

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS OF WINCHESTER,
FREDERICK AND CLARKE COUNTIES, INC.

Winchester, Virginia

FINANCIAL REPORT

Eighteen Months Ended December 31, 2020

FINANCIAL STATEMENTS

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS OF WINCHESTER,
FREDERICK AND CLARKE COUNTIES, INC.

Eighteen Months Ended December 31, 2020

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS OF WINCHESTER,
FREDERICK AND CLARKE COUNTIES, INC.
Winchester, Virginia

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December 31, 2020

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RUTHERFORD & JOHNSON, P.C.

Certified Public Accountants & Business Advisors

116 Medical Circle
Winchester, Virginia 22601

Independent Auditor's Report

To the Board of Directors of
The Society for the Prevention of Cruelty to Animals of
Winchester, Frederick and Clarke Counties, Inc.

We have audited the accompanying financial statements of the Society for the Prevention of Cruelty to Animals of Winchester, Frederick and Clarke Counties, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the eighteen months 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.

Auditor's 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 auditor's 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.

Basis for Qualified Opinion

The Society for the Prevention of Cruelty to Animals of Winchester, Frederick and Clarke Counties, Inc. values donated thrift store inventory by using a percentage of monthly average sales, and is carried at \$89,721 on the statement of financial position as of December 31, 2020. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of thrift store inventory as of December 31, 2020, since a physical inventory was not taken. Consequently, we were unable to determine whether any adjustment to this amount was necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Society for the Prevention of Cruelty to Animals of Winchester, Frederick and Clarke Counties, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the eighteen months then ended in accordance with accounting principles generally accepted in the United States of America.


RUTHERFORD & JOHNSON, P.C.

Winchester, Virginia

December 16, 2021

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS OF WINCHESTER,
FREDERICK AND CLARKE COUNTIES, INC.
Winchester, Virginia

STATEMENT OF
FINANCIAL POSITION
December 31, 2020

A S S E T S

CURRENT ASSETS:

Cash	\$ 114 025
Investments	1 633 794
Inventory	112 887
Prepaid expenses	<u>17 741</u>

TOTAL CURRENT ASSETS 1 878 447

PROPERTY AND EQUIPMENT:

Buildings and improvements	1 680 715
Land	300 200
Equipment	283 873
Vehicles	<u>14 431</u>

Less accumulated depreciation 2 279 219
(627 731)

PROPERTY AND EQUIPMENT, NET 1 651 488

TOTAL ASSETS \$ 3 529 935

(See accompanying

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 18 502
Accrued expenses	12 877
Current portion of long-term debt	<u>166 458</u>
TOTAL CURRENT LIABILITIES	197 837
LONG-TERM DEBT, less current portion and loan fees	<u>537 428</u>
TOTAL LIABILITIES	<u>735 265</u>
NET ASSETS:	
Without donor restrictions	2 726 313
With donor restrictions	<u>68 357</u>
TOTAL NET ASSETS	<u>2 794 670</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3 529 935</u></u>

Notes to Financial Statements.)

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS OF WINCHESTER,
FREDERICK AND CLARKE COUNTIES, INC.
Winchester, Virginia

STATEMENT OF ACTIVITIES
For the 18 Months Ended December 31, 2020

EXHIBIT "B"

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND SUPPORT:			
Program revenue	\$ 190 918	\$ -	\$ 190 918
City of Winchester revenue	270 837	-	270 837
Special events	\$ 76 790		
Less direct benefits expense	<u>(30 144)</u>	-	46 646
Contributions	347 225	-	347 225
In-kind contributions	81 204	-	81 204
Membership fees	4 850	-	4 850
Investment income, net	17 540	-	17 540
Realized and unrealized gains on investments	<u>328 033</u>	-	<u>328 033</u>
Total before Thrift Store Activity	<u>1 287 253</u>	-	<u>1 287 253</u>
Thrift Store - sales	456 547	-	456 547
Thrift Store - in-kind contributions	432 549	-	432 549
Thrift Store - direct benefit costs and expenses	<u>(814 693)</u>	-	<u>(814 693)</u>
Thrift Store - Total	<u>74 403</u>	-	<u>74 403</u>
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>30 650</u>	<u>(30 650)</u>	-
TOTAL REVENUES, GAINS AND SUPPORT	<u>1 392 306</u>	<u>(30 650)</u>	<u>1 361 656</u>
EXPENSES AND LOSSES:			
Loss on sale of fixed asset	4 164	-	4 164
Program services	1 012 608	-	1 012 608
Supporting services:			
Management and general	115 683	-	115 683
Fundraising	<u>49 327</u>	-	<u>49 327</u>
TOTAL EXPENSES AND LOSSES	<u>1 181 782</u>	-	<u>1 181 782</u>
CHANGE IN NET ASSETS	210 524	(30 650)	179 874
NET ASSETS AT BEGINNING OF PERIOD	<u>2 515 789</u>	<u>99 007</u>	<u>2 614 796</u>
NET ASSETS AT END OF PERIOD	<u>\$ 2 726 313</u>	<u>\$ 68 357</u>	<u>\$ 2 794 670</u>

(See accompanying Notes to Financial Statements.)

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS OF WINCHESTER,
FREDERICK AND CLARKE COUNTIES, INC.
Winchester, Virginia

STATEMENT OF FUNCTIONAL EXPENSES
For the 18 Months Ended December 31, 2020

EXHIBIT "C"

EXPENSES:	Program Services	Support Services		Subtotal	Direct Benefits - Thrift Store	Total
		Management and General	Fundraising			
Personnel costs:						
Salaries	\$ 409 616	\$ 72 139	\$ 28 547	\$ 510 302	\$ 215 102	\$ 725 404
Employee benefits	34 343	1 029	-	35 372	35 646	71 018
Payroll taxes	39 386	5 505	2 164	47 055	16 244	63 299
Total Personnel Costs	483 345	78 673	30 711	592 729	266 992	859 721
Other operating expenses:						
Accounting and legal fees	22 888	10 187	-	33 075	-	33 075
Advertising	1 845	-	-	1 845	-	1 845
Bank fees	643	10 471	-	11 114	11 867	22 981
Community Assistance	8 573	-	-	8 573	-	8 573
Conferences and travel	658	240	-	898	-	898
Cost of items sold	-	-	-	-	447 282	447 282
Depreciation and amortization	79 085	1 185	-	80 270	18 876	99 146
Insurance	26 063	10 971	-	37 034	9 060	46 094
Interest expense	28 377	-	-	28 377	10 625	39 002
Meals and entertainment	427	200	-	627	20	647
Miscellaneous	6 471	587	-	7 058	5 527	12 585
Office expense	18 177	2 986	1 116	22 279	5 343	27 622
Professional fundraising	-	-	17 500	17 500	-	17 500
Repairs and maintenance	23 774	-	-	23 774	7 042	30 816
Shelter expenses	153 205	-	-	153 205	94	153 299
Spay-Neuter expenses	115 827	69	-	115 896	-	115 896
Taxes and licenses	(20 418)	114	-	(20 304)	968	(19 336)
Telephone	8 068	-	-	8 068	2 526	10 594
Utilities	52 256	-	-	52 256	25 594	77 850
Vehicle expense	3 344	-	-	3 344	2 877	6 221
Total Other Operating Expenses	529 263	37 010	18 616	584 889	547 701	1 132 590
Less expenses included with revenue	-	-	-	-	(814 693)	(814 693)
TOTAL FUNCTIONAL EXPENSES	\$ 1 012 608	\$ 115 683	\$ 49 327	\$ 1 177 618	\$ -	\$ 1 177 618

(See accompanying Notes to Financial Statements.)

THE SOCIETY FOR THE PREVENTION OF
 CRUELTY TO ANIMALS OF WINCHESTER,
 FREDERICK AND CLARKE COUNTIES, INC.
 Winchester, Virginia

STATEMENT OF CASH FLOWS
 For the 18 Months Ended
 December 31, 2020

EXHIBIT "D"

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 179 874
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	99 146
Loss on sale of fixed assets	4 164
Net realized and unrealized gains on investments	(328 033)
Net (increase) decrease in:	
Accounts receivable	200
Inventory	3 509
Prepaid expenses	(7 328)
Net increase (decrease) in:	
Accounts payable	(7 388)
Accrued expenses	(8 481)
	<u>(64 337)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(64 337)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of buildings, land and equipment	(47 752)
Proceeds from sale of equipment	4 336
Purchases of investments	(459 271)
Proceeds from sales of investments	619 432
	<u>116 745</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>116 745</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds on long-term debt	103 000
Payments on long term debt	(67 063)
	<u>35 937</u>
NET CASH FLOWS FROM FINANCING ACTIVITES	<u>35 937</u>
CHANGE IN CASH	88 345
CASH AT BEGINNING OF PERIOD	<u>25 680</u>
CASH AT END OF PERIOD	<u><u>\$ 114 025</u></u>

(See accompanying Notes to Financial Statements.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Society for the Prevention of Cruelty to Animals of Winchester, Frederick and Clarke Counties, Inc., ("Society") was incorporated in the Commonwealth of Virginia on February 7, 1907. The Society is a not-for-profit Shelter exempt from Federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code.

The Society's mission is to provide a safe, nurturing and temporary environment to homeless animals, facilitate transition of companion animals to loving homes, promote spaying and neutering of all companion animals, advocate against animal abuse and educate the community about animal health, welfare and adoption issues, and take a leadership role in advocating for compassionate treatment of animals.

The Society's vision is to set a standard of excellence for appropriate animal care, improve community awareness of animal issues and SPCA roles, place every adoptable companion animal, advocate for appropriate management of feral animals, and spay and neuter all dogs and cats in their care.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

This balance represents net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a construction reserve fund and emergency veterinary care.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Net Assets With Donor Restrictions

This balance represents net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted gifts in the accompanying financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less.

Trade Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a change to the valuation allowance and a credit to trade accounts receivable. At December 31, 2020, management considers all receivables to be collectible and no allowance was recorded.

Inventory

The Society adopted FASB ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*, which states that donated inventory is measured at its fair value. To determine the fair value of the contributed inventory, the organization may use estimates, averages or computational approximations if the use of those methods is applied consistently and the results of applying those methods are reasonably expected not to be materially different from the results of a detailed measurement of the fair value of contributed inventory.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Fair Value Measurement

The Society adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, for assets and liabilities measured at fair value on a recurring basis. FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, FASB ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1 – Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3 – Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions

The Society's financial instruments consist primarily of cash, investments, accounts receivable, and accounts payable.

The carrying amount of cash, pledges receivable, and accounts payable approximate their fair value due to the short-term nature of such instruments. Investments are valued using Level 1 inputs.

Property and Equipment

The Society capitalizes all property and equipment expenditures with a cost of \$1,000 or more and having estimated useful lives of more than one year. Property and equipment are recorded at cost or, for donated items, at fair value as of the date received. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred.

When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the activities for the respective period. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Society generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Society, but these services do not meet the criteria for recognition as contributed services.

In-kind Contributions

FASB ASC 958-605, *Not-for-Profit Entities, Revenue Recognition* requires that contributions received shall be recognized as revenues or gains in the period received, which includes donated resources if they can be used internally by the not-for-profit entity or sold by the not-for-profit. The Society accepts donations of dog and cat supplies to be used within the shelter as well as donations of goods to be sold at their Thrift shop. When items are donated to the Society, they are recorded at their fair market value as an in-kind contribution.

Functional Expenses

Functional expenses have been allocated between Program Services and Supporting Services based on a management analysis of personnel time and space utilized for the related activities.

Income Taxes

The Society is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3) generally. The 501(c)(3) Code Section enables the Society to accept donations, which qualify as charitable contributions to the donor.

Revenue Recognition

Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the services are provided. Contract and program service revenue, including adoption fees, is recognized as services are rendered and recorded when earned.

2. LIQUIDITY AND AVAILABILITY:

The following reflects the Society's financial assets as of December 31, 2020, reduced by amounts not available for general use within one year due to contractual or donor-imposed restrictions or internal designations.

2. LIQUIDITY AND AVAILABILITY: (Continued)

	<u>December 31,</u> <u>2020</u>
Cash	\$ 114 025
Investments	<u>1 633 794</u>
Total financial assets	1 747 819
Less: Board designated funds:	
Construction Fund	(180 160)
Less: Donor-imposed restrictions:	
Funds subject to specific purpose restrictions	<u>(68 357)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1 499 302</u>

Any deficit between the financial assets available for general expenditure and the Organization's budgeted expenses for the following year is expected to be satisfied through program revenues, contributions, fees and special event revenues to be received throughout the year.

3. CASH CONCENTRATIONS:

The Society maintains its cash accounts at financial institutions in Virginia. The cash balances are insured by the FDIC up to \$250,000 per institution. There are no uninsured cash balances as of December 31, 2020.

4. INVENTORY:

The majority of the inventory balances arise from donated goods received during the year. The inventory balances consisted of the following components:

	<u>December 31,</u> <u>2020</u>
Thrift shop inventory	\$ 89 721
Adoption center inventory	20 303
Shelter inventory	<u>2 863</u>
	<u>\$ 112 887</u>

4. INVENTORY: (Continued)

Thrift shop inventory consists of donated clothing, household goods, furniture, and various other items which are held for sale at the thrift shops. At the end of its fiscal year, the Society estimates the value of goods located on the sales floor of the thrift shop and records the amount as inventory with a corresponding adjustment to contributions. Donated goods located on the sales floor of the thrift shop are valued by calculating an average of four months of donated sales using the average of the last twelve months of donated sales.

Adoption center and shelter inventory consists of dog and cat food, medications, animal tags, and other items. The Society tracks items donated on a daily basis. A physical inventory was taken at year-end and valued based on the fair market value of the items donated.

5. PROPERTY AND EQUIPMENT:

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

Buildings and improvements	10-50 years
Equipment	3-10 years
Vehicles	5 years

For the eighteen months ended December 31, 2020, depreciation and amortization charged to expense was \$99,146.

6. INVESTMENTS:

The portfolio of investments is carried at their fair market value. For donated investments, cost is determined to be fair market value at the date of gift.

Market values and net unrealized gains and losses pertaining to the investment portfolio are as follows:

	December 31, 2020		
	Cost	Recorded Value (Level 1)	Unrealized Appreciation (Depreciation)
Cash	\$ 172 586	\$ 172 586	\$ -
Corporate bonds	228 855	235 269	6 414
Equities	417 380	864 095	446 715
Treasury Obligations	-	-	-
Mutual Funds	333 513	361 844	28 331
	<u>\$ 1 152 334</u>	<u>\$ 1 633 794</u>	<u>\$ 481 460</u>

6. INVESTMENTS: (Continued)

Investment return consists of the following:

	<u>18 Months Ended December 31, 2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest	\$ 27 680	\$ -	\$ 27 680
Dividends	11 368	-	11 368
Investment fees	<u>(21 508)</u>	<u>-</u>	<u>(21 508)</u>
Investment Earnings	17 540	-	17 540
Net realized and unrealized gains	<u>328 033</u>	<u>-</u>	<u>328 033</u>
Total Investment Return	<u>\$ 345 573</u>	<u>\$ -</u>	<u>\$ 345 573</u>

7. NOTES PAYABLE:

The Society's notes payable consist of the following:

	<u>December 31, 2020</u>
Note payable to First Bank, interest at 3.99%, 180 monthly principal and interest payments of \$7,123.98, maturing December 2028, collateralized by property at 111 Featherbed Lane and 1944 Abrams Creek Drive	\$ 605 357
Paycheck Protection Loan (See Footnote 11)	103 000
Less: Loan fees, net of accumulated amortization of \$4,000	<u>(4 471)</u>
Note payable, less unamortized loan fees	703 886
Less: Current maturities on long-term debt	<u>(166 458)</u>
Total long-term debt, less current portion	<u>\$ 537 428</u>

7. NOTES PAYABLE: (Continued)

The scheduled maturities of long-term debt are as follows:

<u>Year Ended</u> <u>December</u>	<u>Amount</u>
2021	\$ 166 458
2022	65 047
2023	67 690
2024	70 441
2025	73 304
Thereafter	<u>260 946</u>
	<u>\$ 703 886</u>

8. NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS:

Net Assets Without Donor Restrictions

A portion of the Net Assets Without Donor Restrictions has been designated by the Board of Directors to be used for specific purposes. Designations are voluntary, board-approved segregations of unrestricted net assets for specific purposes and are used as an aid in planning future expenditures. Information regarding the components of net assets without donor restrictions is as follows:

	<u>December 31,</u> <u>2020</u>
Undesignated net assets:	
Total undesignated assets	\$ 2 546 153
Board designated net assets:	
Construction Fund	<u>180 160</u>
Total Net Assets Without Donor Restrictions	<u>\$ 2 726 313</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

8. NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS:

	December 31, <u>2020</u>
Subject to expenditure for specified purpose:	
Construction Fund	<u>\$ 68 357</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 68 357</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	18 Months Ended December 31, <u>2020</u>
Satisfaction of purpose restrictions:	
Construction fund	<u><u>\$ 30 650</u></u>

Donor restrictions related to construction arose from a drive to raise funds to remodel the building purchased in 2013 that is adjacent to the Society's current location. The Society completed the remodel of the building and opened the adoption center in April 2015. There are funds remaining for the construction of the building that the Society plans to use to further upgrade some of the facilities in the new adoption center.

The ASCPA Grant was awarded to host a local pet event such as a pet adoption event, collection drives, pet pictures with Santa, and other fun activities.

9. ADVERTISING COSTS:

The Society expenses advertising costs as incurred. Advertising expense totaled \$1,845 for the eighteen months ended December 31, 2020.

10. SUPPLEMENTARY STATEMENT OF CASH FLOWS INFORMATION:

	18 Months Ended December 31, <u>2020</u>
Interest paid	<u><u>\$ 39 002</u></u>

11. PAYROLL PROTECTION LOAN:

On April 25, 2020, the Organization executed a loan agreement in the amount of \$103,000 pursuant to the Paycheck Protection Program (“PPP”). The loan proceeds are reflected in long-term debt on the Statement of Financial Position at December 31, 2020. The Organization received notification of forgiveness in the amount of \$103,000 in 2021.

The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) and is administered through the Small Business Administration (“SBA”) and local banks. It provides for unsecured loans to qualifying businesses for amounts up to two and a half times the average monthly payroll expenses of the business. The loans and accrued interest are forgivable after a covered period of either 8 or 24 weeks, as long as the borrower uses the loan proceeds for eligible expenses including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the 8- or 24-week period. Any unforgiven portion of the PPP loan would be payable over two years, or five if mutually agreed upon with the lender, at an interest rate of 1%, with a deferral of payments until the lender receives the forgiveness amount from the SBA.

12. SUBSEQUENT EVENTS:

In 2021, the Organization signed a contract to construct a surgical suite and vet clinic at a cost of \$162,467. The facility is expected to be completed by the end of 2021.

As with all businesses and non-profit organizations, the Organization has been impacted by the spread of the coronavirus subsequent to their yearend. The Organization relies heavily on support from individuals and businesses, as well as special event revenues. The degree of financial impact on those sources of revenue cannot be reasonably assessed at this time.

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