTAL CASH AND INVESTMENTS	<u>49,633,863</u>	<u>42,146,645</u>
Inventories	37,047	31,046
Prepaid expenses	43,855	47,367
TOTAL CURRENT ASSETS	<u>49,714,765</u>	<u>42,225,058</u>
LAND, BUILDINGS AND EQUIPMENT, net	<u>1,795,408</u>	<u>1,806,141</u>
TOTAL ASSETS	<u>\$ 51,510,173</u>	<u>\$ 44,031,199</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 68,707	\$ 59,468
Accrued payroll and payroll taxes	46,851	44,653
TOTAL CURRENT LIABILITIES	<u>115,558</u>	<u>104,121</u>
NET ASSETS		
Without donor restrictions	50,471,092	43,079,000
With donor restrictions	923,523	848,078
TOTAL NET ASSETS	<u>51,394,615</u>	<u>43,927,078</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 51,510,173</u>	<u>\$ 44,031,199</u>

See accompanying notes.

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

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and revenue		
Shelter operations		
Small animals	\$ 63,925	\$ 69,483
Adoptions	67,171	72,578
Resale items	19,560	23,581
Miscellaneous	367,966	425,842
Public support		
Memberships	104,959	118,000
Fall appeal	80,369	100,841
Miscellaneous donations	200,799	335,999
Estates and donations	1,268,052	447,243
Municipal appropriations	2,500	2,950
State appropriations	9,480	9,320
Interest and dividends	602,343	564,710
Net unrealized and realized gain (loss) on investments	6,979,726	(2,702,557)
TOTAL SUPPORT AND REVENUE	<u>9,766,850</u>	<u>(532,010)</u>
Operating expenses		
Program services	1,940,001	1,931,884
Management and general	411,078	425,212
Fund-raising	23,679	24,395
TOTAL OPERATING EXPENSES	<u>2,374,758</u>	<u>2,381,491</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FORWARD	 <u>\$ 7,392,092</u>	 <u>\$ (2,913,501)</u>

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

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FORWARDED	\$ <u>7,392,092</u>	\$ <u>(2,913,501)</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Income from investments	8,735	13,918
Net unrealized gain (loss) on investments	<u>66,710</u>	<u>(27,492)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>75,445</u>	<u>(13,574)</u>
CHANGE IN NET ASSETS	7,467,537	(2,927,075)
NET ASSETS AT BEGINNING OF YEAR	<u>43,927,078</u>	<u>46,854,153</u>
NET ASSETS AT END OF YEAR	<u>\$ <u>51,394,615</u></u>	<u>\$ <u>43,927,078</u></u>

See accompanying notes.

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

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			Totals
	Program Services	Management and General	Fund-Raising	
FUNCTIONAL EXPENSES				
Salaries, officers	\$ 4,613	\$ 149,163	\$ -	\$ 153,776
Salaries	1,019,239	113,249	-	1,132,488
Employee benefits	152,712	16,968	-	169,680
Payroll taxes	105,685	11,743	-	117,428
Accounting fees	-	12,100	-	12,100
Legal fees	-	6,546	-	6,546
Bank fees	-	389	-	389
Office	7,178	7,178	-	14,356
Telephone	9,280	9,279	-	18,559
Occupancy	286,067	50,482	-	336,549
Training expenses	-	-	-	-
Depreciation	103,720	18,304	-	122,024
Shelter	80,683	-	-	80,683
Veterinarian	112,129	-	-	112,129
Residence and horse farm	21,895	-	-	21,895
Publicity and humane education	24,478	-	-	24,478
Miscellaneous	-	7,858	-	7,858
Fund-raising expenses	-	-	23,679	23,679
Resale items	4,503	-	-	4,503
Vehicle expenses	7,819	7,819	-	15,638
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNCTIONAL EXPENSES	\$ <u>1,940,001</u>	\$ <u>411,078</u>	\$ <u>23,679</u>	\$ <u>2,374,758</u>

See accompanying notes.

2018

<u>Program Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Totals</u>
\$ 4,898	\$ 158,339	\$ -	\$ 163,237
971,908	108,323	-	1,080,231
187,798	30,178	-	217,976
104,418	9,080	-	113,498
-	12,292	-	12,292
-	4,314	-	4,314
-	80	-	80
6,637	6,637	-	13,274
8,978	8,978	-	17,956
240,165	42,382	-	282,547
11,049	-	-	11,049
98,640	17,407	-	116,047
84,336	-	-	84,336
149,411	-	-	149,411
21,817	-	-	21,817
26,837	-	-	26,837
-	17,777	-	17,777
-	-	24,395	24,395
5,567	-	-	5,567
9,425	9,425	-	18,850
\$ 1,931,884	\$ 425,212	\$ 24,395	\$ 2,381,491

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,467,537	\$ (2,927,075)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	122,024	116,047
Unrealized (gain) loss on investments	(7,046,436)	2,730,049
(Increase) decrease in		
Inventories	(6,001)	3,090
Prepaid expenses	3,512	190
Increase (decrease) in		
Accounts payable	9,239	(38,054)
Accrued payroll and payroll taxes	2,198	(2,368)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>552,073</u>	<u>(118,121)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) sale of investments, net	(1,614,978)	774,010
Purchase of equipment and building improvements	(111,291)	(51,710)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,726,269)</u>	<u>722,300</u>
NET INCREASE IN CASH	(1,174,196)	604,179
CASH AT BEGINNING OF YEAR	<u>2,029,345</u>	<u>1,425,166</u>
CASH AT END OF YEAR	<u>\$ 855,149</u>	<u>\$ 2,029,345</u>

See accompanying notes.

MONTGOMERY COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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.

**MONTGOMERY COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

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 and may be used at the discretion of management and the board of directors.

**MONTGOMERY COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 -----, 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, 2019 AND 2018

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, 2019 and 2018.

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

	2019		2018	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
FIXED INCOME				
Government bonds	\$ 507,733	\$ 517,730	\$ 1,397,033	\$ 1,334,308
Corporate bonds	<u>16,475,188</u>	<u>16,961,061</u>	<u>13,795,951</u>	<u>13,730,649</u>
	<u>16,982,921</u>	<u>17,478,791</u>	<u>15,192,984</u>	<u>15,064,957</u>
EQUITIES				
International mutual funds	2,842,260	3,152,755	2,793,203	2,710,483
U.S. equities	<u>17,051,039</u>	<u>28,147,168</u>	<u>16,137,163</u>	<u>22,341,860</u>
	<u>19,893,299</u>	<u>31,299,923</u>	<u>18,930,366</u>	<u>25,052,343</u>
TOTAL INVESTMENT	<u>\$ 36,876,220</u>	<u>\$ 48,778,714</u>	<u>\$ 34,123,350</u>	<u>\$ 40,117,300</u>

Investment fees in 2019 and 2018 were \$274,227 and \$270,035, respectively.

**MONTGOMERY COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE C - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Main shelter		
Land	\$ 19,100	\$ 19,100
Land improvements	121,387	121,387
Buildings and improvements	2,127,990	2,081,072
Motorized equipment	459,512	414,512
Other equipment	446,918	437,131
Branch shelter, Perkiomenville		
Land	22,500	22,500
Land improvements	102,175	102,175
Buildings and improvements	1,439,455	1,430,373
Motorized equipment	84,418	84,418
Other equipment	202,213	201,709
Branch shelter, Abington		
Land	48,750	48,750
Land improvements	16,312	16,312
Building and improvements	1,414,660	1,414,660
Other equipment	44,319	44,319
	<u>6,549,709</u>	<u>6,438,418</u>
Accumulated depreciation	<u>(4,754,301)</u>	<u>(4,632,277)</u>
	<u>\$ 1,795,408</u>	<u>\$ 1,806,141</u>

NOTE D - NET ASSETS

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

	<u>2019</u>	<u>2018</u>
Mary S.T. Bush Restricted Fund	\$ 345,209	\$ 295,504
Fehr Fund	96,871	92,887
Mazer Fund	481,443	459,687
	<u>\$ 923,523</u>	<u>\$ 848,078</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE E - RETIREMENT PLAN

The Society implemented a 403(b) plan in 2007. A required match of \$14,257 and a supplemental contribution of \$53,512 were made in March 2019 for 2018 payroll. A required match of \$14,001 and a supplemental contribution of \$43,569 were made in March 2018 for 2017 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 \$47 million in liquid assets not subject to donor restrictions. In addition, the Society has a significant amount of assets invested under active management.