The American Society for the Prevention of Cruelty to Animals

Consolidated Financial Statements

December 31, 2018 and 2017

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Independent Auditors' Report

To the Board of Directors of
The American Society for the Prevention of Cruelty to Animals

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The American Society for the Prevention of Cruelty to Animals (the "ASPCA"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the ASPCA as of December 31, 2018 and 2017, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

New York, New York
May 30, 2019

The American Society for the Prevention of Cruelty to Animals

Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 19,812,575	$ 20,765,727
Bequests and contributions receivable, net of discount of $43,000 in 2018 and $4,000 in 2017	19,972,783	11,143,059
Other receivables, net of allowance of $96,000 in 2018 and $190,000 in 2017	6,960,782	6,024,423
Prepaid expenses and other assets	3,207,364	1,008,282
Investments	191,194,374	193,970,001
Beneficial interest in trusts held by others	18,384,845	21,127,139
Land, buildings and equipment, net	54,320,942	54,035,422
Total assets	$ 313,853,665	$ 308,074,053
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 14,569,889	$ 14,860,603
Grants payable	3,991,906	1,952,817
Unfunded pension obligation	-	5,921,977
Deferred rent and other	4,375,572	4,433,510
Annuity obligations	8,282,272	7,280,697
Total liabilities	31,219,639	34,449,604
Commitments and Contingencies		
Net Assets		
Net Assets Without Donor Restrictions:		
Operating	213,024,673	146,130,117
Board designated	-	55,402,298
Net Assets With Donor Restrictions:	69,609,353	72,092,034
Total net assets	282,634,026	273,624,449
Total liabilities and net assets	$ 313,853,665	$ 308,074,053

See notes to consolidated financial statements

The American Society for the Prevention of Cruelty to Animals

Consolidated Statement of Activities and Change in Net Assets
Year Ended December 31, 2018
(With Summarized Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	2017
Operating Support and Revenues				
Contributions, memberships, grants and sponsorships	$ 180,797,266	$ 13,355,889	$ 194,153,155	$ 177,179,291
Shelter and veterinary service fees	13,734,592	-	13,734,592	13,692,330
Bequests and trusts	23,686,950	19,190,284	42,877,234	34,931,112
Royalties, licenses and other	9,451,633	-	9,451,633	10,669,330
Net assets released from donor restrictions	32,860,803	(32,860,803)	-	-
Total operating support and revenues	260,531,244	(314,630)	260,216,614	236,472,063
Operating Expenses				
Program expenses:				
Shelter and veterinary services	75,818,097	-	75,818,097	71,750,804
Public education and communications	47,731,357	-	47,731,357	44,392,607
Policy, response and engagement	37,190,054	-	37,190,054	32,324,373
Community outreach	1,856,657	-	1,856,657	5,138,104
Grants	13,953,312	-	13,953,312	12,951,244
Total program expenses	176,549,477	-	176,549,477	166,557,132
Supporting expenses:				
Membership development and fundraising	51,565,776	-	51,565,776	45,067,962
Management and general	11,907,525	-	11,907,525	9,311,535
Total supporting expenses	63,473,301	-	63,473,301	54,379,497
Total operating expenses	240,022,778	-	240,022,778	220,936,629
Change in net assets from operating activities	20,508,466	(314,630)	20,193,836	15,535,434
Nonoperating Activities				
Net investment (loss) return	(10,021,640)	343,466	(9,678,174)	23,666,972
Net (depreciation) appreciation on beneficial interest in trusts held by others	-	(2,527,180)	(2,527,180)	2,103,897
Loss on settlement and curtailment of defined benefit pension plan	(8,208,682)	-	(8,208,682)	-
Contributions related to endowment	-	15,663	15,663	601,555
Total nonoperating activities	(18,230,322)	(2,168,051)	(20,398,373)	26,372,424
Change in net assets before pension adjustments	2,278,144	(2,482,681)	(204,537)	41,907,858
Pension-related adjustments other than net periodic pension cost	-	-	-	501,102
Pension liability adjustment	9,214,114	-	9,214,114	-
Change in net assets	11,492,258	(2,482,681)	9,009,577	42,408,960
Net Assets, Beginning of Year	201,532,415	72,092,034	273,624,449	231,215,489
Net Assets, End of Year	$ 213,024,673	$ 69,609,353	$ 282,634,026	$ 273,624,449

See notes to consolidated financial statements

The American Society for the Prevention of Cruelty to Animals

Consolidated Statement of Activities and Change in Net Assets
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenues			
Contributions, memberships, grants and sponsorships	$ 162,586,871	$ 14,592,420	$ 177,179,291
Shelter and veterinary service fees	13,692,330	-	13,692,330
Bequests and trusts	27,997,524	6,933,588	34,931,112
Royalties, licenses and other	9,089,091	1,580,239	10,669,330
Net assets released from donor restrictions	24,447,309	(24,447,309)	-
Total operating support and revenues	237,813,125	(1,341,062)	236,472,063
Operating Expenses			
Program expenses:			
Shelter and veterinary services	71,750,804	-	71,750,804
Public education and communications	44,392,607	-	44,392,607
Policy, response and engagement	32,324,373	-	32,324,373
Community outreach	5,138,104	-	5,138,104
Grants	12,951,244	-	12,951,244
Total program expenses	166,557,132	-	166,557,132
Supporting expenses:			
Membership development and fundraising	45,067,962	-	45,067,962
Management and general	9,311,535	-	9,311,535
Total supporting expenses	54,379,497	-	54,379,497
Total operating expenses	220,936,629	-	220,936,629
Change in net assets from operating activities	16,876,496	(1,341,062)	15,535,434
Nonoperating Activities			
Net investment return	22,620,905	1,046,067	23,666,972
Net appreciation on beneficial interest in trusts held by others	-	2,103,897	2,103,897
Contributions related to endowment	-	601,555	601,555
Total nonoperating activities	22,620,905	3,751,519	26,372,424
Change in net assets before pension adjustments	39,497,401	2,410,457	41,907,858
Pension-related adjustments other than net periodic pension cost	501,102	-	501,102
Change in net assets	39,998,503	2,410,457	42,408,960
Net Assets, Beginning of Year	161,533,912	69,681,577	231,215,489
Net Assets, End of Year	$ 201,532,415	$ 72,092,034	$ 273,624,449

See notes to consolidated financial statements

The American Society for the Prevention of Cruelty to Animals

Consolidated Statement of Functional Expenses
Year Ended December 31, 2018
(With Summarized Comparative Totals for 2017)

	Program Expenses						Supporting Expenses				
	Shelter and Veterinary Services	Public Education and Communications	Policy, Response and Engagement	Community Outreach	Grants	Total Program Expenses	Membership Development and Fundraising	Management and General	Total Supporting Expenses	Total Expenses 2018	Total Expenses 2017
Compensation	$ 38,074,275	$ 4,904,826	$ 14,504,186	$ 1,147,452	$ 552,318	$ 59,183,057	$ 5,365,968	$ 5,261,939	$ 10,627,907	$ 69,810,964	$ 63,874,868
Employee benefits	14,060,075	1,392,764	4,454,719	323,763	161,271	20,392,592	1,620,906	1,421,046	3,041,952	23,434,544	22,024,188
Supplies	1,809,803	113,613	968,144	66,648	3,218	2,961,426	53,773	70,477	124,250	3,085,676	2,985,710
Telephone	688,257	92,780	282,592	15,470	11,248	1,090,347	58,915	185,771	244,686	1,335,033	1,370,532
Postage and shipping	68,677	4,920,973	78,469	1,274	417	5,069,810	4,801,609	25,229	4,826,838	9,896,648	10,298,495
Rent	1,027,649	540,065	1,250,435	29,047	69,537	2,916,733	606,557	676,732	1,283,289	4,200,022	4,748,311
Repairs and maintenance	988,529	47,706	140,612	2,738	6,230	1,185,815	52,823	113,676	166,499	1,352,314	1,523,629
Data processing	912,087	3,409,049	363,786	24,336	96,218	4,805,476	6,277,366	675,541	6,952,907	11,758,383	12,169,675
Printing	31,206	4,117,282	19,103	-	-	4,167,591	3,862,453	8,306	3,870,759	8,038,350	7,773,656
Auto expenses	670,682	421	280,277	24	55	951,459	465	1,086	1,551	953,010	728,147
Travel, conferences and seminars	2,544,537	206,925	4,212,014	75,711	25,968	7,065,155	273,921	202,788	476,709	7,541,864	6,872,700
Insurance	598,809	52,677	379,915	6,694	7,874	1,045,969	62,823	121,673	184,496	1,230,465	1,230,645
Utilities	555,308	52,393	243,381	2,920	6,801	860,803	58,402	97,763	156,165	1,016,968	1,015,089
Veterinary and medical services	5,987,751	-	2,975,568	3,072	-	8,966,391	-	6,643	6,643	8,973,034	9,694,019
Media buys, promotion and related costs	75,341	19,465,697	360,506	253	-	19,901,797	19,120,415	42,310	19,162,725	39,064,522	34,196,222
Professional services	4,060,809	7,728,937	5,768,742	145,907	126,607	17,831,002	8,959,628	2,249,216	11,208,844	29,039,846	21,767,605
Grants	-	-	-	-	12,841,684	12,841,684	-	-	-	12,841,684	11,840,490
Other	582,235	372,139	129,823	3,367	27,076	1,114,640	72,426	230,737	303,163	1,417,803	1,404,525
Total expenses before depreciation and amortization	72,736,030	47,418,247	36,412,272	1,848,676	13,936,522	172,351,747	51,248,450	11,390,933	62,639,383	234,991,130	215,518,506
Depreciation and amortization	3,082,067	313,110	777,782	7,981	16,790	4,197,730	317,326	516,592	833,918	5,031,648	5,418,123
Total expenses	$ 75,818,097	$ 47,731,357	$ 37,190,054	$ 1,856,657	$ 13,953,312	$ 176,549,477	$ 51,565,776	$ 11,907,525	$ 63,473,301	$ 240,022,778	$ 220,936,629

See notes to consolidated financial statements

The American Society for the Prevention of Cruelty to Animals

Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Program Expenses						Supporting Expenses			
	Shelter and Veterinary Services	Public Education and Communications	Policy, Response and Engagement	Community Outreach	Grants	Total Program Expenses	Membership Development and Fundraising	Management and General	Total Supporting Expenses	Total Expenses
Compensation	$ 35,502,922	$ 4,644,266	$ 11,001,632	$ 2,881,907	$ 515,329	$ 54,546,056	$ 5,297,765	$ 4,031,047	$ 9,328,812	$ 63,874,868
Employee benefits	13,414,776	1,402,441	3,303,704	939,517	150,506	19,210,944	1,668,664	1,144,580	2,813,244	22,024,188
Supplies	1,893,802	108,928	581,376	266,565	3,773	2,854,444	71,321	59,945	131,266	2,985,710
Telephone	791,644	60,503	265,187	55,245	7,117	1,179,696	50,718	140,118	190,836	1,370,532
Postage and shipping	71,557	5,338,757	99,963	4,414	373	5,515,064	4,760,053	23,378	4,783,431	10,298,495
Rent	1,259,304	590,967	1,474,222	51,791	74,567	3,450,851	647,845	649,615	1,297,460	4,748,311
Repairs and maintenance	1,081,029	46,169	151,806	68,968	5,995	1,353,967	51,026	118,636	169,662	1,523,629
Data processing	949,597	3,794,679	425,129	82,589	143,089	5,395,083	6,257,751	516,841	6,774,592	12,169,675
Printing	27,548	4,185,501	37,029	239	5	4,250,322	3,514,429	8,905	3,523,334	7,773,656
Auto expenses	461,694	58	264,882	722	9	727,365	68	714	782	728,147
Travel, conferences and seminars	1,978,728	242,778	4,025,761	274,297	22,075	6,543,639	219,874	109,187	329,061	6,872,700
Insurance	598,742	51,916	368,377	21,033	7,729	1,047,797	81,209	101,639	182,848	1,230,645
Utilities	560,075	51,096	213,211	37,381	6,533	868,296	56,223	90,570	146,793	1,015,089
Veterinary and medical services	6,082,173	30	3,611,481	35	4	9,693,723	259	37	296	9,694,019
Media buys, promotion and related costs	98,428	17,738,579	460,296	-	-	18,297,303	15,858,837	40,082	15,898,919	34,196,222
Professional services	3,417,536	5,385,321	5,248,149	277,492	134,442	14,462,940	5,907,852	1,396,813	7,304,665	21,767,605
Grants	-	-	-	-	11,840,490	11,840,490	-	-	-	11,840,490
Other	555,127	401,274	93,270	13,618	22,338	1,085,627	108,279	210,619	318,898	1,404,525
Total expenses before depreciation and amortization	68,744,682	44,043,263	31,625,475	4,975,813	12,934,374	162,323,607	44,552,173	8,642,726	53,194,899	215,518,506
Depreciation and amortization	3,006,122	349,344	698,898	162,291	16,870	4,233,525	515,789	668,809	1,184,598	5,418,123
Total expenses	$ 71,750,804	$ 44,392,607	$ 32,324,373	$ 5,138,104	$ 12,951,244	$ 166,557,132	$ 45,067,962	$ 9,311,535	$ 54,379,497	$ 220,936,629

See notes to consolidated financial statements

The American Society for the Prevention of Cruelty to Animals

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 9,009,577	$ 42,408,960
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	5,031,648	5,418,123
Change in provision for allowance for doubtful accounts	(93,276)	(90,227)
Net investment losses (gains)	12,856,205	(21,652,776)
Change in deferred rent	(15,887)	263,490
Change in annuity obligations	1,001,575	376,189
Unrealized loss (gain) on beneficial interests in perpetual trusts held by others	2,527,180	(1,982,048)
Loss on settlement and curtailment of defined benefit pension plan	8,208,682	-
Pension liability adjustment	(9,214,114)	-
Pension-related adjustments other than net periodic pension costs	-	(501,102)
Contributions restricted for endowments	(15,663)	(601,555)
Changes in assets and liabilities:		
Bequests and contributions receivable	(8,829,724)	2,220,275
Other receivables, net	(843,083)	610,015
Prepaid expenses and other assets	(2,199,082)	1,020,014
Beneficial interests in charitable remainder trusts held by others	215,114	(67,373)
Accounts payable and accrued expenses	380,827	2,114,126
Grants payable	2,039,089	(162,651)
Other liabilities	(42,051)	(158,517)
Unfunded pension obligation	(4,916,545)	783,414
Net cash flows from operating activities	15,100,472	29,998,357
Cash Flows from Investing Activities		
Additions to land, buildings and equipment	(5,317,168)	(9,928,248)
Purchases of investments	(53,857,309)	(57,005,088)
Proceeds from sales of investments	43,776,731	40,268,604
(Decrease) increase in accounts payable related to land, buildings and equipment	(671,541)	671,541
Net cash flows from investing activities	(16,069,287)	(25,993,191)
Cash Flows from Financing Activities		
Contributions restricted for endowments	15,663	601,555
Loan repayment	-	(506,180)
Net cash flows from financing activities	15,663	95,375
Net change in cash and cash equivalents	(953,152)	4,100,541
Cash and Equivalents, Beginning of Year	20,765,727	16,665,186
Cash and Equivalents, End of Year	$ 19,812,575	$ 20,765,727
Supplemental Disclosures		
Cash paid during the year for interest	$ -	$ 7,161

See notes to consolidated financial statements

1. Description of the Organization

The American Society for the Prevention of Cruelty to Animals (the "ASPCA") is North America's first humane organization. The ASPCA provides effective means for the prevention of cruelty to animals throughout the United States. It has been headquartered in New York City since its founding in 1866 where it maintains a strong local presence. The ASPCA's activities are focused on five primary program areas: shelter and veterinary services, public education and communications, policy, response and engagement programs, community outreach and grants to other animal welfare-related organizations. The ASPCA is a public charity, which is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (the "IRC"). The ASPCA's vision is that all animals are to be treated with respect and kindness.

ASPCA Veterinary Services of North Carolina, P.C. is a professional corporation that provides the veterinary services of qualified, licensed veterinarians exclusively to the ASPCA in North Carolina. These services include the veterinary services needed to operate a high-volume, high-quality companion animal sterilization training clinic in order to alleviate shelter pet overpopulation. This corporation was formed pursuant to the North Carolina Veterinary Practice Act, which forbids the ownership of any veterinary practice in North Carolina by corporations, other than duly-registered professional corporations. ASPCA is the manager of ASPCA Veterinary Services of North Carolina, P.C. per a management services agreement.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit entities and include the accounts of the ASPCA and the ASPCA Veterinary Services of North Carolina, P.C. in which the ASPCA has a controlling and economic interest. All significant intercompany balances and transactions have been eliminated in consolidation.

Net Asset Classifications

The ASPCA's net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the ASPCA and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Resources that are available for the general support of the ASPCA's operations and are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets of which the use has been restricted by donors to specific purposes and/or the passage of time. In addition, net assets with donor restrictions also includes endowment gains which have not been appropriated for expenditure. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or a purpose is accomplished, or endowment funds are appropriated through an action of the Board, those net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities and change in net assets as net asset released from donor restrictions. Net assets with donor restrictions also include the assets whereby donors have stipulated that the principal contributed be invested and retained in perpetuity, with investment return available for expenditure according to the restrictions, if any, imposed by those donors. Such resources also include the ASPCA's beneficial interests in perpetual trusts held by others.

Cash and Cash Equivalents

Cash equivalents are defined as short-term highly liquid investments with original maturities of three months or less, except for those cash equivalents included in the ASPCA's investment portfolio that are held for long-term investment purposes.

Fair Value

Fair value is 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. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The ASPCA measures the fair value of its financial assets using a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy is categorized into three levels using the following guidelines:

Level 1 - Inputs are quoted prices in active markets for identical assets, which are directly observable at year-end.

Level 2 - Inputs are other than quoted prices in active markets, which may be directly or indirectly observable at year-end.

Level 3 - Holdings that have little or no pricing observability at year-end. These are measured using management's best estimate of fair value, where inputs to determine fair value are not observable and require significant management judgment and estimation.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2018 and 2017:

Alternative investments - These funds do not make known nor do they advertise their value and their performance data is not readily available. They do not have a readily determinable fair value and are valued at net asset value ("NAV").

Fixed income securities - Publicly traded in active markets.

Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the ASPCA are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the ASPCA are deemed to be actively traded.

Short-term investments - Cash and cash equivalents held for long-term purposes.

Common stock - Publicly traded in active markets. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the ASPCA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The carrying value of cash and cash equivalents approximates fair value as of December 31, 2018 and 2017. The carrying amounts of the ASPCA's investments and beneficial interest in trusts held by others approximate fair value and are presented in the fair value hierarchy in Notes 3 and 4, respectively.

Investments

Investment transactions are accounted for on the dates the purchases or sales are executed (trade date). Dividend income is recorded on the ex-dividend date; interest income is recorded as earned on the accrual basis. Investment returns are presented net of external investment expenses/fees and internal investment expenses, when applicable.

Split-Interest Agreements

The ASPCA has recognized the following types of split-interest agreements:

Beneficial Interests in Perpetual Trusts Held by Others

Donors have established and funded trusts that are administered by third-party trustees. Under the terms of these trusts, the ASPCA has the irrevocable right to receive all or a portion of the income earned on the trust assets either in perpetuity or for the life of the trust. The ASPCA does not control the assets held by the respective third-party trustees. Accordingly, the ASPCA recognizes its interest in such trusts, based on the fair value of the trusts.

Charitable Remainder Trusts

Donors have established and funded trusts under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trusts' terms. Upon termination of the trusts' terms, the ASPCA receives their interest in the assets remaining in those trusts. Trusts are recorded as increases to net assets at the fair value of trust assets, less the present value of the estimated future payments to be made under the specific terms of the trusts.

Charitable Gift Annuities

Donors have contributed assets to the ASPCA in exchange for a promise by the ASPCA to pay a fixed amount or percentage for a specified period of time to such donors or to individuals or organizations designated by those donors. Under the terms of such agreements, no trusts exist as the assets received are held by, and the annuity liability is an obligation of, the ASPCA. The discount rates used to measure the liabilities ranged from 2.6 percent to 3.6 percent as of December 31, 2018 and 2.2 percent to 2.6 percent as of December 31, 2017.

Split-interest agreements are recognized as revenue when notification of an irrevocable split-interest agreement exists and when fair value can reasonably be determined.

Land, Buildings and Equipment

Land owned by the ASPCA is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation that is calculated using the straight-line method over the estimated useful lives of the assets. It is ASPCA policy to capitalize all purchases in excess of $5,000 with useful lives greater than one year. Repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. At the time fixed assets are retired or disposed of, the fixed asset and related accumulated depreciation accounts are relieved of the applicable amounts, and any gain or loss is credited or charged to operations.

Land, buildings, and equipment contributed to the ASPCA are reported at fair value in the consolidated financial statements at the time of the contribution. Depreciation is calculated on buildings and equipment using the straight-line method over the estimated useful lives of the assets.

The ASPCA reports gifts of property, plant and equipment as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the ASPCA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

The ASPCA reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2018 and 2017, there have been no such losses.

Assets Limited as to Use

Assets limited as to use consist of gift annuity reserves and separate accounts required by funders, and consist principally of cash and cash equivalents and are on deposit with two financial institutions. Assets limited as to use are stated at fair value which approximates their cost.

Deferred Rent

For accounting purposes, the total rent payable over the life of the lease, which escalates over time, is recognized on the straight-line basis. Actual rent payments differ from these reported amounts; actual rent paid is less than reported amounts in the early years of the lease and exceeds the reported amounts in the later years. Deferred rent reflects the difference between the straight-line calculation reported and the actual rent expense paid.

Accrued Vacation

Employees accrue vacation based on tenure and salary band. Unused vacation balances carry over to future years, subject to a cap. As of December 31, 2018, and 2017, accrued vacation obligations were approximately $4,605,000 and $3,966,000, respectively.

The ASPCA's obligation for accrued vacation is included as a liability in the accompanying consolidated statements of financial position and represents the cost of unused employee vacation time payable in the event of employee terminations.

Revenue Recognition

Contributions and memberships are considered to be available for use without donor restrictions, unless they are specifically restricted by the donor. Contributions are recognized as income, at their fair value, when they become unconditional promises to give. Contributions of securities and other tangible assets are recorded at fair value at the date of gift. Conditional contributions and promises to give are recorded as revenue when the conditions on which they depend have been substantially met. Bequests are recorded as income when notification of an irrevocable right to receive such assets exists and when a fair value can reasonably be determined. Bequests and contributions receivable are expected to be received within one year.

Shelter and Veterinary Services fee revenues, primarily from the animal hospital and animal poison control center, are recognized when services have been performed.

The ASPCA enters into various grant and sponsorship agreements. Revenue relating to these agreements is recognized in accordance with the terms and conditions included therein. Grants are evaluated to determine if they represent an exchange transaction or contribution. If determined to be an exchange transaction, the grant is recognized as expenses are incurred. In addition, the ASPCA enters into various agreements that provide royalty and licensing revenues. Revenues relating to royalty contracts are recognized in accordance with the terms and conditions included therein.

Contributed services are reported at fair value in the consolidated financial statements only when those services (1) create or enhance nonfinancial assets, or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. The ASPCA reported contributed services revenue and related expense for the years ended December 31, 2018 and 2017 of approximately $852,000 and $487,000, respectively.

Donated materials are reported at fair value at the date of the donation. The ASPCA reported no donated materials and approximately $6,000 primarily in pet supplies for the year ended December 31, 2018. For the year ended December 31, 2017, the ASPCA reported approximately $1,000 primarily in operating supplies.

Allowance for Doubtful Accounts

Periodically, the receivable balances are reviewed and evaluated as to their collectability. An allowance is then set up based on these evaluations.

Allocation of Expenses on a Functional Basis

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the ASPCA. These include depreciation and amortization, interest, and administration, communications, media production, information technology, facilities operations, occupancy and maintenance. Depreciation and occupancy costs are allocated on a square footage or units of service basis. Costs of other categories were allocated on estimates of time and effort.

Expenses are presented according to the programs for which they were incurred and are summarized on a functional basis in the accompanying consolidated statements of activities and change in net assets. The various programs and supporting services of the ASPCA are as follows:

Shelter and veterinary services - Includes the ASPCA Animal Hospital in New York City, Spay/Neuter clinics in New York City, Los Angeles and Asheville, North Carolina, state-of-the-art Adoptions Center in New York City, the Behavioral Rehabilitation Center in Weaverville, North Carolina, and the Animal Poison Control Center, a 24-hour Animal Poison Control telephone hotline in Urbana, Illinois.

Public education and communications - Includes activities to create public awareness of animal-related issues.

Policy, response and engagement programs - Includes Humane Law Enforcement in New York and national, state, and local legislative initiatives, as well as animal behavior, animal field investigations and response, and animal forensic activities.

Community outreach - Includes extensive outreach, education, and training programs in communities throughout the United States.

Grants - Represents programs designed to ensure the ASPCA's leadership in serving the animal welfare field.

Membership development and fundraising - Involves the direction of the overall fundraising affairs of the ASPCA, which include development and related areas.

Management and general - Includes the direction of the overall affairs of the ASPCA, such as portions of accounting, human resources, administration, and related areas.

Use of Estimates

The preparation of consolidated 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant estimates relate to the valuation of the pension benefit obligation, alternative investments, annuity obligations, the beneficial interest in third-party trusts, the useful lives of fixed assets, the expense allocation on a functional basis, and the collectability of receivables. Actual results could differ from those estimates.

Advertising Expenses

The ASPCA uses advertising to educate the public and bring awareness to its programs and mission. The production costs of advertising are expensed as incurred. Advertising costs totaled approximately $38,807,000 and $33,950,000 for the years ended December 31, 2018 and 2017, respectively.

Measure of Operations

The ASPCA uses the "change in net assets from operating activities" as the measure of net assets that are available to support current and future programs and services. Operating activities include all revenues and expenses related to carrying out the ASPCA's mission. Nonoperating activities include bequest and trust income restricted for endowment, changes in beneficial interests in trusts held by others, loss on settlement and curtailment of defined benefit plan, and other activities considered to be of a more unusual or nonrecurring nature. In addition, the ASPCA has a spending policy under which a predetermined amount of investment return is authorized to fund operations. The difference between the actual investment return and the amount authorized and appropriated to fund operations is reported as nonoperating.

Income Taxes

The ASPCA and ASPCA Veterinary Services of North Carolina, P.C. qualify as tax-exempt organizations under Section 501(c)(3) of the IRC and corresponding provisions of the State law in New York State and North Carolina and are not subject to federal or state income taxes. Accordingly, donors are entitled to a charitable contribution deduction as defined in the IRC. Continued qualification of tax-exempt status is contingent upon compliance with the requirements of the IRC.

The ASPCA recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required for 2018 or 2017.

Reclassifications

Certain 2017 amounts have been reclassified to conform with the 2018 presentation.

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASPCA was required to adopt ASU 2016-14 in 2018, and has applied the changes retrospectively to all periods presented, except for the disclosures relating to liquidity, which were not required by ASU 2016-14. The following summarizes the applicable financial reporting items reflected in the ASPCA's consolidated financial statements as required by ASU 2016-14:

(a) The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions.

(b) The temporarily restricted and permanently restricted net asset classes have been combined into a single class called Net Assets With Donor Restrictions.

(c) The consolidated financial statements include a disclosure about liquidity and availability of resources (Note 10).

(d) Additional disclosure of the ASPCA’s operating measure has been provided.

(e) Additional disclosures related to underwater endowments are included (Note 11).

(f) Expenses are reported by both nature and function; as well as the disclosure of specific methodologies used to allocate costs among programs and support functions.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2014-09 on the ASPCA's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2016-02 on the ASPCA's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statements of cash flows. ASU 2016-18 is effective for the ASPCA for fiscal years beginning after December 15, 2018. ASU 2016-18 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU 2016-18 on the ASPCA's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for the ASPCA for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2018-08 on the ASPCA's consolidated financial statements.

3. Investments

Investments as of December 31, 2018 and 2017 consist of the following:

	2018	2017
Cash and cash equivalents	$ 2,138,535	$ 18,355,348
Common stocks	29,187	94,992
Fixed income securities	1,078,178	1,138,528
Mutual funds	125,662,276	111,501,876
Alternative investments	62,286,198	62,879,257
Total investments	$ 191,194,374	$ 193,970,001

The (loss) return on investments and interest-bearing cash and cash equivalents for the years ended December 31, 2018 and 2017 consist of the following:

	2018	2017
Interest and dividends, net of expenses of approximately $694,000 and $690,000, respectively	$ 3,178,031	$ 2,014,196
Unrealized (losses) gains	(16,652,391)	13,118,115
Realized gains	3,796,186	8,534,661
Net (loss) return on Investments (including amounts with donor restrictions of $373,314 and $1,046,067, respectively)	$ (9,678,174)	$ 23,666,972

Spending Policy

The objective of the ASPCA's spending policy is to allocate in a reasonable and balanced manner the total earnings from the investment portfolio between current spending and reinvestment for future earnings and expenditures in order for the purchasing power of the investment portfolio to be maintained or enhanced. Such purchasing power is to provide a stable source of income to the operating fund of the ASPCA and to meet certain working capital and/or capital expenditures needs. Budgeted annual spending is generally set at the lesser of 5 percent of the investment portfolio's average five-year portfolio value or 5 percent of the beginning year balance and is subject to approval by the Finance Committee and the Board during the annual budget review and approval process. Any overage will reduce future spending by the amount of such overage (reduction implemented over subsequent one to three years). The Finance Committee and the Board did not approve a spending amount to be used for operations in 2018 and 2017.

The following tables present the ASPCA's fair value hierarchy for those investments measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	2018		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Total**
Common stocks	$ 29,187	$ -	$ 29,187
Fixed income securities	1,013,026	65,152	1,078,178
Mutual funds	115,335,730	10,326,546	125,662,276
Alternative investments reported at net asset value			62,286,198
Cash and cash equivalents			2,138,535
Total investments			$ 191,194,374

	2017		
Common stocks	$ 94,992	$ -	$ 94,992
Fixed income securities	975,113	163,415	1,138,528
Mutual funds	91,738,498	19,763,378	111,501,876
Alternative investments reported at net asset value			62,879,257
Cash and cash equivalents			18,355,348
Total investments			$ 193,970,001

Investments with a fair value of $9,017,412 and $12,207,826 and cash equivalents of $480,281 and $203,034 as of December 31, 2018 and 2017, respectively, were held in investment accounts relating to charitable gift annuities, in compliance with the insurance laws of various states. The ASPCA maintains separate and distinct reserve funds adequate to meet the future payments of all outstanding charitable gift annuities administered by the ASPCA.

Certain information regarding the liquidity and redemption features of the ASPCA's alternative investments (measured at NAV) is as follows:

	2018			
	Net Asset Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
(a) Equity long	$ 16,028,149	$ -	Monthly	15 days
(b) Global asset allocation, Worldarb	7,888,643	-	Quarterly	45 days
(c) Fund of funds, private equity	1,222,587	464,347	None	N/A
(d) Fund of funds, capital appreciation	7,002,997	-	Quarterly	90 days
(e) Private equity in liquidation	11,872,513	2,694,901	None	N/A
(f) Private equity	10,003,511	919,273	Annual	60 days
(g) Emerging markets	8,267,798	-	Daily	3-5 days
Total	$ 62,286,198	$ 4,078,521		

	2017			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
(a) Equity long	$ 15,514,796	$ -	Monthly	15 days
(b) Global asset allocation, risk parity	9,447,156	-	Weekly	4 days
(b) Global asset allocation, Worldarb	7,736,524	-	Quarterly	45 days
(c) Fund of funds, private equity	1,480,077	464,347	None	N/A
(d) Fund of funds, capital appreciation	7,170,431	-	Quarterly	90 days
(e) Private equity in liquidation	11,806,605	2,593,023	None	N/A
(f) Private equity	1,670,233	1,470,748	Annual	60 days
(g) Emerging markets	8,053,435	-	Daily	3 - 5 days
Total	$ 62,879,257	$ 4,528,118		

(a) This category includes investments in a limited partnership that invests primarily in international equity securities.

(b) This category includes investments in a fund that invests in a diversified portfolio exposed to global developed and emerging stocks, developed country government bonds, global inflation protected bonds, and commodities, among other exposures.

(c) This category includes investments in a fund that invests in a diversified portfolio of interests in private investment funds, principally established global buyout, mezzanine, and venture capital funds primarily through secondary market transactions.

(d) This category includes several funds of funds that invest in private investment funds that utilize a variety of alternative investment strategies that seek to produce an attractive absolute return on invested capital. These strategies include arbitrage, distressed, and long/short strategies.

(e) This category includes several private equity funds that invest in privately held corporations and domestic and international venture capital and private funds. Certain of these investments can never be redeemed by the ASPCA and, in these instances; distributions are received through the liquidation of the underlying assets of the fund. The ASPCA management expects liquidations to take place from approximately 2019 through 2025.

(f) This category includes several private equity funds that invest in privately held corporations and domestic and international venture capital and private funds.

(g) This category includes investments in a fund that invests in a diversified portfolio of emerging market securities.

4. Beneficial Interests in Trusts Held by Others

Beneficial interests in trusts held by others in the accompanying consolidated statements of financial position are remainder interests in several irrevocable trusts. The present value of the ASPCA's share of future interests in charitable remainder trusts amounted to approximately $650,000 and $1,001,000 as of December 31, 2018 and 2017, respectively, and has been included in net assets with donor restriction. The present values of the trusts are calculated using discount rates of 6.0 percent, as of December 31, 2018 and 2017. Beneficial interests in perpetual third-party trusts of approximately $17,735,000 and $20,126,000 valued at the ASPCA's share of the fair value of the underlying trust assets, are included in net assets with donor restrictions as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the ASPCA's beneficial interests in trusts held by third-party trustees were classified as Level 3 instruments within the fair value hierarchy. The following table summarizes the changes in the ASPCA's Level 3 beneficial interests in trusts held by third-party trustees for the years ended December 31, 2018 and 2017:

	2018		
	Charitable Remainder Trusts	Perpetual Trusts	Total
Balance, December 31, 2017	$ 1,001,537	$ 20,125,602	$ 21,127,139
Acquisitions	-	-	-
Dispositions	(347,892)	-	(347,892)
Net depreciation	(3,667)	(2,390,735)	(2,394,402)
Balance, December 31, 2018	$ 649,978	$ 17,734,867	$ 18,384,845
	2017		
Balance, December 31, 2016	$ 934,164	$ 18,143,554	$ 19,077,718
Acquisitions	26,905	-	26,905
Dispositions	(54,477)	-	(54,477)
Net appreciation	94,945	1,982,048	2,076,993
Balance, December 31, 2017	$ 1,001,537	$ 20,125,602	$ 21,127,139

5. Land, Buildings and Equipment, Net

Land, buildings and equipment as of December 31, 2018 and 2017 consisted of the following:

	Estimated Useful Lives	2018	2017
Land	-	$ 5,321,057	$ 5,321,057
Buildings	20-40 years	28,316,901	18,829,196
Building improvements	3-25 years	33,448,438	38,334,999
Furniture, fixtures and equipment	3-10 years	20,678,679	20,921,669
Transportation equipment	4-6 years	7,802,203	7,290,009
Construction in progress		3,406,268	9,381,892
Total cost		98,973,546	100,078,822
Less accumulated depreciation and amortization		44,652,604	46,043,400
Net land, buildings, and equipment		$ 54,320,942	$ 54,035,422

6. Pension Plan

Defined Benefit Plan

The ASPCA sponsored a non-contributory defined benefit pension plan for its employees. Participation and accruals under this plan were frozen as of June 30, 2006, and at that time the ASPCA adopted a new 401(k) plan, which includes both safe harbor employer matching contributions and discretionary nonelective contributions, effective July 1, 2006.

In early 2017, the ASPCA began the process of terminating the defined benefit pension plan in a standard termination with the Pension Benefit Guaranty Corporation ("PBGC"), with a proposed termination date of July 1, 2017. The plan was also filed for a determination of qualified status on termination with the Internal Revenue Service ("IRS") on November 14, 2017. The IRS issued a favorable determination letter on June 14, 2018, which was received by the ASPCA on June 26, 2018. Distribution of all plan benefits was completed on October 24, 2018, by direct payment of all elected lump sum distributions, and the purchase of a single-premium group annuity contract to assume liability for all continuing, current, and deferred annuity distributions. The PBGC Form 501 (post-termination certification) was filed on November 22, 2018 and all other steps of the standard termination process were completed on a timely basis.

The settlement of the defined benefit plan was recorded as follows:

Reclassification of unrecognized loss	$ (9,214,114)
Loss recognized on settlement	8,208,682
Net gain	$ (1,005,432)

The actuarial present value of the benefit obligation recognized in the accompanying consolidated statements of financial position as of December 31, 2018 and 2017 are as follows:

	2018	2017
Projected benefit obligation, beginning of year	$ 18,420,566	$ 17,925,679
Interest cost	518,116	680,225
Actuarial gain	(451,641)	(63,488)
Assumption change	-	816,325
Effect of settlement	(17,796,823)	-
Benefits paid	(690,218)	(938,175)
Projected and accumulated benefit obligation, end of year	$ -	$ 18,420,566

	2018	2017
Fair value of plan assets, beginning of year	$ 12,498,589	$ 12,286,014
Return on plan assets	(512)	927,834
Employer contributions	5,988,964	222,916
Effect of settlement	(17,796,823)	-
Benefits paid	(690,218)	(938,175)
Fair value of plan assets, end of year	-	12,498,589
Funded status of plan, end of year	$ -	$ (5,921,977)

	2018	2017
Amounts included in the consolidated statements of financial position:		
Unfunded pension obligation	$ -	$ (5,921,977)
Net accumulated actuarial loss within net assets without donor restrictions	$ -	$ 9,214,114

For the current year's net periodic benefit cost, the expected long-term rate of return on plan assets has been decreased from 6.25 percent to 1.55 percent. Otherwise, the actuarial assumptions, plan provisions and methods are the same as those used to prepare the accounting disclosure report for the fiscal year ended December 31, 2017. Since there is no obligation as of December 31, 2018, other changes in assumptions, plan provisions or methods are not required.

Components of net periodic pension cost in the consolidated statements of activities and change in net assets consist of the following:

	2018	2017
Interest cost	$ 518,116	$ 680,225
Expected return on plan assets	14,858	(384,446)
Actuarial loss	539,445	710,551
Net periodic pension cost	$ 1,072,419	$ 1,006,330

The weighted average rates used to determine net periodic pension cost and the year-end benefit obligation for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Discount rate, benefit obligation	N.A %	N.A %
Discount rate, net periodic benefit cost	3.55	4.05
Expected long-term rate of return on plan assets	1.55	6.25

Other changes in plan assets and benefit obligation recognized in net assets without donor restrictions were as follows:

	2018	2017
Net actuarial gain (loss) arising during measurement period	$ 465,987	$ (209,449)
Amortization of net actuarial gain	539,445	710,551
Amount recognized due to plan settlement	8,208,682	-
Total	$ 9,214,114	$ 501,102

The Finance Committee of the Board of Directors determines the allocation of plan assets and the external money managers based on recommendations of an independent investment advisor.
The investment strategy for pension assets has a long-term horizon, with a preference for lower volatility, in keeping with the long-term nature of the benefit liabilities.

The following table categorizes the inputs used to report the fair value of the plan's investments within the fair value hierarchy as of December 31, 2017:

	2017		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Separate pooled accounts:			
Short duration	$ -	$ 12,498,589	$ 12,498,589
Total investments	$ -	$ 12,498,589	$ 12,498,589

The plan's weighted average asset allocation as of December 31, 2018, by asset category, is as follows:

	2018	2017
Equities	- %	- %
Fixed income	-	100
Mutual funds	-	-
Cash and cash equivalents	-	-
Total	- %	100 %

The ASPCA also sponsors a 401(k) defined contribution retirement plan. Substantially all full-time employees over age 21 are eligible to participate. The ASPCA matches 100 percent of pretax employee contributions up to 4 percent of eligible compensation in each pay period. Employee and matching employer contributions are immediately 100 percent vested. Additional employer contributions are also made as a percentage of compensation in each pay period. These additional contributions are fully vested for employees who have attained at least three years of eligible service. Employer contributions, representing matching employee contributions plus additional employer contributions, totaled approximately $3,889,000 and $3,583,000 in 2018 and 2017, respectively.

7. Allocation of Joint Costs

Direct appeal program joint costs incurred in connection with mailing educational and informational materials are allocated to program and supporting services on the basis of the content of the respective materials. For the years ended December 31, 2018 and 2017, these costs were allocated as follows:

	2018	2017
Program	$ 37,432,729	$ 34,333,397
Membership development and fundraising	42,551,655	35,619,338
Management and general	88,821	83,414
Total	$ 80,073,205	$ 70,036,149

8. Grants

Grants are recorded as an expense and a liability based on funds committed per the grant agreements once final approval by the grants department has occurred and that the grants are either unconditional or the conditions have been substantially met. No grant payments may be made prior to the final approval.

The ASPCA granted approximately $12,842,000 and $11,840,000 during the years ended December 31, 2018 and 2017, respectively. The grants were spent in furtherance of the mission in the following program areas:

	2018	2017
Anticruelty:		
Anticruelty response	$ 869,356	$ 1,427,624
Disaster/emergency	115,684	537,987
Equine	751,622	782,696
Farm animals	639,468	158,308
Total anticruelty	2,376,130	2,906,615
Community Outreach:		
Live release	3,851,999	4,240,722
Relocation	1,026,477	949,000
Spay/neuter	3,512,340	2,292,416
Return to owner	147,400	37,600
Surrender prevention	1,981,748	1,461,613
Other	169,656	2,500
Total community outreach	10,689,620	8,983,851
Grant refunds	(224,066)	(49,976)
Total amount granted	12,841,684	11,840,490
Other grant expenses	1,111,628	1,110,754
Total grant expenses	$ 13,953,312	$ 12,951,244

9. Net Assets

The ASPCA's net assets are summarized as follows as of December 31, 2018 and 2017:

	2018	2017
Without donor restrictions	$ 213,024,673	$ 146,130,117
Without donor restrictions: Board-designated	-	55,402,298
Total without donor restrictions	213,024,673	201,532,415
With donor restrictions		
Restricted in perpetuity	17,734,866	20,125,602
Restricted for use in future periods	18,282,096	10,128,848
Purpose restricted	33,592,391	41,837,584
Total with donor restrictions	69,609,353	72,092,034
Total net assets	$ 282,634,026	$ 273,624,449

The ASPCA Board of Directors undesignated all Board-Designated Funds as of December 31, 2018. The Board agreed that there were adequate controls over net assets without donor restrictions without the additional need for Board designation.

During each year, net assets released from donor restrictions resulted from the satisfying of the following donor restrictions:

	2018	2017
Shelter and veterinary services	$ 16,844,988	$ 5,105,291
Policy, response and engagement programs	1,873,915	3,495,570
Grants and sponsorships	2,371,831	3,457,118
Time restrictions satisfied	10,850,260	10,390,174
Other	919,809	1,999,156
Total	$ 32,860,803	$ 24,447,309

10. Liquidity and Availability of Resources

The ASPCA's financial assets available within one year of the consolidated statement of financial position sheet date for general expenditure such as operating expenses, as follows as of December 31, 2018:

Cash and cash equivalents	$ 19,812,575
Other receivables	6,960,782
Contributions receivable	18,188,240
Short-term investments	1,658,254
Other investments appropriated for current use	172,517,653
Total	219,137,504
Less amounts unavailable for general expenditures within one year, due to:	
Restricted in perpetuity	17,734,866
Restricted for use in future periods	18,282,096
Purpose restricted	33,592,391
Total financial assets available	$ 149,528,151

The financial assets in the table above have been reduced by amounts not available for general use because of contractual or donor restrictions within one year of the date of the consolidated statements of financial position. Income from donor-restricted endowments is also restricted for specific purposes and has not been appropriated, and therefore, is not available for general expenditures.

As part of the ASPCA'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. In addition, the ASPCA invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the ASPCA has a $15 million committed line of credit, which can be drawn to help manage unanticipated liquidity needs. However, the donor restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (see Note 3 for disclosures about investments).

11. Endowment Net Assets

Interpretation of Relevant Law

The ASPCA's endowment is made up of donor-restricted endowment funds. The ASPCA's endowment is subject to the provisions of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). Under NYPMIFA, the ASPCA manages an endowment fund consisting of donor-restricted that are not wholly expendable on a current basis. The ASPCA maintains the historic value of each endowment fund and appropriates the appreciation of each fund, but not the original value. These funds are maintained in the ASPCA's investment portfolio which is governed by the investment policy. Appropriation occurs in the form of the spending policy which is approved by the board of directors of the ASPCA during the annual budget process.

Return Objectives and Risk Parameters

The Board has adopted investment and spending policies for the ASPCA's endowment assets that seek to provide a predictable stream of funding to programs supported by its endowment funds and maintain the purchasing power of the endowment over time.

Strategies Employed for Achieving Objectives

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

Spending Policy

The ASPCA applies the spending policy described in Note 3 to its endowment funds.

Funds with Deficiencies

Due to unfavorable market fluctuations, from time-to-time the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, with restriction contribution. There were no such deficiencies in either year 2018 or 2017.

The following summarizes the ASPCA's endowment net asset composition as of December 31, 2018 and 2017:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Composition			
Perpetual endowment funds	$ -	$ 7,520,772	$ 7,520,772
Unappropriated endowment earnings	-	2,717,346	2,717,346
Total endowment funds	$ -	$ 10,238,118	$ 10,238,118
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	$ 55,402,298	$ 10,595,770	$ 65,998,068
Contributions and bequests	-	15,663	15,663
Investment return	(2,755,784)	(373,315)	(3,129,099)
Board action	(52,646,514)	-	(52,646,514)
Endowment net assets, end of year	$ -	$ 10,238,118	$ 10,238,118

	2017		
Endowment Composition			
Perpetual endowment funds	$ -	$ 7,550,110	$ 7,550,110
Unappropriated endowment earnings	-	3,045,660	3,045,660
Board-designated endowment funds	55,402,298	-	55,402,298
Total endowment funds	$ 55,402,298	$ 10,595,770	$ 65,998,068
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	$ 48,112,075	$ 8,948,148	$ 57,060,223
Contributions and bequests	-	601,555	601,555
Investment return	7,290,223	1,046,067	8,336,290
Board action	-	-	-
Endowment net assets, end of year	$ 55,402,298	$ 10,595,770	$ 65,998,068

12. Special Events Revenue and Direct Expenses

Revenue generated from special events and the related direct expenses for the years ended December 31, 2018 and 2017 are reported within royalties, licenses and other operating support and revenue on the consolidated statements of activities and change in net assets and are summarized as follows:

	Gross Revenue	Costs of Direct Benefits to Donors	Net Revenue
Year ended December 31, 2018	$ 983,614	$ 583,826	$ 399,788
Year ended December 31, 2017	$ 1,283,649	$ 780,481	$ 503,168

13. Commitments and Contingencies

Operating Leases

The ASPCA holds leases in Queens, New York, Washington DC, Urbana, Illinois and Los Angeles, California. The aggregate commitment under these leases will be charged to expense on a straight-line basis over the terms of respective leases. The ASPCA's approximate aggregate annual minimum rental obligations as of December 31, 2018 for facilities under operating leases expiring through 2026 are:

2019	$ 4,149,000
2020	3,800,000
2021	3,460,000
2022	3,371,000
2023	3,193,000
Thereafter	10,213,000
Total	$ 28,186,000

The difference between rent expense incurred by the ASPCA on an accrual basis and the rent amounts paid in cash is reported as deferred rent payable in the accompanying consolidated statements of financial position.

Litigation

The ASPCA is a defendant in several lawsuits arising in the normal course of operations. All of the significant suits and many of the others involve insured risks, subject to deductibles and co-insurance requirements. While outside counsel cannot predict the outcome of such litigation, management does not expect the net financial outcome to have a material effect on the financial position, change in net assets, and cash flows of the ASPCA.

Financing Activities

The ASPCA entered into a revolving line of credit with TD Bank on June 8, 2015 in the amount of $15,000,000 with an interest rate per annum of 1.25 percent percentage points in excess of the London Interbank Offered Rate ("LIBOR"), or a fluctuating interest rate equal to prime. The purpose of the line of credit is for the short-term working capital needs of the ASPCA. There was no balance on the line of credit as of December 31, 2018 and 2017.

Concentration of Credit Risks

Financial instruments that potentially subject the ASPCA to concentrations of credit risk consist principally of cash, cash equivalents, and investments. The ASPCA maintains its cash and cash equivalents in various bank deposit accounts that at times may exceed federally insured limits. To minimize risk, the ASPCA's cash accounts are placed with high-credit quality financial institutions, while the ASPCA's investment portfolio is diversified with several investment managers in a variety of asset classes. The ASPCA regularly evaluates its depository arrangements and investments, including performance thereof.

14. Subsequent Events

The ASPCA has evaluated subsequent events through May 30, 2019, which is the date the consolidated financial statements were available to be issued and determined that there were no additional subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.