

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

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

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

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YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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 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
Conshohocken, Pennsylvania

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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note G, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on Montgomery County Society for the Prevention of Cruelty to Animals' operational and financial performance. At this point, Montgomery County Society for the Prevention of Cruelty to Animal cannot reasonably estimate the future impact on its operations or financial results. Our opinion is not modified with respect to this matter.

Maillie LLP

Limerick, Pennsylvania
June 14, 2021

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,960,859	\$ 855,149
Investments	51,801,310	48,778,714
TOTAL CASH AND INVESTMENTS	<u>53,762,169</u>	<u>49,633,863</u>
Inventories	37,523	37,047
Prepaid expenses	33,583	43,855
Accrued Income	5,560	-
Bequest receivable	250,000	-
TOTAL CURRENT ASSETS	<u>54,088,835</u>	<u>49,714,765</u>
LAND, BUILDINGS AND EQUIPMENT, net	<u>1,721,755</u>	<u>1,795,408</u>
TOTAL ASSETS	<u>\$ 55,810,590</u>	<u>\$ 51,510,173</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 40,909	\$ 68,707
Accrued payroll and payroll taxes	19,818	46,851
TOTAL CURRENT LIABILITIES	<u>60,727</u>	<u>115,558</u>
NET ASSETS		
Without donor restrictions	54,777,277	50,471,092
With donor restrictions	972,586	923,523
TOTAL NET ASSETS	<u>55,749,863</u>	<u>51,394,615</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 55,810,590</u>	<u>\$ 51,510,173</u>

See accompanying notes.

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

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and revenue		
Shelter operations		
Small animals	\$ 56,512	\$ 63,925
Adoptions	35,536	67,171
Resale items	13,084	19,560
Miscellaneous	339,609	367,966
Public support		
Memberships	129,920	104,959
Fall appeal	82,373	80,369
Miscellaneous donations	57,625	200,799
Estates and donations	1,458,042	1,268,052
Municipal appropriations	7,630	2,500
State appropriations	-	9,480
Net investment income (loss)	4,517,502	7,582,069
TOTAL SUPPORT AND REVENUE	<u>6,697,833</u>	<u>9,766,850</u>
Operating expenses		
Program services	1,880,962	1,940,001
Management and general	479,625	411,078
Fundraising	31,061	23,679
TOTAL OPERATING EXPENSES	<u>2,391,648</u>	<u>2,374,758</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FORWARD	<u>\$ 4,306,185</u>	<u>\$ 7,392,092</u>

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

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FORWARDED	\$ <u>4,306,185</u>	\$ <u>7,392,092</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Net investment income (loss)	<u>49,063</u>	<u>75,445</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>49,063</u>	<u>75,445</u>
CHANGE IN NET ASSETS	4,355,248	7,467,537
NET ASSETS AT BEGINNING OF YEAR	<u>51,394,615</u>	<u>43,927,078</u>
NET ASSETS AT END OF YEAR	<u>\$ 55,749,863</u>	<u>\$ 51,394,615</u>

See accompanying notes.

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

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			
	Program Services	Management and General	Fundraising	Totals
FUNCTIONAL EXPENSES				
Salaries, officers	\$ 6,678	\$ 215,900	\$ -	\$ 222,578
Salaries	926,196	102,911	-	1,029,107
Employee benefits	244,463	27,163	-	271,626
Payroll taxes	82,009	9,112	-	91,121
Accounting fees	-	18,578	-	18,578
Legal and professional fees	-	10,819	-	10,819
Bank fees	-	76	-	76
Office	8,503	8,503	-	17,006
Telephone	8,736	8,736	-	17,472
Occupancy	302,682	53,415	-	356,097
Training expenses	1,591	-	-	1,591
Depreciation	88,862	15,682	-	104,544
Shelter	60,448	-	-	60,448
Veterinarian	94,463	-	-	94,463
Residence and horse farm	30,314	-	-	30,314
Publicity and humane education	19,675	-	-	19,675
Miscellaneous	-	3,243	-	3,243
Fundraising expenses	-	-	31,061	31,061
Resale items	855	-	-	855
Vehicle expenses	5,487	5,487	-	10,974
	<u>5,487</u>	<u>5,487</u>	<u>-</u>	<u>10,974</u>
	<u>1,880,962</u>	<u>479,625</u>	<u>31,061</u>	<u>2,391,648</u>
TOTAL FUNCTIONAL EXPENSES	\$ 1,880,962	\$ 479,625	\$ 31,061	\$ 2,391,648

See accompanying notes.

2019

<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
\$ 4,613	\$ 149,163	\$ -	\$ 153,776
1,019,239	113,249	-	1,132,488
152,712	16,968	-	169,680
105,685	11,743	-	117,428
-	12,100	-	12,100
-	6,546	-	6,546
-	389	-	389
7,178	7,178	-	14,356
9,280	9,279	-	18,559
286,067	50,482	-	336,549
-	-	-	-
103,720	18,304	-	122,024
80,683	-	-	80,683
112,129	-	-	112,129
21,895	-	-	21,895
24,478	-	-	24,478
-	7,858	-	7,858
-	-	23,679	23,679
4,503	-	-	4,503
<u>7,819</u>	<u>7,819</u>	<u>-</u>	<u>15,638</u>
<u>\$ 1,940,001</u>	<u>\$ 411,078</u>	<u>\$ 23,679</u>	<u>\$ 2,374,758</u>

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,355,248	\$ 7,467,537
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	104,544	122,024
Unrealized (gain) loss on investments	(4,061,481)	(7,046,436)
(Increase) decrease in		
Inventories	(476)	(6,001)
Prepaid expenses	10,272	3,512
Accrued income	(5,560)	-
Bequest receivable	(250,000)	-
Increase (decrease) in		
Accounts payable	(27,798)	9,239
Accrued payroll and payroll taxes	(27,033)	2,198
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>97,716</u>	<u>552,073</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) sale of investments, net	1,038,883	(1,614,978)
Purchase of equipment and building improvements	(30,889)	(111,291)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,007,992</u>	<u>(1,726,269)</u>
NET INCREASE (DECREASE) IN CASH	1,105,708	(1,174,196)
CASH AT BEGINNING OF YEAR	<u>855,149</u>	<u>2,029,345</u>
CASH AT END OF YEAR	<u>\$ 1,960,859</u>	<u>\$ 855,149</u>

See accompanying notes.

MONTGOMERY COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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. The Association takes the position that it has no net income derived from unrelated business activities and believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

MONTGOMERY COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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.

Revenue Recognition

Shelter and veterinary service fee revenues and retail sales are primarily recognized at the time products or services are delivered. Revenues are derived based on consideration specified in a contract with a customer.

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, 2020 AND 2019

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 maintains its cash at various high-quality financial institutions. At times, such deposits may exceed federally insured limits and these amounts would be covered by other mechanisms such as private insurance. Management believes the credit risk related to these investments is minimal.

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

Recently Issued Pronouncement

During 2020, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) using the modified retrospective method. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. The adoption of ASU 2014-09 did not impact the Organization's revenue recognition methodologies.

**MONTGOMERY COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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 June 14, 2021, 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, 2020 and 2019.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE B - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
FIXED INCOME				
Government bonds	\$ 427,797	\$ 434,625	\$ 507,733	\$ 517,730
Corporate bonds	17,475,546	18,174,415	16,475,188	16,961,061
	<u>17,903,343</u>	<u>18,609,040</u>	<u>16,982,921</u>	<u>17,478,791</u>
EQUITIES				
International mutual funds	3,120,926	3,445,955	2,842,260	3,152,755
U.S. equities	15,928,366	29,746,315	17,051,039	28,147,168
	<u>19,049,292</u>	<u>33,192,270</u>	<u>19,893,299</u>	<u>31,299,923</u>
TOTAL INVESTMENT	<u>\$ 36,952,635</u>	<u>\$ 51,801,310</u>	<u>\$ 36,876,220</u>	<u>\$ 48,778,714</u>

Investment fees in 2020 and 2019 were \$274,267 and \$274,227, respectively.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE C - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Main shelter		
Land	\$ 19,100	\$ 19,100
Land improvements	121,387	121,387
Buildings and improvements	2,140,555	2,127,990
Motorized equipment	459,512	459,512
Other equipment	461,201	446,918
Branch shelter, Perkiomenville		
Land	22,500	22,500
Land improvements	102,176	102,175
Buildings and improvements	1,443,497	1,439,455
Motorized equipment	84,418	84,418
Other equipment	202,213	202,213
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>6,580,600</u>	<u>6,549,709</u>
Accumulated depreciation	<u>(4,858,845)</u>	<u>(4,754,301)</u>
	<u>\$ 1,721,755</u>	<u>\$ 1,795,408</u>

NOTE D - NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Mary S.T. Bush Restricted Fund	\$ 373,431	\$ 345,209
Fehr Fund	100,056	96,871
Mazer Fund	499,099	481,443
	<u>\$ 972,586</u>	<u>\$ 923,523</u>

MONTGOMERY COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE E - RETIREMENT PLAN

The Society implemented a 403(b) plan in 2007. A supplemental contribution of \$43,448 was made in June 2020 for 2019 payroll. A required match of \$14,257 and a supplemental contribution of \$53,512 were made in March 2019 for 2018 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 \$53,045,143 and \$48,710,340 in liquid assets at December 31, 2020 and 2019 not subject to donor restrictions. In addition, the Society has a significant amount of assets invested under active management.

NOTE G - RISKS AND UNCERTAINTIES (COVID-19)

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a pandemic which has impacted the global economy. As a result of the virus, the shelter was shut down for adoptions however, effective April 1, 2020, it reopened only by appointment for adoption. Cash flow activity has been stable, and no employees were laid off. The COVID-19 pandemic is still on-going and the duration and extent of the related financial impact on the Company's financial position, operations and cash flows is uncertain and cannot be reasonably estimated at this time.