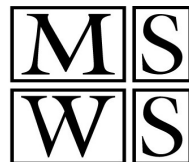


**THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS OF
ANNE ARUNDEL COUNTY, MARYLAND, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

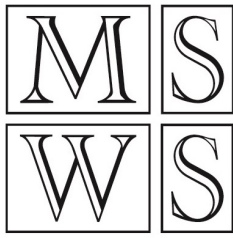


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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MULLEN & SONDBERG
WIMBISH & STONE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

888 Bestgate Road • Suite 310 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The 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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, 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 Anne Arundel County, Maryland Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Society for the Prevention of Cruelty to Animals of Anne Arundel County, Maryland Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Responsibilities of Management for the Financial Statements (Cont.)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Society for the Prevention of Cruelty to Animals of Anne Arundel County, Maryland Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with Generally Accepted Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Society for the Prevention of Cruelty to Animals of Anne Arundel County, Maryland Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Society for the Prevention of Cruelty to Animals of Anne Arundel County, Maryland Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Report on Summarized Comparative Information

We have previously audited The Society for the Prevention of Cruelty to Animals of Anne Arundel County, Maryland Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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
September 21, 2022

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS		
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,158,204	\$ 2,346,882
Investments	6,263,657	4,028,788
Inventory	20,761	11,087
Contributions receivable	207,282	176,570
Prepaid expenses	6,017	6,026
Total current assets	7,655,921	6,569,353
ENDOWMENT INVESTMENTS		
Cash and cash equivalents	41,456	70,005
Investments	2,425,822	2,247,685
Total endowment investments	2,467,278	2,317,690
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	813,988	608,023
Total assets	\$ 10,937,187	\$ 9,495,066
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 60,310	\$ 31,427
Accrued salaries	29,183	32,309
Accrued vacation	645	17,150
Total current liabilities	90,138	80,886
NET ASSETS		
Without donor restrictions	8,129,910	6,867,255
With donor restrictions	2,717,139	2,546,925
Total net assets	10,847,049	9,414,180
Total liabilities and net assets	\$ 10,937,187	\$ 9,495,066

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

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021
With Summarized Financial Information for the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
REVENUES, GAINS AND OTHER SUPPORT				
Contributions, gains and other support	\$ 1,639,511	\$ 21,644	\$ 1,661,155	\$ 1,935,485
Investment return, net	524,785	195,053	719,838	454,603
Shelter and spay and neuter clinic	410,324	-	410,324	463,919
Special events, net of direct expenses	544,157	-	544,157	251,353
Donated services and materials	57,408	-	57,408	58,168
Grants	40,387	-	40,387	28,855
Merchandise sales, net of direct expenses	83,639	-	83,639	32,606
Other income	178	-	178	155
	<u>3,300,389</u>	<u>216,697</u>	<u>3,517,086</u>	<u>3,225,144</u>
Net assets released from restriction	<u>46,483</u>	<u>(46,483)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>3,346,872</u>	<u>170,214</u>	<u>3,517,086</u>	<u>3,225,144</u>
EXPENSES				
Program services				
Shelter	1,281,095	-	1,281,095	1,229,533
Spay and neuter clinic	468,917	-	468,917	484,509
Donated services	<u>57,408</u>	<u>-</u>	<u>57,408</u>	<u>58,168</u>
Total program expenses	<u>1,807,420</u>	<u>-</u>	<u>1,807,420</u>	<u>1,772,210</u>
Supporting services				
Management and general	227,729	-	227,729	202,435
Fundraising	<u>49,068</u>	<u>-</u>	<u>49,068</u>	<u>49,380</u>
Total supporting services	<u>276,797</u>	<u>-</u>	<u>276,797</u>	<u>251,815</u>
Total expenses	<u>2,084,217</u>	<u>-</u>	<u>2,084,217</u>	<u>2,024,025</u>
Change in net assets before other changes	1,262,655	170,214	1,432,869	1,201,119
OTHER CHANGES IN NET ASSETS				
Other grant income - Paycheck Protection Program	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,000</u>
Change in net assets	1,262,655	170,214	1,432,869	1,393,119
NET ASSETS AT BEGINNING OF YEAR	<u>6,867,255</u>	<u>2,546,925</u>	<u>9,414,180</u>	<u>8,021,061</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,129,910</u>	<u>\$ 2,717,139</u>	<u>\$ 10,847,049</u>	<u>\$ 9,414,180</u>

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

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021
With Summarized Financial Information for the Year Ended December 31, 2020

	Program Services				Supporting Services			Total	
	Shelter	Spay and Neuter Clinic	Donated Services	Total	Management and General	Fundraising	Total	2021	2020
Salaries	\$ 674,054	\$ 219,643	\$ -	\$ 893,697	\$ 85,076	\$ 21,123	\$ 106,199	\$ 999,896	\$ 976,916
Employee benefits	60,227	13,541	-	73,768	13,828	-	13,828	87,596	82,010
Payroll taxes	52,093	16,403	-	68,496	6,509	1,616	8,125	76,621	72,418
Total salaries and related expenses	786,374	249,587	-	1,035,961	105,413	22,739	128,152	1,164,113	1,131,344
Medical	-	177,659	-	177,659	-	-	-	177,659	207,084
Vet hospitals	165,810	2,241	-	168,051	-	-	-	168,051	113,010
Facility expenses	84,437	16,245	-	100,682	13,090	6,804	19,894	120,576	101,601
Animal food	95,124	567	-	95,691	-	-	-	95,691	97,185
Miscellaneous	5,263	-	-	5,263	17,398	29,323	46,721	51,984	50,868
Office expenses	27,597	1,586	-	29,183	13,074	6,806	19,880	49,063	39,216
Depreciation	32,681	5,473	-	38,154	6,474	-	6,474	44,628	44,176
Professional fees	-	-	-	-	35,232	-	35,232	35,232	34,798
Insurance	16,824	6,186	-	23,010	9,647	-	9,647	32,657	39,945
Repairs & maintenance	22,593	5,385	-	27,978	2,656	-	2,656	30,634	66,209
Information technology	3,142	3,474	-	6,616	17,556	-	17,556	24,172	20,151
Casual labor	20,714	250	-	20,964	450	-	450	21,414	17,403
Merchandise sales expense	19,910	-	-	19,910	-	-	-	19,910	26,396
Animal removal	17,722	-	-	17,722	-	-	-	17,722	16,868
Licenses & permits	975	150	-	1,125	6,733	-	6,733	7,858	2,609
Travel	1,839	-	-	1,839	-	19	19	1,858	2,976
Advertising	-	114	-	114	6	84	90	204	1,160
Donated services	-	-	57,408	57,408	-	-	-	57,408	58,168
Total expenses	1,301,005	468,917	57,408	1,827,330	227,729	65,775	293,504	2,120,834	2,071,167
Less: special events expenses included with revenue in the statement of activities	-	-	-	-	-	(16,707)	(16,707)	(16,707)	(20,746)
Less: merchandise sales expenses included with revenue in the statement of activities	(19,910)	-	-	(19,910)	-	-	-	(19,910)	(26,396)
Total expenses reported in the statement of activities	\$ 1,281,095	\$ 468,917	\$ 57,408	\$ 1,807,420	\$ 227,729	\$ 49,068	\$ 276,797	\$ 2,084,217	\$ 2,024,025

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

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,432,869	\$ 1,393,119
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,628	44,176
Unrealized/realized gain on investments	(473,841)	(215,605)
(Increase) decrease in operating assets:		
Inventory	(9,674)	(2,005)
Contributions receivable	(30,712)	46,552
Prepaid expenses	9	414
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	28,883	(3,290)
Accrued salaries	(3,126)	4,787
Accrued vacation	(16,505)	4,497
	<u>972,531</u>	<u>1,272,645</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments and reinvested income	(2,355,472)	(1,387,934)
Proceeds from sale of investments	416,307	1,782,763
Purchase of property and equipment	<u>(250,593)</u>	<u>(50,040)</u>
	<u>(2,189,758)</u>	<u>344,789</u>
Net cash provided by/(used in) investing activities		
Net change in cash and cash equivalents	(1,217,227)	1,617,434
Cash, cash equivalents, and restricted cash at beginning of year	<u>2,416,887</u>	<u>799,453</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 1,199,660</u>	<u>\$ 2,416,887</u>
Cash, cash equivalents and restricted cash consists of the following at end of year:		
Cash and cash equivalents	\$ 1,158,204	\$ 2,346,882
Endowment investments - cash and cash equivalents	41,456	70,005
	<u>\$ 1,199,660</u>	<u>\$ 2,416,887</u>

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

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

The 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, including shelter, adoptions, rehabilitation, vaccinations and other veterinary services, to meet the needs of animals. The Society also provides education about animals to the community in an effort to promote humane care and to end pet overpopulation.

Basis of Accounting

The Society prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The 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.

Classification of Net Assets

The financial statements of the Society have been prepared in accordance with U.S. Generally Accepted Accounting Principles, which require the Society to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Society. These net assets may be used at the discretion of the Society's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information. 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, 2020, from which the summarized information was derived.

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

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

Revenue Recognition – Contribution and Fundraising

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, 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 net assets without donor restrictions 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 net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition – Grants

Grants are reported as revenue based on the terms and conditions of each specific grant agreement with the grantor. Grants that are earned based on the expenditure of specific expenses are recorded as revenue when the expenses are incurred and the Society has an unconditional right to the grant funds. Unexpended grant awards under these arrangements are classified as deferred revenue in the statement of financial position until they are earned. Grants that are received with grantor restrictions or stipulations regarding the use of the grant funds are classified as grants with donor restrictions. When a donor restriction expires, that is, when the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted grants whose restrictions are met in the same year are reported as support without donor restrictions.

Revenue Recognition – Shelter and Clinic Fees

The Society provides animal shelter and spay and neuter clinic services. Pet adoption income and clinic income is reported at the amount that reflects the considerations to which the Society expects to be entitled to in exchange for providing the services. Revenue is recognized at the point in time when the performance obligations related to the clinic services are satisfied, or when pet adoptions are finalized. Payments for services and pet adoptions are due after the service is rendered and when the adoptions are finalized.

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

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

Revenue Recognition – Shelter and Clinic Fees (Cont.)

Fees for service revenue recognized for the years ending December 31, 2021 and 2020 are as follows:

Service Type	Revenue Recognized 12/31/2021	Revenue Recognized 12/31/2020
Veterinary Clinic Fees	\$ 222,881	\$ 264,098
Adoption Fees	120,210	127,277
Vaccination Fees	67,233	72,544
	\$ 410,324	\$ 463,919

Revenue Recognition – Merchandise Sales

Merchandise sales are made up of the Society’s branded clothing, unique gifts, health and well-being for pets and other miscellaneous pet products. Revenue is recognized at the point in time of the underlying sale.

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.

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.

Investments

Investments with readily determinable fair values are reported at fair value in the statement of financial position. Fair value is defined 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. Realized and unrealized gains and losses on investments for the year are reported in the statement of activities.

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

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

Property and Equipment

Property and equipment acquisitions in excess of \$500 are capitalized and recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Gifts of long-lived assets such as land, buildings or equipment are recorded at their fair values and reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used.

Inventory

Inventory is comprised of merchandise for sale. Merchandise is valued at the lower of cost, using the first-in, first-out method, or market.

Advertising Costs

The Society expenses advertising costs when incurred. Amounts charged to expense for the years ended December 31, 2021 and 2020 were \$204 and \$1,160, respectively.

Income Tax Status and Position

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.

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.

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

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

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all non-profit organizations to present their expenses on a functional basis, separating program services from management and general expenses and fundraising expenses. Functional expenses are either charged directly to program services as incurred or allocated based on usage for items such as occupancy, depreciation and estimates of time and effort for administrative salaries.

Donated Goods and Services

Donated services are recognized as a contribution if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society.

Various individuals and organizations contribute goods and services to the Society's programs. Donated goods and services are recorded at fair value as of the date of donation and are included in contributions as revenue and assets or expenses in the accompanying financial statements.

A significant number of unpaid volunteers contribute time to the Society. The value of these services are not reflected in the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America because the time contributed was for non-specialized services, and the recognition criteria was not met.

Note 2 - Concentration of Cash Balances

At December 31, 2021 and 2020 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.

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

Note 3 - Availability and Liquidity

The following represents the Society's financial assets at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,158,204	\$ 2,346,882
Investments	6,263,657	4,028,788
Inventory	20,761	11,087
Contributions receivable	<u>207,282</u>	<u>176,570</u>
Total financial assets	7,649,904	6,563,327
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	<u>409,473</u>	<u>229,235</u>
Financial assets available to meet general expenditures over the next twelve months before Board designations	7,240,431	6,334,092
Less: Board-designated funds	<u>114,877</u>	<u>359,451</u>
Financial assets available to meet general expenditures over the next twelve months:	<u>\$ 7,125,554</u>	<u>\$ 5,974,641</u>

The Society's goal is generally to maintain financial assets to meet 12 months of operating expenses, approximately \$2.1 million. Program revenues are approximately \$410,500 which comprises 12% of total revenue, and as a result the Society is highly dependent upon contributions. As part of its liquidity plan, excess cash is invested in short term investments, including money market accounts and certificates of deposit as well as longer term investments in the wider markets.

The Society's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

Note 4 - 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, 2021 and 2020 were \$207,282 and \$176,570, respectively. All contributions are due within one year and are considered fully collectible; therefore no allowance has been established.

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

Note 5 - Property and Equipment

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

	Estimated Useful Life	2021	2020
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	468,369	462,350
Vehicles	5 yrs	47,208	47,208
Construction in progress (Note 6)	-	467,126	222,552
		2,476,586	2,225,993
Less: accumulated depreciation		(1,662,598)	(1,617,970)
		<u>\$ 813,988</u>	<u>\$ 608,023</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$44,628 and \$44,176, respectively.

Note 6 - Construction in Progress

The Society is planning to expand its shelter facilities. Construction in progress through December 31, 2021 and 2020 of \$467,126 and \$222,552, respectively, represents amounts spent on this expansion, not yet placed in service. The building project is expected to begin in 2023 and financing was obtained subsequent to year end. See note 19.

Note 7 - 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, 2021 and 2020 were \$645 and \$17,150, respectively.

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

Note 8 - Investments - Operating Fund

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

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 4,943,010	\$ 2,418,087
Certificates of deposit	702,028	1,061,005
Equities	<u>618,619</u>	<u>549,696</u>
	<u>\$ 6,263,657</u>	<u>\$ 4,028,788</u>

Net realized and unrealized gain on operating fund investments for the years ended December 31, 2021 and 2020 amounted to \$335,550 and \$128,016, respectively.

Note 9 - Investments - Endowment Fund

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

	<u>2021</u>			<u>Total</u>
	<u>BB&T MacCarthy Trust</u>	<u>BB&T Leifson Trust</u>	<u>Merrill Lynch SPCA Endowment</u>	
Cash and cash equivalents	\$ -	\$ -	\$ 41,456	\$ 41,456
Certificates of deposit	-	-	12,139	12,139
Equities	-	-	12,950	12,950
Mutual funds	<u>1,714,670</u>	<u>466,529</u>	<u>219,534</u>	<u>2,400,733</u>
	<u>\$ 1,714,670</u>	<u>\$ 466,529</u>	<u>\$ 286,079</u>	<u>\$ 2,467,278</u>
	<u>2020</u>			<u>Total</u>
	<u>BB&T MacCarthy Trust</u>	<u>BB&T Leifson Trust</u>	<u>Merrill Lynch SPCA Endowment</u>	
Cash and cash equivalents	\$ 30,497	\$ 22,652	\$ 16,856	\$ 70,005
Certificates of deposit	-	-	28,820	28,820
Equities	-	-	13,640	13,640
Mutual funds	<u>1,593,128</u>	<u>408,238</u>	<u>203,859</u>	<u>2,205,225</u>
	<u>\$ 1,623,625</u>	<u>\$ 430,890</u>	<u>\$ 263,175</u>	<u>\$ 2,317,690</u>

Net realized and unrealized gain on endowment investments for the year ended December 31, 2021 and 2020 amounted to \$138,291 and \$87,589, respectively.

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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

Note 10 - 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.

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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

Note 10 - 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:

	2021			Total
	Level 1	Level 2	Level 3	
Operating fund investments:				
Certificates of deposit	\$ -	\$ 702,028	\$ -	\$ 702,028
Equities	618,619	-	-	618,619
Mutual funds	4,943,010	-	-	4,943,010
Total operating investments	<u>5,561,629</u>	<u>702,028</u>	<u>-</u>	<u>6,263,657</u>
Endowment fund investments:				
Cash and cash equivalents	41,456	-	-	41,456
Certificates of deposit	-	12,139	-	12,139
Equities	12,950	-	-	12,950
Mutual funds	2,400,733	-	-	2,400,733
Total endowment investments	<u>2,455,139</u>	<u>12,139</u>	<u>-</u>	<u>2,467,278</u>
Total investments	<u>\$ 8,016,768</u>	<u>\$ 714,167</u>	<u>\$ -</u>	<u>\$8,730,935</u>
	2020			
	Level 1	Level 2	Level 3	Total
Operating fund investments:				
Certificates of deposit	\$ -	\$1,061,005	\$ -	\$1,061,005
Equities	549,696	-	-	549,696
Mutual funds	2,418,087	-	-	2,418,087
Total operating investments	<u>2,967,783</u>	<u>1,061,005</u>	<u>-</u>	<u>4,028,788</u>
Endowment fund investments:				
Cash and cash equivalents	70,005	-	-	70,005
Certificates of deposit	-	28,820	-	28,820
Equities	13,640	-	-	13,640
Mutual funds	2,205,225	-	-	2,205,225
Total endowment investments	<u>2,288,870</u>	<u>28,820</u>	<u>-</u>	<u>2,317,690</u>
Total investments	<u>\$ 5,256,653</u>	<u>\$1,089,825</u>	<u>\$ -</u>	<u>\$6,346,478</u>

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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

Note 11 - 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>2021</u>	<u>2020</u>
Revenue	\$ 560,864	\$ 272,099
Direct expenses	<u>(16,707)</u>	<u>(20,746)</u>
Total net revenues	<u>\$ 544,157</u>	<u>\$ 251,353</u>

Note 12 - 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, 2021 and 2020, donated services and materials were \$57,408 and \$58,168, 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.

Note 13 - 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, 2021 and 2020, employer contributions were \$2,110 and \$2,156, respectively.

The Society for the Prevention of Cruelty to Animals
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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

Note 14 - Net Assets Without Donor Restrictions

Net assets without donor restrictions consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 8,015,033	\$ 6,507,804
Board-designated	<u>114,877</u>	<u>359,451</u>
	<u>\$ 8,129,910</u>	<u>\$ 6,867,255</u>

Note 15 - Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
MacCarthy Trust	\$ 1,714,670	\$ 1,623,625
Leifson Trust	466,529	430,890
SPCA Endowment Fund	286,079	263,175
Shelter expansion	91,864	91,849
Betsy fund	77,029	55,410
Bubba fund	72,607	73,615
Sparky fund	6,165	6,165
Ares fund	<u>2,196</u>	<u>2,196</u>
	<u>\$ 2,717,139</u>	<u>\$ 2,546,925</u>

The Society for the Prevention of Cruelty to Animals
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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

Note 16 - 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, 2021 and 2020 totaled \$45,452 and \$48,350, respectively. Investment income is shown net of investment fees.

Endowment net assets held to perpetuity 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 net assets with donor restrictions held to perpetuity (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 net assets with donor restrictions held to perpetuity is classified as net assets with donor restrictions that are temporary in nature 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 net assets with donor restrictions.

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, 2021 and 2020, amounts appropriated for expenditure were \$45,452 and \$43,964, respectively.

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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

Note 16 - Donor-Designated Endowments (Cont.)

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

	With Donor Restrictions	
	2021	2020
Endowment net assets, beginning of year	\$ 2,317,690	\$ 2,219,655
Investment return:		
Investment income and realized/unrealized gain (loss)	190,128	137,612
Required 10% distribution	4,912	4,387
Appropriation of endowment earnings for expenditure	(45,452)	(43,964)
Endowment net assets, end of year	\$ 2,467,278	\$ 2,317,690

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

Note 17 - Unemployment Compensation Plan/Letter of Credit

The Society 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, 2021 and 2020, the state required collateral of \$18,415 and \$18,720, respectively, which was in the form of a letter of credit. The letter of credit was renewed in September of 2020 in the amount of \$18,720 and currently expires in September of 2022.

Note 18 - Paycheck Protection Program Grant

In April 2020, the Society received \$192,000 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). The Society has accounted for the PPP funding as a conditional grant in the financial statements as of December 31, 2020. In June 2021, the Society was notified that the SBA has granted 100% forgiveness of the PPP loan.

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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2021

Note 19 - Subsequent Events

The Society has evaluated the impact of significant events. Except as described below, there have been no significant events through September 21, 2022, the date the Society's financial statements were available to be issued, that require recognition or disclosure.

The Society has received \$5 million funding for a new building project. The funding was financed through Virginia Partners Bank on August 11, 2022. The new debt financing has a fixed interest rate of 3.34% and the term of the loan is 15 years. The loan is scheduled to mature on August 31, 2037.

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks and may affect the short-term liquidity associated with certain investments held by the Society which could impact the value of investments after the date of these financial statements. Because the values of individual investments fluctuate with market conditions, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined.