



**CHARLOTTESVILLE – ALBEMARLE  
SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.**

**FINANCIAL REPORT**

**December 31, 2017**



**CHARLOTTESVILLE – ALBEMARLE  
SOCIETY FOR THE PREVENTION OF CRUELTY  
TO ANIMALS, INC.**

**FINANCIAL REPORT**

**December 31, 2017**

## CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS.....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements.....	7



## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Directors  
Charlottesville – Albemarle Society for the  
Prevention of Cruelty to Animals, Inc.  
Charlottesville, Virginia

We have audited the accompanying financial statements of the Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc. (the “SPCA”), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year partially summarized comparative information has been derived from the SPCA’s 2016 financial statements, and in our report dated April 24, 2017 we expressed an unmodified opinion on those financial statements.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Brown, Edwards & Company, S. L. P.*  
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
September 17, 2018

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**STATEMENTS OF FINANCIAL POSITION  
December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 422,884	\$ 716,399
Investments (Note 2)	7,810,161	5,653,865
Accounts receivable	64,822	22,507
Other current assets	40,280	20,545
Total current assets	8,338,147	6,413,316
PROPERTY AND EQUIPMENT, net (Note 4)	5,358,156	5,182,021
<b>OTHER ASSETS</b>		
Beneficial interest in Bleecker Trust (Notes 2 and 9)	809,651	737,886
USDA loan reserve (Note 6)	196,471	191,250
Restricted cash held for Pace endowment (Note 9)	26,000	26,000
Total other assets	1,032,122	955,136
Total assets	\$ 14,728,425	\$ 12,550,473
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 33,234	\$ 67,649
Accrued expenses (Note 5)	57,556	132,822
Current portion – notes payable (Note 6)	102,649	102,098
Total current liabilities	193,439	302,569
<b>LONG-TERM LIABILITIES</b>		
Notes payable (Note 6)	1,972,599	2,243,620
Total liabilities	2,166,038	2,546,189
<b>NET ASSETS</b>		
Unrestricted	11,619,460	9,143,122
Temporarily restricted (Note 8)	816,927	735,162
Permanently restricted (Note 9)	126,000	126,000
Total net assets	12,562,387	10,004,284
Total liabilities and net assets	\$ 14,728,425	\$ 12,550,473

The Notes to Financial Statements are an integral part of these statements.

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**STATEMENTS OF ACTIVITIES  
Year Ended December 31, 2017 and Summarized for the Year Ended December 31, 2016**

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Contributions and gifts	\$ 872,410	\$ 65,000	\$ -	\$ 937,410	\$ 697,599
Grants	84,275	-	-	84,275	42,500
Bequests	1,726,626	-	-	1,726,626	204,091
Local government appropriations	828,017	-	-	828,017	808,842
Special events, net of related expenses of \$117,037	389,465	-	-	389,465	297,883
Rummage store sales	533,689	-	-	533,689	485,697
Program services fees	635,283	-	-	635,283	460,256
In-kind contributions	46,079	-	-	46,079	46,897
Income distributions from the Bleecker Trust	21,765	-	-	21,765	1,121
Investment income	104,558	-	-	104,558	127,151
Realized and unrealized gains on investments	913,374	-	-	913,374	83,255
Loss on disposal of assets	-	-	-	-	(61)
Miscellaneous income	338	-	-	338	367
Change in value of beneficial interest in Bleecker Trust	-	71,765	-	71,765	29,815
Net assets released from restrictions (Note 10)	55,000	(55,000)	-	-	-
Total revenues, gains, and other support	<u>6,210,879</u>	<u>81,765</u>	<u>-</u>	<u>6,292,644</u>	<u>3,285,413</u>
<b>EXPENSES</b>					
Program services	3,173,356	-	-	3,173,356	2,989,188
Management and general	217,717	-	-	217,717	299,394
Fundraising	343,468	-	-	343,468	272,222
Total expenses	<u>3,734,541</u>	<u>-</u>	<u>-</u>	<u>3,734,541</u>	<u>3,560,804</u>
Change in net assets	2,476,338	81,765	-	2,558,103	(275,391)
<b>NET ASSETS</b>					
Beginning	<u>9,143,122</u>	<u>735,162</u>	<u>126,000</u>	<u>10,004,284</u>	<u>10,279,675</u>
Ending	<u>\$ 11,619,460</u>	<u>\$ 816,927</u>	<u>\$ 126,000</u>	<u>\$ 12,562,387</u>	<u>\$ 10,004,284</u>

The Notes to Financial Statements are an integral part of these statements.

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2017 and Summarized for the Year Ended December 31, 2016**

	2017				2016
	Program Services	Management and General		Fundraising	Total
		Total	Total		
Salaries	\$1,542,652	\$ 81,116	\$ 164,033	\$ 1,787,801	\$ 1,638,809
Payroll taxes	120,394	6,331	12,802	139,527	123,146
Employee benefits	221,143	11,628	23,515	256,286	212,371
External veterinarians	5,238	-	-	5,238	5,568
Pet care	93,412	-	-	93,412	80,581
Clinic	240,614	-	-	240,614	229,132
Cleaning and janitorial	28,101	-	-	28,101	39,009
Utilities	110,221	3,518	3,518	117,257	124,058
Repairs and maintenance	99,382	-	-	99,382	110,546
Miscellaneous	26,657	9,109	2,025	37,791	49,077
Rent	144,200	-	-	144,200	221,723
Supplies and office systems	57,989	20,946	27,337	106,272	74,324
Equipment	10,494	-	-	10,494	8,353
Telephone	21,820	821	821	23,462	20,278
Advertising	12,513	-	-	12,513	9,012
In-kind services	46,079	-	-	46,079	42,097
Insurance	25,348	913	913	27,174	36,346
Legal and accounting fees	12,737	26,901	10,248	49,886	37,691
Recruiting	-	4,080	-	4,080	17,431
Investment management	-	41,044	-	41,044	37,039
Other fundraising	-	-	86,946	86,946	79,931
Total expenses before depreciation and interest	2,818,994	206,407	332,158	3,357,559	3,196,522
Depreciation	260,095	8,301	8,301	276,697	253,709
Interest	94,267	3,009	3,009	100,285	110,573
Total expenses	\$ 3,173,356	\$ 217,717	\$ 343,468	\$ 3,734,541	\$ 3,560,804

The Notes to Financial Statements are an integral part of these statements.



**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,558,103	\$ (275,391)
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Realized and unrealized gains on investments	(913,374)	(83,255)
Depreciation	276,697	253,709
Loss on disposal of property and equipment	-	61
Change in value of Bleecker Trust	(71,765)	(29,815)
(Increase) decrease in assets:		
Accounts receivable	(42,315)	(1,490)
Contributions receivable	-	59,532
Other current assets	(19,735)	16,563
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(109,681)	47,744
<b>Net cash and cash equivalents provided by (used in) operating activities</b>	<u>1,677,930</u>	<u>(12,342)</u>
<b>INVESTING ACTIVITIES</b>		
Net sales (purchases) of investments	(1,242,922)	272,942
Increase in USDA loan reserve	(5,221)	-
Purchase of property and equipment	(452,832)	(52,255)
<b>Net cash and cash equivalents provided by (used in) investing activities</b>	<u>(1,700,975)</u>	<u>220,687</u>
<b>FINANCING ACTIVITIES</b>		
Principal repayments	(270,470)	(97,624)
<b>Net cash and cash equivalents used in financing activities</b>	<u>(270,470)</u>	<u>(97,624)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(293,515)	110,721
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>716,399</u>	<u>605,678</u>
Ending	<u>\$ 422,884</u>	<u>\$ 716,399</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	<u>\$ 124,335</u>	<u>\$ 111,973</u>

The Notes to Financial Statements are an integral part of these statements.

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**Note 1. Significant Accounting Policies**

The Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc. (the “SPCA”) provides a safe environment for the lost, abandoned, and homeless animals of Charlottesville and Albemarle County and places them in good homes. The SPCA strives to set a standard of excellence and leadership in animal care, humane education, and progressive animal welfare programs.

The following programs and supporting services are included in the accompanying financial statements:

Animal care and spay/neuter resources: The SPCA provides shelter, nourishment, and vaccinations for the animals which are brought to it. The SPCA also provides medical care treating minor illnesses frequently and often more severe medical conditions, including emergency veterinarian treatment. The SPCA spays or neuters each animal prior to adoption. In addition to assuring all the SPCA animals are spayed or neutered, the SPCA provides subsidized and free spay/neuter programs for low-income residents.

Adoption: The SPCA evaluates all animals for behavior and health issues prior to adoption. The SPCA finds homes for all healthy and behaviorally sound animals.

Management and general: This includes the functions necessary to ensure an adequate working environment, provide coordination and articulation of the SPCA’s program strategy, and manage the financial and budgetary responsibilities of the SPCA.

Fundraising: This provides the structure necessary to encourage and secure private financial support.

Basis of financial statement presentation and accounting

The financial statements of the SPCA have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with these principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent 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 those estimates.

The accompanying financial statements present information regarding the SPCA’s financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions.

**Unrestricted** net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

(Continued)

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**Note 1. Significant Accounting Policies (Continued)**

Basis of financial statement presentation and accounting (Continued)

**Temporarily restricted** net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the SPCA pursuant to those stipulations.

**Permanently restricted** net assets are amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various operating needs. These net assets include the original gift creating the beneficial interest in the Bleecker Trust and the Pace endowment.

Cash and cash equivalents

Cash and cash equivalents consist of bank deposits and amounts invested in certificates of deposit with no permanently imposed donor restrictions. Short-term, highly liquid investments, such as mutual and money market funds that are components of externally managed investment portfolios, are classified as investments.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values, as determined by quoted market prices, in the statements of financial position. Net unrealized and realized gains or losses are reflected in the statements of activities.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the date of gift. Purchases and sales of investments are recorded on the trade date.

Accounts receivable

Accounts receivable are unsecured and are mainly due from local animal hospitals. Management has determined that an allowance for uncollectible accounts is not necessary, as it follows the direct write-off method. The write-off method is believed to approximate the allowance method.

Property and equipment

Property and equipment is stated at cost or at fair value at the date of gift, less accumulated depreciation. Expenditures for new construction, major renewals and replacements, and equipment exceeding \$1,000 are generally capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	10-40 years
Furniture, fixtures, and equipment	3-15 years

(Continued)

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**Note 1. Significant Accounting Policies (Continued)**

Contributions

Contributions, including contributions receivable, are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or absence of any donor restrictions, in the period the donor's commitment is received. Unrestricted, unconditional promises to give are recognized as temporarily restricted revenues unless the donor explicitly stipulates its use to support current period activities.

Contributions of assets other than cash are recorded at their fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions received with donor-imposed restrictions are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are recorded as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

In-kind contributions are received to support the operations of various programs and special events and are recognized at fair value.

Beneficial interest in Bleecker Trust

The SPCA participates in a split-interest agreement that is unconditional and irrevocable. This arrangement was established when a donor created the Bleecker Trust from which the SPCA receives benefits. The SPCA accounts for this agreement by recording its share of the present value of the estimated future cash receipts from the trust (which approximates its share of the related assets of the trust).

Functional allocation of expenses

The costs of providing the SPCA's programs and support services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between program and support services benefited.

(Continued)

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**Note 1. Significant Accounting Policies (Continued)**

Fair value measurements

The SPCA carries various assets at fair value. 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. In determining fair value, a market-based approach is used. Additionally, the SPCA categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as reflected below. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

**Level 1** – Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

**Level 2** – Fair values are based on inputs other than quoted prices that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3** – Fair values are based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

Credit risk concentrations

Financial instruments which potentially subject the SPCA to concentrations of credit risk consist principally of cash and cash equivalents, investments, and the USDA loan reserve. A portion of the SPCA's bank deposits are in excess of federally insured limits.

Income taxes

The SPCA is an organization described in *Internal Revenue Code* ("IRC") §501(c)(3) and accordingly, is exempt from federal and state income taxes under IRC §501(a). The SPCA has also been classified as an organization which is not a private foundation under IRC §509(a)(2). Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Advertising costs

The SPCA expenses the cost of advertising as incurred. Such costs amounted to \$12,513 and \$9,012 for the years ended December 31, 2017 and December 31, 2016, respectively.

(Continued)

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**Note 1. Significant Accounting Policies (Continued)**

Comparative information

The financial statements include certain prior year summarized comparative information (statement of activities and statement of functional expenses) in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the prior year from which the summarized information was derived.

Reclassifications

Certain amounts in the prior year statements were reclassified to conform with current year presentation.

Subsequent events

Subsequent events were considered through May \_\_, 2018, the date the financial statements were available to be issued.

**Note 2. Investments**

Investments consist of the following:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 2,171,403	\$ 947,035
Fixed income funds	351,737	568,340
Mutual funds - equities:		
Information technology	1,899,932	878,874
Healthcare	696,873	982,865
Financial service	898,272	494,396
Food service	288,915	204,550
Air freight and delivery	514,480	427,638
Equipment and machinery	-	193,234
Oil and gas	-	433,001
Commercial transportation	663,049	-
Engineering and construction	-	269,174
Publicly traded partnership	325,500	254,758
	<u>\$ 7,810,161</u>	<u>\$ 5,653,865</u>

(Continued)

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**Note 2. Investments (Continued)**

The following is a summary of the inputs used in determining the fair values of financial assets measured on a recurring basis:

	<b>2017</b>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 2,171,403	\$ 2,171,403	\$ -	\$ -
Fixed income	351,737	-	351,737	-
Mutual funds – equities	4,961,521	4,961,521	-	-
Publicly traded partnership	325,500	325,500	-	-
Beneficial interest in Bleecker Trust	809,651	-	-	809,651
	<u>8,619,812</u>	<u>7,458,424</u>	<u>351,737</u>	<u>809,651</u>
Total financial assets	<u>\$ 8,619,812</u>	<u>\$ 7,458,424</u>	<u>\$ 351,737</u>	<u>\$ 809,651</u>
	<b>2016</b>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 947,035	\$ 947,035	\$ -	\$ -
Fixed income	568,340	-	568,340	-
Mutual funds – equities	3,883,732	3,883,732	-	-
Publicly traded partnership	254,758	254,758	-	-
Beneficial interest in Bleecker Trust	737,886	-	-	737,886
	<u>6,391,751</u>	<u>5,085,525</u>	<u>568,340</u>	<u>737,886</u>
Total financial assets	<u>\$ 6,391,751</u>	<u>\$ 5,085,525</u>	<u>\$ 568,340</u>	<u>\$ 737,886</u>

Level 2 assets are valued by a third party.

A reconciliation of the activity of financial assets valued using Level 3 inputs follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning	\$ 737,886	\$ 708,071
Unrealized appreciation	93,530	30,936
Distributions	(21,765)	(1,121)
	<u>809,651</u>	<u>737,886</u>
Balance, ending	<u>\$ 809,651</u>	<u>\$ 737,886</u>

(Continued)

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**Note 2. Investments (Continued)**

The fair value of investments is determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of funds held in trust by others is determined by the present value of expected future cash flows.

**Note 3. Conditional Contributions**

At December 31, 2017, the SPCA had received bequests, intentions, and other conditional contributions receivable that were unable to be valued as of the date of the financial statements. These intentions to give are not recognized as assets until the conditions are essentially satisfied and valuation is determined.

**Note 4. Property and Equipment**

Property and equipment consist of the following:

	<b>2017</b>	<b>2016</b>
Land	\$ 381,110	\$ 381,110
Construction in progress	330,313	85,459
Buildings and improvements	6,657,737	6,657,737
Furniture, fixtures, and equipment	773,195	565,217
	8,142,355	7,689,523
Less: Accumulated depreciation	(2,784,199)	(2,507,502)
Net property and equipment	<b>\$ 5,358,156</b>	<b>\$ 5,182,021</b>

**Note 5. Accrued Expenses**

Accrued expenses consist of the following:

	<b>2017</b>	<b>2016</b>
Interest	\$ -	\$ 24,051
Vacation	13,260	75,481
Salaries	37,274	27,334
Other	7,022	5,956
	<b>\$ 57,556</b>	<b>\$ 132,822</b>

(Continued)



**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**Note 6. Notes Payable**

Notes payable consist of the following:

	<b>2017</b>	<b>2016</b>
USDA construction loan, interest at 4.625%, annual installments, including interest, of \$196,471 through October 2032, secured by a deed of trust.	\$ 2,075,248	\$ 2,187,212
USDA operating loan, interest at 4.000%, annual installments, including interest, of \$13,126 through July 2033, secured by a deed of trust.	-	158,506
	2,075,248	2,345,718
Less current portion	(102,649)	(102,098)
	\$ 1,972,599	\$ 2,243,620

Debt matures as follows:

2018	\$ 102,649
2019	107,498
2020	112,677
2021	117,895
2022	123,465
Thereafter	1,511,064
	\$ 2,075,248

The USDA construction loan security agreement requires the SPCA to establish a reserve account of \$191,250. It may be used to pay certain costs as approved by the lender.

**Note 7. Employee Benefits**

Retirement benefits are provided for eligible employees through a simple IRA plan. The SPCA contributes up to 3% of the employee's salary which totaled \$15,712 and \$15,669 in 2017 and 2016, respectively.

(Continued)

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**Note 8. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of:

	<b>2017</b>	<b>2016</b>
Accumulated appreciation on Bleecker Trust	\$ 709,651	\$ 637,886
Capital contributions	107,276	97,276
	\$ 816,927	\$ 735,162

**Note 9. Endowments**

Endowments are composed of the following:

	<b>2017</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Bleecker Trust	\$ 709,651	\$ 100,000	\$ 809,651
Pace endowment	-	26,000	26,000
	\$ 709,651	\$ 126,000	\$ 835,651
	<b>2016</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Bleecker Trust	\$ 637,886	\$ 100,000	\$ 737,886
Pace endowment	-	26,000	26,000
	\$ 637,886	\$ 126,000	\$ 763,886

(Continued)

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**Note 9. Endowments (Continued)**

The following schedule summarizes changes in endowment net assets:

	<b>2017</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 637,886	\$ 126,000	\$ 763,886
Investment return:			
Interest and dividends	93,260	-	93,260
Realized and unrealized gains	12,362	-	12,362
Investment fees	(12,092)	-	(12,092)
Total investment return	93,530	-	93,530
Distributions	(21,765)	-	(21,765)
Endowment net assets, end of year	<u>\$ 709,651</u>	<u>\$ 126,000</u>	<u>\$ 835,651</u>
	<b>2016</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 608,071	\$ 126,000	\$ 734,071
Investment return:			
Interest and dividends	25,415	-	25,415
Realized and unrealized losses	16,788	-	16,788
Investment fees	(11,267)	-	(11,267)
Total investment return	30,936	-	30,936
Distributions	(1,121)	-	(1,121)
Endowment net assets, end of year	<u>\$ 637,886</u>	<u>\$ 126,000</u>	<u>\$ 763,886</u>

(Continued)

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**Note 9. Endowments (Continued)**

The SPCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner to preserve and expand the SPCA’s purchasing power in perpetuity through sustained growth in its investment assets. To satisfy its investment objective, the SPCA relies on an overall investment program that is prudently diversified across a variety of asset classes, economic characteristics and security issuers. The intended target rate of return over a full market cycle should be at least adequate to compensate for the total of the targeted spending, prevailing inflation, and anticipated SPCA expenses of the same period. Actual returns in any given year may vary from the targeted rate of return. The investment strategy includes target asset allocations, acceptable ranges around those targets, and a rebalancing policy.

The SPCA is permitted to use all interest earned on the PACE endowment towards operations. The Bleecker Trust distributes up to 5% of the net fair value of the assets in the trust to the SPCA throughout the year.

**Note 10. Net Assets Released from Restrictions**

Net assets released from restrictions consist of the following:

	<b>2017</b>	<b>2016</b>
Capital improvements	\$ 55,000	\$ -
General operations	-	6,079
Expiration of time restrictions	-	59,532
	\$ 55,000	\$ 65,611

**Note 11. Leases**

The SPCA is currently obligated under two leases for facilities. One lease is renewed annually and the second lease is through January 1, 2021. Future minimum lease payments are as follows:

2018	\$ 148,526
2019	148,972
2020	153,441
	\$ 450,939

(Continued)

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**Note 12. Related Party Transactions**

The Organization provides spay/neuter services to a related party. Revenue from this related party amounted to \$61,889 and \$40,068 for the years ended December 31, 2017 and 2016, respectively. Amounts due from this related party as of December 31, 2017 and 2016 were \$19,070 and \$7,541, respectively.

**Note 13. Subsequent Events**

In May 2018, the Organization signed a contract with Alexander Nicholson to perform kennel renovations. The renovations are estimated to cost \$1,050,000.

In August 2018, the Organization contracted to purchase land of \$1.5 million subject to certain conditions and contingencies.