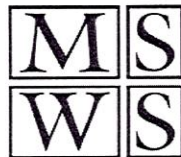


**SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS OF
ANNE ARUNDEL COUNTY, MARYLAND, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

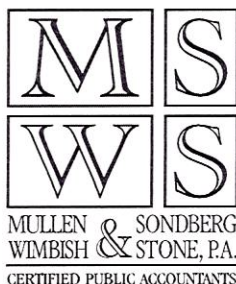


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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2553 Housley Road • Suite 200 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
Annapolis, Maryland

We have audited the accompanying financial statements of Society for the Prevention of Cruelty to Animals of Anne Arundel County, Maryland Inc. (a non-profit Organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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.

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.

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 Society for the Prevention of Cruelty to Animals of Anne Arundel County, Maryland Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Society for the Prevention of Cruelty to Animals of Anne Arundel County, Maryland Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
May 16, 2018

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS		2017	2016
CURRENT ASSETS			
Cash and cash equivalents		\$ 742,344	\$ 1,121,007
Investments		3,182,135	2,618,951
Inventory		3,937	4,479
Contributions receivable		410,100	328,500
Prepaid expenses		6,784	378
Total current assets		<u>4,345,300</u>	<u>4,073,315</u>
ENDOWMENT INVESTMENTS			
Cash and cash equivalents		73,357	68,941
Investments		2,076,957	1,936,294
Total endowment investments		<u>2,150,314</u>	<u>2,005,235</u>
PROPERTY AND EQUIPMENT			
Net of accumulated depreciation		<u>544,703</u>	<u>499,848</u>
Total assets		<u><u>\$ 7,040,317</u></u>	<u><u>\$ 6,578,398</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses		\$ 54,678	\$ 32,348
Accrued salaries		16,055	11,796
Accrued vacation		13,100	10,011
Capital lease obligations		1,266	1,079
Total current liabilities		<u>85,099</u>	<u>55,234</u>
LONG-TERM LIABILITIES			
Capital lease obligations		<u>-</u>	<u>1,267</u>
Total liabilities		<u>85,099</u>	<u>56,501</u>
NET ASSETS			
Unrestricted		4,047,232	3,667,945
Unrestricted, Board designated		541,476	541,476
Temporarily restricted		324,993	399,050
Permanently restricted		2,041,517	1,913,426
Total net assets		<u>6,955,218</u>	<u>6,521,897</u>
Total liabilities and net assets		<u><u>\$ 7,040,317</u></u>	<u><u>\$ 6,578,398</u></u>

The accompanying notes are an integral part of these financial statements.

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017
With Summarized Financial Information for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
REVENUES					
Contributions	\$ 1,013,212	\$ 28,419	\$ -	\$ 1,041,631	\$ 1,447,921
Unrealized/realized gain on investments, net	217,012	12,158	123,647	352,817	67,902
Shelter and spay and neuter clinic	301,286	-	-	301,286	304,251
Special events, net of direct expenses	183,047	-	-	183,047	135,978
Donated services and materials	100,137	-	-	100,137	118,055
Interest and dividends	88,888	48,450	4,444	141,782	122,375
Merchandise sales, net of direct expenses	27,790	-	-	27,790	19,557
Grants	14,005	-	-	14,005	29,770
Other income	325	-	-	325	150
	<u>1,945,702</u>	<u>89,027</u>	<u>128,091</u>	<u>2,162,820</u>	<u>2,245,959</u>
Net assets released from restriction	<u>163,084</u>	<u>(163,084)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,108,786</u>	<u>(74,057)</u>	<u>128,091</u>	<u>2,162,820</u>	<u>2,245,959</u>
EXPENSES					
Program services					
Shelter	1,011,631	-	-	1,011,631	878,640
Spay and neuter clinic	330,679	-	-	330,679	288,556
Donated services	100,137	-	-	100,137	118,055
Total program expenses	<u>1,442,447</u>	<u>-</u>	<u>-</u>	<u>1,442,447</u>	<u>1,285,251</u>
Supporting services					
Management and general	245,407	-	-	245,407	203,118
Fundraising	41,645	-	-	41,645	57,381
Total supporting services	<u>287,052</u>	<u>-</u>	<u>-</u>	<u>287,052</u>	<u>260,499</u>
Total expenses	<u>1,729,499</u>	<u>-</u>	<u>-</u>	<u>1,729,499</u>	<u>1,545,750</u>
Change in net assets before other changes	379,287	(74,057)	128,091	433,321	700,209
OTHER CHANGES					
Change in fair value of assets due to impairment	-	-	-	-	(100,121)
Change in net assets	379,287	(74,057)	128,091	433,321	600,088
NET ASSETS AT BEGINNING OF YEAR	<u>4,209,421</u>	<u>399,050</u>	<u>1,913,426</u>	<u>6,521,897</u>	<u>5,921,809</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,588,708</u>	<u>\$ 324,993</u>	<u>\$ 2,041,517</u>	<u>\$ 6,955,218</u>	<u>\$ 6,521,897</u>

The accompanying notes are an integral part of these financial statements.

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 433,321	\$ 600,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,382	44,481
Unrealized/realized gain on investments	(352,817)	(67,902)
Loss on impairment	-	100,121
(Increase) decrease in operating assets:		
Inventory	542	2,824
Contributions receivable	(81,600)	(217,721)
Prepaid expenses	(6,406)	707
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	22,330	6,923
Accrued salaries	4,259	(24,170)
Accrued vacation	3,089	(618)
Net cash provided by operating activities	<u>62,100</u>	<u>444,733</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments and reinvested income	(448,814)	(949,828)
Proceeds from sale of investments	93,368	179,398
Purchase of property and equipment	<u>(84,237)</u>	<u>(25,225)</u>
Net cash used by investing activities	<u>(439,683)</u>	<u>(795,655)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	<u>(1,080)</u>	<u>(742)</u>
Net change in cash and cash equivalents	(378,663)	(351,664)
Cash and cash equivalents at beginning of year	<u>1,121,007</u>	<u>1,472,671</u>
Cash and cash equivalents at end of year	<u>\$ 742,344</u>	<u>\$ 1,121,007</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 717</u>	<u>\$ 1,077</u>

The accompanying notes are an integral part of these financial statements.

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

Society for the Prevention of Cruelty to Animals of Anne Arundel County, Maryland, Inc. ("The Society") is a not-for-profit Corporation organized under the general corporate laws of Maryland. The Society's stated purpose is to provide a broad range of services to meet the needs of animals and provide education about animals to the community.

Basis of Accounting

The Society prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unexpended grant awards are classified as refundable advances until expended for the purposes of the grants since they are considered conditional promises to give.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Society considers all cash accounts which are not subject to withdrawal restrictions or penalties, and certificates of deposit with original maturities of ninety days or less to be cash equivalents, except those that are part of an endowment investment portfolio.

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2017

Note 1 - Summary of Significant Accounting Policies (Cont.)

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 reported amounts of 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 these estimates.

Non-Cash Donations

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated market value at the date of donation.

Investments

Investments in marketable securities are stated at current market value. The net realized and unrealized appreciation (depreciation) in market value of investments is reflected in the statement of activities.

Property and Equipment

Property and equipment acquisitions over \$500 are capitalized and recorded at cost, when purchased, or if donated, at their estimated fair market value at the date of donation. All expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of the depreciable assets.

Inventory

Inventory is comprised of merchandise for sale and is carried at cost.

Accrued Vacation

Employees of the Society are entitled to paid vacation depending on the length of service and job classification. Vacation benefits due to employees as of December 31, 2017 and 2016 were \$13,100 and \$10,011, respectively.

Advertising Costs

The Society expenses advertising costs when incurred. Amounts charged to expense for the years ended December 31, 2017 and 2016 were \$175 and \$3,506, respectively.

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2017

Note 1 - Summary of Significant Accounting Policies (Cont.)

Income Taxes

The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Society is exempt from paying federal income tax on any income except unrelated business income. There is no provision for income taxes as the Society had no unrelated business income.

Income Tax Positions

The Society follows the guidance of ASC 740-10, "*Accounting for Uncertainty in Income Taxes*" which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Society's financial statements.

The Society analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c) to qualify as a tax exempt organization, activities performed by volunteers and Board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland State statute. The Society does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Society's financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after December 31, 2014 remain subject to examination by federal and state authorities.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation.

Note 2 - Concentration of Cash Balances

At December 31, 2017 and 2016 and at various times during the years then ended, the Society maintained cash-in-bank balances in excess of the federally insured limit. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2017 and 2016, amounts in excess of insured limits totaled approximately \$272,369 and \$11,800, respectively.

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2017

Note 3 - Contributions Receivable

Contributions receivable represent gifts from individuals and corporations for the general support of the Society. The balance of contributions receivable at December 31, 2017 and 2016 were \$410,100 and \$328,500, respectively. All contributions are due within one year and are considered fully collectible; therefore no allowance has been established.

Note 4 - Investments - Operating Fund

Operating fund investments are carried at fair value and are comprised of the following at December 31:

	2017	2016
Mutual funds	\$ 2,065,200	\$ 1,612,606
Certificates of Deposit	597,963	601,296
Equities	518,972	403,008
Municipal bonds	-	2,041
	<u>\$ 3,182,135</u>	<u>\$ 2,618,951</u>

Net realized and unrealized gains on operating fund investments for the years ended December 31, 2017 and 2016 amounted to \$217,012 and \$8,788, respectively.

Investment fees included in interest and dividends for the years ended December 31, 2017 and 2016 amounted to \$24,766 and \$32,758, respectively.

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2017

Note 5 - Investments - Endowment Fund

Endowment fund investments are carried at fair value and are comprised of the following at December 31:

2017				
	BB&T MacCarthy Trust	BB&T Leifson Trust	Merrill Lynch SPCA Endowment	Total
Cash and cash equivalents	\$ 33,736	\$ 11,402	\$ 28,219	\$ 73,357
Equities	704,387	-	-	704,387
Mutual funds	833,012	351,499	188,059	1,372,570
	<u>\$ 1,571,135</u>	<u>\$ 362,901</u>	<u>\$ 216,278</u>	<u>\$ 2,150,314</u>
2016				
	BB&T MacCarthy Trust	BB&T Leifson Trust	Wells Fargo SPCA Endowment	Total
Cash and cash equivalents	\$ 35,197	\$ 8,923	\$ 24,821	\$ 68,941
Equities	272,732	-	-	272,732
Mutual funds	1,181,984	311,553	170,025	1,663,562
	<u>\$ 1,489,913</u>	<u>\$ 320,476</u>	<u>\$ 194,846</u>	<u>\$ 2,005,235</u>

Net realized and unrealized gains on endowment investments for the year ended December 31, 2017 and 2016 amounted to \$135,805 and \$76,690, respectively.

Investment fees included in net realized and unrealized gain/loss on investments for the years ended December 31, 2017 and 2016 amounted to \$27,654 and \$28,125, respectively.

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2017

Note 6 - Fair Value Measurement

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Society. The Society considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Society's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are, therefore classified as Level 1, includes cash and cash equivalents, active listed mutual funds, and equities.

Investments whose values are based on observable market-based inputs, and are, therefore classified as level 2, include certificates of deposit and municipal bonds.

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2017

Note 6 - Fair Value Measurement (Cont.)

The table below presents the balances of operating investments measured at fair value on a recurring basis by level within the hierarchy as of December 31:

	2017			Total
	Level 1	Level 2	Level 3	
Operating Fund Investments:				
Certificates of deposit	\$ -	\$ 597,963	\$ -	\$ 597,963
Equities	518,972	-	-	518,972
Mutual funds	2,065,200	-	-	2,065,200
Total operating investments	2,584,172	597,963	-	3,182,135
Endowment Fund Investments:				
Cash and cash equivalents	73,357	-	-	73,357
Equities	704,387	-	-	704,387
Mutual funds	1,372,570	-	-	1,372,570
Total endowment investments	2,150,314	-	-	2,150,314
Total investments	\$ 4,734,486	\$ 597,963	\$ -	\$ 5,332,449
	2016			Total
	Level 1	Level 2	Level 3	
Operating Fund Investments:				
Municipal bonds	\$ -	\$ 2,041	\$ -	\$ 2,041
Certificates of deposit	-	601,296	-	601,296
Equities	403,008	-	-	403,008
Mutual funds	1,612,606	-	-	1,612,606
Total operating investments	2,015,614	603,337	-	2,618,951
Endowment Fund Investments:				
Cash and cash equivalents	68,941	-	-	68,941
Equities	272,732	-	-	272,732
Mutual funds	1,663,562	-	-	1,663,562
Total endowment investments	2,005,235	-	-	2,005,235
Total investments	\$ 4,020,849	\$ 603,337	\$ -	\$ 4,624,186

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2017

Note 7 - Property and Equipment

The carrying values of each class of property and equipment consisted of the following at December 31:

	Estimated Useful Life	2017	2016
Land and improvements	7 - 20 yrs	\$ 57,178	\$ 57,178
Buildings and improvements	5 - 40 yrs	1,436,705	1,436,705
Equipment and fixtures	3 - 15 yrs	407,235	406,606
Vehicles	5 yrs	47,208	47,208
Construction in progress (Note 8)	-	88,632	5,024
		2,036,958	1,952,721
Less accumulated depreciation		(1,492,255)	(1,452,873)
		<u>\$ 544,703</u>	<u>\$ 499,848</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$39,382 and \$44,481, respectively.

Note 8 - Construction in Progress

The Society is planning to expand its shelter facilities. Construction in progress through December 31, 2017 and 2016 of \$88,632 and \$5,024, respectively, represents amounts spent on this expansion.

Note 9 - Capital Lease Obligations

The Society leases a copier under an arrangement that has been accounted for as a capital lease. The lease is for a period of 60 months ending October 2018. Monthly payments of \$150 consist of principal and interest at 38%. The copier has been capitalized and is being depreciated over 5 years. The capitalized value as of December 31, 2017 and 2016 was \$3,995 with accumulated depreciation of \$3,396 and \$2,597, respectively.

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2017

Note 9 - Capital Lease Obligations (Cont.)

Total interest paid under the lease for the years ended December 31, 2017 and 2016 was \$717 and \$1,077, respectively. Depreciation of the leased copier is included in depreciation expense.

Future minimum lease payments are as follows for the years ended December 31:

2018	\$ 1,497
Less amounts representing interest	<u>(231)</u>
Present value of minimum lease payments (including current portion of \$1,266)	<u><u>\$ 1,266</u></u>

Note 10 - Special Events

The direct costs of special events have been netted with special events revenue. Special events revenue and direct costs consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Revenue	\$ 205,089	\$ 159,996
Direct expenses	<u>(22,042)</u>	<u>(24,018)</u>
Total net revenues	<u><u>\$ 183,047</u></u>	<u><u>\$ 135,978</u></u>

Note 11 - Donated Services and Materials

Donated services and materials have been recorded at their estimated value as of the date the services were rendered and goods provided. For the years ended December 31, 2017 and 2016, donated services and materials were \$100,137 and \$118,055 respectively. If these services, which are an integral part of the program, were not provided by a volunteer, they would otherwise have to be performed by paid personnel.

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2017

Note 12 - Retirement Plan

The Society maintains a SIMPLE IRA plan that covers all eligible employees and matches up to 1% of compensation. Employees may defer an amount not to exceed the maximum guidelines set by the Internal Revenue Service. For the years ended December 31, 2017 and 2016, employer contributions were \$1,043 and \$1,647, respectively.

Note 13 - Net Assets, Board Designated

The Board of Directors has designated funds for the following purposes as of December 31:

	2017	2016
Building fund	\$ 291,476	\$ 291,476
Funds for future operations	250,000	250,000
	<u>\$ 541,476</u>	<u>\$ 541,476</u>

Note 14 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31:

	2017	2016
Shelter expansion	\$ 120,835	\$ 204,443
SPCA endowment	108,797	91,809
Bubba fund	87,000	94,203
Sparky fund	6,165	6,399
Ares fund	2,196	2,196
	<u>\$ 324,993</u>	<u>\$ 399,050</u>

Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2017

Note 15 - Donor-Designated Endowments

The Society has been named beneficiary of two irrevocable trusts administered by a bank.

The Society is required by the terms of the MacCarthy Trust to certify annually to the Trustees that it does not oppose vivisection. The MacCarthy Trust also specifies that ninety percent of the annual endowment income be available without restriction, and the remaining ten percent of income be invested in the Society's endowment fund. If the policy of the Society is altered to one of disapproval or opposition to the surrender of condemned animals for such use, the trust shall be terminated, and the principal will be paid to the National Society for Medical Research, Incorporated.

The Leifson Trust specifies that if the Society is dissolved by voluntary or involuntary means, the bank shall pay the entire fund, including any undistributed or accrued income to Anne Arundel Medical Center.

Distributions from each trust are made to the Society on a semi-annual basis. A portion of the income is retained by the bank to cover trustee fees and other costs. Distributions received from these trusts for the years ended December 31, 2017 and 2016 totaled \$48,065 and \$49,878, respectively. Investment income is shown net of investment fees.

Permanently restricted net assets consist of the two trusts (corpus) and the cumulative ten percent distributions received from the MacCarthy Trust and transferred to the SPCA endowment fund.

The Society's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

A trustee is responsible for the investment strategy of the MacCarthy and Leifson trusts; therefore there is no investment policy that addresses these endowments and market fluctuations are reported as changes in permanently restricted net assets.

The Society has an informal spending policy where all accumulated endowment earnings are to be used for operations which are determined annually by the Board of Directors. As of December 31, 2017 and 2016, amounts appropriated for expenditure were \$43,620 and \$45,313, respectively.

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NOTES TO FINANCIAL STATEMENTS (Cont.)
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Note 15 - Donor-Designated Endowments (Cont.)

Endowment net assets consisted of the following at December 31:

2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
MacCarthy Trust	\$ -	\$ -	\$ 1,571,135	\$ 1,571,135
Leifson Trust	-	-	362,901	362,901
SPCA Endowment Fund	-	108,797	107,481	216,278
Total endowment net assets	<u>\$ -</u>	<u>\$ 108,797</u>	<u>\$ 2,041,517</u>	<u>\$ 2,150,314</u>

2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
MacCarthy Trust	\$ -	\$ -	\$ 1,489,913	\$ 1,489,913
Leifson Trust	-	-	320,476	320,476
SPCA Endowment Fund	-	91,809	103,037	194,846
Total endowment net assets	<u>\$ -</u>	<u>\$ 91,809</u>	<u>\$ 1,913,426</u>	<u>\$ 2,005,235</u>

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NOTES TO FINANCIAL STATEMENTS (Cont.)
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Note 15 - Donor-Designated Endowments (Cont.)

Changes in donor-restricted endowment net assets are as follows at December 31:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 91,809	\$ 1,913,426	\$ 2,005,235
Investment return:				
Investment income and realized/unrealized gain	-	60,608	123,647	184,255
Required 10% distribution	-	-	4,444	4,444
Appropriation of endowment earnings for expenditure	-	(43,620)	-	(43,620)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 108,797</u>	<u>\$ 2,041,517</u>	<u>\$ 2,150,314</u>

*Endowment earnings, includes required semi-annual accumulated trust distributions

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 52,844	\$ 1,863,924	\$ 1,916,768
Investment return:				
Investment income and realized/unrealized gain	-	84,278	44,938	129,216
Required 10% distribution	-	-	4,564	4,564
Appropriation of endowment earnings for expenditure	-	(45,313)	-	(45,313)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 91,809</u>	<u>\$ 1,913,426</u>	<u>\$ 2,005,235</u>

*Endowment earnings, includes required semi-annual accumulated trust distributions

Note 16 - Unemployment Compensation Plan/Letter of Credit

The Organization has elected to maintain a self-funded unemployment compensation plan, whereby it will pay qualified claims directly in lieu of submitting quarterly unemployment taxes to the State. In order to be eligible for self-funding, the State requires collateral to be held in the event the center would fail to pay claims. As of December 31, 2017 and 2016, the State required collateral of \$17,329 and \$16,460, respectively, which was in the form of a letter of credit. The letter of credit was renewed in September of 2017 in the amount of \$17,329 and currently expires in September of 2019.

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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2017

Note 17 - Subsequent Events

Subsequent events and transactions have been evaluated for potential recognition in the financial statements through May 16, 2018, the day the financial statements were available to be issued.