

**THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS OF
ANNE ARUNDEL COUNTY, MARYLAND, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2024**

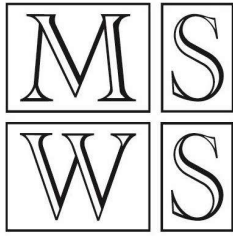


MULLEN SONDBERG WIMBISH & STONE, PA

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

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 nonprofit organization), which comprise the statement of financial position as of December 31, 2024, 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, 2024, 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.

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

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 within one year after the date that the financial statements are available to be issued.

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.

To Management and the Board of Directors of
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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 11, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, 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
August 20, 2025

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2024

ASSETS		
	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 786,127	\$ 963,453
Investments	6,925,222	6,362,172
Inventory	8,621	24,820
Contributions receivable, net of allowance	363,039	251,776
Building contributions receivable	100,000	452,773
Prepaid expenses	8,293	7,701
Total current assets	8,191,302	8,062,695
ENDOWMENT INVESTMENTS		
Cash and cash equivalents	562	2,849
Investments	2,372,754	2,215,757
Total endowment investments	2,373,316	2,218,606
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	6,802,263	5,126,212
OTHER ASSETS		
Property held for sale	378,300	378,300
Bond deposit	300,083	300,083
Total other assets	678,383	678,383
Total assets	\$ 18,045,264	\$ 16,085,896
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 667,134	\$ 147,933
Accrued salaries	46,874	37,830
Accrued vacation	11,752	14,342
Note payable	290,719	187,957
Total current liabilities	1,016,479	388,062
LONG-TERM LIABILITIES		
Note payable	4,215,767	3,604,853
Total liabilities	5,232,246	3,992,915
NET ASSETS		
Without donor restrictions	10,335,591	9,255,649
With donor restrictions	2,477,427	2,837,332
Total net assets	12,813,018	12,092,981
Total liabilities and net assets	\$ 18,045,264	\$ 16,085,896

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, 2024
With Summarized Financial Information for the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	2024	2023
REVENUES, GAINS AND OTHER SUPPORT				
Contributions, gains and other support	\$ 1,184,393	\$ 116,720	\$ 1,301,113	\$ 1,729,742
Special events, net of direct expenses	329,183	-	329,183	405,995
Shelter and spay and neuter clinic	399,997	-	399,997	280,507
Grants	110,000	-	110,000	3,100
Contributions - nonfinancial assets	59,911	-	59,911	70,131
Merchandise sales, net of direct expenses	40,868	-	40,868	78,226
Other income	175	-	175	100
	<u>2,124,527</u>	<u>116,720</u>	<u>2,241,247</u>	<u>2,567,801</u>
Net assets released from restrictions	<u>606,765</u>	<u>(606,765)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>2,731,292</u>	<u>(490,045)</u>	<u>2,241,247</u>	<u>2,567,801</u>
EXPENSES				
Program services				
Shelter	1,637,027	-	1,637,027	1,405,539
Spay and neuter clinic	362,610	-	362,610	234,510
Total program expenses	<u>1,999,637</u>	<u>-</u>	<u>1,999,637</u>	<u>1,640,049</u>
Supporting services				
Management and general	252,909	-	252,909	281,431
Fundraising	116,897	-	116,897	37,494
Total supporting services	<u>369,806</u>	<u>-</u>	<u>369,806</u>	<u>318,925</u>
Total expenses	<u>2,369,443</u>	<u>-</u>	<u>2,369,443</u>	<u>1,958,974</u>
Change in net assets before other changes	361,849	(490,045)	(128,196)	608,827
OTHER CHANGES IN NET ASSETS				
Investment return, net	718,093	130,140	848,233	782,388
Total other changes in net assets	<u>718,093</u>	<u>130,140</u>	<u>848,233</u>	<u>782,388</u>
Change in net assets	1,079,942	(359,905)	720,037	1,391,215
NET ASSETS AT BEGINNING OF YEAR	<u>9,255,649</u>	<u>2,837,332</u>	<u>12,092,981</u>	<u>10,701,766</u>
NET ASSETS AT END OF YEAR	<u>\$ 10,335,591</u>	<u>\$ 2,477,427</u>	<u>\$ 12,813,018</u>	<u>\$ 12,092,981</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, 2024
With Summarized Financial Information for the Year Ended December 31, 2023

	Program Services			Supporting Services			Total	
	Shelter	Spay and Neuter Clinic	Total	Management and General	Fundraising	Total	2024	2023
Salaries	\$ 758,369	\$ 125,786	\$ 884,155	\$ 84,190	\$ 28,586	\$ 112,776	\$ 996,931	\$ 883,194
Employee benefits	57,402	10,839	68,241	2,907	-	2,907	71,148	56,694
Payroll taxes	50,658	5,549	56,207	8,021	2,188	10,209	66,416	65,876
Total salaries and related expenses	866,429	142,174	1,008,603	95,118	30,774	125,892	1,134,495	1,005,764
Contract services	-	-	-	-	194,988	194,988	194,988	186,736
Facility expenses	124,789	21,708	146,497	7,205	34,549	41,754	188,251	107,861
Medical	-	154,329	154,329	-	-	-	154,329	116,764
Vet hospitals	141,523	5,696	147,219	-	-	-	147,219	107,622
Animal food	113,722	1,647	115,369	-	-	-	115,369	104,780
Office expenses	79,062	1,857	80,919	9,744	15,138	24,882	105,801	114,155
Depreciation	79,642	5,473	85,115	4,445	-	4,445	89,560	44,237
Bad debt	-	-	-	-	75,000	75,000	75,000	-
Donated services	59,911	-	59,911	-	-	-	59,911	70,131
Miscellaneous	75	-	75	57,500	-	57,500	57,575	65,613
Insurance	41,989	10,058	52,047	2,739	-	2,739	54,786	62,553
Professional fees	-	-	-	45,613	4,435	50,048	50,048	47,889
Information technology	10,816	3,661	14,477	26,823	259	27,082	41,559	32,785
Merchandise sales expense	38,231	-	38,231	-	1,375	1,375	39,606	36,261
Interest expense	38,052	-	38,052	-	-	-	38,052	-
Casual labor	32,994	-	32,994	431	1,519	1,950	34,944	40,254
Repairs & maintenance	29,516	2,645	32,161	1,704	207	1,911	34,072	33,482
Animal removal	12,093	13,062	25,155	-	-	-	25,155	26,400
Advertising	1,752	-	1,752	-	18,565	18,565	20,317	6,073
Travel	3,812	-	3,812	-	39	39	3,851	6,840
Licenses & permits	850	300	1,150	1,587	100	1,687	2,837	2,692
Total expenses	1,675,258	362,610	2,037,868	252,909	376,948	629,857	2,667,725	2,218,892
Less: special events expenses included with revenue in the statement of activities	-	-	-	-	(260,051)	(260,051)	(260,051)	(223,657)
Less: merchandise sales expenses included with revenue in the statement of activities	(38,231)	-	(38,231)	-	-	-	(38,231)	(36,261)
Total expenses reported in the statement of activities	<u>\$ 1,637,027</u>	<u>\$ 362,610</u>	<u>\$ 1,999,637</u>	<u>\$ 252,909</u>	<u>\$ 116,897</u>	<u>\$ 369,806</u>	<u>\$ 2,369,443</u>	<u>\$ 1,958,974</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 CASH FLOWS
Year Ended December 31, 2024

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 720,037	\$ 1,391,215
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	89,560	44,237
Unrealized/realized (gain) loss on investments	(437,886)	(360,089)
Contributions of long-term assets	352,773	(452,773)
(Increase) decrease in operating assets:		
Inventory	16,199	(86)
Contributions receivable	(111,263)	(79,661)
Prepaid expenses	(592)	(2,437)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	519,201	(10,901)
Accrued salaries	9,044	6,717
Accrued vacation	(2,590)	1,269
	<u>1,154,483</u>	<u>537,491</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments and reinvested income	(7,223,519)	(2,449,627)
Proceeds from sale of investments	6,941,358	1,394,759
Purchase of property and equipment	(786,030)	(189,743)
	<u>(1,068,191)</u>	<u>(1,244,611)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(265,905)	-
	<u>(265,905)</u>	<u>-</u>
Net cash used in financing activities		
Net change in cash and cash equivalents	(179,613)	(707,120)
Cash, cash equivalents, and restricted cash at beginning of year	966,302	1,673,422
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 786,689</u>	<u>\$ 966,302</u>
Cash, cash equivalents and restricted cash consists of the following at end of year:		
Cash and cash equivalents	\$ 786,127	\$ 963,453
Endowment investments - cash and cash equivalents	562	2,849
	<u>\$ 786,689</u>	<u>\$ 966,302</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 141,261</u>	<u>\$ 85,411</u>
Noncash investing and financing activities:		
Acquisition of property and equipment	\$ 1,765,611	\$ 2,528,473
Financed through construction note payable	(979,581)	(2,338,730)
	<u>\$ 786,030</u>	<u>\$ 189,743</u>
Cash paid for property and equipment		

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, 2024

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 Society reports 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, 2023, 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, 2024

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, 2024

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, 2024 and 2023 are as follows:

<u>Service Type</u>	<u>Revenue Recognized 12/31/2024</u>	<u>Revenue Recognized 12/31/2023</u>
Vaccination fees	\$ 148,306	\$ 135,695
Adoption fees	96,347	98,700
Veterinary clinic fees	155,344	46,112
	<u>\$ 399,997</u>	<u>\$ 280,507</u>

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.

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, 2024

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, 2024 and 2023 were \$20,317 and \$6,073, 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, 2024

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

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all nonprofit 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.

Contributions – Nonfinancial Assets

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements included in donations are offset by like amounts included in expenses or additions to property and equipment. Amounts recorded for contributed services for the year ending December 31, 2024 and 2023 totaled \$32,000 and \$28,000, respectively. Amounts recorded for contributions of tangible assets for the years ending December 31, 2024 and 2023 totaled \$3,365 and \$1,673, respectively. These contributions of services and tangible assets were utilized in the Society's programs in the provision of services to meet the needs of animals and were valued based on the comparable sales.

Amounts recorded for contributions of property and equipment for the years ending December 31, 2024 and 2023 totaled \$13,800 and \$36,050, respectively. These contributions of property and equipment were monetized and converted to cash and cash equivalents shortly after the receipt by the Society and were valued based on the final auction price of the relevant property or equipment on the date of receipt.

Amounts recorded for contributions of securities for the years ending December 31, 2024 and 2023 totaled \$10,746 and \$4,408, respectively. These contributions of securities were monetized and converted to cash and cash equivalents shortly after the receipt by the Society and were valued based on the comparable sales of the relevant securities on the date of receipt.

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.

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2024

Note 2 - Concentration of Cash Balances

At December 31, 2024 and 2023 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.

Note 3 - Availability and Liquidity

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

	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 786,127	\$ 963,453
Investments	6,925,222	6,362,172
Inventory	8,621	24,820
Contributions receivable, net of allowance	<u>363,039</u>	<u>251,776</u>
Total financial assets	8,083,009	7,602,221
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	<u>280,319</u>	<u>757,935</u>
Financial assets available to meet general expenditures over the next twelve months before Board designations	7,802,690	6,844,286
Less: Board-designated funds	<u>430,556</u>	<u>114,877</u>
Financial assets available to meet general expenditures over the next twelve months:	<u>\$ 7,372,134</u>	<u>\$ 6,729,409</u>

The Society's goal is generally to maintain financial assets to meet 12 months of operating expenses, approximately \$2.3 million. Program revenues are approximately \$400,000 which comprises 13% 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 Board-designated quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2024

Note 4 - Contributions Receivable, Net of Allowance

Contributions receivable represent gifts from individuals and corporations for the general support of the Society. The balance of contributions receivable, net of allowance at December 31, 2024 and 2023 were \$363,039 and \$251,776, respectively. The allowance at December 31, 2024 and 2023 was \$75,000 and \$-0-, respectively.

Note 5 - Building Contributions Receivable

Building contributions receivable represent gifts from individuals and corporations for the support of the Society's shelter expansion. The balance of building contributions receivable at December 31, 2024 and 2023 were \$100,000 and \$452,773, respectively. All contributions are due within one year and are considered fully collectible; therefore no allowance has been established.

Note 6 - Property and Equipment

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

	Estimated Useful Life	2024	2023
Land and improvements	7 - 20 yrs	\$ 55,576	\$ 55,576
Buildings and improvements	5 - 40 yrs	7,667,483	1,436,705
Equipment and fixtures	3 - 15 yrs	844,553	454,603
Vehicles	5 yrs	47,208	47,208
Construction in progress (Note 8)	-	-	4,855,116
		8,614,820	6,849,208
Less: accumulated depreciation		(1,812,557)	(1,722,996)
		<u>\$ 6,802,263</u>	<u>\$ 5,126,212</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$89,560 and \$44,237, respectively.

Note 7 - Property Held for Sale

During the year ended December 31, 2022, the Society received a bequest of a residential property located in Annapolis, Maryland. The Society plans to list the property for sale. Property held for sale consists of land of \$185,000 and a building for \$193,300 for a total of \$378,300 as of December 31, 2024 and 2023.

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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2024

Note 8 - Construction in Progress

The Society planned to expand its shelter facilities and entered into a construction contract in the amount of \$4,232,267. Construction in progress through December 31, 2024 and 2023 of \$-0- and \$4,855,116, respectively, represents amounts spent on this expansion, not yet placed in service. Phase one of the building project began during fiscal year ending December 31, 2021 and has been completed and placed in service on September 30, 2024. The total cost of the project amounted to \$6,230,778. Financing was obtained to provide funds for the project (See Note 9).

Note 9 - Notes Payable

On August 11, 2022, the Society entered into an agreement for a construction loan with a bank to help fund their new building project. The Society will receive up to \$5 million in funding for the project. The new debt financing has a fixed interest rate of 3.34% and the term of the loan is 15 years. The loan is secured by all existing and after-acquired assets of the Society. Monthly installments of interest only are due through February 2024. Thereafter, monthly payments of principal and interest are due based on a 162 month amortization schedule. The loan is scheduled to mature on August 31, 2037. The balance outstanding on the loan amounted to \$4,506,486 and \$3,792,810 at December 31, 2024 and 2023, respectively. Total interest capitalized amounted to \$103,209 and \$85,411 during the years ended December 31, 2024 and 2023, respectively. Total interest expense amounted to \$38,052 and \$-0- during the years ended December 31, 2024 and 2023, respectively.

As of December 31, 2024, future minimum principal payments on the loan are as follows:

2025	\$ 290,719
2026	300,579
2027	310,773
2028	321,314
2029	332,211
Thereafter	<u>2,950,890</u>
Total	<u><u>\$4,506,486</u></u>

Note 10 - 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, 2024 and 2023 were \$11,752 and \$14,342, respectively.

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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2024

Note 11 - Investments - Operating Fund

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

	2024	2023
Exchange traded funds	\$ 3,494,847	\$ -
Mutual funds	1,477,608	4,471,401
Private equity real estate funds	950,000	-
Equities	702,130	713,678
Private real estate investment trusts	300,000	-
Fixed income	637	-
Government and agency securities	-	1,177,093
	\$ 6,925,222	\$ 6,362,172

Net realized and unrealized gains on operating fund investments for the years ended December 31, 2024 and 2023 amounted to \$487,119 and \$526,860, respectively.

Note 12 - Investments - Endowment Fund

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

	2024			
	MacCarthy Trust	Leifson Trust	SPCA Endowment	
Cash and cash equivalents	\$ 420	\$ 142	\$ -	\$ 562
Government and agency securities	61,078	14,305	-	75,383
Equities	1,092,780	231,463	-	1,324,243
Exchange traded funds	-	-	313,521	313,521
Fixed income	461,177	198,430	-	659,607
	\$ 1,615,455	\$ 444,340	\$ 313,521	\$ 2,373,316
	2023			
	MacCarthy Trust	Leifson Trust	SPCA Endowment	Total
Cash and cash equivalents	\$ -	\$ -	\$ 2,849	\$ 2,849
Government and agency securities	-	-	36,467	36,467
Equities	-	-	9,600	9,600
Mutual funds	1,506,813	421,407	241,470	2,169,690
	\$ 1,506,813	\$ 421,407	\$ 290,386	\$ 2,218,606

The Society for the Prevention of Cruelty to Animals
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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2024

Note 12 - Investments - Endowment Fund (Cont.)

Net realized and unrealized losses on endowment investments for the year ended December 31, 2024 and 2023 amounted to \$(49,233) and \$(166,771), respectively.

Note 13 - Fair Value Measurement

ASC 820-10 "Fair Value Measurement" 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, government and agency securities, active listed mutual funds, equities, and exchange traded funds.

Investments whose values are based on observable market-based inputs, and are, therefore classified as Level 2, include fixed income securities.

Investments whose values are based on unobservable inputs, and are, therefore classified as Level 3, include private equity real estate funds and private real estate investment trusts. Private real estate investments trusts are valued based on manager reports and independent valuation inputs. Private real estate funds are valued based on estimates by the fund manager.

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of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2024

Note 13 - 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:

	2024			Total
	Level 1	Level 2	Level 3	
Operating fund investments:				
Equities	\$ 702,130	\$ -	\$ -	\$ 702,130
Mutual funds	1,477,608	-	-	1,477,608
Exchange traded funds	3,494,847	-	-	3,494,847
Fixed income	-	637	-	637
Private equity real estate funds	-	-	950,000	950,000
Private real estate investment trusts	-	-	300,000	300,000
Total operating investments	<u>5,674,585</u>	<u>637</u>	<u>1,250,000</u>	<u>6,925,222</u>
Endowment fund investments:				
Cash and cash equivalents	562	-	-	562
Government and agency securities	75,383	-	-	75,383
Equities	1,324,243	-	-	1,324,243
Exchange traded funds	313,521	-	-	313,521
Fixed income	-	659,607	-	659,607
Total endowment investments	<u>1,713,709</u>	<u>659,607</u>	<u>-</u>	<u>2,373,316</u>
Total investments	<u>\$ 7,388,294</u>	<u>\$ 660,244</u>	<u>\$ 1,250,000</u>	<u>\$9,298,538</u>
2023				
	Level 1	Level 2	Level 3	Total
Operating fund investments:				
Government and agency securities	\$ 1,177,093	\$ -	\$ -	\$1,177,093
Equities	713,678	-	-	713,678
Mutual funds	4,471,401	-	-	4,471,401
Total operating investments	<u>6,362,172</u>	<u>-</u>	<u>-</u>	<u>6,362,172</u>
Endowment fund investments:				
Cash and cash equivalents	2,849	-	-	2,849
Government and agency securities	36,467	-	-	36,467
Equities	9,600	-	-	9,600
Mutual funds	2,169,690	-	-	2,169,690
Total endowment investments	<u>2,218,606</u>	<u>-</u>	<u>-</u>	<u>2,218,606</u>
Total investments	<u>\$ 8,580,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,580,778</u>

The Society for the Prevention of Cruelty to Animals
of Anne Arundel County, Maryland, Inc.
NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2024

Note 13 - Fair Value Measurement (Cont.)

Investments in private real estate funds are classified as Level 3 due to the absence of observable market data. These funds are valued using net asset value (NAV) per share or equivalent units as reported by the fund managers or administrators of the program. The reported NAVs are based solely on program management's estimate of the value of the program's net assets with no independent confirmation. This value is an estimate of the investors' interest in the net assets of the program.

The private real estate investment trusts (REIT) are also valued using NAV reported by the investment managers or administrators of the program. The reported value is based on a valuation of assets, or with the material assistance or confirmation of, an independent third party valuation expert or service. This value is an estimate of the investors' interest in the net assets of the program. As such, these valuations are subject to significant estimation uncertainty. While certain components of the real estate investment trusts' valuation may involve external inputs, the investment as a whole is classified within Level 3 due to the presence of significant unobservable assumptions and the limited availability of market activity to corroborate the reported value.

The following table reconciles the beginning and ending balances of the Society's liabilities measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2024:

	Private REIT	Private Real Estate Funds	Total
Balance, beginning of year	\$ -	\$ -	\$ -
Purchases	300,000	950,100	1,250,100
Realized/unrealized losses	-	(100)	(100)
Balance, end of year	<u>\$ 300,000</u>	<u>\$ 950,000</u>	<u>\$ 1,250,000</u>

Note 14 - 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:

	2024	2023
Revenue	\$ 589,234	\$ 629,652
Direct expenses	<u>(260,051)</u>	<u>(223,657)</u>
Total net revenues	<u>\$ 329,183</u>	<u>\$ 405,995</u>

The Society for the Prevention of Cruelty to Animals
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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2024

Note 15 - 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, 2024 and 2023, employer contributions were \$1,087 and \$1,040, respectively.

Note 16 - Net Assets Without Donor Restrictions

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

	2024	2023
Undesignated	\$ 9,905,035	\$ 9,140,772
Board-designated	430,556	114,877
	\$ 10,335,591	\$ 9,255,649

Note 17 - Net Assets With Donor Restrictions

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

	2024	2023
MacCarthy Trust	\$ 1,615,455	\$ 1,507,534
Leifson Trust	444,340	421,406
SPCA Endowment Fund	314,083	302,095
Bubba fund	80,188	80,163
Equipment purchases	15,000	15,000
Sparky fund	6,165	6,165
Ares fund	2,196	2,196
Shelter expansion	-	502,773
	\$ 2,477,427	\$ 2,837,332

Note 18 - 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 Society for the Prevention of Cruelty to Animals
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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2024

Note 18 - Donor-Designated Endowments (Cont.)

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, 2024 and 2023 totaled \$89,144 and \$120,500, 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, 2024 and 2023, amounts appropriated for expenditure were \$89,144 and \$120,500, respectively.

The Society for the Prevention of Cruelty to Animals
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NOTES TO FINANCIAL STATEMENTS (Cont.)
December 31, 2024

Note 18 - Donor-Designated Endowments (Cont.)

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

	With Donor Restrictions	
	2024	2023
Endowment net assets, beginning of year	\$ 2,218,606	\$ 2,093,177
Investment return:		
Investment income and realized/unrealized gain	234,870	233,156
Required 10% distribution	8,984	12,773
Appropriation of endowment earnings for expenditure	(89,144)	(120,500)
Endowment net assets, end of year	\$ 2,373,316	\$ 2,218,606

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

Note 19 - 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, 2023, the state required collateral of \$18,044, which was in the form of a letter of credit. The letter of credit was renewed October 16, 2024 for \$16,492 and expires on October 1, 2026.

Note 20 - Subsequent Events

The Society has evaluated the impact of significant events. There have been no significant events through August 20, 2025, the date the Society's financial statements were available to be issued, that require recognition or disclosure.