

**DELAWARE COUNTY SOCIETY
FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

YEARS ENDED DECEMBER 31, 2017 AND 2016

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
<i>Statements of Financial Position,</i> December 31, 2017 and 2016	2
<i>Statement of Activities and Changes in Net Assets,</i> Year ended December 31, 2017 With Summarized Information for 2016	3
<i>Statement of Activities and Changes in Net Assets,</i> Year ended December 31, 2016	4
<i>Statement of Functional Expenses,</i> Year ended December 31, 2017 With Summarized Information for 2016	5
<i>Statement of Functional Expenses,</i> Year ended December 31, 2016	6
<i>Statements of Cash Flows,</i> Years ended December 31, 2017 and 2016	7
<i>Notes to Financial Statements</i>	8

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware County Society for the Prevention of Cruelty to Animals
DBA Providence Animal Center
Media, Pennsylvania

We have audited the accompanying financial statements of the Delaware County Society for the Prevention of Cruelty to Animals DBA Providence Animal Center (the "Society"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware 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.



Philadelphia, Pennsylvania
April 30, 2018

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,043,551	\$ 1,398,331
Prepaid expenses	40,680	36,461
Accrued income	21,084	17,442
Contributions receivable	<u>95,074</u>	<u>155,653</u>
Total current assets	1,200,389	1,607,887
NONCURRENT ASSETS		
Investments	6,712,066	5,913,931
Contributions receivable	65,730	218,322
Property and equipment	3,156,029	2,656,548
Beneficial interest in perpetual and restricted trusts	<u>787,106</u>	<u>730,875</u>
Total assets	<u>\$11,921,320</u>	<u>\$11,127,563</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 145,353</u>	<u>\$ 216,883</u>
Total liabilities	<u>145,353</u>	<u>216,883</u>
NET ASSETS		
Unrestricted	10,284,522	8,417,953
Temporarily restricted	904,211	1,945,774
Permanently restricted	<u>587,234</u>	<u>546,953</u>
Total net assets	<u>11,775,967</u>	<u>10,910,680</u>
Total liabilities and net assets	<u>\$11,921,320</u>	<u>\$11,127,563</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2017 With Summarized Information For 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
Public Support and Revenue:					
Public Support – Received Directly:					
Contributions	\$ 886,100	\$ 755,294	\$ -	\$ 1,641,394	\$ 1,530,652
Legacies and bequests	147,624	-	-	147,624	534,322
Grants	45,650	-	-	45,650	29,800
Total public support	<u>1,079,374</u>	<u>755,294</u>	<u>-</u>	<u>1,834,668</u>	<u>2,094,774</u>
Revenue:					
Program service fees:					
Veterinarian fees	1,188,134	-	-	1,188,134	997,984
Adoption fees	534,754	-	-	534,754	555,884
Behavioral Services	9,275	-	-	9,275	6,160
Pet supplies fees	21,918	-	-	21,918	41,023
Miscellaneous	(8,634)	-	-	(8,634)	(3,509)
Investment and trust income	150,691	-	-	150,691	158,905
Net realized gain on investments	276,502	-	-	276,502	260,151
Total Revenue	<u>2,172,640</u>	<u>-</u>	<u>-</u>	<u>2,172,640</u>	<u>2,016,598</u>
Net assets released from restrictions	1,782,807	(1,782,807)	-	-	-
Total public support and revenue	<u>5,034,821</u>	<u>(1,027,513)</u>	<u>-</u>	<u>4,007,308</u>	<u>4,111,372</u>
Expenses					
Program Services:					
Prevention of cruelty to animals	2,421,130	-	-	2,421,130	2,155,711
Supporting Services:					
Management and general	1,071,473	-	-	1,071,473	853,448
Total Expenses	<u>3,492,603</u>	<u>-</u>	<u>-</u>	<u>3,492,603</u>	<u>3,009,159</u>
Excess of support and revenues over expenses	<u>1,542,218</u>	<u>(1,027,513)</u>	<u>-</u>	<u>514,705</u>	<u>1,102,213</u>
Other Changes in Net Assets					
Loss on disposal of fixed assets	(59,446)	-	-	(59,446)	(51,476)
Net unrealized gain on investments	383,797	-	-	383,797	113,141
Change in value of perpetual trust	-	15,950	40,281	56,231	17,760
Bad debt expenses	-	(30,000)	-	(30,000)	-
Rebranding expenses	-	-	-	-	(63,387)
Total other changes	<u>324,351</u>	<u>(14,050)</u>	<u>40,281</u>	<u>350,582</u>	<u>16,038</u>
Changes in net assets	<u>1,866,569</u>	<u>(1,041,563)</u>	<u>40,281</u>	<u>865,287</u>	<u>1,118,251</u>
Net Assets					
Beginning of year	8,417,953	1,945,774	546,953	10,910,680	9,792,429
End of year	<u>\$10,284,522</u>	<u>\$ 904,211</u>	<u>\$ 587,234</u>	<u>\$ 11,775,967</u>	<u>\$10,910,680</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>
Public Support and Revenue:				
Public Support – Received Directly:				
Contributions	\$ 832,401	\$ 698,251	\$ -	\$ 1,530,652
Legacies and bequests	534,322	-	-	534,322
Grants	<u>29,800</u>	<u>-</u>	<u>-</u>	<u>29,800</u>
Total public support	<u>1,396,523</u>	<u>698,251</u>	<u>-</u>	<u>2,094,774</u>
Revenue:				
Program service fees:				
Veterinarian fees	997,984	-	-	997,984
Adoption fees	555,884	-	-	555,884
Behavioral Services	6,160	-	-	6,160
Pet supplies fees	41,023	-	-	41,023
Miscellaneous	(3,509)	-	-	(3,509)
Investment and trust income	158,905	-	-	158,905
Net realized gain on investments	<u>260,151</u>	<u>-</u>	<u>-</u>	<u>260,151</u>
Total Revenue	<u>2,016,598</u>	<u>-</u>	<u>-</u>	<u>2,016,598</u>
Net assets released from restrictions	<u>42,073</u>	<u>(42,073)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>3,455,194</u>	<u>656,178</u>	<u>-</u>	<u>4,111,372</u>
Expenses				
Program Services:				
Prevention of cruelty to animals	2,155,711	-	-	2,155,711
Supporting Services:				
Management and general	<u>853,448</u>	<u>-</u>	<u>-</u>	<u>853,448</u>
Total Expenses	<u>3,009,159</u>	<u>-</u>	<u>-</u>	<u>3,009,159</u>
Excess of support and revenues over expenses	<u>446,035</u>	<u>656,178</u>	<u>-</u>	<u>1,102,213</u>
Other Changes in Net Assets				
Loss on disposal of fixed assets	(51,476)	-	-	(51,476)
Net unrealized gain on investments	113,141	-	-	113,141
Change in value of perpetual trust	-	10,390	7,370	17,760
Rebranding expenses	<u>(63,387)</u>	<u>-</u>	<u>-</u>	<u>(63,387)</u>
Total other changes	<u>(1,722)</u>	<u>10,390</u>	<u>7,370</u>	<u>16,038</u>
Changes in net assets	444,313	666,568	7,370	1,118,251
Net Assets				
Beginning of year	<u>7,973,640</u>	<u>1,279,206</u>	<u>539,583</u>	<u>9,792,429</u>
End of year	<u>\$8,417,953</u>	<u>\$1,945,774</u>	<u>\$546,953</u>	<u>\$10,910,680</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017 With Summarized Information For 2016

	2017			
	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>	<u>2016 Total</u>
Salaries	\$ 1,302,291	\$ 583,769	\$ 1,886,060	\$ 1,690,564
Employee benefits	90,771	46,681	137,452	132,300
Payroll taxes	<u>116,638</u>	<u>47,604</u>	<u>164,242</u>	<u>146,832</u>
Total salaries and related expenses	1,509,700	678,054	2,187,754	1,969,696
Veterinary expense	432,807	-	432,807	369,321
Fundraising expense	-	220,075	220,075	136,981
Adoption/intake expense	36,035	-	36,035	27,926
Investigation/cruelty expense	15,290	-	15,290	19,982
Kennel expense	49,162	-	49,162	48,080
Building/ground expense	50,761	10,133	60,894	43,745
Office expense	62,076	12,391	74,467	57,856
Computer expense	45,312	8,091	53,403	39,304
Telephone	12,079	2,157	14,236	14,028
Utilities	23,941	4,779	28,720	34,337
Professional fees	-	30,951	30,951	13,426
Insurance	101,210	20,203	121,413	122,806
Administrative expense – other	<u>-</u>	<u>68,119</u>	<u>68,119</u>	<u>52,438</u>
Total expenses before depreciation	2,338,373	1,054,953	3,393,326	2,949,926
Depreciation of property and equipment	<u>82,757</u>	<u>16,520</u>	<u>99,277</u>	<u>59,233</u>
Total expenses	<u>\$ 2,421,130</u>	<u>\$ 1,071,473</u>	<u>\$ 3,492,603</u>	<u>\$ 3,009,159</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
Salaries	\$1,171,618	\$518,946	\$ 1,690,564
Employee benefits	103,212	29,088	132,300
Payroll taxes	<u>105,255</u>	<u>41,577</u>	<u>146,832</u>
Total salaries and related expenses	1,380,085	589,611	1,969,696
Veterinary expense	369,321	-	369,321
Fundraising expense	-	136,981	136,981
Adoption/intake expense	27,926	-	27,926
Investigation/cruelty expense	19,982	-	19,982
Kennel expense	48,080	-	48,080
Building/ground expense	36,466	7,279	43,745
Office expense	48,229	9,627	57,856
Computer expense	33,349	5,955	39,304
Telephone	11,902	2,126	14,028
Utilities	28,623	5,714	34,337
Professional fees	-	13,426	13,426
Insurance	102,371	20,435	122,806
Administrative expense – other	<u>-</u>	<u>52,438</u>	<u>52,438</u>
Total expenses before depreciation	2,106,334	843,592	2,949,926
Depreciation of property and equipment	<u>49,377</u>	<u>9,856</u>	<u>59,233</u>
Total expenses	<u>\$2,155,711</u>	<u>\$853,448</u>	<u>\$3,009,159</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ 865,287	\$ 1,118,251
Adjustments to reconcile total change in net assets to net cash provided by operating activities:		
Depreciation	99,277	59,233
Net realized and unrealized gain on long-term investments	(660,299)	(373,292)
Loss on disposal of fixed assets	59,446	51,476
Bad debt expense	30,000	-
Change in value of perpetual trust	(56,231)	(17,760)
Changes in operating assets and liabilities		
Decrease in pledges receivable	183,171	180,771
Increase in accrued income	(3,642)	(17,442)
Increase in prepaid expenses	(4,219)	(16,361)
Decrease in bequest receivable	-	218,323
Decrease in accounts payable and accrued expenses	<u>(71,530)</u>	<u>(1,499)</u>
Total adjustments	<u>(424,027)</u>	<u>83,449</u>
Net cash provided by operating activities	<u>441,260</u>	<u>1,201,700</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(658,204)	(1,145,452)
Purchase of investments	(1,221,472)	(1,297,066)
Proceeds from sale of investments	<u>1,083,636</u>	<u>1,966,046</u>
Net cash used for investing activities	<u>(796,040)</u>	<u>(476,472)</u>
Net (decrease) increase in cash and cash equivalents	(354,780)	725,228
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,398,331</u>	<u>673,103</u>
End of year	<u>\$ 1,043,551</u>	<u>\$ 1,398,331</u>

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS DBA PROVIDENCE ANIMAL CENTER

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2017 And 2016

(1) BACKGROUND

The Delaware County Society for the Prevention of Cruelty to Animals (the “*Society*”) a nonprofit organization, was incorporated in Pennsylvania on May 24, 1911. The Society underwent a re-branding in 2016 and is doing business as Providence Animal Center. Its primary purpose is to offer life-affirming rescue, medical care, treatment, protection and placement of companion animals that forever upholds the critical importance of the human-animal bond.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting and include all the accounts and funds of the Society.

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 the amounts reported in the financial statements and related disclosures and, therefore, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash equivalents include time deposits, money market funds, and all highly liquid debt instruments with original maturities of three months or less.

CONCENTRATION OF CREDIT RISK

The Society is required to disclose significant concentrations of credit risk regardless of the degree of such risk. As of December 31, 2017 and 2016, the Society maintained bank deposits that occasionally exceeded the limit of insurability under the Federal Deposit Insurance Corporation. The risk is managed by monitoring the financial institutions in which deposits are made.

INVESTMENTS

Investments, which include marketable securities, U.S. Government and fixed income securities, and mutual funds, held for investment purposes are reported at fair value based upon quoted market prices or other valuation methodologies. Gains or losses on investments are recognized as revenues or expenses in the Statement of Activities. Accordingly, gains and losses are recorded in the net asset category where the investment income is recognized.

PROMISES TO GIVE

The Society records unconditional promises to give (pledges) as a receivable and revenue in the year pledged, net of the discount to present value of the future cash flows. An allowance is recorded based on management’s estimates of the collectability of the promises to give balance. No allowance is deemed necessary as of December 31, 2017 and 2016. Conditional promises to give are recognized when the conditions on which they depend are met.

LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are stated at cost for purchased assets and at fair market value on the date of the gift for donated assets. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets – 5-7 years for furniture, equipment and vehicles and 7-39 years for property.

DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS DBA PROVIDENCE ANIMAL CENTER

NOTES TO FINANCIAL STATEMENTS – (Continued)

Years Ended December 31, 2017 And 2016

BENEFICIAL INTERESTS IN PERPETUAL AND RESTRICTED TRUSTS

Beneficial interests in perpetual trusts include the Society's respective share of the fair value of the total funds held in trust by others for which the Society is the recipient of all or a percentage of the income. The Society has an irrevocable right to receive the income earned on the trust assets, but the trust assets must be held in perpetuity. The Society is also the recipient under a restricted trust whereby 25% of the corpus and any accumulated income of the trust will be distributed to the Society after all income beneficiaries are deceased.

NET ASSETS

A description of each net asset category is as follows:

Unrestricted net assets – Unrestricted net assets consist of net assets available for current operations.

Temporarily restricted net assets – Temporarily restricted net assets are those whose use by the Society has been limited by donors for a specific purpose or time period. These net assets consist of gifts for which donor-imposed restrictions have not been met. The Society reports restricted contributions whose stipulations were met in the same year as unrestricted contributions.

Permanently restricted net assets – Permanently restricted net assets consist of permanent endowment fund investments to be held indefinitely, the income from which is expendable for operations or such restrictions as noted by the donor.

Support and revenue is reported as an increase in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from temporarily restricted net assets to unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

CONTRIBUTIONS

Contributions are recorded as received and are considered available for unrestricted use unless specifically restricted by the donor. Investments, property, and other non-cash contributions are recorded at fair value at the date of gift or bequest. Temporarily and permanently restricted funds represent amounts donated or granted to the Society, the use of which is specified by the donor as a condition of the donation or grant.

The Society records "in-kind" support related to contributions of specialized services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, and would need to be purchased if they were not donated. The amounts reflected as "in-kind" support are offset by like amounts included in program expenses or recorded as fixed assets and depreciated accordingly.

A substantial number of volunteers have made significant contributions of many hours of their time to the activities of the Society. However, such contributed services do not meet the criteria for recognition of contributed services in accordance with generally accepted accounting principles and, accordingly, are not reflected in the accompanying financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing Program Services and Supporting Services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among Program Services and Supporting Services as follows:

Program Services – Certain expenses are charged to Program Services that benefit directly from the expenditure. Salaries, employee benefits, and payroll taxes directly related to programs are charged to Program Services. Building/ground, telephone, utility, insurance and depreciation expenses are allocated based on square footage of the Society's facility. All other program costs are allocated to the programs based on a predetermined percentage.

Supporting Services – These expenses comprise general and administrative expenses attributable to the general operations of the Society.

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Years Ended December 31, 2017 And 2016

INCOME TAXES

The Society is exempt from income taxes as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Society has been determined by the Internal Revenue Service not to be a private foundation as defined in Section 509(a) of the Code.

Management has reviewed the tax positions for each of the open tax years (2014 – 2016) or expected to be taken in the Society’s 2017 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

RECLASSIFICATION

Certain account balances in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

(3) INVESTMENTS

Investments at December 31, 2017 and 2016, consist of the following:

	2017		
	<u>Market Value</u>	<u>Cost</u>	<u>Appreciation</u>
Common Stocks	\$ 2,769,213	\$ 1,663,627	\$ 1,105,586
Fixed Income Securities	1,799,391	1,788,823	10,568
Mutual Funds and ETF’s	1,743,462	1,342,847	400,615
Certificates of Deposit	<u>400,000</u>	<u>400,000</u>	<u>-</u>
	<u>\$ 6,712,066</u>	<u>\$ 5,195,297</u>	<u>\$ 1,516,769</u>
	2016		
	<u>Market Value</u>	<u>Cost</u>	<u>Appreciation</u>
Common Stocks	\$ 2,890,593	\$ 1,906,174	\$ 984,419
Fixed Income Securities	1,326,669	1,320,574	6,095
Mutual Funds and ETF’s	1,446,669	1,304,211	142,458
Certificates of Deposit	<u>250,000</u>	<u>250,000</u>	<u>-</u>
	<u>\$ 5,913,931</u>	<u>\$ 4,780,959</u>	<u>\$ 1,132,972</u>

Returns on the securities are as follows:

	<u>2017</u>	<u>2016</u>
Realized gains	\$ 276,502	\$ 260,151
Unrealized gain	383,797	113,141
Interest and dividends	172,244	181,408
Investment fees	<u>(47,849)</u>	<u>(46,484)</u>
	<u>\$ 784,694</u>	<u>\$ 508,216</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Years Ended December 31, 2017 And 2016

(4) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Society utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles established a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that Society has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instruments on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing Society’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Society’s investments as of December 31, 2017 and 2016 are as follows:

	2017			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Investments				
Common Stocks	\$ 2,769,213	\$ 2,769,213	\$ -	\$ -
Fixed Income Securities	1,799,391	122,769	1,676,622	-
Mutual Funds	1,743,462	1,743,462	-	-
Certificates of Deposit	<u>400,000</u>	<u>400,000</u>	-	-
	<u>\$ 6,712,066</u>	<u>\$ 5,035,444</u>	<u>\$ 1,676,622</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 787,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 787,106</u>
	2016			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Investments				
Common Stocks	\$ 2,890,593	\$ 2,890,593	\$ -	\$ -
Fixed Income Securities	1,326,669	121,469	1,205,200	-
Mutual Funds	1,446,669	1,446,669	-	-
Certificates of Deposit	<u>250,000</u>	<u>250,000</u>	-	-
	<u>\$ 5,913,931</u>	<u>\$ 4,708,731</u>	<u>\$ 1,205,200</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 730,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 730,875</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Years Ended December 31, 2017 And 2016

There were no transfers between Level 1 and Level 2 during 2017 and 2016.

The beneficial interest in assets in trust is measured at the estimated cash flows which involve unobservable inputs. As a result, the present value technique is a Level 3 input.

The changes in investments measured at fair value for which the Society used Level 3 inputs to determine value are as follows:

	<u>2017</u>	<u>2016</u>
Beginning of year balance	\$ 730,875	\$ 713,115
Realized/unrealized gains (losses) – net change in valuation	<u>56,231</u>	<u>17,760</u>
End of year balance	<u>\$ 787,106</u>	<u>\$ 730,875</u>

(5) CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 95,074	\$ 155,653
Due in one to five years	<u>69,000</u>	<u>225,200</u>
Total contributions receivable	164,074	380,853
Less: Discount at 2.43% and 1.09%, respectively	<u>(3,270)</u>	<u>(6,878)</u>
Net present value of contributions receivable	<u>\$ 160,804</u>	<u>\$ 373,975</u>

No allowance for uncollectible contributions receivable has been recorded at December 31, 2017 or 2016 based on management's estimate of collectability.

(6) PROPERTY AND EQUIPMENT

Property and equipment at December 31 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 131,672	\$ 131,672
Buildings and Improvements	3,066,556	932,251
Furniture and Equipment	237,693	207,186
Vehicles	29,133	29,133
Construction-in-progress	<u>29,259</u>	<u>1,628,820</u>
	3,494,313	2,929,062
Less accumulated depreciation and amortization	<u>(338,284)</u>	<u>(272,514)</u>
	<u>\$ 3,156,029</u>	<u>\$ 2,656,548</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$99,277 and \$59,233, respectively.

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Years Ended December 31, 2017 And 2016

(7) BENEFICIAL INTEREST IN PERPETUAL AND RESTRICTED TRUSTS

The Society became the sole beneficiary of a perpetual trust as of July 10, 2013. The fair value of the assets and changes in fair value included in the trust is reported within the Society's permanently restricted net assets. As of December 31, 2017 and 2016, the fair values of these assets were \$587,234 and \$546,953, respectively.

The trust provided \$26,296 and \$23,982 in unrestricted income in 2017 and 2016, respectively.

The Society is also the recipient under a restricted trust whereby 25% of the corpus and any accumulated income of the trust will be distributed to the Society after all income beneficiaries are deceased. As of December 31, 2017 and 2016 the fair value of these assets were \$199,872 and \$183,922, respectively.

(8) NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Beneficial interest in restricted trust	\$ 199,872	\$ 183,922
Capital Campaign	660,804	1,733,610
Pet Finder grant	-	7,500
Kennel sponsorships providing shelter, food and medical	<u>43,535</u>	<u>20,742</u>
	<u>\$ 904,211</u>	<u>\$ 1,945,774</u>

Temporarily restricted net asset released from restriction for the years ended December 31, 2017 and 2016 comprised the following:

	<u>2017</u>	<u>2016</u>
Capital Campaign	\$ 1,754,565	\$ 25,165
Smarty Paws grant	-	500
Pet Finder grant	7,500	-
Kennel sponsorships providing shelter, food and medical	<u>20,742</u>	<u>16,408</u>
	<u>\$1,782,807</u>	<u>\$42,073</u>

Permanently restricted net assets at December 31, 2017 and 2016 are restricted for the following purposes.

	<u>2017</u>	<u>2016</u>
Beneficial interest in perpetual trust	<u>\$587,234</u>	<u>\$546,953</u>

**DELAWARE COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
DBA PROVIDENCE ANIMAL CENTER**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Years Ended December 31, 2017 And 2016

(9) OPERATING LEASES

The Society leases certain office equipment under lease obligations which have been classified as operating leases. The leases require monthly payments in varying amounts.

The following are the minimum payments required under the leases:

Year Ending December 31,

2018	\$ 10,514
2019	6,404
2020	<u>5,342</u>
Total	<u>\$22,260</u>

(10) IN-KIND SUPPORT

Contributions for years ended December 31, 2017 and 2016 include in-kind contributions of the following:

	<u>2017</u>	<u>2016</u>
Rebranding and marketing services	\$ -	\$20,000
Office space	15,527	15,449
Supplies	2,915	2,328
Auto Service	1,638	-
Building and grounds maintenance	<u>-</u>	<u>1,207</u>
	<u>\$ 20,080</u>	<u>\$38,984</u>

(11) CONTINGENCIES

At December 31, 2017, the Society is a party to certain lawsuits in the ordinary course of business. While any litigation has an element of uncertainty, after reviewing these actions with legal counsel, management is of the opinion that the liability, if any, resulting from these actions will not have a material effect on the financial condition of the Society.

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2018, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.