



**NEW HAMPSHIRE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

September 23, 2020

The Board of Directors
New Hampshire Society for the Prevention of Cruelty to Animals
Stratham, New Hampshire

We have audited the accompanying financial statements of the New Hampshire Society for the Prevention of Cruelty to Animals (a nonprofit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of 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 New Hampshire Society for the Prevention of Cruelty to Animals as of March 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.


Certified Public Accountants
Stratham, New Hampshire



*"Trusted Advisors for
over 60 years!"*

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NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FINANCIAL POSITION

MARCH 31,

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 131,051	\$ 78,552
Accounts receivable	7,807	9,819
Current portion of pledges receivable	541,544	540,483
Bequests receivable	153,387	126,091
Grants receivable	225,000	55,000
Inventory	13,413	13,413
Prepaid expenses	49,574	101,661
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Total Current Assets	1,121,776	925,019
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PROPERTY AND EQUIPMENT, NET	4,682,956	4,276,055
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OTHER ASSETS		
Investments	5,712,405	4,604,438
Investments - charitable gift annuities	68,421	48,967
Restitution receivable, net of allowance of \$49,781 and \$27,856, respectively	7,762	26,791
Note receivable, net of current portion	50,000	50,000
Pledges receivable, net of current portion	1,296,175	1,624,437
Beneficial interest in NHSPCA trust	2,776,937	2,457,679
Beneficial interest in charitable trusts	327,252	354,999
Beneficial interest in assets held by others	12,655	14,323
Other assets	500	1,775
	<hr/>	<hr/>
Total Other Assets	10,252,107	9,183,409
	<hr/>	<hr/>
Total Assets	\$ 16,056,839	\$ 14,384,483
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See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FINANCIAL POSITION

MARCH 31,

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Line of credit	\$ 132,155	\$ 60,000
Accounts payable	63,555	97,053
Accrued salaries and related expenses	70,262	109,264
Annuity payment liability	19,021	12,596
Current portion of long-term debt	-	7,600
Deferred revenue	5,929	28,651
	<hr/>	<hr/>
Total Current Liabilities	290,922	315,164
Security deposit	3,000	2,400
	<hr/>	<hr/>
Total Liabilities	293,922	317,564
	<hr/>	<hr/>
NET ASSETS		
Net assets without donor restrictions		
Board Designated - DiBiasio Family Scholarship Fund	100,000	100,000
Board Designated - Endowment Fund	200,000	200,000
Board Designated - Building Project 2020	2,070,403	1,294,296
Undesignated	6,653,976	5,402,331
Net assets with donor restrictions	6,738,538	7,070,292
	<hr/>	<hr/>
Total Net Assets	15,762,917	14,066,919
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 16,056,839	\$ 14,384,483
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See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Shelter	\$ 229,344	\$ -	\$ 229,344
Other operating income	243,877	-	243,877
Contributions	3,299,226	754,877	4,054,103
Special events	364,529	-	364,529
Bequest income	-	-	-
Interest and dividends	6,608	80,966	87,574
Gains (losses) on NHSPCA Trust	(236,755)	-	(236,755)
Net realized and unrealized gain (loss)	(48,960)	-	(48,960)
In kind donations	242,871	-	242,871
Net assets released from restrictions	1,138,182	(1,138,182)	-
	<hr/>	<hr/>	<hr/>
Total Revenue, Gains and Other Support	5,238,922	(302,339)	4,936,583
OPERATING EXPENSES			
Program:			
Shelter	1,688,556	-	1,688,556
Program	443,218	-	443,218
Total Program Expense	2,131,774	-	2,131,774
Supporting Services:			
Management and general	421,943	-	421,943
Fundraising	655,633	-	655,633
Total Supporting Services	1,077,576	-	1,077,576
Total Operating Expenses	3,209,350	-	3,209,350
	<hr/>	<hr/>	<hr/>
Net Operating Income (Loss)	2,029,572	(302,339)	1,727,233
CHANGE IN BENEFICIAL INTERESTS IN TRUSTS AND ASSETS HELD BY OTHERS			
	-	(29,415)	(29,415)
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	2,029,572	(331,754)	1,697,818
NET ASSETS, BEGINNING OF YEAR	6,996,627	7,070,292	14,066,919
DISTRIBUTIONS	(1,820)	-	(1,820)
	<hr/>	<hr/>	<hr/>
NET ASSETS, END OF YEAR	\$ 9,024,379	\$ 6,738,538	\$ 15,762,917
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Shelter	\$ 297,607	\$ -	\$ 297,607
Other operating income	205,203	-	205,203
Contributions	2,676,459	1,972,938	4,649,397
Special events	367,334	-	367,334
Bequest income	120,000	-	120,000
Interest and dividends	41,611	13,525	55,136
Gains (losses) on NHSPCA Trust	81,548	-	81,548
Net realized and unrealized gain (loss)	14,206	-	14,206
Miscellaneous income	2,500	-	2,500
In kind donations	252,890	-	252,890
Net assets released from restrictions	1,489,734	(1,489,734)	-
Total Revenue, Gains and Other Support	5,549,092	496,729	6,045,821
OPERATING EXPENSES			
Program:			
Shelter	1,862,455	-	1,862,455
Program	402,755	-	402,755
Total Program Expenses	2,265,210	-	2,265,210
Supporting Services:			
Management and general	236,578	-	236,578
Fundraising	656,346	-	656,346
Total Supporting Services	892,924	-	892,924
Total Operating Expenses	3,158,134	-	3,158,134
Net Operating Income (Loss)	2,390,958	496,729	2,887,687
CHANGE IN BENEFICIAL INTERESTS IN TRUSTS AND ASSETS HELD BY OTHERS	-	(1,545)	(1,545)
CHANGE IN NET ASSETS	2,390,958	495,184	2,886,142
NET ASSETS, BEGINNING OF YEAR	4,607,489	6,575,108	11,182,597
DISTRIBUTIONS	(1,820)	-	(1,820)
NET ASSETS, END OF YEAR	\$ 6,996,627	\$ 7,070,292	\$ 14,066,919

See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2020

	<u>Shelter and Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,205,691	\$ 129,256	\$ 174,319	\$ 1,509,266
Employee benefits	59,243	24,011	33,738	116,992
Payroll taxes	89,648	9,812	13,141	112,601
Depreciation and amortization	175,480	19,037	4,725	199,242
Occupancy	118,060	33,372	4,432	155,864
Professional fees	463	114,939	368	115,770
Payroll administration fees	201	4,338	-	4,539
Campaigns and appeals	-	-	120,493	120,493
Animal services - other expenses	125,283	-	-	125,283
Supplies	118,335	25,543	32,921	176,799
Repairs and maintenance	46,945	10,459	1,116	58,520
Bank fees	8,265	3,545	2,588	14,398
Protective custody	46,103	-	-	46,103
Other program expense	29,176	-	-	29,176
Service contracts	28,704	7,885	20,332	56,921
Newsletter	18,876	1,840	3,908	24,624
Mortgage interest expense	-	189	3,755	3,944
Contract labor	31,124	6,447	-	37,571
Social media	3,363	327	6,956	10,646
Other fundraising expense	-	-	68,901	68,901
Training and humane education	4,462	3,575	142	8,179
Licenses and memberships	3,534	1,023	1,141	5,698
Bad debt expense	-	21,925	-	21,925
Miscellaneous	639	2,410	5,088	8,137
Special event expenses	18,179	2,010	157,569	177,758
	<u>\$ 2,131,774</u>	<u>\$ 421,943</u>	<u>\$ 655,633</u>	<u>\$ 3,209,350</u>

See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2019

	<u>Shelter and Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,218,527	\$ 75,043	\$ 165,050	\$ 1,458,620
Employee benefits	46,592	6,011	19,014	71,617
Payroll taxes	82,573	5,833	12,255	100,661
Depreciation and amortization	169,565	10,611	4,134	184,310
Occupancy	101,562	31,138	4,103	136,803
Professional fees	461	59,796	368	60,625
Payroll administration fees	-	4,595	-	4,595
Campaigns and appeals	2,851	819	123,522	127,192
Animal services - other expenses	115,466	54	-	115,520
Supplies	191,498	17,448	7,945	216,891
Repairs and maintenance	56,540	1,665	3,512	61,717
Bank fees	11,078	852	2,269	14,199
Protective custody	111,337	-	-	111,337
Other program expense	58,281	-	-	58,281
Service contracts	22,688	1,064	16,771	40,523
Newsletter	14,334	972	4,463	19,769
Mortgage interest expense	-	2,985	370	3,355
Contract labor	21,613	4,957	-	26,570
Social media	4,488	306	4,341	9,135
Other fundraising expense	-	-	116,167	116,167
Training and humane education	3,202	5,611	2,162	10,975
Licenses and memberships	680	680	346	1,706
Miscellaneous	775	5,688	1,217	7,680
Special event expenses	31,099	450	168,337	199,886
	<u>\$ 2,265,210</u>	<u>\$ 236,578</u>	<u>\$ 656,346</u>	<u>\$ 3,158,134</u>

See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31,

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,697,818	\$ 2,886,142
Adjustments to reconcile changes in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	199,242	184,310
Change in restitution allowance	21,925	-
Noncash donation	249,707	277,684
Amortization of discount of pledges receivable restricted for long-term purposes	136,585	136,585
Realized and unrealized (gain) losses	(59,590)	14,019
(Gain) loss on NHSPCA Trust	(269,838)	16,616
Net (increase) decrease in beneficial interests in trusts and assets held by others	29,415	1,545
Net cash transfer (to) from NHSPCA Trust	(84,476)	(97,221)
Contributions restricted for investment in endowment	644,464	330,506
Changes in operating assets and liabilities:		
Accounts receivable	2,012	(743)
Restitution receivable	(2,896)	2,182
Pledges receivable	190,616	(265,024)
Bequests receivable	(27,296)	(30,000)
Grants receivable	(170,000)	1,025,000
Prepaid expenses	52,087	105,424
Accounts payable	(33,498)	(6,007)
Accrued salaries and related expenses	(39,002)	14,253
Annuity payment liability	6,425	(1,400)
Deferred revenue	(22,722)	4,608
Security deposit	600	2,400
Net cash provided by (used in) operating activities	<u>2,521,578</u>	<u>4,600,879</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of securities	478,485	3,484,886
Purchase of securities	(2,405,431)	(7,199,069)
Purchase of property and equipment	(605,427)	(819,612)
Net cash provided by (used in) investing activities	<u>(2,532,373)</u>	<u>(4,533,795)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) under line of credit	72,155	(25,000)
Distributions to annuity beneficiary	(1,820)	(1,820)
Disposal of loan closing fees	559	-
Repayment of long-term debt	(7,600)	(101,200)
Net cash provided by (used in) financing activities	<u>63,294</u>	<u>(128,020)</u>
NET INCREASE (DECREASE) IN CASH	52,499	(60,936)
CASH, BEGINNING OF YEAR	<u>78,552</u>	<u>139,488</u>
CASH, END OF YEAR	<u>\$ 131,051</u>	<u>\$ 78,552</u>

See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31,

	<u>2020</u>	<u>2019</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest expense	<u>\$ 3,944</u>	<u>\$ 6,395</u>

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

There were no noncash investing and financing activities in 2020 or 2019.

See Notes to Financial Statements

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 1 – Nature of Organization

The *New Hampshire Society For The Prevention Of Cruelty To Animals* (the Society) is a not-for-profit organization incorporated under the laws of the State of New Hampshire in 1874. Its mission is to provide shelter, adoption, education, and other progressive community services to further the humane treatment of animals. The Adoption and Learning Centers of the Society are situated in Stratham, New Hampshire and service the Tri-state area. The Society is supported through public contributions, investment income, and activities revenue.

Note 2 – Summary of Significant Accounting Policies

Significant accounting policies of the Society are described below:

Method of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation - During the fiscal year ended March 31, 2019, the Society adopted the provisions of FASB Account Standards Update (ASU) No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. In accordance with these provisions, the Society is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions, accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that 1) may or will be met either by actions of the Society and/or the passage of time or 2) they be maintained permanently by the Society.

Restricted and Unrestricted Revenue and Support - 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.

Accounting Estimates and Assumptions - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less that are not restricted as to use or held for investment. There were no cash equivalents at March 31, 2020 and 2019. The Society maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts and believes it is not exposed to any material risk with respect to those accounts.

Inventory - Inventories are stated at the lower of cost (on a first-in, first-out basis) or market and consist of merchandise held for resale at the Society's Adoption and Learning Center.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions and Support - Contributions including unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Promises to give are reported as pledges receivable at the present value of the estimated future cash flows using a risk-free return rate. An allowance has been made in the financial statements for uncollectible promises to give based on what management believes is reasonable. Pledges deemed by management not to be collectible are written off against the allowance account in the year they are judged to be uncollectible.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management considers accounts to be delinquent based on the date of unpaid invoices. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable. The Society does not accrue interest on accounts receivable. No allowance is considered necessary for 2020 and 2019.

Bequests and Pledges Receivable - The Society records bequests receivable from decedents' estates only after having received notice from the estate administrator of their existence and minimum distribution amount. Pledges and other promises to give are recorded when pledged by the donor. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in pledges and bequests receivable. No allowance was considered necessary at March 31, 2020 and 2019.

Property and Equipment - Property and equipment is stated at cost or at fair market value if received by donation. The Society capitalizes acquisitions and improvements of \$1,000 or more with a life of more than one year, while expenditures for maintenance and repairs that do not extend the useful lives of the assets are charged to operations as incurred. The provision for depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the accompanying statement of activities and changes in net assets. Investment income 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 investment income is recognized.

Donated Investments - Donated investments consist of contributed stock received by the Society. It is the Society's policy to sell contributed securities soon after they are received.

Income Taxes - The Society is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509(a), and contributions to the Society are deductible by the donors as provided in Section 170(b)(1)(A)(i).

The federal and state of New Hampshire informational tax returns of the Society are subject to examination, generally for three years after they were filed.

Advertising Costs - Advertising costs are charged to expense as incurred. Advertising expenses for 2020 and 2019 totaling \$698 and \$75, respectively, has been included in the accompanying statement of activities.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Non-Cash Donations - The Society records various types of non-cash donations, including services, supplies and materials and other intangible assets. Donated non-cash goods and services are recognized as contributions in accordance with Statement of Financial Accounting Standard, *Accounting for Contributions Received and Contributions Made*. Non-cash goods are valued at the estimated fair value at the date of gift and services are similarly valued if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. The value of these services, supplies and materials and other intangible assets are included in the accompanying financial statements and the corresponding expenses were \$242,871 and \$252,890 for the years ended March 31, 2020 and 2019, respectively.

In addition, numerous other volunteers provide substantial time and effort in support of the Society's activities. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under Statement of Financial Accounting Standard, *Accounting for Contributions Received and Contributions Made*.

Note 3 – Restitution Receivable

Restitution receivable represents judgments against individuals which require them to reimburse the Society for reasonable costs and expenses for care of the animals it has incurred during animal cruelty rescue. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable. The Society does not accrue interest on restitution receivable. The Society has recorded an allowance for uncollectible accounts of \$49,781 and \$27,856 in 2020 and 2019, respectively. Seventy percent of the total restitution receivable is due from one individual as of March 31, 2020. Seventy-three percent of the total restitution receivable is due from one individual as of March 31, 2019.

Note 4 – Note Receivable

In April 2016, the Society entered into an unsecured loan agreement with the NH Community Loan Fund, Inc. as an investment. The principal amount of the note is \$50,000 and pays interest at a rate of 5% per annum with a maturity date of April 2026.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 5 – Pledges Receivable

The Society has pledge commitments from donors as described in the following table. All pledges are presented as net assets with donor restrictions.

Pledges receivable at March 31, 2018	\$ 2,160,028
Pledges received during year ended March 31, 2019	919,500
Pledge payments received during year ended March 31, 2019	(815,416)
Pledge written off during year ended March 31, 2019	<u>-</u>
Pledges receivable at March 31, 2019	2,264,112
Pledges received during year ended March 31, 2020	207,670
Pledge payments received during year ended March 31, 2020	(585,452)
Pledge written off during year ended March 31, 2020	<u>(25,000)</u>
Pledges receivable at March 31, 2020	<u>\$ 1,861,330</u>
Pledges expected to be collected in:	
Less than one year	\$ 534,395
One to four years	912,135
More than five years	<u>414,800</u>
	1,861,330
Less: discount to net present value	<u>23,611</u>
Total pledges receivable	<u>\$ 1,837,719</u>

Pledges receivable are primarily from corporations and individuals. Pledges from 4 donors make up approximately 53% of the Society's total pledges receivable at March 31, 2020. Pledges from six donors make up 70% of the Society's total pledges receivable at March 31, 2019. Pledges are discounted to the present value of estimated future cash flows using a discount rate of .70% and 2.41% in 2020 and 2019 respectively.

Note 6 – Bequests Receivable

The Society has been notified that it is the beneficiary of several estates. Bequests receivable are based on management's best estimate and judgment of the amounts to be received by these estates. The amount that will be ultimately realized could differ materially from the amount recorded in the financial statements. At March 31, 2020, 86% of bequests receivable are due from three estates. At March 31, 2019, 67% of bequests receivable is due from one estate.

Note 7 – Property and Equipment

Property and equipment consists of the following at March 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 650,641	\$ 650,641
Buildings and building improvements	5,349,118	5,275,658
Computers and equipment	368,552	298,680
Furnishings and fixtures	216,264	216,264
Vehicles	159,011	159,011
Construction in progress	<u>609,740</u>	<u>147,645</u>
	7,353,326	6,747,899
Less accumulated depreciation	<u>2,670,370</u>	<u>2,471,844</u>
Property and equipment, net	<u>\$ 4,682,956</u>	<u>\$ 4,276,055</u>

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 7 – Property and Equipment (continued)

Depreciation expense amounted to \$198,526 in fiscal year 2020 and \$183,594 in fiscal year 2019.

Note 8 – Investments

Investments consisting of marketable securities are administered by the Investment Committee of the Society’s Board of Directors. Investments are recorded at fair value. Fair value is based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investment revenues are presented net of investment expenses that totaled \$13,309 for fiscal year 2020 and \$7,799 for fiscal year 2019. Cost and the approximate fair value of investments are summarized below as of March 31,

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Long-term investments				
Agency account				
Money market accounts	\$ 7,189	\$ 7,189	\$ 102,092	\$ 102,092
Exchange traded funds	89,724	81,796	-	-
Common stock	237,505	241,298	413,621	443,048
Bonds	101,931	99,626	-	-
Mutual funds	45,247	44,834	178,000	178,662
Other	<u>7,775</u>	<u>9,798</u>	<u>-</u>	<u>-</u>
	<u>489,371</u>	<u>484,541</u>	<u>693,713</u>	<u>723,802</u>
Building Project 2020 Account				
Money market accounts	1,822,745	1,822,745	1,015,253	1,015,253
Bond Funds	<u>2,888,968</u>	<u>2,899,942</u>	<u>2,470,545</u>	<u>2,478,775</u>
	<u>4,711,713</u>	<u>4,722,687</u>	<u>3,485,798</u>	<u>3,494,028</u>
Lori Ward Trust				
NHSPCA investment pool	<u>15,407</u>	<u>15,134</u>	<u>14,969</u>	<u>16,142</u>
	<u>15,407</u>	<u>15,134</u>	<u>14,969</u>	<u>16,142</u>
Andy’s Fund				
NHSPCA investment pool	<u>91,541</u>	<u>89,921</u>	<u>88,936</u>	<u>95,905</u>
	<u>91,541</u>	<u>89,921</u>	<u>88,936</u>	<u>95,905</u>
Ruth Winnick Fund				
NHSPCA investment pool	<u>120,666</u>	<u>118,531</u>	<u>117,233</u>	<u>126,420</u>
	<u>120,666</u>	<u>118,531</u>	<u>117,233</u>	<u>125,420</u>
DiBiasio Trust				
NHSPCA investment pool	<u>117,386</u>	<u>115,309</u>	<u>114,047</u>	<u>122,984</u>
	<u>117,386</u>	<u>115,309</u>	<u>114,047</u>	<u>122,984</u>
Koda Fund				
NHSPCA investment pool	<u>68,249</u>	<u>67,824</u>	<u>23,329</u>	<u>25,157</u>
	<u>68,249</u>	<u>67,824</u>	<u>23,329</u>	<u>25,157</u>

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 8 – Investments (continued)

Kelly Rae Stallings Fund				
NHSPCA investment pool	<u>100,197</u>	<u>98,458</u>	<u>-</u>	<u>-</u>
	<u>100,197</u>	<u>98,458</u>	<u>-</u>	<u>-</u>
 Total long-term investments	 <u>\$ 5,714,530</u>	 <u>\$ 5,712,405</u>	 <u>\$ 4,538,025</u>	 <u>\$ 4,604,438</u>

The Lori Ward Trust, Andy’s Fund, Ruth Winnick Fund, DiBiasio Trust, Koda Fund, and Kelly Rae Stallings Fund noted above have investments in a common pool, NHSPCA Community Pooled Fund. The types of investments in the NHSPCA investment pool consist of the following investments:

Long-term investments:	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money market accounts	\$ 143,653	\$ 143,653	\$ 3,219	\$ 3,219
Common stock	167,783	162,580	-	-
Exchange traded funds	69,679	66,028	235,295	262,860
Mutual funds	125,000	124,349	120,000	120,529
Other	<u>7,331</u>	<u>8,567</u>	<u>-</u>	<u>-</u>
	<u>\$ 513,446</u>	<u>\$ 505,177</u>	<u>\$ 358,514</u>	<u>\$ 386,608</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended March 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends:		
Long-term investments	\$ 100,883	\$ 62,935
Less: investment fees	<u>(13,309)</u>	<u>(7,799)</u>
 Total Interest and Dividends, net	 87,574	 55,136
 Net realized and unrealized gains (losses) from long-term investments	 <u>(48,960)</u>	 <u>14,206</u>
 Total Investment Return	 <u>\$ 38,614</u>	 <u>\$ 69,342</u>

The investments are held by an investment brokerage firm, which at times may exceed federally insured limits by the Securities Investor Protection Corporation. However, it is the opinion of management that the solvency of the referenced brokerage firm is not of particular concern and therefore does not feel the Society is exposed to significant risk as a result of the uninsured balance.

Note 9 – Charitable Gift Annuities

The Society has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the Society is obligated to provide an annuity to the donor or other designated beneficiaries until death. Upon the death of the beneficiary, the remaining assets are available for unrestricted use of the Society.

A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value for agreements where the Society is the trustee. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 9 – Charitable Gift Annuities (continued)

The Society has segregated these assets as separate and distinct funds, independent from other funds and not to be applied to payment of the debts and obligations of the Society or any other purpose other than annuity benefits specified in the agreements.

At March 31, 2020, the total assets held under charitable gift annuities agreements were \$68,421 and total liabilities of the annuity obligation were \$19,021.

At March 31, 2019, the total assets held under charitable gift annuities agreements were \$48,967 and total liabilities of the annuity obligation were \$12,596.

Investments consisting of marketable securities are administered by the Trustees of the NHSPCA Trust. Investments are recorded at fair value. Fair value is based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investment revenues are presented net of investment expenses which totaled \$369 for fiscal year 2019. There were no investment expenses for fiscal year 2020. Cost and the approximate fair value of investments are summarized below as of March 31,:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Charitable gift annuity account				
Cash and cash equivalents	\$ 5,113	\$ 5,113	\$ 1,151	\$ 1,151
Exchange traded funds	37,953	31,991	20,369	21,380
Mutual funds	<u>33,438</u>	<u>31,317</u>	<u>25,100</u>	<u>26,436</u>
	<u>\$ 76,504</u>	<u>\$ 68,421</u>	<u>\$ 46,620</u>	<u>\$ 48,967</u>

The Society has annuity payment liability to donors as described in the following table.

	<u>2020</u>	<u>2019</u>
Annuity payment liability at beginning of the year	\$ 12,596	\$ 13,996
Proceeds from annuities	8,245	420
Annuity payment during year	<u>(1,820)</u>	<u>(1,820)</u>
Annuity payment liability at end of the year	<u>\$ 19,021</u>	<u>\$ 12,596</u>

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 10 – Beneficial Interest In NHSPCA Permanent Trust

The New Hampshire Society for the Prevention of Cruelty to Animals Trust (the Trust) was formed January 28, 2003 to support the vision, purpose and activities of the Society. The Trustees are made up of the Executive Committee of the Society plus four additional members at large. As of March 31, 2020, four of the eight Trustees are also members of the Board of Directors of the Society.

The Society has adopted Statement of Financial Accounting Standards, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This statement requires that a beneficiary shall recognize its rights to the assets held by a recipient organization as an asset unless the recipient organization is explicitly granted variance power. Management of the Society and the Trust have determined that the Trust has not explicitly been granted variance power, and therefore, the Society’s interest in the net assets of the Trust should be recognized as an asset held by the Trust in the Society’s statement of financial position.

It is the policy of the Trust to ensure investments are made consistent with the safeguards and diversity to which a prudent investor would adhere. All transactions of the Trust must be in the sole interest of the Trust. The Trust engaged an investment manager who was given full investment discretion consistent with the investment objectives and guidelines of the Trust. The investment manager has full discretion regarding the purchase and sale of individual securities and selection between asset classes including equity and cash equivalents in order to assure full flexibility in the management of the Trust. The objective of the Trust is a balanced portfolio comprised of common stocks, convertible bonds, cash and fixed income investments in accordance with the asset allocation guidelines of the Trust. The Trust is intended to be managed moderately for risk and return.

The Trustees of the Trust also, from time to time, may distribute to the Society as much of the income and principal of the Trust as they deem advisable. The distributions from the Trust were \$61,884 in 2020 and \$56,219 in 2019.

The Trust has been determined to be an exempt organization by the Internal Revenue Service under Code Section 501(c)(3).

Investments consisting of marketable securities are administered by the Trustees of the NHSPCA Trust. Investments are recorded at fair value. Fair value is based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investment revenues are presented net of investment expenses which totaled \$15,480 for fiscal year 2020 and \$15,287 for fiscal year 2019. Cost and the approximate fair value of investments are summarized below as of March 31,:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Trust account				
Money market accounts	\$ 150,155	\$ 150,155	\$ 179,622	\$ 179,622
Bonds	404,048	402,769	252,180	252,722
Common stock	1,546,744	1,456,315	-	-
Exchange traded funds	284,247	283,081	1,485,893	1,701,685
Mutual funds	401,953	375,287	300,170	323,650
Other	<u>98,659</u>	<u>109,330</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,885,806</u>	<u>\$ 2,776,937</u>	<u>\$ 2,217,865</u>	<u>\$ 2,457,679</u>

The investments are held by an investment brokerage firm, which at times may exceed federally insured limits of the Securities Investor Protection Corporation. However, it is the opinion of management that the solvency of the referenced brokerage firm is not of particular concern and therefore does not feel the Society is exposed to significant risk as a result of the uninsured balance.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 10 – Beneficial Interest In NHSPCA Permanent Trust (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended March 31,:

Interest and dividends:		<u>2020</u>	<u>2019</u>
Long-term investments	\$	57,090	\$ 78,882
Less: investment fees		<u>(15,480)</u>	<u>(15,287)</u>
Total Interest and Dividends, net		41,610	63,595
Net realized and unrealized gains (losses) from long-term investments		<u>(269,840)</u>	<u>16,012</u>
Total Investment Return	\$	<u>(228,230)</u>	\$ <u>79,607</u>

Investment net asset composition by type of fund as of March 31, 2020 is as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,098,996	\$ 1,098,996
Board-designated endowment funds	200,000	-	200,000
Unrestricted funds	<u>1,477,941</u>	<u>-</u>	<u>1,477,941</u>
	<u>\$ 1,677,941</u>	<u>\$ 1,098,996</u>	<u>\$ 2,776,937</u>

Changes in NHSPCA Trust's net assets as of March 31, 2020 are as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
NHSPCA trust, beginning of year	\$ 1,358,683	\$ 1,098,996	\$ 2,457,679
Additions	614,663	-	614,663
Distributions and expenditures	(67,175)	-	(67,175)
Investment income	41,610	-	41,610
Realized and unrealized gain (loss)	<u>(269,840)</u>	<u>-</u>	<u>(269,840)</u>
NHSPCA trust, end of year	<u>\$ 1,677,941</u>	<u>\$ 1,098,996</u>	<u>\$ 2,776,937</u>

Investment net asset composition by type of fund as of March 31, 2019 is as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,098,996	\$ 1,098,996
Board-designated endowment funds	200,000	-	200,000
Unrestricted funds	<u>1,158,683</u>	<u>-</u>	<u>1,158,683</u>
	<u>\$ 1,358,683</u>	<u>\$ 1,098,996</u>	<u>\$ 2,457,679</u>

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 10 – Beneficial Interest In NHSPCA Permanent Trust (continued)

Changes in NHSPCA Trust’s net assets as of March 31, 2019 are as follows:

	<u>Net Assets</u> <u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>Net Assets</u> <u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
NHSPCA trust, beginning of year	\$ 1,027,712	\$ 1,098,996	\$ 2,126,708
Additions	330,506	-	330,506
Distributions and expenditures	(79,142)	-	(79,142)
Investment income	63,595	-	63,595
Realized and unrealized gain (loss)	<u>16,012</u>	<u>-</u>	<u>16,012</u>
NHSPCA trust, end of year	<u>\$ 1,358,683</u>	<u>\$ 1,098,996</u>	<u>\$ 2,457,679</u>

Note 11 – Beneficial Interest in Charitable Trusts

Jean Noble-Neal Trust - The Society is a one-third beneficiary of the Jean Noble-Neal Charitable Trust, the assets of which are not in the possession of the Society. The Society has legally enforceable rights or claims to such assets, including the right to income. The fair value of the Society’s share of trust assets as reported by the trust fiduciary totaled \$155,314 as of March 31, 2020 and \$176,446 as of March 31, 2019 and is presented as net assets with donor restrictions. Appreciation in the trust is not available for expenditure by the Society unless the trustee decides to appropriate it. The Society received \$8,782 in fiscal year 2020 and \$8,930 in fiscal year 2019. This income is reported in contribution income in the statement of activities. Income received from the trust is used for the care and feeding of animals in accordance with the trust requirements.

Rhoda Hogan Trust - The Society is a one-fourth beneficiary of the Rhoda Hogan Trust, the assets of which are not in the possession of the Society. The Society has legally enforceable rights or claims to such assets including the right to income. The fair value of the Society’s share of trust assets as reported by the trust fiduciary totaled \$171,938 as of March 31, 2020 and \$178,553 as of March 31, 2019, and is presented as net assets with donor restrictions. Appreciation of the assets is not available for expenditure by the Society unless the trustee decides to appropriate it. The Society received \$6,089 in fiscal year 2020 and \$4,633 in fiscal year 2019. This income is reported in contribution income in the statement of activities. Income received from the trust is used for the care, feeding and medical needs of cats in accordance with the trust requirements.

Hobbs Trust - The Society is the beneficiary of a designated fund - the Dorothy and Paul Hobbs Trust at The New Hampshire Charitable Foundation (the Foundation). Pursuant to the terms of the resolution establishing this fund, property contributed to The New Hampshire Charitable Foundation is held as a separate fund designated for the benefit of the Society. In accordance with its spending policy the Foundation makes distributions from the fund to the Society. The distributions are approximately 4.03% of the market value of the fund per year. The fund is not included in these financial statements, since all property in the fund was contributed to The New Hampshire Charitable Foundation to be held and administered for the benefit of the Society. The Society received \$1,420 in fiscal year 2020 and \$1,419 in fiscal year 2019. This income is reported in contribution income in the statement of activities.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 12 – Beneficial Interest in Asset Held by Others

The Society is the beneficiary of an agency endowment fund - NHSPCA Endowment Fund at The New Hampshire Charitable Foundation (the Foundation). The Endowment Fund was established in January 2003 by the Society's transfer of \$10,000 to the Foundation. Pursuant to the terms of the resolution establishing this fund, property contributed to the Foundation is held as a separate fund designated for the benefit of the Society. In accordance with its spending policy the Foundation makes distributions from the fund to the Society. The distributions are approximately 4.03% of the market value of the fund per year. The estimated value of the future distributions from the fund is included in these financial statements as required under Financial Accounting Standards Board Statement, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*. All property in the fund was contributed to the Foundation to be held and administered for the benefit of the Society.

The Endowment Fund is presented in the statement of financial position as Beneficial Interest in Assets Held by Others. The fair market value of the Endowment Fund was \$12,655 at March 31, 2020 and \$14,323 at March 31, 2019. No additional transfers have been made to this Endowment Fund since 2003. The distributions from the Foundation were \$573 in fiscal year 2020 and \$573 in fiscal year 2019.

Note 13 – Fair Values of Assets

Effective December 15, 2008, the Society adopted Statement of Financial Accounting Standards, *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP. This standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This standard also established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

- 1) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other resources;
- 2) Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- 3) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach in which a stream of expected cash flows is discounted at an appropriate market interest rate.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 13 – Fair Values of Assets (continued)

For the year ended March 31, 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following table sets forth by level, within the fair value hierarchy, the Society's investments at fair value at March 31, 2020.

<u>Description</u>	<u>Fair Values</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Pledges receivable	\$ 1,837,719	\$ -	\$ -	\$ 1,837,719
Bequests receivable	153,387	-	153,387	-
Grants receivable	225,000	-	-	225,000
Cash and cash equivalents	1,973,588	1,973,588	-	-
Bond funds	2,999,568	2,999,568	-	-
Exchange traded funds	551,702	551,702	-	-
Mutual Funds	169,183	169,183	-	-
Other	18,364	18,364	-	-
Investments – Charitable Gift Annuities	68,421	68,421	-	-
Annuity payment liability	(19,021)	-	-	(19,021)
Beneficial interest in NHSPCA Trust	2,776,937	2,776,937	-	-
Beneficial interest in Charitable Trust	327,252	327,252	-	-
Beneficial interest in Assets Held by Others	<u>12,655</u>	<u>12,655</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 11,094,755</u>	 <u>\$ 8,897,670</u>	 <u>\$ 153,387</u>	 <u>\$ 2,043,698</u>

Fair value for the investments and beneficial interests are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for pledges, grants and bequests receivable are determined using present value techniques that consider historical trends of collection, the type of donor, general economic conditions, and market interest rate assumptions for individuals. See Note 5 for details on fair value of pledges receivable and Note 9 for details on annuity payment liability. There were no changes in the valuation techniques during the current year.

Note 14 – Line of Credit

The Society entered into a revolving line of credit agreement with a financial institution. The credit agreement provides a maximum amount of borrowing of \$500,000 through January 2021. Borrowings bear interest at the Wall Street Journal (WSJ) prime rate which was 3.25% at March 31, 2020 and 5.50% at March 31, 2019. The agreement requires monthly payments of interest only with the balance due on demand. The agreement is secured by all business assets of the Society. The amount outstanding under this line of credit was \$132,155 at March 31, 2020 and \$60,000 at March 31, 2019. Total interest paid on the line of credit was \$3,868 for the year ended March 31, 2020 and \$2,985 for the year ended March 31, 2019.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 15 – Long-term Debt

The Society has entered into the following financing agreements as of March 31,:

	<u>2020</u>	<u>2019</u>
Note payable secured by the Stratham land and buildings and due in monthly installments of \$3,004 including principal and interest at a fixed rate of 3.95%, with a final payment due in July 2019. This note was amended in March 2017 to be repaid in 27 monthly installments of \$100 plus accrued interest with final balloon payment in July 2019.	\$ _____ -	\$ <u>7,600</u>
	-	7,600
Less: current portion	_____ -	<u>7,600</u>
Total Long-term Debt	\$ <u>_____ -</u>	\$ <u>_____ -</u>

The note payable agreements contain various financial covenants. As of March 31, 2020, the Society is either in compliance with the covenants or has obtained a waiver from the financial institution. Total interest paid on these loans was \$76 for the year ended March 31, 2020 and \$3,410 for the year ended March 31, 2019.

Note 16 – Designated Net Assets

During the fiscal year ended March 31, 2005, the Board of Directors designated \$100,000 of unrestricted net assets as the DiBiasio Family Scholarship Fund with the income earned from this designated amount to be used for training in animal care.

During the fiscal year ended March 31, 2002, the Board of Directors designated \$200,000 of unrestricted net assets to be used as an endowment. The income earned from this designated amount is to be used for operations.

During the fiscal year ended March 31, 2019, the Board of Directors designated 75% of planned gifts to be used for Building Project 2020 (BP2020) after the annual operations budget has been met. The amount designated for annual operations was \$180,000 for fiscal years ending March 31, 2020 and 2019. In addition, any bequest over \$250,000 would be designated at the discretion of the Board of Directors for allocation. See note 25 for additional information regarding BP2020.

NEW HAMPSHIRE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 17 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of donor restricted contributions donated for specific uses or to be held indefinitely as of March 31, as follows:

Subject to expenditure for specified purpose or passage of time:

	<u>2020</u>	<u>2019</u>
Pledges receivable	\$ 266,725	\$ 526,173
Andy's fund external medical care	70,865	75,008
Medical aids for animal care	62,859	58,010
Auction low cost clinics	75,437	84,638
Auction animal enrichment	22,963	38,123
Art purchase	2,666	2,666
Agility equipment and horse pen	2,118	2,118
Equine and rabbits	9,386	9,386
Scholarship for animal care	15,206	17,108
Severe animal medical services	64,702	24,928
Protective custody	150,565	165,481
Emergency intervention	14,336	-
Veterinary care and vaccinations	20,000	-
Security upgrades to facility	104,310	-
Building project 2020	3,214,095	3,497,501
Other	<u>1,607</u>	<u>1,410</u>
Subtotal	<u>4,097,840</u>	<u>4,502,550</u>
To be held in perpetuity:		
Investments to be held in perpetuity, the income from which is expendable to support various programs and operations of the NHSPCA	2,200,791	2,198,421
NHSPCA Endowment fund	12,655	14,323
Rhoda Hogan Trust	171,938	178,553
Kelly Rae Stallings fund	100,000	-
Jean Noble-Neal Charitable Trust	<u>155,314</u>	<u>176,445</u>
Subtotal	<u>2,640,698</u>	<u>2,567,742</u>
Total net assets with donor restrictions	<u>\$ 6,738,538</u>	<u>\$ 7,070,292</u>

In January 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("the Staff Position"). The Staff Position provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Staff Position also requires additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Society has adopted the Staff Position for the year ended March 31, 2009. The Society's endowment investment policy's objective is to grow the fund over time to support the purposes as defined above.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 17 – Net Assets with Donor Restrictions (continued)

To achieve that objective, the Society has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes high quality equity and debt securities, intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund if possible. Accordingly, the Society expects its endowment assets, over time, to produce a real average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The Society spends the earnings of the above funds for their designated purposes as deemed necessary by the Society. See Notes 8 and 10 for additional information regarding the endowment fund.

Note 18 – Operating Lease

On October 17, 2014, the Society entered into agreement to purchase land and a building next to their current premises for \$410,000 of which \$300,000 was financed with the seller of the property. This mortgage was paid off as of March 31, 2019. On December 3, 2014, the Society entered into a rental lease agreement with the seller. The monthly gross rental income is \$1,300 for 60 months beginning December 2014. The tenant's right of occupancy shall be extended at the same monthly rate after a five year period if the tenant's current dogs are living, until such time as both dogs die, but the extension shall be no longer than five additional years. In December of 2019 the lease was extended on a month to month basis through October 2020. The tenant shall have the right to vacate the premises at any time by giving the Society a sixty (60) day notice. The Society received \$15,600 and \$16,900 in rental income in 2020 and 2019, respectively.

On March 25, 2019 the Society purchased the property at 108 Portsmouth Avenue and entered into a lease agreement for the two rental units on the property. Monthly payments commenced April 1, 2019. The term of the leases are for one year with the right to vacate the premises at any time by giving the Society a sixty (60) day notice. The tenant's right of occupancy shall be extended at the same monthly rate after a one year period. In September 2019 one of the tenants vacated the unit and a new lease was signed with a new tenant in October 2019. Monthly payments for one of the rentals is \$1,200 per month and the other is \$1,800 per month. The Society received \$30,236 in rental income in 2020. No rental income under these agreements was received in 2019. Future rental income under these agreements is \$10,800 for the year end March 31, 2021.

Note 19 – Loss contingencies and Self-Insurance Reserves

The Society participates in a self-insurance program for unemployment claims administered by Unemployment Services Trust (UST). The UST maintains a reserve account for the Society for unemployment claims and determines the quarterly contributions needed based on current claims, claims in process and estimated future claims. Contributions to the reserve are recorded as prepaid expenses less related expenses of the UST and the amount of any unpaid claims or liabilities directly attributable to its former employees. The Society may revoke its participation in the UST upon ninety (90) days written notice to the UST. If the Society were to terminate its arrangement with the UST, the balance in the Society's reserve account would be returned to the Society after the UST receives the final report for the year in which the revocation is effective as an offset against unpaid expenses. If the account had a deficit balance the Society would have to pay the balance due in total. The reserve balance was \$37,824 at March 31, 2020 and \$38,006 at March 31, 2019.

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Note 20 – Retirement Plan

The Society has a defined contribution plan covering all employees that are 21 years of age or older, work at least 500 hours, and have attained six months of service. The Society makes participation in a 401(k) retirement plan (the Plan) available to employees through a salary reduction plan. The Plan requires the Society to contribute 4% of matching contributions equal to participants' contributions to the Plan of the individual participant's compensation. The Society may, at its discretion, make contributions to the individual accounts of employees participating in the Plan. The Society made contributions of \$34,231 and \$29,050 to the Plan in fiscal year 2020 and 2019, respectively.

Note 21 – Joint Costs

During the year ended March 31, 2020, the Society incurred joint costs of \$22,536 for informational materials and activities that included fund raising appeals. The Society allocated \$3,908 to fundraising expense, \$16,788 to program expense, and \$1,840 to management and general expense.

During the year ended March 31, 2019, the Society incurred joint costs of \$19,528 for informational materials and activities that included fund raising appeals. The Society allocated \$4,297 to fundraising expense, \$14,259 to program expense, and \$972 to management and general expense.

Note 22 – Commitments

In January 2017 the Society entered into an agreement for professional fundraising services from January 2017 through July 2017 in connection with a capital campaign for a total of \$200,000. Payments of \$200,000 have been made under this agreement. In August 2017, the Society extended the agreement through December 2017 where the campaign management services would continue for one additional month at \$33,300 and three months of executive consultation services at \$6,000 per month for a total of \$51,300 additional expense. A total of \$251,300 has been amortized to expense as of March 31, 2020. All payments have been made according to the agreement.

In July 2018, the Society entered into an agreement with a contractor for professional surveying and engineering services for a site plan amendment. The total contract was initially \$42,500. In August 2019, the contract was amended to add an additional scope of work of \$30,200. The amended contract amount is \$72,700. A total of \$72,700 has been expended under this contract as of March 31, 2020.

In November 2018, the Society entered into an agreement with a contractor for project management services for the BP 2020 project. The total cost of the contract is \$100,000. The Society has expended \$49,465 through March 31, 2020 on this contract.

In November 2018, the Society entered into an agreement with a contractor for Architect services for the BP2020 project. The cost of the contract is 10% of the final construction cost budget. The Society has expended \$399,961 through March 31, 2020 on this contract.

On August 17, 2020, the Society signed a contract in the amount of \$6,187,098 with North Branch Construction for the construction of an expansion to the facilities located at 104 Portsmouth Avenue.

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Note 23 - Functional Expenses

The expenses of providing various program and supporting services have been summarized on a functional basis. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. Allocations may be direct or indirect according to the type of expense incurred. Occupancy, depreciation and amortization, and supplies expense costs have been allocated based on square footage and salaries and wages, employee benefits and payroll taxes have been allocated on a basis of time and effort.

Note 24 – Liquidity and Availability of Resources

The Society has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditure:

Cash and cash equivalents	\$ 131,051
Investments	<u>1,936,414</u>
Total	\$ <u>2,067,465</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 25 – Building Project 2020

The Society began a capital campaign in April 2017. The purpose of the capital campaign is to expand the facility to meet the needs of more animals both large and small and increase the Society's endowment to provide stability for the future. Construction is anticipated to begin in fiscal year 2020.

Included in the statements of financial position are the following assets related to the capital campaign at March 31,:

	<u>2020</u>	<u>2019</u>
Cash	\$ 102,654	\$ 67,986
Current portion of pledges receivable	\$ 370,299	\$ 377,583
Grants receivable	\$ 225,000	\$ 55,000
Investments	\$ 4,722,686	\$ 3,494,029
Pledges receivable, net of current portion	\$ 809,505	\$ 1,287,953

Included in the statement of activities are the following restricted and board designated contributions related to the capital campaign at March 31,:

	<u>2020</u>	<u>2019</u>
Contributions- donor restricted	\$ 1,253,419	\$ 1,027,062
Contributions- Board designated	488,071	1,047,323
Grant contribution	<u>200,000</u>	<u>412,000</u>
Total	\$ <u>1,941,490</u>	\$ <u>2,486,385</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

Note 26 - Uncertainty

Subsequent to March 31, 2020, local, US, and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and the size and duration of group meetings. Most sectors are experiencing disruption to business operations and may feel further impacts related to delayed government reimbursement, volatility in investment returns, and reduced philanthropic support. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impacts to the Agency as of September 23, 2020, management believes that a material impact on the Agency's financial position and results of future operations is reasonably possible.

The U.S. government has responded with three phases of relief legislation, as a response to the COVID-19 outbreak. The most recent legislation was enacted into law on March 27, 2020, called the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a statute to address the economic impact of the COVID-19 outbreak. The CARES Act, among other things, 1) authorizes emergency loans to distressed businesses by establishing, and providing funding for, forgivable bridge loans, 2) provides additional funding for grants and technical assistance, 3) delays due dates for employer payroll taxes and estimated tax payments for organizations, and 4) revises provisions of the Internal Revenue Code (or IRC if defined elsewhere), including those related to losses, charitable deductions, and business interest. The Society has applied for and received a loan of \$321,200 under the CARES Act and is monitoring financial operations during the forgiveness period of the loan. Further effects of the CARES Act on the Society's financial statements have not yet been determined.

On August 12, 2020 the Society was notified that they were a recipient of a Non-Profit Relief Fund Beneficiary Award from the State of New Hampshire in the amount of \$91,344. These funds are to be used to offset losses incurred due to the COVID-19 public health emergency.

Note 27 – Subsequent Events

Subsequent events have been evaluated through September 23, 2020, which is the date the financial statements were available to be issued. Other than the commitment in Note 22 and the PPP loan, grant award, and the uncertainty described in Note 26, there were no subsequent events that were material to the financial statements at September 23, 2020 that require disclosure in the financial statements.