
The Anti-Cruelty Society

Financial Report
October 31, 2020

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Independent Auditor's Report

To the Board of Directors
The Anti-Cruelty Society

We have audited the accompanying financial statements of The Anti-Cruelty Society (the "Society"), which comprise the statement of financial position as of October 31, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Anti-Cruelty Society as of October 31, 2020 and 2019 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 2 to the financial statements, the Society adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

To the Board of Directors
The Anti-Cruelty Society

As described in Note 2 to the financial statements, the COVID-19 pandemic has impacted business operations. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

February 23, 2021

Statement of Financial Position

October 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 4,000,776	\$ 227,282
Investments (Note 5)	40,321,488	36,205,566
Receivables:		
Estates and trusts receivables - Net	3,490,579	9,417,581
Accrued interest and dividends receivable	95,616	104,266
Other receivables	165	7,960
Inventories	156,395	132,545
Prepaid expenses	55,462	36,656
Beneficial interests in trusts (Notes 5, 7 and 11)	1,258,389	1,266,428
Property and equipment - Net (Note 8)	11,627,304	14,806,132
	\$ 61,006,174	\$ 62,204,416
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 265,718	\$ 140,674
Deferred revenue	-	21,490
Compensation payable	310,018	210,006
Self-insurance reserve	46,200	30,000
Disability reserve	147,547	15,000
Charitable gift annuity payable	82,077	86,440
Note payable (Note 9)	1,074,250	-
	1,925,810	503,610
Total liabilities		
Net Assets		
Without donor restrictions	55,669,213	57,538,311
With donor restrictions (Note 11)	3,411,151	4,162,495
	59,080,364	61,700,806
Total net assets		
	\$ 61,006,174	\$ 62,204,416
Total liabilities and net assets		

The Anti-Cruelty Society

Statement of Activities and Changes in Net Assets

Years Ended October 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
General public, corporate, and foundation support	\$ 4,255,509	\$ 273,274	\$ 4,528,783	\$ 3,756,410	\$ 177,549	\$ 3,933,959
Estate and annuity income	4,328,731	-	4,328,731	11,083,690	-	11,083,690
Shelter, clinical, and other service income	587,190	-	587,190	1,058,607	-	1,058,607
Retail sales and other revenue	30,759	-	30,759	77,724	-	77,724
Special event revenue	311,472	-	311,472	286,878	-	286,878
Interest and dividends	860,015	44,080	904,095	914,229	52,694	966,923
Net realized and unrealized gains on investments	333,321	18,972	352,293	2,005,390	122,306	2,127,696
Change in fair value of beneficial interests in trusts	-	(8,039)	(8,039)	-	(7,437)	(7,437)
Change in value of charitable gift annuities	4,363	-	4,363	(53,051)	-	(53,051)
Net assets released from restrictions	1,079,631	(1,079,631)	-	343,601	(343,601)	-
Total revenue, gains, and other support	11,790,991	(751,344)	11,039,647	19,473,478	1,511	19,474,989
Expenses						
Program services:						
Shelter and adoption services	6,757,081	-	6,757,081	3,889,117	-	3,889,117
Veterinary and clinical services	2,461,814	-	2,461,814	2,478,218	-	2,478,218
Community programs	1,474,530	-	1,474,530	786,280	-	786,280
Auxiliary services	399,723	-	399,723	164,732	-	164,732
Total program services	11,093,148	-	11,093,148	7,318,347	-	7,318,347
Support services:						
Fundraising	1,367,603	-	1,367,603	1,335,459	-	1,335,459
Special events	52,908	-	52,908	180,396	-	180,396
General and administrative	1,146,430	-	1,146,430	824,045	-	824,045
Total support services	2,566,941	-	2,566,941	2,339,900	-	2,339,900
Total expenses	13,660,089	-	13,660,089	9,658,247	-	9,658,247
(Decrease) Increase in Net Assets	(1,869,098)	(751,344)	(2,620,442)	9,815,231	1,511	9,816,742
Net Assets - Beginning of year	57,538,311	4,162,495	61,700,806	47,723,080	4,160,984	51,884,064
Net Assets - End of year	\$55,669,213	\$ 3,411,151	\$59,080,364	\$57,538,311	\$ 4,162,495	\$61,700,806

Statement of Functional Expenses

Year Ended October 31, 2020

	Program Services				Support Services				Total	
	Shelter and Adoption Services	Veterinary and Clinical Services	Community Programs	Auxiliary Services	Total Program Services	Fundraising	Special Events	General and Administrative		Total Support Services
Staff compensation and benefits	\$ 4,087,331	\$ 1,005,730	\$ 478,402	\$ -	\$ 5,571,463	\$ 320,957	\$ -	\$ 679,701	\$ 1,000,658	\$ 6,572,121
External services and payments	78,680	16,320	-	-	95,000	941,779	-	338,184	1,279,963	1,374,963
Consumables	71,762	225,313	296,583	292,013	885,671	-	-	-	-	885,671
Travel and staff development	3,433	-	1,215	21,064	25,712	445	-	2,559	3,004	28,716
Printing and duplication	42,437	-	-	-	42,437	11,613	-	-	11,613	54,050
Fundraising events	295	-	-	-	295	-	47,634	-	47,634	47,929
Auto, occupancy, and risk	131,231	-	1,560	-	132,791	-	-	-	-	132,791
Operations and veterinary costs	134,668	136,332	6,884	34,250	312,134	-	-	328	328	312,462
Staff training costs	20,002	-	-	70	20,072	1,286	-	3,261	4,547	24,619
Public relations and advertising costs	-	-	-	-	-	22,817	-	-	22,817	22,817
Physical plant costs	245,536	119,139	74,137	5,894	444,706	2,613	610	9,901	13,124	457,830
Data and IT services	54,794	47,493	48,292	1,324	151,903	45,372	-	25,237	70,609	222,512
Office services expenses	8,420	9	266	12	8,707	732	-	11,507	12,239	20,946
Depreciation	1,878,492	911,478	567,191	45,096	3,402,257	19,989	4,664	75,752	100,405	3,502,662
Total functional expenses	\$ 6,757,081	\$ 2,461,814	\$ 1,474,530	\$ 399,723	\$ 11,093,148	\$ 1,367,603	\$ 52,908	\$ 1,146,430	\$ 2,566,941	\$ 13,660,089

Statement of Functional Expenses

Year Ended October 31, 2019

	Program Services				Support Services					Total
	Shelter and Adoption Services	Veterinary and Clinical Services	Community Programs	Auxiliary Services	Total Program Services	Fundraising	Special Events	General and Administrative	Total Support Services	
Staff compensation and benefits	\$ 2,117,151	\$ 882,974	\$ 363,241	\$ 2,115	\$ 3,365,481	\$ 257,021	\$ 53,379	\$ 634,272	\$ 944,672	\$ 4,310,153
External services and payments	59,897	36,499	1,000	-	97,396	625,040	-	114,017	739,057	836,453
Consumables	110,698	465,210	31,213	55,489	662,610	267,590	-	4,632	272,222	934,832
Travel and staff development	970	-	1,244	-	2,214	9,497	-	9,096	18,593	20,807
Printing and duplication	8,626	-	16,953	-	25,579	14,934	-	804	15,738	41,317
Fundraising events	-	-	-	-	-	-	93,974	-	93,974	93,974
Auto, occupancy, and risk	1,016	2,482	1,057	75,557	80,112	-	100	6	106	80,218
Operations and veterinary costs	300,198	459,314	14,296	-	773,808	-	-	-	-	773,808
Staff training costs	53,739	26,750	9,213	98	89,800	3,722	816	5,216	9,754	99,554
Public relations and advertising costs	130,757	73,053	21,598	3,310	228,718	67,139	24,927	-	92,066	320,784
Physical plant costs	463,087	217,496	142,422	11,770	834,775	10,295	46	22,149	32,490	867,265
Data and IT services	53,644	26,165	6,205	1,000	87,014	64,678	5,400	4,228	74,306	161,320
Office services expenses	20,538	9,341	3,815	280	33,974	2,233	1,754	1,180	5,167	39,141
Depreciation	568,796	278,934	174,023	15,113	1,036,866	13,310	-	28,445	41,755	1,078,621
Total functional expenses	\$ 3,889,117	\$ 2,478,218	\$ 786,280	\$ 164,732	\$ 7,318,347	\$ 1,335,459	\$ 180,396	\$ 824,045	\$ 2,339,900	\$ 9,658,247

Statement of Cash Flows

Years Ended October 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Net (decrease) increase in net assets	\$ (2,620,442)	\$ 9,816,742
Adjustments to reconcile net (decrease) increase in net assets to net cash from operating activities:		
Depreciation	3,502,662	1,078,621
Change in value of charitable gift annuities	(4,363)	53,051
Change in fair value of beneficial interests in trusts	8,039	7,437
Net realized and unrealized gains on investments	(352,293)	(2,127,696)
Noncash donations of investments	(240,855)	(379,542)
Changes in operating assets and liabilities that provided (used) cash:		
Estates, trusts, and other receivables	5,934,797	(8,213,426)
Accrued interest and dividend receivable	8,650	(4,781)
Inventory	(23,850)	(4,237)
Prepaid expenses	(18,806)	46,596
Accounts payable	125,044	(35,110)
Compensation payable	100,012	(34,426)
Deferred revenue	(21,490)	100
Self-insurance reserve	16,200	-
Disability reserve	132,547	-
Net cash provided by operating activities	6,545,852	203,329
Cash Flows from Investing Activities		
Purchase of investment securities	(42,178,331)	(21,275,448)
Proceeds from sale of investments	38,655,557	20,929,004
Capital expenditures	(323,834)	(181,745)
Net cash used in investing activities	(3,846,608)	(528,189)
Cash Flows Provided by Financing Activities - Proceeds from note payable	1,074,250	-
Net Increase (Decrease) in Cash	3,773,494	(324,860)
Cash - Beginning of year	227,282	552,142
Cash - End of year	\$ 4,000,776	\$ 227,282

October 31, 2020 and 2019

Note 1 - Nature of Organization

The Anti-Cruelty Society (the "Society") is a private, nonprofit, comprehensive animal welfare organization chartered in Illinois. Since 1899, the Society has been offering a variety of programs and services to build a community of caring by helping pets and educating people. As an open-admission shelter, the Society will not turn away an animal in need and cares for all animals through key programs, including adoption, fostering, and humane investigations. The veterinary and clinical services offer a low-cost spay/neuter clinic, as well as general veterinary services to clients who cannot afford private veterinary care. There is also a focus on community education and outreach to provide the public with programs that engage people of all ages to be aware of the needs of animals, as well as robust safety net programs that support animals in need. In addition, the Society offers programs, such as a free behavior hotline, rehabilitation and treatment centers, and a number of pet-related programs. The mission of the Society is to meet the needs of animals while promoting responsible pet ownership and helping prevent animal cruelty, abuse, and neglect. The Society's services and programs include the following:

Shelter and Adoption Services

As an open-door shelter that accepts any animal in need 365 days a year, the Society cares for over 7,000 animals each year. This requires a significant effort to ensure that each animal receives the care, support, and behavioral guidance to live their best lives. The Society works to prepare adoptable animals to find a match with suitable forever homes. This includes the foster program that provides temporary homes for animals in need of special care or a respite from shelter living prior to finding a permanent placement. A number of safety net programs are managed by the Society, including the SAFE program (short-term accommodations for emergencies), as well as a pet housing subsidy program. The Society's humane investigators work within the community to respond to reports of animal cruelty and abuse and provide pick up and rescue of neglected, abused, injured, and stray or unwanted animals. These humane investigations help educate the public on responsible pet ownership, encourage relinquishment of animals in untenable situations, and ultimately rescue hundreds of abused and traumatized animals each year.

Veterinary and Clinical Services

The Society maintains veterinary staff to provide low-cost spay/neuter services to pets of the general public. The Society offers other animal welfare groups that do not have access to low-cost services use of the Society's services or facilities. The Society also provides charity veterinary services for clients who cannot afford these vital services for their companion animals. The veterinary staff also provide immediate postadoption services for animals adopted through the shelter and full veterinary services for animals in the foster program or who are in the Society's care.

Community Outreach

The Society's commitment to animal welfare extends beyond the shelter to include classrooms, neighborhood centers, and local community organizations. In keeping with the Society's mission to support animals in need and provide education on pet ownership, the Society offers a wide variety of programs and services to support pets and their people. Working with Chicago's neediest communities, the Society also provides access to care in underserved communities, including pop-up pet food pantries, dog wellness fairs, and vaccination clinics. Programs to provide access to animal training and programs designed to teach the value of kindness towards animals are also offered as part of the Society's commitment to compassion in action. In addition to the focus on programming, the Society manages a strong volunteer program with nearly 600 regular volunteers who augment the work of the Society. The volunteers and a vibrant corporate volunteer component also support the work of the Society to care for, protect, and educate people about compassionate care for any animal in need.

Note 2 - Significant Accounting Policies

Classification of Net Assets

Net assets of the Society are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Society.

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

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Adoption of New Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchanges (reciprocal transactions) and (2) determining whether a contribution is conditional. The Society adopted the ASU effective November 1, 2019 on a modified prospective basis. The adoption of the ASU did not result in a change to the recognition of contributions received for the year ended October 31, 2020, and it did not result in a restatement of the 2019 information.

Public Support and Revenue Recognition

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Conditional promises are recorded when donor stipulations are substantially met.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as without restrictions. Other restricted gifts are reported as with donor restrictions.

Cash

The Society maintains its cash in bank deposit accounts at Bank of America, N.A. and BMO Harris Bank, N.A. that at times may exceed federally insured limits. The Society has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on its cash.

Estates

The Society is the beneficiary of various wills and trusts, the total realizable amount of which is not presently determinable. Such amounts are recorded when a clear title is established and the proceeds are clearly measurable.

The Society records estates and trusts receivables at net collectible value. Management reviews all the individual accounts receivable at October 31 and establishes an allowance for uncollectible accounts based on a specific assessment of each account as necessary. All amounts deemed to be uncollectible are charged against the income in the period that determination is made. The allowance for uncollectible accounts was \$574,503 and \$1,160,460 as of October 31, 2020 and 2019, respectively.

October 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Beneficial Interests in Trust

The Society is the income beneficiary under various trusts; the assets of the trusts are not controlled by the Society. In the absence of donor-imposed conditions, the Society recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits. Beneficial interest in trusts is stated at the estimated fair value of the assets from the trusts based on the percentage of the trust designated to the Society applied to the total fair value of the trust, which is based primarily on quoted market prices. The Society's share of the trust's assets is included in the statement of financial position and is classified as net assets with donor restrictions. Changes in the fair value of the underlying trust assets are recognized in the statement of activities and changes in net assets in the period in which they occur.

Donated Services and Assets

Certain donated services and materials are recognized as support in the statement of activities and changes in net assets. The value of these services is determined based on estimated fair value. For the years ended October 31, 2020 and 2019, the Society recorded contributions totaling \$408,974 and \$99,350, respectively, for donated animal food, supplies, and legal services.

A number of individual volunteers have donated time to the Society and perform a variety of tasks that assist the Society with its programs and administration. These services are not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America.

Investments

Investments are carried at fair value, with unrealized and realized gains or losses recorded in investment income. Investment gains and losses and investment income are reported in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions. Interest income is recorded on the accrual basis. Realized gains and losses resulting from the sale of investments are reported in the statement of activities and changes in net assets as of the trade date. Contributions of investments are recorded at fair value at the date of the gift.

The Society's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the financial statements.

Property and Equipment

Property and equipment, with an initial value of \$5,000 and an estimated useful life of at least two years, are recorded at cost when purchased and are being depreciated on a straight-line basis over their estimated useful lives. In 2020, the Society changed the estimated remaining useful lives of certain assets to reflect the remaining use of these assets (see Note 3). The updated ranges are disclosed in Note 8. Costs of maintenance and repairs are charged to expense when incurred.

Inventory

Inventories consist of store merchandise and clinic and shelter materials. The Society values inventory at the lower of cost or net realizable value on the first-in, first-out (FIFO) method.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

- *Employee fringe benefits* - Full-time equivalent employees
- *Staff training, office services, and IT services* - Full-time equivalent employees
- *Executive office, business administration, and operations office expenses* - Full-time equivalent employees
- *Depreciation* - Square footage based on function
- *Physical plant costs and maintenance* - Square footage based on function

Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Federal Income Taxes

The Society is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and known now as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

On March 21, 2020, a shelter-in-place order became effective in Illinois. As a result, the Society suspended public-facing programs, such as community spay-neuter services and adoptions. Given the nature of the work at the shelter, the staff were recognized as essential workers and continued to work onsite during the mandate. To maintain safety and security of staff, the employees and a select group of volunteers were separated into an A-B cohort to enable staff to continue to care for animals at the shelter, which called for front-line staff to work part time in the building and part time remotely. Some staff with capacity to work remotely assumed a work-from-home status during the early days of the pandemic, which continued through the end of the fiscal year. The shelter was closed to members of the public as a result of the shelter-in-place mandate. As a result of the pandemic, the Society's operations were impacted, primarily relating to adoptions and clinical services offered, which were suspended as a result of the stay-at-home order. While some programming and services became virtual (i.e., foster training, community programs, and adoption counseling), other programs remained suspended. The Society established a COVID safety team that was responsible for developing a phased approach to reopening, based on state and city guidelines. The Society reopened select programs with limited access in April 2020, with constant review and evaluation on ensuring a safe environment for anyone in the facility while maintaining the A-B cohort status.

October 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

No impairments were required to be recorded as of the statement of financial position date. However, due to the significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Society's financial position, activities and changes in net assets, and cash flows could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Upcoming Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Society's year ending October 31, 2021. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. Management has begun analyzing revenue streams that will be impacted and believes that the pattern of revenue recognition will not change significantly upon adoption of the pronouncement. Management is currently analyzing the disclosures that will be required with this pronouncement.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which primarily removes and modifies Level 3 fair value measurement disclosures. The ASU is effective for the Society's year ending October 31, 2021. Management does not expect the adoption of the ASU to have a significant impact on the Society's financial statements.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 23, 2021, which is the date the financial statements were available to be issued.

Note 3 - Change in Accounting Estimate

During 2020, the Society changed its estimate of the remaining useful lives of certain assets. Management believes the new method of estimation provides a better reflection of the remaining use of these assets. This change in estimate increased accumulated depreciation and depreciation expense by approximately \$2,000,000 as of and for the year ended October 31, 2020. Additionally, as a result of the change in accounting estimate, operating cash flows for 2020 decreased by approximately \$2,000,000.

October 31, 2020 and 2019

Note 4 - Liquidity and Availability of Resources

The following reflects the Society's financial assets as of October 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2020	2019
Cash	\$ 4,000,776	\$ 227,282
Investments	40,321,488	36,205,566
Estates and trust receivables - Net	3,490,579	9,417,581
Accrued interest and dividends receivable	95,616	104,266
Other receivables	165	7,960
Financial assets - At year end	47,908,624	45,962,655
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	331,906	429,456
Subject to appropriation and satisfaction of donor restrictions	-	615,993
Investments held in perpetuity	1,820,856	1,850,618
Financial assets available to meet cash needs for general expenditures within one year	\$ 45,755,862	\$ 43,066,588

The estate and trust receivables of \$3,490,579 and \$9,417,581 as of October 31, 2020 and 2019, respectively, are subject to implied time restrictions but are expected to be collected within one year and are, therefore, considered available for use for general expenditures.

The Society has a goal to maintain financial assets, consisting of cash and short-term investments, on hand to meet 45 days of normal operating expenses, which are, on average approximately \$1,275,000 and \$1,225,000 at October 31, 2020 and 2019, respectively. The Society has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, as part of its liquidity management, the Society invests cash in excess of time requirements in its portfolio until needed. Currently, the Society has a spending policy from the portfolio of 5 percent of the average market value (see Note 12). When cash is needed by operations, management will request cash from the portfolio. This draw has rarely exceeded this board-authorized draw and often is significantly less than the authorized draw by the board of directors. In 2020, the board of directors approved a special appropriation of \$708,807, which is in excess of the spending policy. The Society has no lines of credit.

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Society has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

October 31, 2020 and 2019

Note 5 - Fair Value Measurements (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Society's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about the Society's assets measured at fair value on a recurring basis at October 31, 2020 and 2019 and the valuation techniques used by the Society to determine those fair values.

Assets Measured at Fair Value on a Recurring Basis at October 31, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at October 31, 2020
Investments:				
Fixed-income securities	\$ -	\$ 16,469,487	\$ -	\$ 16,469,487
Money market funds	1,871,826	-	-	1,871,826
Equity mutual funds	8,306,151	-	-	8,306,151
Common stocks	13,674,024	-	-	13,674,024
Total investments	23,852,001	16,469,487	-	40,321,488
Other assets - Beneficial interests in trusts				
	-	-	1,258,389	1,258,389
Total assets	\$ 23,852,001	\$ 16,469,487	\$ 1,258,389	\$ 41,579,877

Assets Measured at Fair Value on a Recurring Basis at October 31, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at October 31, 2019
Investments:				
Fixed-income securities	\$ -	\$ 15,042,950	\$ -	\$ 15,042,950
Fixed-income bond fund	1,416,211	-	-	1,416,211
Money market funds	951,729	-	-	951,729
Equity mutual funds	5,840,522	-	-	5,840,522
Common stocks	12,954,154	-	-	12,954,154
Total investments	21,162,616	15,042,950	-	36,205,566
Other assets - Beneficial interests in trusts				
	-	-	1,266,428	1,266,428
Total assets	\$ 21,162,616	\$ 15,042,950	\$ 1,266,428	\$ 37,471,994

Level 1 Inputs

The fair value of the Society's money market funds, fixed-income bond fund, equity mutual funds, and common stocks was based on quoted market prices.

Note 5 - Fair Value Measurements (Continued)

Level 2 Inputs

The fair value of the Society's fixed-income securities was determined by use of other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The Society's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the beginning of the reporting period. There were no transfers between levels during the years ended October 31, 2020 and 2019.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended October 31, 2020 and 2019 are as follows:

	Beneficial Interests in Trusts
Balance at October 31, 2019	\$ 1,266,428
Total unrealized losses	(8,039)
Balance at October 31, 2020	<u>\$ 1,258,389</u>
Balance at October 31, 2018	\$ 1,273,865
Total unrealized losses	(7,437)
Balance at October 31, 2019	<u>\$ 1,266,428</u>

Unrealized losses of \$8,039 and \$7,437 for the years ended October 31, 2020 and 2019, respectively, are reported in the change in fair value of beneficial interests in trust in the statement of activities and changes in net assets.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The following tables summarize the valuation methods and inputs used to determine fair value at October 31, 2020 and 2019 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at October 31, 2020	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Assets - Beneficial interests in trusts	\$ 1,258,389	Percentage of the trust designated to the Society	Fair value of the underlying assets	N/A
	Fair Value at October 31, 2019	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Assets - Beneficial interests in trusts	\$ 1,266,428	Percentage of the trust designated to the Society	Fair value of the underlying assets	N/A

October 31, 2020 and 2019

Note 5 - Fair Value Measurements (Continued)

The Society has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include obtaining the trusts' monthly statements and analyzing changes in fair value from period to period.

Note 6 - Estate and Trust Receivables

As of October 31, 2020 and 2019, estates receivables in the amount of \$3,490,579 and \$9,417,581, respectively, are expected to be collected within one year.

Note 7 - Beneficial Interest in Trusts

Beneficial interests in trusts consist of six perpetual trusts held by third parties and one charitable remainder trust. The charitable remainder trust is adjusted to present value using an interest rate of 2.36 percent for the discount rate. The Society has interests in these trusts ranging from 0.45 percent to 33.33 percent. The Society has no control over any of the assets or investment strategies of the trusts. The trusts primarily consist of cash, fixed income, and equities composed of U.S. large-cap equity, U.S. mid-cap equity, U.S. small-cap equity, international equity, and other equity holdings (see Note 5).

Note 8 - Property and Equipment

Property and equipment are summarized as follows:

	2020	2019	Depreciable Life - Years
Land and improvements	\$ 985,965	\$ 989,961	15
Buildings and improvements	29,657,946	29,582,294	15-50
Furniture and equipment	1,124,390	870,105	3-7
Vehicles	216,011	216,011	5
Films and media	530,092	532,198	5
Total cost	32,514,404	32,190,569	
Accumulated depreciation	20,887,100	17,384,437	
Net property and equipment	<u>\$ 11,627,304</u>	<u>\$ 14,806,132</u>	

Depreciation expense for 2020 and 2019 was \$3,502,662 and \$1,078,621, respectively.

Note 9 - Note Payable

On April 14, 2020, the Society received a Paycheck Protection Program (PPP) term note through a lender in the amount of \$1,074,250. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's PPP. The note structure required the Society to certify certain statements that permitted the Society to qualify for the loan and provide loan forgiveness for a portion up to all of the borrowed amount if the Society uses the loan proceeds for the permitted purpose described in the note agreement. The portion not forgiven will be required to be paid back by the Society in full by April 2022 with interest at 1.00 percent. The Society has the right to prepay any amount outstanding at any time without penalty. The loan will continue to help the Society fund payroll. On January 5, 2021, the PPP loan of \$1,074,250 was forgiven in full by the lender and the Small Business Administration. On February 18, 2021, the Society received funding for a second PPP term note in the amount of \$1,291,000.

Note 10 - Retirement Plans

The Society maintains a Section 403(b) tax sheltered annuity plan for substantially all employees. Under this plan, participants may contribute amounts subject to the limitations contained in the Tax Reform Act of 1986. The Society will match eligible participants' contributions up to a maximum of between 3 percent and 10 percent of compensation depending upon years of completed service and the participant's level of contributions. Total contributions by the Society are \$129,288 and \$122,807 for the years ended October 31, 2020 and 2019, respectively.

Note 11 - Net Assets

Net assets with donor restrictions as of October 31 are available for the following purposes:

	2020	2019
Subject to expenditures for a specified purpose	\$ 331,906	\$ 429,456
Subject to the Society's spending policy and appropriation	-	615,693
Invested in perpetuity:		
Donor-restricted endowment funds	1,820,856	1,850,618
Beneficial interests in trusts	1,258,389	1,266,428
Total net assets with donor restrictions	\$ 3,411,151	\$ 4,162,195

Note 12 - Donor-restricted and Board-designated Endowments

The Society's endowment consists of two individual donor-restricted funds, with one established to partially support the Society's spay and neuter clinic and the other established for educational purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. There are no board-designated endowments.

Interpretation of Relevant Law

The Society is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Society had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Society considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Society has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Society and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Society
- The investment policies of the Society

Notes to Financial Statements

October 31, 2020 and 2019

Note 12 - Donor-restricted and Board-designated Endowments (Continued)

	Endowment Net Asset Composition by Type of Fund as of October 31, 2020 <u>With Donor Restrictions</u>
Donor-restricted endowment funds - Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ 1,820,856
	Changes in Endowment Net Assets for the Fiscal Year Ended October 31, 2020 <u>With Donor Restrictions</u>
Endowment net assets - Beginning of year	\$ 2,466,611
Investment return:	
Investment income	44,080
Net appreciation (realized and unrealized)	<u>18,972</u>
Total investment return	63,052
Appropriation of endowment assets for expenditure	<u>(708,807)</u>
Endowment net assets - End of year	<u>\$ 1,820,856</u>
	Endowment Net Asset Composition by Type of Fund as of October 31, 2019 <u>With Donor Restrictions</u>
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ 1,850,618
Accumulated investment gains	<u>615,993</u>
Total	<u>\$ 2,466,611</u>
	Changes in Endowment Net Assets for the Fiscal Year Ended October 31, 2019 <u>With Donor Restrictions</u>
Endowment net assets - Beginning of year	\$ 2,380,927
Investment return:	
Investment income	52,694
Net appreciation (realized and unrealized)	<u>122,306</u>
Total investment return	175,000
Appropriation of endowment assets for expenditure	<u>(89,316)</u>
Endowment net assets - End of year	<u>\$ 2,466,611</u>

October 31, 2020 and 2019

Note 12 - Donor-restricted and Board-designated Endowments (Continued)

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Society to retain as a fund of perpetual duration. As of October 31, 2020 and 2019, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Society 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 achieving a total rate of return in excess of inflation over the preceding five-year period. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's rolling average fair value over the prior 10 years ended October 31. In establishing this policy, the Society considered the long-term expected rate of return on its endowment. Based on the long-term objectives stated above, the Society will only spend the endowment fund to support the spay and neuter clinic or for educational purposes while preserving the related principal. In 2020, the board of directors approved a special appropriation of \$708,807, which is in excess of the spending policy.