

**BRANDYWINE VALLEY SPCA**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

**BRANDYWINE VALLEY SPCA**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Changes in Net Assets	6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	10

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

**Certified Public Accountants** 300 West State Street, Suite 206 • Media, PA 19063

610-544-5100  
FAX: 610-544-9767

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of the Brandywine Valley SPCA (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Brandywine Valley SPCA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Brandywine Valley SPCA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Brandywine Valley SPCA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Brandywine Valley SPCA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Mingis, Gutowski & Company, LLP*

Media, Pennsylvania  
May 25, 2022

**BRANDYWINE VALLEY SPCA**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,540,807	\$ 1,418,651
Unconditional support receivable	12,618	15,513
Other receivables	87,190	82,772
Prepaid expenses	125,072	37,010
Current portion of contributions receivable from charitable lead annuity trusts	<u>29,728</u>	<u>28,303</u>
<b>TOTAL CURRENT ASSETS</b>	<u>2,795,415</u>	<u>1,582,249</u>
<b>NONCURRENT ASSETS</b>		
Long-term investments	3,841,102	3,464,466
Property and equipment, net of accumulated depreciation of \$2,943,953 (2021) and \$2,643,545 (2020)	10,368,999	8,458,385
Contributions receivable from charitable lead annuity trusts, net of current portion	104,124	141,541
Beneficial interest in perpetual trusts	<u>511,296</u>	<u>439,194</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>14,825,521</u>	<u>12,503,586</u>
<b>TOTAL ASSETS</b>	<u>\$ 17,620,936</u>	<u>\$ 14,085,835</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,495,170	\$ 732,828
Current portion of long-term debt	59,348	38,434
Accrued payroll and payroll taxes	100,317	110,121
Deferred revenue	<u>580,298</u>	<u>365,826</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,235,133</u>	<u>1,247,209</u>
<b>LONG-TERM DEBT</b>	<u>1,502,218</u>	<u>1,561,566</u>
<b>TOTAL LIABILITIES</b>	<u>3,737,351</u>	<u>2,808,775</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	13,188,437	10,618,022
With Donor Restrictions	<u>695,148</u>	<u>659,038</u>
<b>TOTAL NET ASSETS</b>	<u>13,883,585</u>	<u>11,277,060</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 17,620,936</u>	<u>\$ 14,085,835</u>

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

**BRANDYWINE VALLEY SPCA**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Revenues, gains and other support:		
Contributions and grant revenue	\$ 2,255,533	\$ 2,780,090
Memorial funds and bequests	662,512	691,164
Investment gain	511,306	260,418
Program revenue	8,801,438	7,977,065
Special events	1,492,121	1,606,645
Special event costs	(498,860)	(545,673)
Capital Campaign	2,532,384	65,585
Capital Campaign costs	(15,868)	-
Federal grant from Paycheck Protection Program	-	776,667
Gain on Disposal of Assets	247,038	-
Miscellaneous	-	11,829
Net assets released from restrictions	<u>44,000</u>	<u>44,000</u>
<b>TOTAL REVENUES, GAINS</b>		
<b>AND OTHER SUPPORT</b>	<u>16,031,604</u>	<u>13,667,790</u>
 Expenses:		
Program services, animal welfare	<u>12,538,035</u>	<u>10,600,810</u>
Supporting services:		
Management and general	362,014	283,758
Fund-raising	<u>561,140</u>	<u>390,816</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>923,154</u>	<u>674,574</u>
<b>TOTAL EXPENSES</b>	<u>13,461,189</u>	<u>11,275,384</u>
 CHANGE IN NET ASSETS		
<b>WITHOUT DONOR RESTRICTIONS</b>	<u>2,570,415</u>	<u>2,392,406</u>
 <b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Change in value of split-interest trust agreements	8,008	9,578
Net assets released from restrictions	(44,000)	(44,000)
Gain (loss) in perpetual trusts	<u>72,102</u>	<u>(13,795)</u>
<b>CHANGE IN NET ASSETS</b>		
<b>WITH DONOR RESTRICTIONS</b>	<u>36,110</u>	<u>(48,217)</u>
 CHANGE IN NET ASSETS	<u>\$ 2,606,525</u>	<u>\$ 2,344,189</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, 2021 AND 2020**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
NET ASSETS AT JANUARY 1, 2020	\$ 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	10,618,022	659,038	11,277,060
Change in net assets	<u>2,570,415</u>	<u>36,110</u>	<u>2,606,525</u>
NET ASSETS AT DECEMBER 31, 2021	<u>\$ 13,188,437</u>	<u>\$ 695,148</u>	<u>\$ 13,883,585</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, 2021 AND 2020**

	2021				2020			
	Program Services Animal Welfare	Supporting Services Management and General	Fund-Raising	Totals	Program Services Animal Welfare	Supporting Services Management and General	Fund-Raising	Totals
FUNCTIONAL EXPENSES								
Payroll	\$ 5,980,134	\$ 159,646	\$ 215,146	\$ 6,354,926	\$4,973,653	\$ 129,668	\$ 159,318	\$5,262,639
Adoption Center rental/Remote Location expense	59,080	-	-	59,080	93,341	-	-	93,341
Advertising and promotion	35,969	-	73,265	109,234	100,771	-	45,088	145,859
Ambulance and transportation expenses	346,794	10,739	7,594	365,127	198,225	-	1,630	199,855
Animal food	97,787	-	-	97,787	125,600	-	-	125,600
Animal supplies and cremation expense	58,875	-	-	58,875	41,394	-	-	41,394
Depreciation	321,508	10,994	5,669	338,171	341,386	14,062	3,051	358,499
Emergency vet care	307,072	-	-	307,072	200,524	-	-	200,524
Employee benefits	280,532	59,951	21,158	361,641	228,907	50,786	17,144	296,837
Insurance	130,874	5,676	5,677	142,227	92,452	3,961	4,615	101,028
Interest expense	46,402	-	-	46,402	17,297	-	-	17,297
Investment fees	-	22,375	-	22,375	-	23,729	-	23,729
Lab fees, small medical equipment, and vaccinations	953,986	-	-	953,986	304,765	-	-	304,765
Professional fees and subcontractor expenses	514,803	33,232	54,849	602,884	382,857	17,805	71,730	472,392
Maintenance and repairs	836,006	13,247	16,547	865,800	570,028	4,728	12,279	587,035
Mega Adoption expenses	53,902	-	-	53,902	12,530	-	-	12,530
Merchant service fees and merchandise purchases	186,337	3,294	38,979	228,610	556,700	3,892	-	560,592
Office administrative costs, uniforms, and supplies expense	611,273	17,276	39,115	667,664	753,063	22,836	48,618	824,517
Payroll taxes	371,191	8,426	12,949	392,566	368,117	7,940	11,941	387,998
Postage	16,923	2,348	5,611	24,882	20,714	2,785	5,044	28,543
Real estate taxes	18,486	9,968	-	28,454	18,011	-	-	18,011
Rescue Partner expense	111,670	-	-	111,670	228,461	-	-	228,461
Training and conference	40,479	2,680	1,053	44,212	39,191	437	(2,048)	37,580
Utilities and telephone	230,952	2,162	11,020	244,134	202,685	1,129	12,406	216,220
Veterinarian and medical supplies	927,000	-	-	927,000	730,138	-	-	730,138
Volunteer supplies	-	-	52,508	52,508	-	-	-	-
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 12,538,035</u></b>	<b><u>\$ 362,014</u></b>	<b><u>\$ 561,140</u></b>	<b><u>\$ 13,461,189</u></b>	<b><u>\$10,600,810</u></b>	<b><u>\$ 283,758</u></b>	<b><u>\$ 390,816</u></b>	<b><u>\$11,275,384</u></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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,606,525	\$ 2,344,189
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Investment fees	22,375	23,729
Dividends reinvested in long-term investments	(58,060)	(70,858)
Depreciation	338,171	358,499
Realized gains on long-term investments	148,741	3,004
Unrealized gains on long-term investments	286,969	234,748
Gain (Loss) in perpetual trusts	72,102	(13,795)
(Gain) Loss on disposal of assets	(247,038)	2,461
Payroll Protection Program loan forgiveness	-	(776,667)
Changes in:		
Unconditional support receivable	2,895	137
Other receivables	(4,418)	15,052
Prepaid expenses	(88,062)	2,976
Contributions receivable from charitable lead annuity trusts	35,992	34,422
Accounts payable and accrued expenses	762,342	166,961
Accrued payroll and payroll taxes	(9,804)	(217,735)
Deferred revenue	<u>214,472</u>	<u>(97,707)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>4,083,202</u>	<u>2,009,416</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,349,785)	(2,803,636)
Purchase of investments	<u>(572,827)</u>	<u>(358,482)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(2,922,612)</u>	<u>(3,162,118)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Federal grant – Payroll Protection Program	-	776,667
Repayment of long-term debt	(38,434)	(361,253)
Loan proceeds of long-term debt	<u>-</u>	<u>1,600,000</u>
<b>NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>	<u>(38,434)</u>	<u>2,015,414</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>1,122,156</u>	<u>862,712</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,418,651</u>	<u>555,939</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,540,807</u>	<u>\$ 1,418,651</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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	\$ 46,402	\$ 17,297
Noncash investing and financing activities:		
Reinvestment of dividends	\$ 58,060	\$ 70,858
Investment fees paid using proceeds from the sale of investments	\$ 22,375	\$ 23,729

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

# BRANDYWINE VALLEY SPCA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

#### **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 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, 2021 AND 2020

#### 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, 2020 and 2021, 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, 2021 AND 2020

#### 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, 2021.

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, 2021 AND 2020

#### 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. Thirteen estates accounted for approximately 4% of the Organization's support for the year ended December 31, 2021 and twelve estates accounted for approximately 5% of the Organization's support for the year ended December 31, 2020.

##### 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, 2021 AND 2020

#### 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, 2021 and 2020, the uninsured portion of this balance was \$2,453,459 and \$1,636,563, 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 2021 and in 2020.

##### Deferred Revenue

Deferred revenue consists of grant revenue and revenue from animal control contracts that were received and unearned at December 31, 2021 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, 2021 AND 2020

#### **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, 2021, the Organization's contribution to its Section 403(b) pension plan was \$100,587.

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, 2021, the Organization's contribution to its Section 457(b) deferred compensation plan was \$36,423.

##### 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, 2021 and 2020, were \$109,234 and \$145,859, respectively.

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

Date of Management's Review

Management has evaluated subsequent events through May 25, 2022, 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>2021</u>	<u>2020</u>
Land	\$ 1,118,535	\$ 1,219,535
Buildings	10,361,485	8,357,387
Furniture and equipment	607,258	483,810
Vehicles	538,176	353,700
Leasehold improvements	<u>687,498</u>	<u>687,498</u>
	13,312,952	11,101,930
Accumulated depreciation	<u>2,943,953</u>	<u>2,643,545</u>
	<u>\$ 10,368,999</u>	<u>\$ 8,458,385</u>

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 4 INVESTMENTS**

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

	2021			2020		
	Cost	Fair Market Value	Unrealized Gains (Losses)	Cost	Fair Market Value	Unrealized Gains (Losses)
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common/preferred stocks	2,082,521	2,250,669	168,148	1,823,990	1,961,010	137,020
Government securities	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Exchange traded products	-	-	-	-	-	-
Mutual funds	1,378,775	1,490,101	111,326	1,314,895	1,413,648	98,753
Beneficial interest in assets held by the Community Foundation	92,837	100,332	7,495	90,833	89,808	(1,025)
	<u>\$ 3,554,133</u>	<u>\$ 3,841,102</u>	<u>\$ 286,969</u>	<u>\$ 3,229,718</u>	<u>\$ 3,464,466</u>	<u>\$ 234,748</u>

Investment return is summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 58,496	\$ 70,858
Net realized and unrealized gains	<u>452,810</u>	<u>189,560</u>
	<u>\$ 511,306</u>	<u>\$ 260,418</u>

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, 2021 and 2020, the Foundation held funds totaling \$67,955 and \$60,827, respectively, at fair market value in such accounts.

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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:

	2021		2020	
	<u>Level 1</u>	<u>Level 3</u>	<u>Level 1</u>	<u>Level 3</u>
Common/preferred stocks	\$ 2,250,669	\$ -	\$ 1,961,010	\$ -
Certificates of deposit	-	-	-	-
Government securities	-	-	-	-
Corporate bonds	-	-	-	-
Exchange traded products	-	-	-	-
Mutual funds	1,490,101	-	1,413,648	-
Beneficial interest in assets held by the Community Foundation	-	100,332	-	89,808
Beneficial interest in perpetual trusts	-	511,296	-	439,194
Contributions receivable from charitable lead annuity trusts	-	133,852	-	169,844
	<u>\$ 3,740,770</u>	<u>\$ 745,480</u>	<u>\$ 3,374,658</u>	<u>\$ 698,846</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, 2021 AND 2020**

**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, 2021 and 2020.

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

<b>BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION</b>	
BALANCE, JANUARY 1, 2020	\$ 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
Realized gains	8,331
Unrealized gains	1,143
Investment income	2,448
Fees	<u>(1,398)</u>
BALANCE, DECEMBER 31, 2021	<u>\$ 100,332</u>
<b>BENEFICIAL INTEREST IN PERPETUAL TRUSTS</b>	
BALANCE, JANUARY 1, 2020	\$ 452,989
Loss in perpetual trusts	<u>(13,795)</u>
BALANCE, DECEMBER 31, 2020	439,194
Gain in perpetual trusts	<u>72,102</u>
BALANCE, DECEMBER 31, 2021	<u>\$ 511,296</u>

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

CONTRIBUTIONS RECEIVABLE FROM  
CHARITABLE LEAD ANNUITY TRUSTS

BALANCE, JANUARY 1, 2020	\$ 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	169,844
Distribution paid to the Organization	(44,000)
Change in value of split-interest trust agreements	<u>8,008</u>
BALANCE, DECEMBER 31, 2021	<u>\$ 133,852</u>

**NOTE 6 CONTRIBUTIONS RECEIVABLE**

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

	<u>2021</u>	<u>2020</u>
Beacham Charitable Lead Annuity Trust II discounted at 4.94%, annuity of \$22,000 paid quarterly for 20 years until December 31, 2022	\$ 40,666	\$ 56,422
Beacham Charitable Lead Annuity Trust III discounted at 4.94%, annuity of \$22,000 paid quarterly for 25 years until December 31, 2027	<u>93,186</u>	<u>113,422</u>
	<u>\$ 133,852</u>	<u>\$ 169,844</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, 2021 AND 2020**

**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>	
2022	\$ 44,000
2023	44,000
2024	44,000
2025	<u>9,258</u>
	141,258
Amount of unamortized discount	<u>(7,406)</u>
 PRESENT VALUE OF EXPECTED FUTURE CASH FLOWS	 <u>\$ 133,852</u>

For the years ended December 31, 2021 and 2020, 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 \$8,008 and \$9,578, 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, 2021 AND 2020**

**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>2021</u>	<u>2020</u>
Fanny T. Cochran Trust	\$ 222,961	\$ 179,311
Leonard Hastings Schoff Trust	<u>288,335</u>	<u>259,883</u>
	<u>\$ 511,296</u>	<u>\$ 439,194</u>

The trusts' assets are primarily invested in cash and cash equivalents and common stocks at December 31, 2021 and 2020.

**NOTE 8      COMMERCIAL TERM LOANS**

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, 2021 was \$46,402. There was no interest capitalized on this loan in 2021.

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

<u>Year Ending December 31,</u>	
2022	\$ 59,348
2023	61,271
2024	63,129
2025	65,303
Thereafter	<u>1,312,515</u>
	<u>\$ 1,561,566</u>

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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 2021, there were no borrowings or reductions on this line of credit.

**NOTE 10      LEASE COMMITMENT**

On December 22, 2021, the Organization amended its building lease agreement for a shelter and veterinary clinic in New Castle, Delaware through August 31, 2022. Future minimum rentals under the non-cancellable lease agreement are as follows:

<u>Period Ending</u>	
August 31, 2022	<u>\$ 89,760</u>

The 2022 lease commitment amount was prepaid in December 2021.

As the Organization purchased a property in New Castle, Delaware in December 2020 (Note 8), coupled by significant property improvements in 2022, the Organization will no longer lease the building in New Castle after August 31, 2022.

Operating lease rental expense for this rental building for the year ended December 31, 2021 was \$59,080.

**BRANDYWINE VALLEY SPCA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 11 NET ASSETS**

Net assets consist of the following:

	<u>2021</u>	<u>2020</u>
WITHOUT DONOR RESTRICTIONS	\$ 13,188,437	\$ 10,618,022
WITH DONOR RESTRICTIONS		
Beacham Charitable Lead Trusts	133,852	169,844
Fanny T. Cochran Trust	222,961	179,311
Leonard Hastings Schoff Trust	288,335	259,883
Suzanne L. Williamson Endowment	<u>50,000</u>	<u>50,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>695,148</u>	<u>659,038</u>
	<u>\$ 13,883,585</u>	<u>\$ 11,277,060</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>2021</u>	<u>2020</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, 2021 AND 2020**

**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, 2021 and 2020 that could readily be made available within one year to fund expenses without limitations:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash	\$ 2,540,807	\$ 1,418,651
Total Receivables	<u>129,536</u>	<u>126,588</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,670,343</u>	<u>\$ 1,545,239</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 at December 31, 2020.