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# The Anti-Cruelty Society

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**Financial Report  
with Additional Information  
October 31, 2019**

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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, 2019 and 2018 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, 2019 and 2018 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 Matter**

As described in Note 2 to the financial statements, the Society adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

February 4, 2020

Statement of Financial Position

October 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash	\$ 227,282	\$ 552,142
Investments (Note 4)	36,205,566	33,351,884
Receivables:		
Estates and trusts receivables - Net	9,417,581	1,198,871
Accrued interest and dividends receivable	104,266	99,485
Other receivables	7,960	13,244
Inventories	132,545	128,308
Prepaid expenses	36,656	83,252
Beneficial interests in trusts (Notes 4, 6, and 9)	1,266,428	1,273,865
Property and equipment - Net (Note 7)	14,806,132	15,724,420
	<u>\$ 62,204,416</u>	<u>\$ 52,425,471</u>
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 140,674	\$ 197,196
Deferred revenue	21,490	21,390
Compensation payable	210,006	244,432
Self-insurance reserve	30,000	30,000
Disability reserve	15,000	15,000
Charitable gift annuity payable	86,440	33,389
	<u>503,610</u>	<u>541,407</u>
Total liabilities		
<b>Net Assets (Note 9)</b>		
Without donor restrictions	57,538,311	47,723,080
With donor restrictions	4,162,495	4,160,984
	<u>61,700,806</u>	<u>51,884,064</u>
Total net assets		
	<u>\$ 62,204,416</u>	<u>\$ 52,425,471</u>
Total liabilities and net assets		

## The Anti-Cruelty Society

# Statement of Activities and Changes in Net Assets

Years Ended October 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>						
General public, corporate, and foundation support	\$ 3,756,410	\$ 177,549	\$ 3,933,959	\$ 3,568,172	\$ 352,919	\$ 3,921,091
Estate and annuity income	11,083,690	-	11,083,690	2,260,462	-	2,260,462
Shelter, clinical, and other service income	1,058,607	-	1,058,607	1,139,612	-	1,139,612
Retail sales and other revenue	77,724	-	77,724	71,897	-	71,897
Special event revenue	286,878	-	286,878	271,766	-	271,766
Interest and dividends	914,229	52,694	966,923	870,037	51,377	921,414
Net realized and unrealized gains (losses) on investments	2,005,390	122,306	2,127,696	(1,059,706)	(66,692)	(1,126,398)
Change in fair value of beneficial interests in trusts	-	(7,437)	(7,437)	-	18,234	18,234
Change in value of charitable gift annuities	(53,051)	-	(53,051)	25,957	-	25,957
Net assets released from restrictions	343,601	(343,601)	-	189,602	(189,602)	-
<b>Total revenue, gains, and other support</b>	<b>19,473,478</b>	<b>1,511</b>	<b>19,474,989</b>	<b>7,337,799</b>	<b>166,236</b>	<b>7,504,035</b>
<b>Expenses</b>						
Program services:						
Shelter services	3,889,117	-	3,889,117	3,834,383	-	3,834,383
Clinical and veterinary services	2,478,218	-	2,478,218	2,458,212	-	2,458,212
Community programs	786,280	-	786,280	715,468	-	715,468
Auxiliary services	164,732	-	164,732	156,081	-	156,081
<b>Total program services</b>	<b>7,318,347</b>	<b>-</b>	<b>7,318,347</b>	<b>7,164,144</b>	<b>-</b>	<b>7,164,144</b>
Support services:						
Fundraising	1,335,459	-	1,335,459	1,239,495	-	1,239,495
Special events	180,396	-	180,396	156,876	-	156,876
General and administrative	824,045	-	824,045	828,289	-	828,289
<b>Total support services</b>	<b>2,339,900</b>	<b>-</b>	<b>2,339,900</b>	<b>2,224,660</b>	<b>-</b>	<b>2,224,660</b>
<b>Total expenses</b>	<b>9,658,247</b>	<b>-</b>	<b>9,658,247</b>	<b>9,388,804</b>	<b>-</b>	<b>9,388,804</b>
<b>Increase (Decrease) in Net Assets</b>	<b>9,815,231</b>	<b>1,511</b>	<b>9,816,742</b>	<b>(2,051,005)</b>	<b>166,236</b>	<b>(1,884,769)</b>
<b>Net Assets - Beginning of year</b>	<b>47,723,080</b>	<b>4,160,984</b>	<b>51,884,064</b>	<b>49,774,085</b>	<b>3,994,748</b>	<b>53,768,833</b>
<b>Net Assets - End of year</b>	<b>\$ 57,538,311</b>	<b>\$ 4,162,495</b>	<b>\$ 61,700,806</b>	<b>\$ 47,723,080</b>	<b>\$ 4,160,984</b>	<b>\$ 51,884,064</b>

Statement of Functional Expenses

Year Ended October 31, 2019

	Program Services				Support Services				Total	
	Shelter Services	Clinical and Veterinary 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
<b>Total functional expenses</b>	<b>\$ 3,889,117</b>	<b>\$ 2,478,218</b>	<b>\$ 786,280</b>	<b>\$ 164,732</b>	<b>\$ 7,318,347</b>	<b>\$ 1,335,459</b>	<b>\$ 180,396</b>	<b>\$ 824,045</b>	<b>\$ 2,339,900</b>	<b>\$ 9,658,247</b>

Statement of Functional Expenses

Year Ended October 31, 2018

	Program Services				Support Services				Total	
	Shelter Services	Clinical and Veterinary Services	Community Programs	Auxiliary Services	Total Program Services	Fundraising	Special Events	General and Administrative		Total Support Services
Staff compensation and benefits	\$ 2,137,270	\$ 905,974	\$ 317,364	\$ 2,273	\$ 3,362,881	\$ 270,313	\$ 50,922	\$ 528,161	\$ 849,396	\$ 4,212,277
External services and payments	72,121	14,345	705	-	87,171	590,237	-	228,213	818,450	905,621
Consumables	120,324	516,154	18,684	47,978	703,140	200,232	-	4,998	205,230	908,370
Travel and staff development	604	-	2,013	-	2,617	943	-	7,475	8,418	11,035
Printing and duplication	6,821	-	22,723	-	29,544	25,598	-	1,415	27,013	56,557
Fundraising events	-	-	-	-	-	-	82,321	-	82,321	82,321
Auto, occupancy, and risk	815	2,650	613	75,644	79,722	-	2,969	-	2,969	82,691
Operations and veterinary costs	280,880	425,392	13,492	-	719,764	-	-	-	-	719,764
Staff training costs	26,010	12,089	3,894	-	41,993	1,910	419	-	2,329	44,322
Public relations and advertising costs	124,122	69,745	20,570	3,160	217,597	69,817	14,751	2,658	87,226	304,823
Physical plant costs	442,134	206,355	135,792	11,236	795,517	9,856	34	15,336	25,226	820,743
Data and IT services	47,539	22,987	5,496	765	76,787	55,455	4,646	3,935	64,036	140,823
Office services expenses	18,683	6,503	3,075	74	28,335	1,967	814	1,972	4,753	33,088
Depreciation	557,060	276,018	171,047	14,951	1,019,076	13,167	-	34,126	47,293	1,066,369
<b>Total functional expenses</b>	<b>\$ 3,834,383</b>	<b>\$ 2,458,212</b>	<b>\$ 715,468</b>	<b>\$ 156,081</b>	<b>\$ 7,164,144</b>	<b>\$ 1,239,495</b>	<b>\$ 156,876</b>	<b>\$ 828,289</b>	<b>\$ 2,224,660</b>	<b>\$ 9,388,804</b>

**Statement of Cash Flows**

**Years Ended October 31, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 9,816,742	\$ (1,884,769)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	1,078,621	1,066,369
Change in value of charitable gift annuities	53,051	24,042
Change in fair value of beneficial interest in trusts	7,437	(18,234)
Net realized and unrealized (gains) losses on investments	(2,127,696)	1,126,398
Noncash donations of investments	(379,542)	(674,615)
Changes in operating assets and liabilities that (used) provided cash:		
Estates and trusts and other receivables	(8,213,426)	(216,974)
Accrued interest and dividend receivable	(4,781)	(4,627)
Inventory	(4,237)	(12,773)
Prepaid expenses	46,596	62,322
Accounts payable	(35,110)	26,070
Compensation payable	(34,426)	72,471
Deferred revenue	100	380
	203,329	(433,940)
<b>Cash Flows from Investing Activities</b>		
Purchase of investment securities	(21,275,448)	(20,699,883)
Proceeds from sale of investments	20,929,004	21,367,337
Capital expenditures	(181,745)	(308,364)
	(528,189)	359,090
<b>Net Decrease in Cash</b>	(324,860)	(74,850)
<b>Cash - Beginning of year</b>	552,142	626,992
<b>Cash - End of year</b>	<b>\$ 227,282</b>	<b>\$ 552,142</b>
<b>Supplemental Cash Flow Information - Cash paid for capital expenditures recorded in accounts payable</b>	\$ -	\$ 21,412



**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. In addition, the Society offers programs, such as dog training; a free behavior hotline; three rehabilitation and treatment centers; and a number of pet-related programs, such as pet loss and grief group sessions, pet visitation programs, and pet first aid and CPR classes. 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 Services***

As an open-door shelter that accepts any animals in need 365 days a year, the Society works to match adoptable animals with suitable forever homes. The foster program provides temporary homes for animals in need of special care prior to permanent placement. The Society's humane investigations department investigates reports of animal cruelty and abuse and provides 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 a veterinary staff providing low-cost spay/neuter services to pets of the general public and to other animal welfare groups who do not have access to low-cost services. The Society also operates a charity veterinary clinic providing services to clients who cannot afford these vital services for their companion animals. The veterinary staff provide immediate postadoption services for animals adopted through the shelter and full veterinary services for animals 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 rescue animals from cruelty and neglect by advising and educating pet owners and the general public about how to care for animals, the Society offers a wide variety of programs and services to the general public. Working with Chicago's public and private schools and the general community, the community programs department offers age-appropriate presentations and engagement opportunities all year long. 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. A vibrant corporate volunteer component and a robust fostering program 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.

October 31, 2019 and 2018

**Note 2 - Significant Accounting Policies (Continued)**

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

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***

As of October 1, 2018, the Society adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by the Society, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of general and administrative and prohibits certain expenses from being allocated out of general and administrative. The standard has been applied retrospectively, with the exception of the liquidity and availability of resources, as allowed by the standard. As a result of the adoption of this standard, the financial information for the year ended October 31, 2018 has been restated as follows: net assets of \$3,124,483 and \$1,036,501 previously reported as temporarily restricted net assets and permanently restricted net assets, respectively, have been combined into net assets with donor restrictions totaling \$4,160,984. Additionally, disclosures about the liquidity and availability of resources have been included at Note 3. The disclosures about the liquidity and availability of resources are presented only for October 31, 2019, as allowed by the standard.

***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.

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 and BMO Harris, which 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 \$1,160,460 and \$575,146 as of October 31, 2019 and 2018, respectively.

October 31, 2019 and 2018

**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, 2019 and 2018, the Society recorded contributions totaling \$99,350 and \$88,700, respectively, for donated animal food and supplies.

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. 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.

***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 required 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

October 31, 2019 and 2018

## Note 2 - Significant Accounting Policies (Continued)

- *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 programs and support services based on estimates, as 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.

### **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, 2020. 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 June 2018, the FASB issued ASU No. 2018-08, *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 exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Society's year ending October 31, 2020 and will be applied on a modified prospective basis. The Society has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

### **Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including February 4, 2020, which is the date the financial statements were available to be issued.

October 31, 2019 and 2018

**Note 3 - Liquidity and Availability of Resources**

The following reflects the Society's financial assets as of October 31, 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.

Cash	\$ 227,282
Investments	36,205,566
Estates and trust receivables - Net	9,417,581
Accrued interest and dividends receivable	104,266
Other receivables	<u>7,960</u>
Financial assets - At year end	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	429,456
Subject to appropriation and satisfaction of donor restrictions	615,993
Investments held in perpetuity	<u>1,850,618</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 43,066,588</u>

The Society has \$43,066,588 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures budgeted at \$9,808,990 for the 2020 fiscal year. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The estate and trust receivables of \$9,417,581 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 \$1,225,000 for the 2020 fiscal year. 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 10). 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. The Society has no long-term debt or lines of credit.

**Note 4 - 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, 2019 and 2018

**Note 4 - Fair Value Measurements (Continued)**

In instances whereby 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, 2019 and 2018 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, 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

Assets Measured at Fair Value on a Recurring Basis at October 31, 2018				
	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, 2018
Investments:				
Fixed-income securities	\$ -	\$ 13,734,569	\$ -	\$ 13,734,569
Fixed-income bond fund	1,348,428	-	-	1,348,428
Money market funds	855,525	-	-	855,525
Equity mutual funds	5,700,661	-	-	5,700,661
Common stocks	11,712,701	-	-	11,712,701
Total investments	19,617,315	13,734,569	-	33,351,884
Other assets - Beneficial interests in trusts	-	-	1,273,865	1,273,865
Total assets	\$ 19,617,315	\$ 13,734,569	\$ 1,273,865	\$ 34,625,749

**Level 1 Inputs**

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

**Note 4 - Fair Value Measurements (Continued)**

**Level 2 Inputs**

The fair value of the Society's corporate and foreign bonds, U.S. government agency securities, and U.S. Treasury 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, 2019 and 2018.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended October 31, 2019 and 2018 are as follows:

	Beneficial Interests in Trusts
Balance at October 31, 2018	\$ 1,273,865
Total unrealized losses	(7,437)
Balance at October 31, 2019	<u>\$ 1,266,428</u>
Balance at October 31, 2017	\$ 1,255,631
Total unrealized gains	18,234
Balance at October 31, 2018	<u>\$ 1,273,865</u>

Unrealized gains and losses of \$7,437 and \$18,234 for the years ended October 31, 2019 and 2018, 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, 2019 and 2018 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	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
	Fair Value at October 31, 2018	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Assets - Beneficial interests in trusts	\$ 1,273,865	Percentage of the trust designated to the Society	Fair value of the underlying assets	N/A

October 31, 2019 and 2018

**Note 4 - 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 5 - Estate and Trust Receivables**

As of October 31, 2019 and 2018, estates receivables in the amount of \$9,417,581 and \$1,198,871, respectively, are expected to be collected within one year.

**Note 6 - 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 4).

**Note 7 - Property and Equipment**

Property and equipment are summarized as follows:

	2019	2018	Depreciable Life - Years
Land and improvements	\$ 989,961	\$ 965,666	10-30
Buildings and improvements	29,582,294	29,546,904	7-30
Furniture and equipment	870,105	834,218	3-10
Vehicles	216,011	151,470	5
Films and media	532,198	465,348	5
Construction in progress	-	66,630	-
Total cost	<u>32,190,569</u>	<u>32,030,236</u>	
Accumulated depreciation	<u>17,384,437</u>	<u>16,305,816</u>	
Net property and equipment	<u>\$ 14,806,132</u>	<u>\$ 15,724,420</u>	

Depreciation expense for 2019 and 2018 was \$1,078,621 and \$1,066,369, respectively.

**Note 8 - 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 \$122,807 and \$104,351 for the years ended October 31, 2019 and 2018, respectively.

Effective August 1, 2009, the Society established a deferred compensation plan under Section 457(b) of the Internal Revenue Code for its president. There were no amounts charged to operations for the years ended October 31, 2019 and 2018. The balance of this plan was distributed in full during the year ended October 31, 2019.



October 31, 2019 and 2018

**Note 9 - Net Assets**

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

	2019	2018
Subject to expenditures for a specified purpose	\$ 429,456	\$ 447,609
Subject to the passage of time	-	58,583
Subject to the Society's spending policy and appropriation	615,693	530,309
Invested in perpetuity:		
Donor-restricted endowment funds	1,850,618	1,850,618
Beneficial interests in trusts	1,266,428	1,273,865
Total net assets with donor restrictions	\$ 4,162,195	\$ 4,160,984

**Note 10 - 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, 2019 and 2018

**Note 10 - Donor-restricted and Board-designated Endowments (Continued)**

	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>
	Endowment Net Asset Composition by Type of Fund as of October 31, 2018 <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>530,309</u>
Total	<u>\$ 2,380,927</u>

October 31, 2019 and 2018

**Note 10 - Donor-restricted and Board-designated Endowments (Continued)**

	Changes in Endowment Net Assets for the Fiscal Year Ended October 31, 2018
	<u>With Donor Restrictions</u>
Endowment net assets - Beginning of year	\$ 2,482,594
Investment return:	
Investment income	51,377
Net depreciation (realized and unrealized)	<u>(66,692)</u>
Total investment return	(15,315)
Appropriation of endowment assets for expenditure	<u>(86,352)</u>
Endowment net assets - End of year	<u>\$ 2,380,927</u>

***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, 2019 and 2018, 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.

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## Additional Information

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### Independent Auditor's Report on Additional Information

To the Board of Directors  
The Anti-Cruelty Society

We have audited the financial statements of The Anti-Cruelty Society as of and for the years ended October 31, 2019 and 2018 and have issued our report thereon dated February 4, 2020, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional revenue and expenses is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2019 financial statements as a whole.

*Plante & Moran, PLLC*

February 4, 2020

## Schedule of Functional Revenue and Expenses

Year Ended October 31, 2019

	Program Services					Support Services			Special Services			Total Shared Costs	Total
	Shelter Services	Clinical and Veterinary Services	Community Programs	Auxiliary Services	Total Program Services	Fundraising	General and Administrative	Total Support Services	Special Fundraising Events	Brokerage Operations	Total Special Services		
<b>Functional Revenue</b>													
Fundraising revenue and other support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,834,608	\$ -	\$ 3,834,608	\$ -	\$ -	\$ -	\$ -	\$ 3,834,608
Estate income	-	-	-	-	-	11,083,691	-	11,083,691	-	-	-	-	11,083,691
Special event revenue	-	-	-	-	-	-	-	-	286,877	-	286,877	-	286,877
In-kind revenue	-	-	-	-	-	99,351	-	99,351	-	-	-	-	99,351
Shelter, clinical, and other service income	608,897	420,098	29,612	-	1,058,607	-	-	-	-	-	-	-	1,058,607
Investment and annuity income	-	78,984	10,332	-	89,316	-	-	-	-	877,607	877,607	-	966,923
Retail sales and other revenue	955	836	-	75,812	77,603	-	-	-	-	-	-	120	77,723
Restrictions released between functions	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total functional revenue</b>	<b>609,852</b>	<b>499,918</b>	<b>39,944</b>	<b>75,812</b>	<b>1,225,526</b>	<b>15,017,650</b>	<b>-</b>	<b>15,017,650</b>	<b>286,877</b>	<b>877,607</b>	<b>1,164,484</b>	<b>120</b>	<b>17,407,780</b>
<b>Direct Functional Costs</b>													
Staff compensation and benefits	2,117,158	882,974	363,241	2,115	3,365,488	257,021	634,272	891,293	53,379	-	53,379	1,369,904	5,680,064
External services and payments to others	59,897	36,499	1,000	-	97,396	625,040	114,017	739,057	-	-	-	92,939	929,392
Veterinary costs	-	-	-	-	-	-	-	-	-	-	-	11,978	11,978
Consumables	110,698	465,210	31,163	(33,859)	573,212	267,590	4,632	272,222	-	-	-	28,148	873,582
In-kind expenses	-	-	50	89,348	89,398	-	-	-	-	-	-	1,452	90,850
Travel and staff development	970	-	1,244	-	2,214	9,497	9,096	18,593	-	-	-	11,688	32,495
Printing and duplication	8,626	-	16,953	-	25,579	14,934	804	15,738	-	-	-	57,113	98,430
Fundraising event costs	-	-	-	-	-	-	-	-	93,974	-	93,974	-	93,974
Auto, occupancy, and risk	1,016	2,482	1,057	75,557	80,112	-	6	6	100	-	100	538,495	618,713
Bank fees and processing charges	-	-	-	-	-	-	907	907	-	-	-	102,560	103,467
Capitalizable expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost reimbursements	-	-	-	-	-	(400)	(1,797)	(2,197)	(134)	(965)	(1,099)	(2,430)	(5,726)
<b>Total direct functional expenses</b>	<b>2,298,365</b>	<b>1,387,165</b>	<b>414,708</b>	<b>133,161</b>	<b>4,233,399</b>	<b>1,173,682</b>	<b>761,937</b>	<b>1,935,619</b>	<b>147,319</b>	<b>(965)</b>	<b>146,354</b>	<b>2,211,847</b>	<b>8,527,219</b>
<b>Direct Shared Costs</b>													
Operations and veterinary costs	325,659	472,692	18,528	-	816,879	-	-	-	-	-	-	(774,875)	42,004
Volunteer and staff training costs	54,083	26,905	9,262	212	90,462	3,768	5,253	9,021	816	-	816	(99,555)	744
Public relations and advertising	130,757	73,053	21,598	3,310	228,718	67,139	-	67,139	24,927	-	24,927	(320,784)	-
Physical plant costs	468,128	217,496	143,430	11,770	840,824	10,295	22,149	32,444	46	-	46	(867,267)	6,047
Data and IT services	55,311	26,918	6,444	1,555	90,228	64,899	4,407	69,306	5,400	-	5,400	(161,320)	3,614
Office services expenses	20,539	9,341	3,816	280	33,976	2,633	3,026	5,659	1,888	-	1,888	(41,523)	-
<b>Total direct shared expenses</b>	<b>1,054,477</b>	<b>826,405</b>	<b>203,078</b>	<b>17,127</b>	<b>2,101,087</b>	<b>148,734</b>	<b>34,835</b>	<b>183,569</b>	<b>33,077</b>	<b>(1,930)</b>	<b>33,077</b>	<b>(2,265,324)</b>	<b>52,409</b>
<b>Direct Functional (Loss) Income</b>	<b>(2,742,990)</b>	<b>(1,713,652)</b>	<b>(577,842)</b>	<b>(74,476)</b>	<b>(5,108,960)</b>	<b>13,695,234</b>	<b>(796,772)</b>	<b>12,898,462</b>	<b>106,481</b>	<b>880,502</b>	<b>985,053</b>	<b>53,597</b>	<b>8,828,152</b>
<b>Indirect and Noncash Costs</b>													
Depreciation	536,283	264,648	168,495	14,444	983,870	13,043	28,229	41,272	-	-	-	53,477	1,078,619
<b>Nonoperating Revenue, Gains, and Losses</b>													
Brokerage fees	-	-	-	-	-	-	(158,335)	(158,335)	-	-	-	-	(158,335)
Annuity valuation changes	-	-	-	-	-	-	-	-	-	(60,488)	(60,488)	-	(60,488)
Portfolio transactions	-	-	-	-	-	-	-	-	-	2,286,032	2,286,032	-	2,286,032
<b>Total nonoperating revenue, gains, and losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(158,335)</b>	<b>(158,335)</b>	<b>-</b>	<b>2,225,544</b>	<b>2,225,544</b>	<b>-</b>	<b>2,067,209</b>
<b>Total functional (loss) income</b>	<b>(3,279,273)</b>	<b>(1,978,300)</b>	<b>(746,337)</b>	<b>(88,920)</b>	<b>(6,092,830)</b>	<b>13,682,191</b>	<b>(983,336)</b>	<b>12,698,855</b>	<b>106,481</b>	<b>3,106,046</b>	<b>3,210,597</b>	<b>120</b>	<b>9,816,742</b>