

SPCA of Westchester, Inc.

Financial Statements

and

Independent Auditors' Report

December 31, 2020 and 2019

SPCA of Westchester, Inc.

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Independent Auditors' Report

To the Board of Directors of
SPCA of Westchester, Inc.

Opinion

We have audited the accompanying financial statements of SPCA of Westchester, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 SPCA of Westchester, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 SPCA of Westchester, 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.

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 SPCA of Westchester, 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, including omissions, 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 SPCA of Westchester, 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 SPCA of Westchester, 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.

Vargas & Rivera, LLP

New City, New York
September 13, 2021

SPCA of Westchester, Inc.
 Statements of Financial Position
 December 31, 2020 and 2019

| ASSETS | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|-----------------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 6,965,386 | \$ 4,238,543 |
| Accounts and Legacies Receivable | 4,346 | 1,945 |
| Pledges Receivables, net (Note 3) | 786,997 | 1,176,281 |
| Investments in Marketable Securities (Note 4) | 3,171,729 | 5,890,546 |
| Prepaid Expenses | - | 11,748 |
| Security Deposits | <u>10,000</u> | <u>-</u> |
| TOTAL CURRENT ASSETS | <u>10,938,458</u> | <u>11,319,063</u> |
| FIXED ASSETS | | |
| Land and Improvements | 45,862 | 45,862 |
| Building and Improvements | 1,767,823 | 1,767,823 |
| Office Equipment | 192,373 | 192,373 |
| Automobiles | 154,101 | 154,101 |
| Construction in Progress | <u>3,250,567</u> | <u>83,180</u> |
| | 5,410,726 | 2,243,339 |
| Less: Accumulated Depreciation | <u>(1,909,319)</u> | <u>(1,881,427)</u> |
| TOTAL FIXED ASSETS | <u>3,501,407</u> | <u>361,912</u> |
| TOTAL ASSETS | <u><u>\$ 14,439,865</u></u> | <u><u>\$ 11,680,975</u></u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 49,185 | \$ 103,463 |
| Loan Payable (Note 5) | <u>180,840</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>230,025</u> | <u>103,463</u> |
| NET ASSETS | | |
| Without Donor Restrictions | 8,042,432 | 6,812,060 |
| With Donor Restrictions (Note 7) | <u>6,167,408</u> | <u>4,765,452</u> |
| TOTAL NET ASSETS | <u>14,209,840</u> | <u>11,577,512</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 14,439,865</u></u> | <u><u>\$ 11,680,975</u></u> |

See accompanying notes to financial statements and independent auditors' report.

SPCA of Westchester, Inc.
 Statements of Activities
 For the Year Ended December 31, 2020 and 2019

| NET ASSETS WITHOUT DONOR RESTRICTIONS | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| PUBLIC SUPPORT AND REVENUE: | | |
| Public Support: | | |
| Contributions | \$ 1,338,852 | \$ 1,199,721 |
| Legacies | 1,028,211 | 70,959 |
| Appeals | 303,748 | 275,756 |
| Special Events (Integral and Ongoing) | | |
| Contributions | 326,621 | 264,012 |
| Special Events Revenue | - | 175,335 |
| Cost of Direct Benefits to Donors | - | (81,097) |
| Net Fundraising Revenue | <u>326,621</u> | <u>358,250</u> |
| Fundraising Events (Peripheral and Incidental) (Net of Expenses of \$0 for 2020 and \$7,620 for 2019) | <u>32,200</u> | <u>27,129</u> |
| Total Public Support | <u>3,029,632</u> | <u>1,931,815</u> |
| Other Revenues | | |
| Program Service Fees | 368,552 | 680,851 |
| Adoption Fees | 203,035 | 303,962 |
| Interest and Dividend Income | 126,225 | 179,937 |
| Net Realized and Unrealized Gain (Loss) on Investments | 39,552 | 206,099 |
| Contributed Services and Supplies | <u>4,272</u> | <u>55,996</u> |
| Total Other Revenue | <u>741,636</u> | <u>1,426,845</u> |
| Net Assets Released From Restrictions | <u>183,692</u> | <u>306,338</u> |
| Total Public Support and Other Revenue Without Donor Restrictions | <u>3,954,960</u> | <u>3,664,998</u> |
| EXPENSES | | |
| Program Services | | |
| Animal Shelter | 1,340,489 | 1,684,596 |
| Outreach and Education | 44,515 | 49,511 |
| SPCA Veterinary Clinic | 406,344 | 642,313 |
| Humane Law Enforcement | 224,034 | 233,967 |
| Interim Expenses | <u>250,146</u> | <u>-</u> |
| Total Program Services | <u>2,265,528</u> | <u>2,610,387</u> |

See accompanying notes to financial statements and independent auditors' report.

SPCA of Westchester, Inc.
 Statements of Activities
 For the Year Ended December 31, 2020 and 2019

| NET ASSETS WITHOUT DONOR RESTRICTIONS | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|-----------------------------|
| Supporting Services | | |
| Management and General | 62,757 | 61,805 |
| Fundraising | 217,612 | 257,099 |
| Capital Campaign | <u>178,691</u> | <u>222,719</u> |
| Total Supporting Services | <u>\$ 459,060</u> | <u>\$ 541,623</u> |
| Total Expenses | <u>\$ 2,724,588</u> | <u>\$ 3,152,010</u> |
| Change in Net Assets Without Donor Restrictions | 1,230,372 | 512,988 |
| NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | 1,515,779 | 964,561 |
| Pledges | 69,869 | 375,079 |
| Special Events - Contributions | - | 256,150 |
| Net Assets Released From Restrictions | <u>(183,692)</u> | <u>(306,338)</u> |
| Change in Net Assets With Donor Restrictions | <u>1,401,956</u> | <u>1,289,452</u> |
| Total Change in Net Assets | 2,632,328 | 1,802,440 |
| Net Assets, Beginning of Year | <u>11,577,512</u> | <u>9,775,072</u> |
| Net Assets, End of Year | <u><u>\$ 14,209,840</u></u> | <u><u>\$ 11,577,512</u></u> |

See accompanying notes to financial statements and independent auditors' report.

SPCA of Westchester, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

| | <u>Program Services</u> | | | | | <u>Supporting Services</u> | | | | <u>Total</u> |
|--|-------------------------|---------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------------|---------------------------------|---------------------|-------------------------|---------------------|
| | <u>Animal Shelter</u> | <u>Outreach & Education</u> | <u>SPCA Veterinary Clinic</u> | <u>Humane Law Enforcement</u> | <u>Interim Expenses</u> | <u>Total Program Services</u> | <u>Management & General</u> | <u>Fund-Raising</u> | <u>Capital Campaign</u> | |
| <u>Personnel Services</u> | | | | | | | | | | |
| Salaries | \$ 589,078 | \$ 39,150 | \$ 227,383 | \$ 174,068 | \$ - | \$ 1,029,679 | \$ 41,363 | \$ 45,775 | \$ - | \$ 1,116,817 |
| Fringe Benefits | 66,807 | 197 | 23,761 | 1,177 | - | 91,942 | 416 | 823 | - | 93,181 |
| Payroll Taxes | 50,317 | 2,840 | 16,202 | 13,234 | - | 82,593 | 3,111 | 3,449 | - | 89,153 |
| Total Personal Services and Related Expenses | 706,202 | 42,187 | 267,346 | 188,479 | - | 1,204,214 | 44,890 | 50,047 | - | 1,299,151 |
| <u>Other Than Personnel Services</u> | | | | | | | | | | |
| Professional Fees | 28,760 | 636 | 180 | 821 | - | 30,397 | - | 6,848 | 32,957 | 70,202 |
| Veterinarians | 10,408 | - | 8,005 | - | - | 18,413 | - | - | - | 18,413 |
| Investment Advisory Fees | - | - | - | - | - | - | 11,431 | - | - | 11,431 |
| Occupancy Costs | - | - | - | - | 206,071 | 206,071 | - | - | - | 206,071 |
| Utilities | 11,897 | 129 | 599 | 415 | 16,537 | 29,577 | - | - | - | 29,577 |
| Outside Services | 20,393 | 517 | 4,181 | - | 16,130 | 41,221 | - | 29,869 | - | 71,090 |
| Repairs and Maintenance | 10,938 | 350 | 5,329 | 584 | 10,995 | 28,196 | - | 788 | - | 28,984 |
| Telephone | 3,860 | 162 | 3,073 | 8,963 | - | 16,058 | - | 65 | - | 16,123 |
| Supplies | 11,740 | - | 4,769 | 314 | - | 16,823 | - | 6,638 | - | 23,461 |
| Postage | 3,657 | - | 613 | 306 | - | 4,576 | - | 5,017 | - | 9,593 |
| Rescue and Relocation | 323,585 | - | - | - | - | 323,585 | - | - | - | 323,585 |
| Insurance | 35,233 | - | 12,462 | 22,529 | - | 70,224 | 2,836 | 1,072 | - | 74,132 |
| Medical Supplies | 82,331 | - | 60,658 | - | - | 142,989 | - | - | - | 142,989 |
| Gift Shop Expenses | 783 | - | 14,363 | - | - | 15,146 | - | - | - | 15,146 |
| Critter Credit | 20,372 | - | - | - | - | 20,372 | - | - | - | 20,372 |
| Advertising and Marketing | 8,813 | - | 1,377 | - | - | 10,190 | - | 2,978 | - | 13,168 |
| Direct Mail | - | - | - | - | - | - | - | 76,887 | - | 76,887 |
| Emergency Animal Care | 17,958 | - | - | - | - | 17,958 | - | - | - | 17,958 |
| Automobile | 4,543 | - | - | 1,323 | 364 | 6,230 | - | - | - | 6,230 |
| Water and Sewer Assessment Fees | 7,379 | - | 977 | - | 49 | 8,405 | - | - | - | 8,405 |
| Credit Card and Other Fees | 8,542 | - | 5,868 | - | - | 14,410 | - | 9,664 | 2,517 | 26,591 |
| Adoption/Special Events | - | - | - | - | - | - | - | 25,617 | - | 25,617 |
| Contributed Supplies | 4,272 | - | - | - | - | 4,272 | - | - | - | 4,272 |
| Financing Expenses | - | - | - | - | - | - | - | - | 143,217 | 143,217 |
| Miscellaneous Expenses | 6,839 | 534 | 636 | 300 | - | 8,309 | 3,600 | 2,122 | - | 14,031 |
| Total Other Than Personnel Services | 622,303 | 2,328 | 123,090 | 35,555 | 250,146 | 1,033,422 | 17,867 | 167,565 | 178,691 | 1,397,545 |
| Total Expense Before Depreciation | 1,328,505 | 44,515 | 390,436 | 224,034 | 250,146 | 2,237,636 | 62,757 | 217,612 | 178,691 | 2,696,696 |
| Depreciation Expense | 11,984 | - | 15,908 | - | - | 27,892 | - | - | - | 27,892 |
| TOTAL | \$ 1,340,489 | \$ 44,515 | \$ 406,344 | \$ 224,034 | \$ 250,146 | \$ 2,265,528 | \$ 62,757 | \$ 217,612 | \$ 178,691 | \$ 2,724,588 |

See accompanying notes to financial statements and independent auditors' report.

SPCA of Westchester, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

| | <u>Program Services</u> | | | | | <u>Supporting Services</u> | | | <u>Total</u> |
|--|-------------------------|---------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------|-------------------------|---------------------|
| | <u>Animal Shelter</u> | <u>Outreach & Education</u> | <u>SPCA Veterinary Clinic</u> | <u>Humane Law Enforcement</u> | <u>Total Program Services</u> | <u>Management & General</u> | <u>Fund-Raising</u> | <u>Capital Campaign</u> | |
| <u>Personnel Services</u> | | | | | | | | | |
| Salaries | \$ 719,741 | \$ 39,166 | \$ 331,416 | \$ 171,740 | \$ 1,262,063 | \$ 41,117 | \$ 44,599 | \$ - | \$ 1,347,779 |
| Fringe Benefits | 92,330 | 186 | 51,100 | 1,341 | 144,957 | 485 | 864 | - | 146,306 |
| Payroll Taxes | 61,125 | 2,788 | 24,007 | 13,066 | 100,986 | 3,074 | 3,340 | - | 107,400 |
| Total Personal Services and Related Expenses | <u>873,196</u> | <u>42,140</u> | <u>406,523</u> | <u>186,147</u> | <u>1,508,006</u> | <u>44,676</u> | <u>48,803</u> | <u>-</u> | <u>1,601,485</u> |
| <u>Other Than Personnel Services</u> | | | | | | | | | |
| Professional Fees | 24,800 | 972 | 282 | 1,288 | 27,342 | - | 5,226 | 181,669 | 214,237 |
| Veterinarians | 8,590 | - | 17,400 | - | 25,990 | - | - | - | 25,990 |
| Investment Advisory Fees | - | - | - | - | - | 11,137 | - | - | 11,137 |
| Utilities | 46,594 | 1,065 | 6,692 | 2,181 | 56,532 | - | 190 | - | 56,722 |
| Outside Services | 17,682 | 2,875 | 13,024 | - | 33,581 | - | 29,343 | - | 62,924 |
| Repairs and Maintenance | 25,035 | 711 | 11,605 | 1,808 | 39,159 | - | 430 | - | 39,589 |
| Telephone | 3,153 | 262 | 3,131 | 10,016 | 16,562 | - | 300 | - | 16,862 |
| Supplies | 34,588 | - | 8,098 | 713 | 43,399 | 180 | 2,002 | - | 45,581 |
| Postage | 3,336 | - | 667 | 333 | 4,336 | - | 5,610 | - | 9,946 |
| Rescue and Relocation | 318,861 | - | - | - | 318,861 | - | - | - | 318,861 |
| Insurance | 37,068 | - | 15,628 | 26,187 | 78,883 | 2,530 | - | - | 81,413 |
| Medical Supplies | 114,734 | - | 98,369 | - | 213,103 | - | - | - | 213,103 |
| Gift Shop Expenses | 838 | - | 20,231 | - | 21,069 | - | - | - | 21,069 |
| Critter Credit | 10,932 | - | - | - | 10,932 | - | - | - | 10,932 |
| Advertising and Marketing | 7,308 | 855 | 1,043 | 1,043 | 10,249 | - | 2,939 | - | 13,188 |
| Direct Mail | - | - | - | - | - | - | 101,039 | - | 101,039 |
| Emergency Animal Care | 45,453 | - | - | 417 | 45,870 | - | - | - | 45,870 |
| Automobile | 3,650 | - | - | 3,322 | 6,972 | - | - | - | 6,972 |
| Water and Sewer Assessment Fees | 10,135 | - | 1,835 | - | 11,970 | - | - | - | 11,970 |
| Credit Card and Other Fees | 9,112 | - | 11,887 | - | 20,999 | - | 50 | - | 21,049 |
| Adoption/Special Events | 11,179 | - | - | - | 11,179 | - | 59,975 | 41,050 | 112,204 |
| Contributed Services | - | - | 4,500 | - | 4,500 | - | - | - | 4,500 |
| Contributed Supplies | 51,496 | - | - | - | 51,496 | - | - | - | 51,496 |
| Miscellaneous Expenses | 6,534 | 631 | 5,082 | 512 | 12,759 | 3,282 | 1,192 | - | 17,233 |
| Total Other Than Personnel Services | <u>791,078</u> | <u>7,371</u> | <u>219,474</u> | <u>47,820</u> | <u>1,065,743</u> | <u>17,129</u> | <u>208,296</u> | <u>222,719</u> | <u>1,513,887</u> |
| Total Expense Before Depreciation | 1,664,274 | 49,511 | 625,997 | 233,967 | 2,573,749 | 61,805 | 257,099 | 222,719 | 3,115,372 |
| Depreciation Expense | 20,322 | - | 16,316 | - | 36,638 | - | - | - | 36,638 |
| TOTAL | <u>\$ 1,684,596</u> | <u>\$ 49,511</u> | <u>\$ 642,313</u> | <u>\$ 233,967</u> | <u>\$ 2,610,387</u> | <u>\$ 61,805</u> | <u>\$ 257,099</u> | <u>\$ 222,719</u> | <u>\$ 3,152,010</u> |

See accompanying notes to financial statements and independent auditors' report.

SPCA of Westchester, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | <u>\$ 2,632,328</u> | <u>\$ 1,802,440</u> |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation Expense | 27,892 | 36,638 |
| Net Realized and Unrealized (Gain) Loss on Sale of Investments | (39,552) | (206,099) |
| Changes in Assets and Liabilities: | | |
| (Increase)/Decrease in Accounts and Legacies Receivable | (2,401) | (460) |
| (Increase)/Decrease in Pledges Receivable | 389,284 | 481,232 |
| (Increase)/Decrease in Prepaid Expenses | 11,748 | (784) |
| (Increase)/Decrease in Security Deposits | (10,000) | - |
| Increase/(Decrease) in Accounts Payable and Accrued Expenses | <u>(54,278)</u> | <u>73,084</u> |
| TOTAL ADJUSTMENTS | <u>322,693</u> | <u>383,611</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>2,955,021</u> | <u>2,186,051</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (3,167,387) | (86,480) |
| Purchase of Investments | (7,322,730) | (4,274,766) |
| Proceeds from Sales of Investments | <u>10,081,099</u> | <u>3,860,022</u> |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(409,018)</u> | <u>(501,224)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from Loan Payable | <u>180,840</u> | <u>-</u> |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | <u>180,840</u> | <u>-</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,726,843 | 1,684,827 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>4,238,543</u> | <u>2,553,716</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 6,965,386</u></u> | <u><u>\$ 4,238,543</u></u> |

See accompanying notes to financial statements and independent auditors' report.

SPCA of Westchester, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 1: NATURE OF ORGANIZATION

SPCA of Westchester, Inc. ("the Organization") is a no-kill, 501(c)3 not-for-profit animal welfare organization dedicated to saving homeless, abused and abandoned animals and to protecting animals from cruelty and neglect through education and enforcement of humane laws.

The Organization operates an animal rescue center for stray animals and has contracts with several municipalities to accept stray cats and dogs for return to their owners or to arrange for them to be adopted; a veterinary-care clinic that offers the public low cost spay and neuter surgeries, wellness examinations, vaccinations and testing for diseases in an effort to help keep companion animals healthy; a pet therapy visitation program to healthcare facilities, schools, and group homes; a Humane Law Enforcement Program authorized by New York State to enforce its laws as they relate to animal cruelty in Westchester County investigating cruelty complaints involving dogs, cats, horses, exotics and farm animals; and a volunteer program dedicated to taking care of and making the animals at the rescue center more desirable for adoption.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

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

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 Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

SPCA of Westchester, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash held in investments is included in cash and cash equivalents.

Functional Allocation of Expenses

Expenses are charged to programs or supporting services based on direct expenditures incurred. Any expenses not directly chargeable to a specific program or supporting service are allocated based on the benefits provided.

Income Tax Status

The Organization is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so.

The Organization files the Form 990 in the U.S. federal jurisdiction. With few exceptions, as of December 31, 2020, the Organization is no longer subject to U.S. Federal income tax examinations by tax authorities for the years ended prior to December 31, 2016. The tax returns for the years ended December 31, 2017 through December 31, 2019 are still subject to potential audit by the IRS. Management of the Organization believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at market value at the date of the gift. Depreciation of buildings and equipment is provided on the straight-line basis over the estimated useful lives of the assets, as follows: Building and improvements - 15-39 years; Office equipment - 5-7 years; Automobiles - 3-5 years.

Support and Revenue Recognition

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Pledges Receivable

Pledges receivable consist of donations related to a capital campaign launched by the Organization to raise funds for the rebuilding of the facilities and other general purposes, net of an allowance for doubtful accounts based on management's estimate of the amount considered potentially uncollectible (See Note 3).

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting in use of cash.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organization categorizes its financial instruments into a three-level fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation of assets and liabilities traded for less active dealer or broker markets that have significant observable inputs are classified as Level 2. Level 2 valuations are usually obtained from third-party pricing service valuations for identical or similar assets. If the inputs are used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

Investments

Investments in marketable securities are stated at fair value in the statements of financial position. The fair value of equity securities is determined based upon quoted prices in active markets (Level 1 measurements). The fair value of corporate bonds and government and federal agency obligations is based upon quoted prices for similar securities in active markets (Level 2 measurements). Realized and unrealized gains and losses are included in the change in net assets and are included in the statements of activities as net realized and unrealized gains (losses) on investments.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash accounts at financial institutions which at times may exceed federally insured limits. The Organization reduces its exposure to credit risks by maintaining its cash accounts with high quality financial institutions.

At December 31, 2020, cash included \$5,685,188 on deposit in excess of federally insured limits of \$250,000.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or groups of investments represent a significant concentration of market risk.

NOTE 3: PLEDGES RECEIVABLE:

Management will periodically review the status of all pledges receivable balances for collectability. Each pledge receivable balance is assessed based upon management's analysis of past pledges made and collected. Pledges receivable that are expected to be collected within one year are recorded at undiscounted net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The discount of those amounts are computed using an interest rate applicable to the years in which the pledges are received. Pledges receivable are recorded at their discounted net present value using a discount rate of 5%.

Pledges receivable at December 31, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------------|---------------------|
| Due in less than one year | \$ 417,653 | \$ 459,153 |
| Due in one to five years | <u>501,972</u> | <u>869,625</u> |
| | 919,625 | 1,328,778 |
| Present value discount (5%) | (36,628) | (56,497) |
| Allowance for doubtful accounts | <u>(96,000)</u> | <u>(96,000)</u> |
| | <u>\$ 786,997</u> | <u>\$ 1,176,281</u> |

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NOTE 4: INVESTMENTS:

| | <u>As of December 31, 2020</u> | | <u>Hierarchy</u> |
|--|--------------------------------|---------------------|------------------|
| | Fair | | |
| | <u>Value</u> | <u>Cost</u> | |
| Certificates of Deposits | \$ 1,238,649 | \$ 1,199,686 | Level 1 |
| U.S. Equity Securities | 263,901 | 138,204 | Level 1 |
| U.S. Corporate Bonds and Notes | 1,275,375 | 1,236,843 | Level 2 |
| Mutual Funds | 95,090 | 93,354 | Level 1 |
| U.S. Government and Agency Bonds and Notes | 298,714 | 291,837 | Level 2 |
| | <u>\$ 3,171,729</u> | <u>\$ 2,959,924</u> | |
| | <u>As of December 31, 2019</u> | | |
| | Fair | | |
| | <u>Value</u> | <u>Cost</u> | <u>Hierarchy</u> |
| Certificates of Deposits | \$ 2,364,199 | \$ 2,334,906 | Level 1 |
| U.S. Equity Securities | 332,396 | 205,754 | Level 1 |
| U.S. Corporate Bonds and Notes | 1,029,160 | 1,009,974 | Level 2 |
| Mutual Funds | 255,754 | 252,017 | Level 1 |
| U.S. Government and Agency Bonds and Notes | 1,903,262 | 1,861,531 | Level 2 |
| Alternative Investments | 5,775 | 5,946 | Level 1 |
| | <u>\$ 5,890,546</u> | <u>\$ 5,670,128</u> | |

A summary of the return on investments held in securities during the calendar years 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------------|-------------------|-------------------|
| Interest and Dividends | \$ 126,225 | \$ 179,937 |
| Realized Gain (Loss) | 226,333 | 147,133 |
| Unrealized Gain (Loss) | (186,781) | 58,966 |
| Investment Fees | (11,432) | (11,137) |
| Total investment return | <u>\$ 154,345</u> | <u>\$ 374,899</u> |

NOTE 5: LOAN PAYABLE

PPP Loan

On May 8, 2020, the Organization received loan proceeds in the amount of \$180,840 under the Paycheck Protection Program ("PPP") from Bank of America. Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities.

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NOTE 5: LOAN PAYABLE (continued)

The Organization used the PPP loan proceeds for purposes consistent with the PPP and applied for forgiveness within 6 months of the end of the covered period. The Small Business Administration ("SBA") determined that the amount the Organization requested for forgiveness ("Forgiven Amount") on the PPP loan was fully approved and the SBA remitted the Forgiven Amount to Bank of America. The Organization's PPP loan was paid off in full (including applicable interest) on February 19, 2021.

NOTE 6: PENSION PLAN

The Organization participates in a multi-employer plan for the benefit of its employees who are union members. Total union pension expense are \$10,806 and \$16,932 for the years ended December 31, 2020 and 2019, respectively.

The Organization has a 401(k) defined contribution plan for all non-union employees. Participating employees may elect to contribute after three (3) months of employment, on a tax-deferred basis, a portion of their compensation, in accordance with Section 401(k) of the Internal Revenue Service.

NOTE 7: NET ASSETS - WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes: Capital Campaign for \$6,151,008 and Janet Greenspan Memorial Fund for \$16,400.

NOTE 8: CONTRIBUTED SERVICES AND SUPPLIES

There were veterinarians and veterinary technicians that contributed their time to the Organization. These individuals possess specialized skills which would have to be purchased if not donated. The value of this contributed time is stated at \$0 and \$4,500 in 2020. and 2019, respectively.

In addition to the donated services, the Organization also receives donated supplies for the use of the animals at the shelter throughout the year. The value of these donated supplies for the years ended December 31, 2020 and 2019 are \$4,272 and \$51,496, respectively.

NOTE 9: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The majority of the Organization's public support and revenues are not restricted and are available for ongoing operations to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near term operating needs, and maintaining sufficient reserves to provide reasonable assurance that all obligations will be discharged.

The Organization has a working capital policy to maintain certain financial assets to meet 90 days operating expenses. During the years ended December 31, 2020 and 2019, the level of liquidity was managed within the policy requirements.

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows at December 31, 2020: cash and cash equivalents of \$4,349,822, receivables of \$4,346 and investments of \$406,881.

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NOTE 10: CAPITAL CAMPAIGN

In 2017, the SPCA of Westchester, Inc. undertook a study to assess whether we would be able to launch a capital campaign to build a much needed new and modern animal rescue center for Westchester's dogs and cats. They were pleased to learn that the majority of those interviewed were excited by the project and very positive about the organization and with its leadership. The purpose of the campaign is to raise funds to provide better housing for the rescue animals and more efficient and welcoming space for the humans who care for them and come to adopt them by constructing and equipping a new building to replace the buildings currently on the Organization's property in Briarcliff Manor, New York.

To further this effort, the Organization signed an agreement with BBL Construction Services on 12/20/17 pertaining to the construction of a new animal care facility (the "Project"), and BBL has now determined the Guaranteed Maximum Price for the Project. On February 20, 2020, the Organization executed a consent resolution and approved the Guaranteed Maximum Price of \$8,808,879. On January 15, 2020, the Organization executed a consent resolution to obtain a loan in amount up to \$5,500,000 from Bank of America, N.A., to fund a portion of the Project costs. The Organization raised enough funds to cover the construction, so they formally notified the Bank of America in April 2021 that they will not be going forward with the construction loan.

The groundbreaking ceremony was done on September 26, 2020 and the Organization expects to move into the new building by early July 2021.

NOTE 11: SUBSEQUENT EVENTS

The Organization evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which is September 13, 2021, for these financial statements.

In March 2020, the World Health Organization ("WHO") declared the coronavirus (COVID 19), a global pandemic and public health emergency. The WHO has recommended containment and mitigation measures worldwide and domestically, self-isolation and shelter-in-place requirements have been or are being put in place.

At this point, the Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which this disruption may impact the Organization's financial statements and future results of operations. The Organization will continue to monitor and evaluate the nature and extent of the impact on our ongoing activities and the potential effect on future contributions or funding and expenses, financial condition and liquidity.