

**BRANDYWINE VALLEY SPCA**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**MINGIS, GUTOWSKI & COMPANY, LLP**  
**Certified Public Accountants**  
**Media, Pennsylvania**

**BRANDYWINE VALLEY SPCA**

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# **MINGIS, GUTOWSKI & COMPANY, LLP**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Brandywine Valley SPCA  
West Chester, Pennsylvania

We have audited the accompanying financial statements of the Brandywine Valley SPCA (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brandywine Valley SPCA as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mingis, Gutowski & Company, LLP*

Media, Pennsylvania  
May 24, 2021

**BRANDYWINE VALLEY SPCA**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,418,651	\$ 555,939
Unconditional support receivable	15,513	15,650
Other receivables	82,772	97,824
Prepaid expenses	37,010	39,986
Current portion of contributions receivable from charitable lead annuity trusts	<u>28,303</u>	<u>26,946</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>1,582,249</b></u>	<u><b>736,345</b></u>
<b>NONCURRENT ASSETS</b>		
Long-term investments	3,464,466	3,269,017
Property and equipment, net of accumulated depreciation of \$2,643,545 (2020) and \$2,320,701 (2019)	8,458,385	6,015,709
Contributions receivable from charitable lead annuity trusts, net of current portion	141,541	177,320
Beneficial interest in perpetual trusts	<u>439,194</u>	<u>452,989</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u><b>12,503,586</b></u>	<u><b>9,915,035</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 14,085,835</b></u>	<u><b>\$ 10,651,380</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 732,828	\$ 565,867
Current portion of long-term debt	38,434	33,329
Accrued payroll and payroll taxes	110,121	327,856
Deferred revenue	<u>365,826</u>	<u>463,533</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u><b>1,247,209</b></u>	<u><b>1,390,585</b></u>
<b>LONG-TERM DEBT</b>	<u><b>1,561,566</b></u>	<u><b>327,924</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>2,808,775</b></u>	<u><b>1,718,509</b></u>
<b>NET ASSETS</b>		
Without Donor Restrictions	10,618,022	8,225,616
With Donor Restrictions	<u>659,038</u>	<u>707,255</u>
<b>TOTAL NET ASSETS</b>	<u><b>11,277,060</b></u>	<u><b>8,932,871</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 14,085,835</b></u>	<u><b>\$ 10,651,380</b></u>

The accompanying notes are an integral part of these financial statements.

**BRANDYWINE VALLEY SPCA**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Revenues, gains and other support:		
Contributions and grant revenue	\$ 2,780,090	\$ 1,883,457
Memorial funds and bequests	691,164	616,139
Investment gain	260,418	539,407
Program revenue	7,977,065	6,399,530
Special events	1,606,645	1,190,969
Special event costs	(545,673)	(517,637)
Capital Campaign	65,585	346,558
Capital Campaign costs	-	(1,012)
Federal grant from Paycheck Protection Program	776,667	-
Miscellaneous	11,829	-
Net assets released from restrictions	<u>44,000</u>	<u>44,000</u>
<b>TOTAL REVENUES, GAINS         AND OTHER SUPPORT</b>	<u><b>13,667,790</b></u>	<u><b>10,501,411</b></u>
Expenses:		
Program services, animal welfare	<u>10,600,810</u>	<u>9,053,527</u>
Supporting services:		
Management and general	283,758	273,563
Fund-raising	<u>390,816</u>	<u>399,287</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u><b>674,574</b></u>	<u><b>672,850</b></u>
<b>TOTAL EXPENSES</b>	<u><b>11,275,384</b></u>	<u><b>9,726,377</b></u>
<b>CHANGE IN NET ASSETS         WITHOUT DONOR RESTRICTIONS</b>	<u><b>2,392,406</b></u>	<u><b>775,034</b></u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Change in value of split-interest trust agreements	9,578	11,144
Net assets released from restrictions	(44,000)	(44,000)
Gain (loss) in perpetual trusts	<u>(13,795)</u>	<u>53,835</u>
<b>CHANGE IN NET ASSETS         WITH DONOR RESTRICTIONS</b>	<u><b>(48,217)</b></u>	<u><b>20,979</b></u>
<b>CHANGE IN NET ASSETS</b>	<u><b>\$ 2,344,189</b></u>	<u><b>\$ 796,013</b></u>

The accompanying notes are an integral part of these financial statements.

**BRANDYWINE VALLEY SPCA**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
NET ASSETS AT JANUARY 1, 2019	\$ 7,450,582	\$ 686,276	\$ 8,136,858
Change in net assets	<u>775,034</u>	<u>20,979</u>	<u>796,013</u>
NET ASSETS AT DECEMBER 31, 2019	8,225,616	707,255	8,932,871
Change in net assets	<u>2,392,406</u>	<u>(48,217)</u>	<u>2,344,189</u>
NET ASSETS AT DECEMBER 31, 2020	<u>\$ 10,618,022</u>	<u>\$ 659,038</u>	<u>\$ 11,277,060</u>

The accompanying notes are an integral part of these financial statements.

**BRANDYWINE VALLEY SPCA**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Program Services Animal Welfare	Supporting Services Management and General	Totals	Program Services Animal Welfare	Supporting Services Management and General	Totals
<b>FUNCTIONAL EXPENSES</b>						
Payroll	\$ 4,973,653	\$ 129,668	\$ 5,262,639	\$ 3,976,446	\$ 156,336	\$ 4,311,820
Adoption Center rental/Remote Location expense	93,341	-	93,341	90,768	-	90,768
Advertising and promotion	100,771	-	100,771	39,876	-	39,876
Ambulance and transportation expenses	198,225	1,630	199,855	275,095	2,135	277,230
Animal food	125,600	-	125,600	54,573	-	54,573
Animal supplies and cremation expense	41,394	-	41,394	40,314	-	40,314
Depreciation	341,386	14,062	355,448	386,842	4,773	391,615
Emergency vet care	200,524	-	200,524	181,309	-	181,309
Employee benefits	228,907	50,786	279,693	202,371	26,471	228,842
Insurance	92,452	3,961	96,413	80,212	4,181	84,393
Interest expense	17,297	-	17,297	29,246	-	29,246
Investment fees	-	23,729	23,729	-	20,267	20,267
Lab fees, small medical equipment, and vaccinations	304,765	-	304,765	259,838	-	259,838
Professional fees and subcontractor expenses	382,837	17,805	400,642	270,390	12,158	282,548
Maintenance and repairs	570,028	4,728	574,756	618,452	15,854	634,306
Mega Adoption expenses	12,530	-	12,530	428,045	-	428,045
Merchant service fees and merchandise purchases	556,700	3,892	560,592	367,485	6,333	373,818
Office administrative costs, uniforms, and supplies expense	753,063	22,836	775,899	544,859	14,150	559,009
Payroll taxes	368,117	7,940	376,057	288,594	9,237	297,831
Postage	20,714	2,785	23,499	5,181	704	5,885
Real estate taxes	18,011	-	18,011	4,230	-	4,230
Rescue Partner expense	228,461	-	228,461	-	-	-
Training and conference	39,191	437	39,628	111,655	1,439	113,094
Utilities and telephone	202,685	1,129	203,814	200,111	1,660	201,771
Veterinarian and medical supplies	730,138	-	730,138	597,635	-	597,635
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$10,600,810</b>	<b>\$ 283,738</b>	<b>\$10,884,548</b>	<b>\$9,053,527</b>	<b>\$ 273,563</b>	<b>\$9,327,090</b>

The accompanying notes are an integral part of these financial statements.



**BRANDYWINE VALLEY SPCA**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,344,189	\$ 796,013
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Investment fees	23,729	45,251
Dividends reinvested in long-term investments	(70,858)	(82,773)
Depreciation	358,499	393,221
Realized gains on long-term investments	3,004	(29,669)
Unrealized gains on long-term investments	234,748	465,233
Loss in perpetual trusts	(13,795)	(53,835)
Loss on disposal of assets	2,461	-
Payroll Protection Program loan forgiveness	(776,667)	-
Changes in:		
Unconditional support receivable	137	(419)
Other receivables	15,052	(21,796)
Prepaid expenses	2,976	(9,861)
Contributions receivable from charitable lead annuity trusts	34,422	32,856
Accounts payable and accrued expenses	166,961	(214,698)
Accrued payroll and payroll taxes	(217,735)	131,192
Deferred revenue	<u>(97,707)</u>	<u>74,558</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,009,416</u>	<u>1,525,273</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,803,636)	(926,663)
Purchase of investments	<u>(358,482)</u>	<u>(718,057)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(3,162,118)</u>	<u>(1,644,720)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Federal grant – Payroll Protection Program	776,667	-
Repayment of long-term debt	(361,253)	(304,684)
Loan proceeds of long-term debt	<u>1,600,000</u>	<u>-</u>
<b>NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>	<u>2,015,414</u>	<u>(304,684)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>862,712</u>	<u>(424,131)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>555,939</u>	<u>980,070</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,418,651</u>	<u>\$ 555,939</u>

The accompanying notes are an integral part of these financial statements.

**BRANDYWINE VALLEY SPCA**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for interest	\$ 17,297	\$ 29,246
Noncash investing and financing activities:		
Reinvestment of dividends	\$ 70,858	\$ 82,773
Investment fees paid using proceeds from the sale of investments	\$ 23,729	\$ 45,251

The accompanying notes are an integral part of these financial statements.

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The primary mission of the Brandywine Valley SPCA (the “Organization”) is to put the “human” back in animal treatment and advocate on their behalf. Included in this mission is for the Organization to promote the welfare and humane treatment of animals; to prevent cruelty to animals by providing shelter for unwanted or stray animals; and to provide shelter, protection and adoption services for animals to the public communities in Chester and Delaware Counties, Pennsylvania, as well as in the State of Delaware. The Organization’s vision is to be the recognized leader in animal welfare that empowers communities to treat life with respect and dignity. In January 2016, the Organization’s name (formerly the Chester County Society for the Prevention of Cruelty to Animals) was changed to the Brandywine Valley SPCA to include the expansion of the Organization’s services which now include the Delaware area, which includes the City of Wilmington, Delaware, New Castle, Delaware, Georgetown, Delaware, Dover, Delaware, and various counties in the State of Delaware.

The Organization’s revenues are primarily from animal protection and control services, adoption revenue, contributions, program fees, fund-raising events, and capital campaign funding. A significant amount of revenues, gains and other support received by the Organization are from the residents and businesses of Chester County, Delaware County, and from counties within the State of Delaware. The Organization also receives funding through fees for services provided to municipal governments in Chester County and in Delaware County.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred.

Income Tax Status

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, donors currently qualify for the maximum charitable deduction allowed by the Internal Revenue Code.

## BRANDYWINE VALLEY SPCA

### NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Financial Statement Presentation

The financial presentation follows the recommendations of ASC 958-205, Not-For-Profit Entities – Presentation of Financial Statements. Accordingly, the Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

*Net Assets without Donor Restrictions* – Resources not subject to donor or grantor restrictions over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board members have set aside for a particular purpose.

*Net Assets with Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

##### Recently Issued Accounting Standards

For the years ended December 31, 2019 and 2020, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for profits (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in formation about liquidity and availability of resources, and the lack of consistency in the type of

## BRANDYWINE VALLEY SPCA

### NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions (see Financial Statement Presentation above).

In April 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-10, *Revenue from Contracts with Customers* (Topic 606). This guidance outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue guidance, including industry specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an entity expects to receive in exchange for those goods or services. The Organization implemented this ASU, for the year ended December 31, 2020.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This ASU provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Organization adopted ASU 2018-08 in 2019 under the modified prospective approach. The adoption of this ASU did not materially impact the financial statements for contributions received.

#### Support Without Donor Restrictions and Support With Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capitalization and Depreciation

Property and equipment are stated at cost. Major improvements are charged to the property accounts, while maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. Depreciation is computed under the straight-line method over estimated useful lives of 40 years for the building and 5 to 12 years for building improvements and equipment. Donated property and equipment are recorded as fixed assets and reflected as contributions at their estimated values as of the date of receipt. Such contributions are reported as unrestricted support unless the donor has restricted the contributed asset to a specific purpose, in which case, the contributed asset is reported as temporarily restricted support. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions with the expiration of the donor restriction.

Contributions

The Organization reports revenue in accordance with FASB ASC 958-605, *Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions support, depending on the existence or nature of any donor restrictions. Twelve estates accounted for approximately 5% of the Organization's support for the year ended December 31, 2020 and eleven estates accounted for approximately 5% of the Organization's support for the year ended December 31, 2019.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received. Promises to give are recorded at net realizable value if expected to be collected in one year and at the present value of the estimated future cash flows if expected to be collected in more than one year. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

A significant portion of the Organization's uncollateralized, unconditional support receivable is from donors located in Chester County, Pennsylvania.

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents

The Organization considers liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of funds in the Organization's checking, savings, money market accounts and certificates of deposit with original maturities of 90 days or less. Cash balances are insured by the Federal Deposit Insurance Corporation. As of December 31, 2020 and 2019, the uninsured portion of this balance was \$1,636,563 and \$318,380, respectively. The Organization has not experienced any loss in such accounts. Management believes the Organization is not exposed to any significant credit risk on its cash balances.

Investments

The Organization adopted FASB ASC 958-320, *Investments—Debt and Equity Securities*. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Certificates of deposit held for investment that are not debt securities are included in "investments, other." Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "short-term investments, other." Certificates of deposit with remaining maturities greater than one year are classified as "long-term investments."

Donated Services

The Organization receives donated services related to its operations and special events. There were no donated services in 2020 and in 2019.

Deferred Revenue

Deferred revenue consists of grant revenue and revenue from animal control contracts that were received and unearned at December 31, 2020 and unearned animal protective services revenue from townships in Chester and Delaware Counties.

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Pension Plan and Deferred Compensation Plan

The Organization has a Section 403(b) pension plan covering all full-time employees who may contribute to their accounts upon employment and who have attained the age of 21. The plan is funded by voluntary employee contributions and employer matching contributions. For the year ended December 31, 2020, the Organization's contribution to its Section 403(b) pension plan was \$72,247.

In December 2019, the Organization established a Section 457(b) deferred compensation plan which covers key management employees. The plan is funded by employer contributions. For the year ended December 31, 2020, the Organization's contribution to its Section 457(b) deferred compensation plan was \$23,101.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, actual results could differ from those estimates.

Functional Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, the expenses directly related to the program are allocated with certain common costs of the Organization based primarily on time spent and other estimates made by management.

Advertising and Promotion Costs

The Organization expenses advertising and promotion costs as incurred. Advertising and promotion costs for the years ended December 31, 2020 and 2019, were \$145,859 and \$62,545, respectively.



**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Date of Management's Review

Management has evaluated subsequent events through May 24, 2021, the date which the financial statements were available to be issued.

**NOTE 2 COVID-19 CORONAVIRUS UNCERTAINTY**

In early 2020, an outbreak of a novel strain of COVID-19 coronavirus was identified and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities have had, and may continue to have, a material effect on financial markets and economic activity. The extent of the impact of the coronavirus on the Organization's future operational and financial performance is currently uncertain and cannot be predicted.

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment consist of:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,219,535	\$ 394,535
Buildings	8,357,387	6,464,084
Furniture and equipment	483,810	483,810
Vehicles	353,700	306,483
Leasehold improvements	<u>687,498</u>	<u>687,498</u>
	11,101,930	8,336,410
Accumulated depreciation	<u>2,643,545</u>	<u>2,320,701</u>
	<u>\$ 8,458,385</u>	<u>\$ 6,015,709</u>

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 4 INVESTMENTS**

Investments are stated at fair market value and are comprised of the following:

	2020			2019		
	Cost	Fair Market Value	Unrealized Gains (Losses)	Cost	Fair Market Value	Unrealized Gains (Losses)
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common/preferred stocks	1,823,990	1,961,010	137,020	1,801,655	2,104,262	302,607
Government securities	-	-	-	-	-	-
Corporate bonds	-	-	-	247	247	-
Exchange traded products	-	-	-	-	-	-
Mutual funds	1,314,895	1,413,648	98,753	926,672	1,082,513	155,841
Beneficial interest in assets held by the Community Foundation	<u>90,833</u>	<u>89,808</u>	<u>(1,025)</u>	<u>75,179</u>	<u>81,995</u>	<u>6,816</u>
	<b><u>\$ 3,229,718</u></b>	<b><u>\$ 3,464,466</u></b>	<b><u>\$ 234,748</u></b>	<b><u>\$ 2,803,753</u></b>	<b><u>\$ 3,269,017</u></b>	<b><u>\$ 465,264</u></b>

Investment return is summarized as follows:

	2020	2019
Interest and dividend income	\$ 70,858	\$ 82,773
Net realized and unrealized gains (losses)	<u>189,560</u>	<u>456,634</u>
	<b><u>\$ 260,418</u></b>	<b><u>\$ 539,407</u></b>

Beneficial interest in assets held by the Chester County Community Foundation (the "Foundation") are funds disbursed by the Organization to be held and invested by the Foundation on behalf of the Organization.

In addition, the Organization is a beneficiary of certain contributions received directly by the Foundation. Variance power authorizing the Foundation to determine the frequency and amount of distributions to the Organization is to remain vested in the Board of the Foundation unless investment results fail to achieve certain criteria for three consecutive years. Normal distributions are estimated to be up to 5% of the average year-end value of the fund. At December 31, 2020 and 2019, the Foundation held funds totaling \$60,827 and \$55,535, respectively, at fair market value in such accounts.

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 5 FAIR VALUE MEASUREMENTS**

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, establishes a valuation hierarchy for disclosure of the inputs to the valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels.

*Level 1* inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

*Level 2* inputs are quoted prices to similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. *Level 3* inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The assets carried at fair value measured on a recurring basis are summarized as follows:

	2020		2019	
	Level 1	Level 3	Level 1	Level 3
Common/preferred stocks	\$ 1,961,010	\$ -	\$ 2,104,262	\$ -
Certificates of deposit	-	-	-	-
Government securities	-	-	-	-
Corporate bonds	-	-	247	-
Exchange traded products	-	-	-	-
Mutual funds	1,413,648	-	1,082,513	-
Beneficial interest in assets held by the Community Foundation	-	89,808	-	81,995
Beneficial interest in perpetual trusts	-	439,194	-	452,989
Contributions receivable from charitable lead annuity trusts	-	169,844	-	204,266
	<u>\$ 3,374,658</u>	<u>\$ 698,846</u>	<u>\$ 3,187,022</u>	<u>\$ 739,250</u>

Investments in common/preferred stocks, government securities, corporate bonds and mutual funds have quoted prices for identical assets in active markets; therefore, the investments are measured at fair value using these readily available Level 1 inputs.

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

The beneficial interest in assets held by the Community Foundation and the beneficial interest in perpetual trusts were measured at fair value using net asset value based on the percentage of interest of the underlying assets. These assets were held by third parties and, accordingly, classified as Level 3 inputs.

The contributions receivable from charitable lead annuity trusts were derived using a discounted cash flow model with inputs derived from unobservable market data. The contributions receivable from charitable lead annuity trusts are included at their carrying values in the statements of financial position, which approximated their fair values at December 31, 2020 and 2019.

Changes in the fair value of the Organization's Level 3 assets are summarized as follows:

**BENEFICIAL INTEREST IN ASSETS  
HELD BY THE COMMUNITY FOUNDATION**

Balance, January 1, 2019	\$ 71,170
Realized gains	2,290
Unrealized gains	6,816
Investment income	2,878
Fees	<u>(1,159)</u>

BALANCE, DECEMBER 31, 2019	81,995
Realized gains	1,349
Unrealized gains	6,001
Investment income	1,659
Fees	<u>(1,196)</u>

BALANCE, DECEMBER 31, 2020 \$ 89,808

**BENEFICIAL INTEREST IN PERPETUAL TRUSTS**

Balance, January 1, 2019	\$ 399,154
Gain in perpetual trusts	<u>53,835</u>

BALANCE, DECEMBER 31, 2019	452,989
Loss in perpetual trusts	<u>(13,795)</u>

BALANCE, DECEMBER 31, 2020 \$ 439,194

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

**CONTRIBUTIONS RECEIVABLE FROM  
CHARITABLE LEAD ANNUITY TRUSTS**

Balance, January 1, 2019	\$	237,122
Distribution paid to the Organization		(44,000)
Change in value of split-interest trust agreements		<u>11,144</u>
BALANCE, DECEMBER 31, 2019		204,266
Distribution paid to the Organization		(44,000)
Change in value of split-interest trust agreements		<u>9,578</u>
BALANCE, DECEMBER 31, 2020	\$	<u>169,844</u>

**NOTE 6 CONTRIBUTIONS RECEIVABLE**

Contributions receivable from charitable lead annuity trusts consist of the following:

	<u>2020</u>	<u>2019</u>
Beacham Charitable Lead Annuity Trust II discounted at 4.94%, annuity of \$22,000 paid quarterly for 20 years until December 31, 2022	\$ 56,422	\$ 71,491
Beacham Charitable Lead Annuity Trust III discounted at 4.94%, annuity of \$22,000 paid quarterly for 25 years until December 31, 2027	<u>113,422</u>	<u>132,775</u>
	<u>\$ 169,844</u>	<u>\$ 204,266</u>

A charitable lead annuity trust (CLAT) is an arrangement in which the donor establishes and funds a trust with a fixed dollar amount, and distributions are paid to a designated not-for-profit organization over a specified period. The Organization recognizes its beneficial interest in those assets as temporarily restricted contribution revenue and as a contribution receivable measured at the present value of the expected future cash inflows.

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 6      CONTRIBUTIONS RECEIVABLE (CONTINUED)**

Expected future cash flows for each of the next five years and in the aggregate are as follows:

Year Ending <u>December 31,</u>	
2021	\$ 44,000
2022	44,000
2023	44,000
2024	44,000
2025	<u>9,258</u>
	185,258
Amount of unamortized discount	<u>(15,414)</u>
 PRESENT VALUE OF EXPECTED FUTURE CASH FLOWS	 <u>\$ 169,844</u>

For the years ended December 31, 2020 and 2019, the amortized discount recorded in the statements of activities in the net assets with donor restrictions class as a change in the value of split-interest agreements was \$9,578 and \$11,144, respectively.

**NOTE 7      BENEFICIAL INTEREST IN PERPETUAL TRUSTS**

The Organization is the beneficiary of two perpetual trusts. Under the terms of the split-interest agreements, the Organization is to receive investment income on the trusts' assets for its unrestricted use in perpetuity. As the Organization is to receive the investment income in perpetuity, the fair market value of the investments, based on the Organization's proportionate interest as an income beneficiary, is used to record the present value of future benefits expected to be received by the Organization.

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 7 BENEFICIAL INTEREST IN PERPETUAL TRUSTS (CONTINUED)**

The beneficial interest in perpetual trusts reported on the statements of financial position consists of the following:

	<u>2020</u>	<u>2019</u>
Fanny T. Cochran Trust	\$ 179,311	\$ 196,800
Leonard Hastings Schoff Trust	<u>259,883</u>	<u>256,189</u>
	<u>\$ 439,194</u>	<u>\$ 452,989</u>

The trusts' assets are primarily invested in cash and cash equivalents and common stocks at December 31, 2020 and 2019.

**NOTE 8 COMMERCIAL TERM LOANS**

In September 2018, the Organization obtained a commercial term loan from County Bank to fund the purchase of the Shingle Point Road property, in Georgetown, Delaware, in the amount of \$400,000, with a ten-year term with monthly payments of \$4,357, including interest at 5.5%. As of December 31, 2020, the Organization satisfied and repaid the remaining balance of \$361,253 of this loan in its entirety. Total interest paid for the year ended December 31, 2020 was \$12,957. There was no interest capitalized on this loan in 2020.

On December 15, 2020, the Organization obtained a twenty-year mortgage loan from WSFS Bank to fund the purchase of the property at 290 Churchmans Road in New Castle, Delaware, in the amount of \$1,600,000, with monthly payments of \$9,030, including interest at 3.15%. Interest paid for the year ended December 31, 2020 was \$4,340. There was no interest capitalized on this loan in 2020.

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 8      COMMERCIAL TERM LOANS (CONTINUED)**

Expected future minimum payments of long-term debt for the remaining outstanding loans are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 38,434
2022	59,348
2023	61,271
2024	63,129
Thereafter	<u>1,377,818</u>
	<u>\$ 1,600,000</u>

**NOTE 9      LINE OF CREDIT**

In May 2018, the Organization entered into a line of credit agreement with WSFS Bank in the amount of \$1,000,000, at a variable interest rate of 4.75%. During 2020, there were no borrowings or reductions on this line of credit.

**NOTE 10     LEASE COMMITMENT**

In November 2015, the Organization entered into a building lease agreement for a shelter and veterinary clinic in New Castle, Delaware. Future minimum annual rentals under the non-cancellable lease agreement are as follows:

<u>Years Ending</u>	
2021	\$ 94,831
2022	96,351
2023	97,901
2024	99,483
2025	<u>16,626</u>
	<u>\$ 405,192</u>

Operating lease rental expense for this building for the year ended December 31, 2020 was \$93,341.



**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 11 NET ASSETS**

Net assets consist of the following:

	<u>2020</u>	<u>2019</u>
WITHOUT DONOR RESTRICTIONS	\$ <u>10,618,022</u>	\$ <u>8,225,616</u>
WITH DONOR RESTRICTIONS		
Beacham Charitable Lead Trusts	169,844	204,266
Fanny T. Cochran Trust	179,311	196,800
Leonard Hastings Schoff Trust	259,883	256,189
Suzanne L. Williamson Endowment	<u>50,000</u>	<u>50,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>659,038</u>	<u>707,255</u>
	<u>\$ 11,277,060</u>	<u>\$ 8,932,871</u>

Net assets are released from donor restrictions by passage of time, by incurring expenses that satisfy the restricted purpose, or by occurrence of other events specified by donors. Details on the net assets released from restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Beacham Charitable Lead Trust for operation of shelter	<u>\$ 44,000</u>	<u>\$ 44,000</u>

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 12 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets as of December 31, 2020 and 2019 that could readily be made available within one year to fund expenses without limitations:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash	\$ 1,418,651	\$ 555,939
Total Receivables	<u>126,588</u>	<u>140,420</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,545,239</u>	<u>\$ 696,359</u>

**NOTE 13 FEDERAL GRANT FROM PAYCHECK PROTECTION PROGRAM**

In connection with and as a result of the nationwide Coronavirus pandemic, the Organization was eligible to receive a loan from the Small Business Administration (SBA) in its implementation of the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). On April 9, 2020, the Organization received a Paycheck Protection Program loan in the amount of \$776,867 from WSFS Bank, to be used solely for payroll, related payroll taxes, lease, and utility payments. The Organization provided satisfactory documentation that supported the proper usage of the PPP loan proceeds. As a result, the SBA granted the Organization full forgiveness of this PPP loan on November 2, 2020. Accordingly, the amount of \$776,867 is reported as a Federal Grant from the Paycheck Protection Program at December 31, 2020 and is included in the Statement of Activities.