

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

FINANCIAL REPORT

December 31, 2020

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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 statements of financial position as of December 31, 2020, 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 2019 financial statements, and in our report dated April 24, 2020 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, 2020, 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, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
May 19, 2021

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

**STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 555,267	\$ 536,947
Investments (Note 2)	6,143,940	5,290,185
Accounts receivable	154,951	30,920
Other current assets	79,904	108,142
Total current assets	6,934,062	5,966,194
PROPERTY AND EQUIPMENT, net (Note 5)	7,641,184	7,851,943
OTHER ASSETS		
Beneficial interest in Bleecker Trust (Notes 2 and 10)	870,035	800,397
USDA loan reserve (Note 7)	196,471	196,471
Restricted cash held for Pace endowment (Note 10)	26,000	26,000
Total other assets	1,092,506	1,022,868
Total assets	\$ 15,667,752	\$ 14,841,005
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 62,475	\$ 63,117
Accrued expenses (Note 6)	136,535	112,800
Unearned Revenue (Note 1)	-	68,289
Current portion – notes payable (Note 7)	117,894	112,575
Total current liabilities	316,904	356,781
LONG-TERM LIABILITIES		
Notes payable (Note 7)	1,634,665	1,752,564
Total liabilities	1,951,569	2,109,345
NET ASSETS		
Without donor restrictions	12,724,777	11,808,988
With donor restrictions (Note 9)	991,406	922,672
Total net assets	13,716,183	12,731,660
Total liabilities and net assets	\$ 15,667,752	\$ 14,841,005

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, 2020 and Summarized for the Year Ended December 31, 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions and gifts	\$ 1,326,014	\$ 8,000	\$ 1,334,014	\$ 958,824
Grants	259,718	-	259,718	372,503
Bequests	265,528	-	265,528	301,987
Local government appropriations	913,995	-	913,995	876,842
Special events, net of related expenses of \$18,623	198,647	-	198,647	443,679
Rummage store sales	478,091	-	478,091	739,620
Program services fees	795,709	-	795,709	835,306
In-kind contributions	31,339	-	31,339	73,396
Income distributions from the Bleecker Trust	36,763	-	36,763	35,992
Investment income	73,441	-	73,441	100,562
Realized and unrealized gains on investments	905,482	-	905,482	663,538
Loss on disposal of assets	-	-	-	(78,973)
Paycheck Protection Program income	460,900	-	460,900	-
Miscellaneous income	237	-	237	5,038
Change in value of beneficial interest in Bleecker Trust	-	68,734	68,734	89,706
Net assets released from restrictions (Note 11)	8,000	(8,000)	-	-
	<u>5,753,864</u>	<u>68,734</u>	<u>5,822,598</u>	<u>5,418,020</u>
EXPENSES				
Program services	3,741,329	-	3,741,329	3,835,880
Management and general	678,726	-	678,726	421,517
Fundraising	418,020	-	418,020	501,292
	<u>4,838,075</u>	<u>-</u>	<u>4,838,075</u>	<u>4,758,689</u>
Change in net assets	915,789	68,734	984,523	659,331
Beginning net assets	<u>11,808,988</u>	<u>922,672</u>	<u>12,731,660</u>	<u>12,072,329</u>
Ending net assets	<u>\$ 12,724,777</u>	<u>\$ 991,406</u>	<u>\$ 13,716,183</u>	<u>\$ 12,731,660</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, 2020 and Summarized for the Year Ended December 31, 2019

	2020			2019	
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 1,865,665	\$ 247,597	\$ 234,306	\$ 2,347,568	\$ 2,293,091
Payroll taxes	131,084	17,402	16,462	164,948	178,666
Employee benefits	325,183	42,945	40,624	408,752	282,046
External veterinarians	25,144	-	-	25,144	18,308
Pet care	100,435	-	-	100,435	206,885
Clinic	274,393	-	-	274,393	299,500
Cleaning and janitorial	72,877	-	-	72,877	62,190
Utilities	91,730	2,928	2,928	97,586	124,930
Repairs and maintenance	107,093	-	-	107,093	120,105
Miscellaneous	22,989	973	-	23,962	74,820
Rent	134,261	-	-	134,261	148,972
Supplies and office systems	74,665	9,432	44,429	128,526	103,142
Equipment	8,012	-	-	8,012	4,599
Telephone	21,310	803	803	22,916	23,187
Advertising	-	-	-	-	840
In-kind services	39,391	-	-	39,391	73,396
Insurance	57,450	2,069	2,068	61,587	50,289
Professional fees	20,216	36,231	14,800	71,247	172,067
Recruiting	-	3,462	-	3,462	2,886
Other fundraising	-	-	49,809	49,809	138,630
Building expansion refund	-	303,093	-	303,093	-
Total expenses before depreciation and interest	3,371,898	666,935	406,229	4,445,062	4,378,549
Depreciation	290,788	9,281	9,281	309,350	291,388
Interest	78,643	2,510	2,510	83,663	88,752
Total expenses	\$ 3,741,329	\$ 678,726	\$ 418,020	\$ 4,838,075	\$ 4,758,689

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, 2020 and 2019**

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ 984,523	\$ 659,331
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:		
Realized and unrealized gains on investments	(905,482)	(663,538)
Depreciation	309,350	291,388
Loss on disposal of property and equipment	-	(78,973)
Change in value of Bleecker Trust	(69,638)	(89,731)
(Increase) decrease in assets:		
Accounts receivable	(124,031)	(14,433)
Other current assets	28,238	(70,904)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(45,196)	40,693
Net cash and cash equivalents provided by (used in) operating activities	177,764	73,833
INVESTING ACTIVITIES		
Sales of investments	551,752	938,941
Purchases of investments	(500,025)	(407,712)
Purchase of property and equipment	(98,591)	(591,469)
Net cash and cash equivalents provided by (used in) investing activities	(46,864)	(60,240)
FINANCING ACTIVITIES		
Principal repayments	(112,580)	(107,502)
Net cash and cash equivalents used in financing activities	(112,580)	(107,502)
Net increase (decrease) in cash and cash equivalents	18,320	(93,909)
CASH AND CASH EQUIVALENTS, beginning	536,947	630,856
CASH AND CASH EQUIVALENTS, ending	\$ 555,267	\$ 536,947
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	\$ 90,855	\$ 88,534

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, 2020**

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 two classes of net assets: without donor restrictions and with donor restrictions. The two classes are differentiated based on the existence or absence of donor-imposed restrictions.

Net Assets without Donor Restrictions are free of donor-imposed restrictions. Net assets without donor restrictions 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 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, 2020**

Note 1. Significant Accounting Policies (Continued)

Basis of financial statement presentation and accounting (Continued)

Net Assets with Donor Restrictions 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. Net assets with donor restrictions also includes amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various operating needs.

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 shelters and rescue groups. 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, 2020

Note 1. Significant Accounting Policies (Continued)

Unearned Revenue

Unearned revenue consists of funds received from the City of Charlottesville for kennel services to be provided by the entity in the first quarter of the following year.

Contributions

Contributions, including contributions receivable, are recognized as net assets with donor restrictions or net assets without donor restrictions, depending on the existence or absence of any donor restrictions, in the period the donor's commitment is received. Unconditional promises to give are recognized as net assets with donor restrictions 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 net assets with donor restrictions, and a reclassification to net assets without donor restrictions 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 net asset with donor restrictions, and a reclassification to net asset without donor restrictions 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 net assets without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of net assets with donor restrictions; the restrictions are considered to be released when the assets are placed in service.

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).

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

Note 1. Significant Accounting Policies (Continued)

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.

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.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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's financial statements have been reclassified to conform to the current year's presentation.

Revenue Recognition

The SPCA assesses new contracts and identifies related performance obligations for promises to transfer distinct goods or services to customers. Revenue is recognized as performance obligations under the terms of a contract are satisfied. The SPCA charges fees for adoptions, spay/neuter, rummage store, clinic and other services which are recognized at the point of sale.

The SPCA receives support through grants. Grant revenue is recognized and recorded upon receipt. Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the SPCA with the requirements of the grant in effect for the term of the grant.

The Organization also receives contributions from local governments, businesses and the general public. Revenue generated from fundraising activities are recorded in the period the donor's commitment is received and are not considered contractual in nature. See Note 9 for discussion on net assets with donor restrictions and releases from restrictions.

The SPCA receives revenue from Rummage Store sales and programs including adoption fees that are recognized as revenue upon receipt. Refer to Note 13 for further information.

The SPCA adopted ASU 2014-09 and all amendments beginning in 2019. Consistent with the modified retrospective adoption method, prior reporting period results remain unchanged and reported in accordance with ASC 605. As it relates to the SPCA's contracts to deliver animals and spay/neuter services to customers, the guidance in ASC 606 is consistent with the guidance in ASC 605; therefore, the modified retrospective approach resulted in no cumulative catch-up to retained earnings. Furthermore, there was no significant impact to revenues recognized, and no significant changes to the SPCA's related business processes, systems, or internal control over financial reporting because of the new guidance.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

Note 1. Significant Accounting Policies (Continued)

Contributions Received and Contributions Made

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides additional guidance on the characterizing grants and similar contracts with resource providers as either exchange transactions or contributions. The SPCA adopted this guidance effective January 1, 2020. The adoption of ASU 2018-08 did not result in any significant changes to the accounting for any of the SPCA's material revenue streams.

Subsequent events

Subsequent events have been evaluated through May 19, 2021, the date the financial statements were available to be issued.

Note 2. Investments

Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 764,518	\$ 962,502
Fixed income funds	-	499,688
Mutual funds - equities:		
Information technology	1,684,606	1,691,291
Healthcare	292,262	219,899
Financial service	297,090	261,888
Air freight and delivery	-	199,597
Equipment and machinery	-	250,099
Oil and gas	287,034	-
Commercial transportation	621,934	507,301
Consumer goods and services	-	191,929
Chemicals	183,320	261,226
Food service	219,809	-
Retail	1,001,100	-
Auto manufacturers	263,700	-
Household and personal products	257,159	-
Residential construction	181,949	-
Publicly traded partnership	-	244,765
Other assets	89,459	-
	<u>\$ 6,143,940</u>	<u>\$ 5,290,185</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

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:

		2020			
		<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:					
Money market funds	\$	764,518	\$ 764,518	\$ -	\$ -
Other assets		89,459	89,459	-	-
Mutual funds – equities		5,289,963	5,289,963	-	-
Beneficial interest in Bleecker Trust		870,035	-	870,035	-
Total financial assets		<u>\$ 7,013,975</u>	<u>\$ 6,143,940</u>	<u>\$ 870,035</u>	<u>\$ -</u>
		2019			
		<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:					
Money market funds	\$	962,502	\$ 962,502	\$ -	\$ -
Fixed income		499,688	-	499,688	-
Mutual funds – equities		3,583,230	3,583,230	-	-
Publicly traded partnership		244,765	244,765	-	-
Beneficial interest in Bleecker Trust		800,397	-	800,397	-
Total financial assets		<u>\$ 6,090,582</u>	<u>\$ 4,790,497</u>	<u>\$ 1,300,085</u>	<u>\$ -</u>

Level 2 assets are valued by a third party using inputs other than quoted prices in Level 1 include values of 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.

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.

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Note 3. Conditional Contributions

At December 31, 2020, 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. Liquidity and Availability

The following table reflects the SPCA's financial assets as of December 31, 2020, reduced for amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, or because the governing board has set aside the funds for a specific purpose. These board designations could be drawn upon if the board approves that action.

The SPCA has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the SPCA keeps three months of operating expenses and one year of debt service available at all times. The SPCA invests cash in excess of current needs in various certificates of deposit and investment accounts.

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 555,267	\$ 536,947
Investments	6,143,940	5,290,185
Accounts receivable	154,951	30,920
Beneficial interest in Bleecker Trust	870,035	800,397
USDA loan reserve	196,471	196,471
Pace endowment	26,000	26,000
Total financial assets	7,946,664	6,880,920
Less those unavailable for general expenditure within one year:		
Beneficial interest in Bleecker Trust	(870,035)	(800,397)
USDA loan reserve	(196,471)	(196,471)
Restricted cash held for Pace endowment	(26,000)	(26,000)
Other purpose restrictions	(98,371)	(110,870)
Total unavailable assets	(1,190,877)	(1,133,738)
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,755,787	\$ 5,747,182

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

Note 5. Property and Equipment

Property and equipment consist of the following:

	2020	2019
Land	\$ 1,914,467	\$ 1,914,467
Construction in progress	92,077	98,772
Buildings and improvements	8,297,714	8,277,448
Furniture, fixtures, and equipment	910,629	825,609
	11,214,887	11,116,296
Less: Accumulated depreciation	(3,573,703)	(3,264,353)
Net property and equipment	\$ 7,641,184	\$ 7,851,943

Construction in progress balance relates to Phases 2-4 of the Cat Facility.

Note 6. Accrued Expenses

Accrued expenses consist of the following:

	2020	2019
Interest	\$ 10,973	\$ 3,781
Vacation	41,642	35,318
Salaries	73,703	59,364
Other	10,217	14,337
	\$ 136,535	\$ 112,800

(Continued)

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**NOTES TO FINANCIAL STATEMENTS
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Note 7. Notes Payable

Notes payable consist of the following:

	2020	2019
USDA construction loan, interest at 4.625%, annual installments, including interest, of \$196,471 through October 2032, secured by a deed of trust.	\$ 1,752,559	\$ 1,865,139
	1,752,559	1,865,139
Less current portion	(117,894)	(112,575)
	\$ 1,634,665	\$ 1,752,564

Debt matures as follows:

2021	\$ 117,894
2022	123,463
2023	129,295
2024	135,404
2025	141,801
Thereafter	1,104,702
	\$ 1,752,559

The USDA construction loan security agreement requires the SPCA to establish a reserve account of \$196,471, which is equal to one annual installment of principal and interest. It may be used to pay certain costs as approved by the lender.

Note 8. Employee Benefits

Retirement benefits are provided for eligible employees through a simple IRA plan. The SPCA switched from a SIMPLE IRA plan to a Safe Harbor 401k in January 2020. The SPCA contributes a Safe Harbor Match of 100% on salary deferrals up to 3% of compensation plus 50% on deferrals between 3% and 5% of compensation. Contributions to this plan were \$21,099 during 2020. Contributions under the SIMPLE IRA were \$18,269 during 2019.

(Continued)

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**NOTES TO FINANCIAL STATEMENTS
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Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of:

	2020	2019
Endowments	\$ 896,035	\$ 826,397
Capital contributions	98,371	96,275
	\$ 994,406	\$ 922,672

Note 10. Endowments

Endowments are composed of the following:

	2020	2019
Bleecker Trust	\$ 870,035	\$ 800,397
Pace Endowment	26,000	26,000
	\$ 896,035	\$ 826,397

The following schedule summarizes changes in endowment net assets:

	2020	2019
Endowment net assets, beginning of year	\$ 826,937	\$ 736,666
Investment return:		
Interest and dividends	9,420	6,950
Realized and unrealized gains	108,641	130,816
Investment fees	(12,200)	(12,043)
Total investment return	105,861	125,723
Distributions	(36,763)	(35,992)
Endowment net assets, end of year	\$ 896,035	\$ 826,397

(Continued)

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**NOTES TO FINANCIAL STATEMENTS
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Note 10. 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 11. Net Assets Released from Restrictions

Net assets released from restrictions for capital improvements were \$8,000 and \$465,831 in 2020 and 2019, respectively.

Note 12. Leases

The SPCA is currently obligated under a lease for facilities through December 31, 2023 and a copier lease through October 31, 2024. Future minimum lease payments are as follows:

2021	\$ 156,201
2022	160,804
2023	165,533
2024	<u>2,300</u>
	<u>\$ 484,838</u>

(Continued)

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
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**NOTES TO FINANCIAL STATEMENTS
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Note 13. Revenue Recognition

The SPCA assesses new contracts and identifies related performance obligations for promises to transfer distinct goods or services to customers. Revenue is recognized as performance obligations under the terms of a contract are satisfied. The SPCA charges fees for adoptions, spay/neuter, rummage store, clinic and other services which are recognized at the point of sale.

The following table summarizes revenue by the SPCA’s main sources of revenue for the years ended December 31:

	2020	2019
Contracts with customers:		
Adoptions	\$ 503,728	\$ 333,369
Spay/Neuter	145,530	236,845
Rummage Store	478,091	739,620
Clinic services	71,317	111,673
All others	75,134	153,419
	\$ 1,273,800	\$ 1,574,926

Contract Balances:

	2020	2019
Accounts receivable		
Beginning of year	\$ 30,920	\$ 16,487
End of year	154,951	30,920
Unearned revenue		
Beginning of year	\$ 68,289	\$ -
End of year	-	68,289

Economic Factors:

Since the SPCA generates its revenue from individuals out of their discretionary income, its revenue sources are directly linked to the local and regional economy. These factors could impact the amount, timing, and uncertainty of revenue and cash flows.

Use of Practical Expedients

The SPCA provides payment terms in its customer contracts. The SPCA has determined that the financing element of such contracts is not significant and elected to not account for the financing component of those contracts under applicable accounting standards.

(Continued)

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**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

Note 14. Paycheck Protection Program

In April 2020, the SPCA entered into a loan agreement under the Small Business Administration's Paycheck Protection Program (PPP) and received total loan proceeds of \$460,900. Under Section 1106 of the Coronavirus Aid, Relief and Economic Security (CARES) Act, this loan is eligible for forgiveness of principal and accrued interest to the extent the proceeds are used to cover eligible payroll costs, mortgage interest costs, rent and utility costs, otherwise described as qualified expenses. From the date of the loan through September 22, 2020, the SPCA used all of the PPP loan proceeds to pay for qualified expenses. Accordingly, management believes the PPP loan will be forgiven. As of December 31, 2020, the Company received final loan forgiveness approval from the Small Business Administration.

Note 15. New Accounting Standard

The Financial Accounting Standards Board (FASB) has issued the following Statement which is not yet effective.

The FASB issued ASU 2016-02, Leases. The core principle of the new leases standard is that lessees should recognize assets and liabilities arising from all leases, except for leases with a lease term of 12 months or less. This will significantly gross-up many entities balance sheets. Nonpublic entities are required to adopt the new leases standard for reporting periods beginning after December 15, 2021. Early adoption is permitted.

Management has not determined the effects this new FASB Statement may have on prospective financial statements but will be assessing these changes in 2021 with the assistance of its accountants.

Note 16. COVID-19 Impact

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the SPCA's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the SPCA is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.