

The American Society for the Prevention of Cruelty to Animals

Consolidated Financial Statements
and Supplementary Information

December 31, 2020 and 2019

The American Society for the Prevention of Cruelty to Animals

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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, 2020 and 2019, 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 ASPCA'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 ASPCA'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, 2020 and 2019, 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.

Other Matter

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information presented on page 26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management, and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

New York, New York
May 25, 2021

The American Society for the Prevention of Cruelty to Animals

Consolidated Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Assets		
Cash and cash equivalents	\$ 25,975,384	\$ 40,976,720
Bequests and contributions receivable, net of discount of \$100 in 2020 and \$9,000 in 2019	13,654,044	14,098,940
Other receivables	5,861,114	7,791,383
Prepaid expenses and other assets	5,488,607	3,452,748
Investments	305,088,304	223,648,512
Beneficial interest in trusts held by others	24,038,168	22,177,274
Land, buildings and equipment, net	61,164,799	57,658,526
Right-of-use assets	29,915,066	24,281,666
	<u>471,185,486</u>	<u>394,085,769</u>
Total assets	<u>\$ 471,185,486</u>	<u>\$ 394,085,769</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 20,458,506	\$ 17,491,904
Grants payable	1,313,840	1,535,699
Other liabilities	800,498	140,454
Annuity obligations	7,344,131	6,620,168
Operating leases liabilities	34,333,275	28,513,477
	<u>64,250,250</u>	<u>54,301,702</u>
Total liabilities	<u>64,250,250</u>	<u>54,301,702</u>
Net Assets		
Net assets without donor restrictions	333,774,636	264,284,623
Net assets with donor restrictions	73,160,600	75,499,444
	<u>406,935,236</u>	<u>339,784,067</u>
Total net assets	<u>406,935,236</u>	<u>339,784,067</u>
Total liabilities and net assets	<u>\$ 471,185,486</u>	<u>\$ 394,085,769</u>

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, 2020 (With Summarized Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Operating Support and Revenues				
Contributions, memberships, grants and sponsorships	\$ 222,710,347	\$ 15,496,452	\$ 238,206,799	\$ 202,174,264
Shelter and veterinary service fees	15,634,316	-	15,634,316	14,295,598
Bequests and trusts	29,197,667	14,613,069	43,810,736	47,167,317
Royalties, licenses and other	8,345,986	-	8,345,986	8,361,871
Net assets released from donor restrictions	34,825,753	(34,825,753)	-	-
Total operating support and revenues	310,714,069	(4,716,232)	305,997,837	271,999,050
Operating Expenses				
Program expenses:				
Shelter and veterinary services	90,068,261	-	90,068,261	92,081,432
Public education and communications	69,951,766	-	69,951,766	54,145,558
Policy, response and engagement	38,291,905	-	38,291,905	46,817,964
Total program expenses	198,311,932	-	198,311,932	193,044,954
Supporting expenses:				
Membership development and fundraising	55,056,031	-	55,056,031	48,100,559
Management and general	14,284,421	-	14,284,421	9,696,826
Total supporting expenses	69,340,452	-	69,340,452	57,797,385
Total operating expenses	267,652,384	-	267,652,384	250,842,339
Change in net assets from operating activities	43,061,685	(4,716,232)	38,345,453	21,156,711
Nonoperating Activities				
Net investment return	26,428,328	237,095	26,665,423	32,230,740
Net appreciation on beneficial interest in trusts held by others	-	1,860,894	1,860,894	3,762,590
Contributions related to endowment	-	279,399	279,399	-
Total nonoperating activities	26,428,328	2,377,388	28,805,716	35,993,330
Change in net assets	69,490,013	(2,338,844)	67,151,169	57,150,041
Net Assets, Beginning	264,284,623	75,499,444	339,784,067	282,634,026
Net Assets, Ending	<u>\$ 333,774,636</u>	<u>\$ 73,160,600</u>	<u>\$ 406,935,236</u>	<u>\$ 339,784,067</u>

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenues			
Contributions, memberships, grants and sponsorships	\$ 187,920,759	\$ 14,253,505	\$ 202,174,264
Shelter and veterinary service fees	14,295,598	-	14,295,598
Bequests and trusts	32,127,143	15,040,174	47,167,317
Royalties, licenses and other	8,361,871	-	8,361,871
Net assets released from donor restrictions	28,379,973	(28,379,973)	-
Total operating support and revenues	271,085,344	913,706	271,999,050
Operating Expenses			
Program expenses:			
Shelter and veterinary services	92,081,432	-	92,081,432
Public education and communications	54,145,558	-	54,145,558
Policy, response and engagement	46,817,964	-	46,817,964
Total program expenses	193,044,954	-	193,044,954
Supporting expenses:			
Membership development and fundraising	48,100,559	-	48,100,559
Management and general	9,696,826	-	9,696,826
Total supporting expenses	57,797,385	-	57,797,385
Total operating expenses	250,842,339	-	250,842,339
Change in net assets from operating activities	20,243,005	913,706	21,156,711
Nonoperating Activities			
Net investment return	31,016,945	1,213,795	32,230,740
Net appreciation on beneficial interest in trusts held by others	-	3,762,590	3,762,590
Total nonoperating activities	31,016,945	4,976,385	35,993,330
Change in net assets	51,259,950	5,890,091	57,150,041
Net Assets, Beginning	213,024,673	69,609,353	282,634,026
Net Assets, Ending	\$ 264,284,623	\$ 75,499,444	\$ 339,784,067

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, 2020 (With Summarized Comparative Totals for 2019)

	Program Expenses			Supporting Expenses					
	Shelter and Veterinary Services	Public Education and Communications	Policy, Response and Engagement	Total Program Expenses	Membership Development and Fundraising	Management and General	Total Supporting Expenses	Total Expenses 2020	Total Expenses 2019
Compensation	\$ 44,234,464	\$ 4,951,108	\$ 16,369,467	\$ 65,555,039	\$ 6,908,132	\$ 6,542,810	\$ 13,450,942	\$ 79,005,981	\$ 75,167,396
Employee benefits	13,999,039	1,638,264	5,098,955	20,736,258	2,203,485	2,045,223	4,248,708	24,984,966	24,281,336
Supplies	4,591,320	103,527	737,808	5,432,655	65,014	81,267	146,281	5,578,936	2,919,224
Telephone	875,144	61,659	273,075	1,209,878	61,860	93,681	155,541	1,365,419	1,487,348
Postage and shipping	70,726	6,464,928	62,080	6,597,734	4,496,803	35,957	4,532,760	11,130,494	8,590,428
Rent	2,537,407	141,507	1,063,074	3,741,988	447,945	905,005	1,352,950	5,094,938	4,714,557
Repairs and maintenance	507,397	60,927	55,118	623,442	192,866	389,657	582,523	1,205,965	1,437,524
Data processing	1,369,926	5,166,976	451,300	6,988,202	7,350,156	624,502	7,974,658	14,962,860	12,331,894
Printing	16,232	7,448,795	29,039	7,494,066	4,613,098	20,573	4,633,671	12,127,737	7,539,935
Auto expenses	580,284	512	143,613	724,409	1,688	3,828	5,516	729,925	1,092,051
Travel, conferences and seminars	2,656,849	43,112	864,971	3,564,932	78,873	116,370	195,243	3,760,175	6,361,127
Insurance	829,427	33,399	546,004	1,408,830	102,376	217,198	319,574	1,728,404	1,588,735
Utilities	526,910	35,426	159,968	722,304	112,141	226,564	338,705	1,061,009	1,049,428
Veterinary and medical services	4,506,233	148	1,113,347	5,619,728	-	-	-	5,619,728	9,214,816
Media buys, promotion and related costs	7,620	38,652,033	453,634	39,113,287	24,455,275	108,888	24,564,163	63,677,450	39,868,020
Professional services	3,916,655	4,343,099	1,837,225	10,096,979	3,580,097	1,970,388	5,550,485	15,647,464	32,568,697
Grants	4,499,519	-	8,153,483	12,653,002	-	-	-	12,653,002	14,439,720
Other	704,001	560,519	70,807	1,335,327	63,288	238,408	301,696	1,637,023	1,257,171
Total expenses before depreciation and amortization	86,429,153	69,705,939	37,482,968	193,618,060	54,733,097	13,620,319	68,353,416	261,971,476	245,909,407
Depreciation and amortization	3,639,108	245,827	808,937	4,693,872	322,934	664,102	987,036	5,680,908	4,932,932
Total expenses	<u>\$ 90,068,261</u>	<u>\$ 69,951,766</u>	<u>\$ 38,291,905</u>	<u>\$ 198,311,932</u>	<u>\$ 55,056,031</u>	<u>\$ 14,284,421</u>	<u>\$ 69,340,452</u>	<u>\$ 267,652,384</u>	<u>\$ 250,842,339</u>

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, 2019

	Program Expenses				Supporting Expenses			
	Shelter and Veterinary Services	Public Education and Communications	Policy, Response and Engagement	Total Program Expenses	Membership Development and Fundraising	Management and General	Total Supporting Expenses	Total Expenses
Compensation	\$ 43,507,735	\$ 4,578,722	\$ 16,602,471	\$ 64,688,928	\$ 5,874,864	\$ 4,603,604	\$ 10,478,468	\$ 75,167,396
Employee benefits	13,945,220	1,525,773	5,433,148	20,904,141	1,916,850	1,460,345	3,377,195	24,281,336
Supplies	2,011,489	93,567	722,198	2,827,254	35,526	56,444	91,970	2,919,224
Telephone	882,437	73,345	340,981	1,296,763	80,741	109,844	190,585	1,487,348
Postage and shipping	85,757	5,000,651	157,470	5,243,878	3,278,272	68,278	3,346,550	8,590,428
Rent	3,061,991	8,007	1,372,659	4,442,657	5,719	266,181	271,900	4,714,557
Repairs and maintenance	1,079,591	2,302	283,492	1,365,385	1,657	70,482	72,139	1,437,524
Data processing	1,278,333	3,931,809	621,103	5,831,245	5,896,161	604,488	6,500,649	12,331,894
Printing	33,183	4,787,789	108,889	4,929,861	2,565,688	44,386	2,610,074	7,539,935
Auto expenses	851,582	37	239,046	1,090,665	249	1,137	1,386	1,092,051
Travel, conferences and seminars	2,821,938	190,329	2,934,317	5,946,584	292,444	122,099	414,543	6,361,127
Insurance	932,351	5,293	559,093	1,496,737	7,115	84,883	91,998	1,588,735
Utilities	741,816	1,895	245,619	989,330	1,354	58,744	60,098	1,049,428
Veterinary and medical services	6,823,029	198	2,391,276	9,214,503	35	278	313	9,214,816
Media buys, promotion and related costs	46,214	19,530,119	318,108	19,894,441	19,973,558	21	19,973,579	39,868,020
Professional services	4,527,369	14,191,983	4,139,963	22,859,315	8,084,918	1,624,464	9,709,382	32,568,697
Grants	5,126,101	-	9,313,619	14,439,720	-	-	-	14,439,720
Other	691,472	32,108	172,511	896,091	68,549	292,531	361,080	1,257,171
Total expenses before depreciation and amortization	88,447,608	53,953,927	45,955,963	188,357,498	48,083,700	9,468,209	57,551,909	245,909,407
Depreciation and amortization	3,633,824	191,631	862,001	4,687,456	16,859	228,617	245,476	4,932,932
Total expenses	<u>\$ 92,081,432</u>	<u>\$ 54,145,558</u>	<u>\$ 46,817,964</u>	<u>\$ 193,044,954</u>	<u>\$ 48,100,559</u>	<u>\$ 9,696,826</u>	<u>\$ 57,797,385</u>	<u>\$ 250,842,339</u>

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 67,151,169	\$ 57,150,041
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	5,680,908	4,932,932
Net realized and unrealized gains	(22,641,919)	(27,660,545)
Change in annuity obligations	723,963	(1,662,104)
Unrealized gain on beneficial interests in perpetual trusts held by others	(1,860,894)	(3,762,590)
Net accretion (decretion) of operating leases	186,398	(82,404)
Contributions restricted for endowments	(279,399)	-
Changes in assets and liabilities:		
Bequests and contributions receivable	444,896	5,873,843
Other receivables	1,930,269	(830,601)
Prepaid expenses and other assets	(2,035,859)	(245,384)
Beneficial interests in charitable remainder trusts held by others	-	(29,839)
Accounts payable and accrued expenses	2,086,551	3,034,794
Grants payable	(221,859)	(2,456,207)
Other liabilities	660,044	79,097
Net cash flows from operating activities	<u>51,824,268</u>	<u>34,341,033</u>
Cash Flows From Investing Activities		
Additions to land, buildings and equipment	(9,187,181)	(8,270,516)
Purchases of investments	(114,408,358)	(23,974,447)
Proceeds from sales of investments	55,610,485	19,180,854
Increase (decrease) in accounts payable related to land, buildings and equipment	880,051	(112,779)
Net cash flows from investing activities	<u>(67,105,003)</u>	<u>(13,176,888)</u>
Cash Flows From Financing Activities		
Contributions restricted for endowments	279,399	-
Net cash flows from financing activities	<u>279,399</u>	<u>-</u>
Net change in cash and cash equivalents	(15,001,336)	21,164,145
Cash and Equivalents, Beginning	<u>40,976,720</u>	<u>19,812,575</u>
Cash and Equivalents, Ending	<u>\$ 25,975,384</u>	<u>\$ 40,976,720</u>
Supplemental Disclosures		
Cash paid during the year for interest	<u>\$ 148,996</u>	<u>\$ -</u>

See notes to consolidated financial statements

The American Society for the Prevention of Cruelty to Animals

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 four primary program areas: (1) shelter and veterinary services, (2) public education and communications, (3) policy, response and engagement programs and (4) 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 (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, by way of a professional services agreement. 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. The ASPCA provides management services to 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 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.

The American Society for the Prevention of Cruelty to Animals

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019:

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 U.S. 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.

Overall challenges to the economic environment have created significant financial market volatility and illiquidity. The ASPCA is not immune to the impacts of these market conditions. It should be noted that it is at least possible that fair values could change rapidly.

The carrying value of cash and cash equivalents approximates fair value as of December 31, 2020 and 2019. 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.

The American Society for the Prevention of Cruelty to Animals

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 0.4 percent to 2.2 percent as of December 31, 2020 and from 1.8 percent to 3.4 percent December 31, 2019.

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.

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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, 2020 and 2019, 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 and reside in cash and cash equivalents and investments in the consolidated statements of financial position.

Leases

The ASPCA leases office space and equipment used in operations. For many of these leases, the ASPCA is responsible for paying property taxes, insurance, as well as maintenance and repair costs. The ASPCA's real estate leases generally have initial lease terms of five to ten years or more and typically include one or more options to renew, with renewal terms that generally extend the lease term for an additional five to ten years or more. The ASPCA assesses renewal options using a "reasonably certain" threshold, which is understood to be a high threshold, and therefore the majority of its leases' terms do not include renewal periods for accounting purposes. For leases where the ASPCA is reasonably certain to exercise its renewal option, the option periods are included within the lease term and, therefore, the measurement of the right-of-use asset and lease liability. The payment structure of the ASPCA's leases generally include annual escalation clauses that are either fixed or variable in nature, some of which are dependent upon published indices.

Certain leases include an option to terminate the lease, the terms and condition of which vary by contract. These options allow the parties to the contract to terminate their obligations typically in return for an agreed upon financial consideration amount. The ASPCA's lease agreements do not contain material residual value guarantees.

Subsequent to the lease commencement date, the ASPCA reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term, or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.

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, 2020 and 2019, accrued vacation obligations were approximately \$5,440,000 and \$4,742,000, 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.

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Revenue Recognition

Contributions and memberships are nonreciprocal transactions and 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, including conditional promises to give, are not recognized until they become unconditional, that is, when the conditions, such as a barrier and right of return or release, are 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 from the Animal Hospital, Animal Poison Control Center and Community Medicine are primarily recognized at the time services are delivered. Revenue derived from contracts for Shelter and Veterinary Services customers, mostly are from Animal Poison Control corporate clients and New York City Department of Health and Mental Hygiene. The performance obligations in these contracts are distinct and revenue is recognized when the performance obligations are satisfied. Customers are charged based on the corresponding standalone prices.

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.

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 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, 2020 and 2019 of approximately \$519,000 and \$692,000, respectively.

Donated materials are reported at fair value at the date of the donation. The ASPCA reported \$1,641,000 and \$116,000 of donated materials primarily in pet supplies for the years ended December 31, 2020 and 2019, respectively.

Allowance for Doubtful Accounts

Periodically, the contributions and bequests 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, administration, communications, media production, information technology, facilities operations, occupancy and maintenance. Depreciation and amortization 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 and functional expenses.

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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 - 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.

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 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 \$63,524,000 and \$39,623,000 for the years ended December 31, 2020 and 2019, 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, 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 2020 or 2019.

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Reclassifications

Certain 2019 amounts have been reclassified to conform with the 2020 presentation.

Recently Issued Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. The amendments are based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019. Management has adopted the provisions of this new standard for the year ended December 31, 2020. This standard was retroactively applied.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. Early adoption is permitted. Management is currently assessing the effect that ASU 2020-07 will have on the ASPCA's consolidated financial statements.

3. Investments

Investments as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 25,736,984	\$ 7,979,573
Common stocks	27,678	29,444
Fixed income securities	1,197,679	1,111,116
Mutual funds	218,686,227	145,251,207
Alternative investments	<u>59,439,736</u>	<u>69,277,172</u>
Total investments	<u>\$ 305,088,304</u>	<u>\$ 223,648,512</u>

The return on investments and interest-bearing cash and cash equivalents for the years ended December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends, net of expenses of approximately \$708,000 and \$675,000, respectively	\$ 4,023,504	\$ 4,566,884
Unrealized gains	8,403,623	24,931,380
Realized gains	<u>14,238,296</u>	<u>2,732,476</u>
Net return on investments	<u>\$ 26,665,423</u>	<u>\$ 32,230,740</u>

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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 2020 and 2019.

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, 2020 and 2019:

	2020		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Common stocks	\$ 27,678	\$ -	\$ 27,678
Fixed income securities	1,132,505	65,174	1,197,679
Mutual funds	208,607,334	10,078,893	218,686,227
Alternative investments reported at net asset value			59,439,736
Cash and cash equivalents			25,736,984
Total investments			\$ 305,088,304

	2019		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Common stocks	\$ 29,444	\$ -	\$ 29,444
Fixed income securities	1,045,933	65,183	1,111,116
Mutual funds	137,181,679	8,069,528	145,251,207
Alternative investments reported at net asset value			69,277,172
Cash and cash equivalents			7,979,573
Total investments			\$ 223,648,512

Investments with a fair value of \$13,063,289 and \$10,987,167 and cash equivalents of \$229,353 and \$375,171 as of December 31, 2020 and 2019, 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.

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

	2020			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
(a) Equity long	\$ 28,778,512	\$ -	Monthly	15 days
(b) Global asset allocation, Worldarb	-	-	Quarterly	45 days
(c) Fund of funds, private equity	730,315	630,461	None	N/A
(d) Fund of funds, capital appreciation	-	-	Quarterly	90 days
(e) Private equity in liquidation	7,810,578	2,729,729	None	N/A
(f) Private equity	10,693,232	846,876	Annual	60 days
(g) Emerging markets	11,427,099	-	Daily	3-5 days
Total	<u>\$ 59,439,736</u>	<u>\$ 4,207,066</u>		

	2019			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
(a) Equity long	\$ 21,275,969	\$ -	Monthly	15 days
(b) Global asset allocation, Worldarb	8,527,126	-	Quarterly	45 days
(c) Fund of funds, private equity	920,930	630,461	None	N/A
(d) Fund of funds, capital appreciation	7,635,997	-	Quarterly	90 days
(e) Private equity in liquidation	10,816,514	2,441,715	None	N/A
(f) Private equity	10,678,425	814,273	Annual	60 days
(g) Emerging markets	9,422,211	-	Daily	3-5 days
Total	<u>\$ 69,277,172</u>	<u>\$ 3,886,449</u>		

- (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 2020 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.

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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 \$710,000 and \$687,000 as of December 31, 2020 and 2019, respectively, and has been included in net assets with donor restrictions. The present values of the trusts are calculated using discount rates of 6.0 percent as of December 31, 2020 and 2019. Beneficial interests in perpetual third party trusts of approximately \$23,328,000 and \$21,490,000 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, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the ASPCA's beneficial interests in trusts held by third party trustees were classified as Level 3 instruments within the fair value hierarchy. The underlying assets consist of a broad basket of securities, primarily including equities, bonds and cash and are independently valued by brokerage who custodies these assets. These assets are subject to a time restriction and thus the value is discounted back to the net present value as of December 31, 2020 and 2019. The underlying securities are subject to overall market risk that may result in the ultimate realized value of these assets being materially different from the stated balances as of December 31, 2020 and 2019.

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, 2020 and 2019:

	2020		
	Charitable Remainder Trusts	Perpetual Trusts	Total
Balance, December 31, 2019	\$ 686,825	\$ 21,490,449	\$ 22,177,274
Acquisitions	-	-	-
Dispositions	-	-	-
Net appreciation	23,117	1,837,777	1,860,894
Balance, December 31, 2020	<u>\$ 709,942</u>	<u>\$ 23,328,226</u>	<u>\$ 24,038,168</u>
	2019		
	Charitable Remainder Trusts	Perpetual Trusts	Total
Balance, December 31, 2018	\$ 649,978	\$ 17,734,867	\$ 18,384,845
Acquisitions	-	956,304	956,304
Dispositions	-	-	-
Net appreciation	36,847	2,799,278	2,836,125
Balance, December 31, 2019	<u>\$ 686,825</u>	<u>\$ 21,490,449</u>	<u>\$ 22,177,274</u>

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5. Land, Buildings and Equipment, Net

Land, buildings and equipment as of December 31, 2020 and 2019 consisted of the following:

	Estimated Useful Lives	2020	2019
Land	-	\$ 5,321,057	\$ 5,321,057
Buildings	20-40 years	28,247,720	28,255,720
Building improvements	3-25 years	34,397,564	33,985,738
Furniture, fixtures and equipment	3-10 years	28,856,996	23,734,817
Transportation equipment	4-6 years	8,944,367	8,799,253
Construction in progress		7,993,030	5,683,218
Total cost		113,760,734	105,779,803
Less accumulated depreciation and amortization		(52,595,935)	(48,121,277)
Net land, buildings and equipment		\$ 61,164,799	\$ 57,658,526

As of December 31, 2020 and 2019, future commitments of approximately \$1,241,000 and \$706,000, respectively, relate to signed construction contracts.

6. Pension and Deferred Compensation Plans

Defined Contribution Plan

The ASPCA 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 \$4,506,000 and \$4,135,000 in 2020 and 2019, respectively.

Deferred Compensation Plan

During 2019, the ASPCA adopted a 457(b) deferred compensation plan (the B Plan) for certain of its employees. The B Plan permits only employer-funded discretionary contributions. Pursuant to the B Plan document, the B Plan's assets are considered general assets of the ASPCA until the assets are distributed to the respective beneficiaries. As a result, the B Plan's net assets available for benefits of approximately \$341,000 and \$137,000 as of December 31, 2020 and 2019, respectively, are included in prepaids and other assets and other liabilities in the ASPCA's consolidated statements of financial position. For the years ended December 31, 2020 and 2019, the ASPCA contributed \$156,000 and \$133,000, respectively, into the B Plan.

During 2020, the ASPCA adopted a 457(f) deferred compensation plan (the F Plan) for the President and Chief Executive Officer. The F Plan accrues an annual employer-funded amount of \$50,000 that remains unvested until the end of a five-year employment term, at which point the F Plan renews in five year increments contingent on continuous employment. As of December 31, 2020, the ASPCA accrued the initial \$50,000 amount, which is included in accounts payable and accrued expenses in the ASPCA's consolidated statements of financial position.

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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, 2020 and 2019, these costs were allocated as follows:

	<u>2020</u>	<u>2019</u>
Program	\$ 60,079,808	\$ 44,631,955
Membership development and fundraising	43,570,022	39,477,936
Management and general	179,557	131,736
Total	<u>\$ 103,829,387</u>	<u>\$ 84,241,627</u>

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 \$12,653,000 and \$14,440,000 for the years ended December 31, 2020 and 2019, respectively. The grants were spent in furtherance of the mission in the following program areas:

	<u>2020</u>	<u>2019</u>
Policy, response and engagement:		
Anticruelty response	\$ 745,000	\$ 877,110
Disaster/emergency	5,130,000	45,309
Equine	495,000	716,227
Farm animals	125,000	291,300
Total policy, response and engagement	<u>6,495,000</u>	<u>1,929,946</u>
Shelter and veterinary services:		
Live release	3,211,435	6,151,610
Relocation	234,000	1,763,275
Spay/neuter	1,015,190	2,399,169
Return to owner	-	26,750
Surrender prevention	1,228,400	2,260,700
Other	537,489	59,200
Total shelter and veterinary services	<u>6,226,514</u>	<u>12,660,704</u>
Grant refunds	<u>(68,512)</u>	<u>(150,930)</u>
Total amount granted	12,653,002	14,439,720
Other grant expenses	-	1,428,149
Total grant expenses	<u>\$ 12,653,002</u>	<u>\$ 15,867,869</u>

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9. Net Assets

The ASPCA's net assets are summarized as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Without donor restrictions	\$ 333,774,636	\$ 264,284,623
Total without donor restrictions	<u>333,774,636</u>	<u>264,284,623</u>
With donor restrictions:		
Restricted in perpetuity	31,092,216	28,975,040
Restricted for use in future periods	12,550,606	15,114,419
Purpose restricted, shelter and veterinary services	24,058,141	27,152,736
Purpose restricted, policy, response and engagement	1,108,387	105,000
Purpose restricted, grants and sponsorships	4,156,790	3,719,403
Purpose restricted, other	194,460	432,846
Total with donor restrictions	<u>73,160,600</u>	<u>75,499,444</u>
Total net assets	<u>\$ 406,935,236</u>	<u>\$ 339,784,067</u>

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

	<u>2020</u>	<u>2019</u>
Shelter and veterinary services	\$ 16,980,984	\$ 6,622,657
Policy, response and engagement	1,375,150	2,025,384
Grants and sponsorships	3,762,766	4,833,646
Time restrictions satisfied	12,415,056	14,683,419
Other	291,797	214,867
Total	<u>\$ 34,825,753</u>	<u>\$ 28,379,973</u>

10. Liquidity and Availability of Resources

The ASPCA's financial assets available within one year of the consolidated statements of financial position dates for general expenditure such as operating expenses, as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 25,975,384	\$ 40,976,720
Other receivables	5,861,114	7,791,383
Contributions receivable, net	13,581,544	13,553,940
Short-term investments	25,507,631	7,604,399
Other investments appropriated for current use	258,524,041	197,161,001
Total	<u>329,449,714</u>	<u>267,087,443</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted in perpetuity	31,092,216	28,975,040
Restricted for use in future periods	12,550,606	15,114,419
Purpose restricted, shelter and veterinary services	24,058,141	27,152,736
Purpose restricted, policy, response and engagement	1,108,387	105,000
Purpose restricted, grants and sponsorships	4,156,790	3,719,403
Purpose restricted, other	194,460	432,846
Total financial assets available	<u>\$ 256,289,114</u>	<u>\$ 191,587,999</u>

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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 funds 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 2020 or 2019.

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December 31, 2020 and 2019

The following summarizes the ASPCA's endowment net asset composition as of December 31, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment composition:			
Perpetual endowment funds	\$ -	\$ 7,763,989	\$ 7,763,989
Unappropriated endowment earnings	-	4,865,161	4,865,161
Total endowment funds	<u>\$ -</u>	<u>\$ 12,629,150</u>	<u>\$ 12,629,150</u>
Changes in endowment net assets:			
Endowment net assets, beginning	\$ -	\$ 11,246,524	\$ 11,246,524
Contributions and bequests	-	279,399	279,399
Investment return	-	1,103,227	1,103,227
Endowment net assets, ending	<u>\$ -</u>	<u>\$ 12,629,150</u>	<u>\$ 12,629,150</u>
2019			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment composition:			
Perpetual endowment funds	\$ -	\$ 7,484,591	\$ 7,484,591
Unappropriated endowment earnings	-	3,761,933	3,761,933
Total endowment funds	<u>\$ -</u>	<u>\$ 11,246,524</u>	<u>\$ 11,246,524</u>
Changes in endowment net assets:			
Endowment net assets, beginning	\$ -	\$ 10,238,118	\$ 10,238,118
Investment return	-	1,008,406	1,008,406
Endowment net assets, ending	<u>\$ -</u>	<u>\$ 11,246,524</u>	<u>\$ 11,246,524</u>

12. Operating Leases

The ASPCA has noncancelable operating leases, which expire in various years through 2041. Most of these leases generally do not contain renewal options and require the ASPCA to pay all executory costs (property taxes, maintenance and insurance). The ASPCA considers the renewal options in determining the lease term used to establish the right-to-use asset.

The ASPCA's right-of-use assets pertaining to these operating leases represent the right to use the facilities for their respective lease terms, and the corresponding operating leases liabilities represent the obligation to make lease payments arising from the respective leases. Such right-of-use assets and operating leases liabilities are recognized at each of the leases' commencement dates at the present value of lease payments over the lease term for leases with initial terms greater than a year. As these leases do not provide an implicit rate, the ASPCA utilized the incremental borrowing rate based on information available at the lease commencement date in determining the present value of lease payments. A right-of-use asset and operating lease liability are not recognized for leases with an initial term of 12 months or less, and the ASPCA recognizes lease expense for such leases over the lease term within occupancy expenses in the consolidated statements of functional expenses.

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

The components of lease cost included in the accompanying consolidated statements of functional expenses for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Operating lease cost:		
Lease cost, leases with terms greater than one year	\$ 4,887,796	\$ 4,137,056
Short-term lease cost	171,753	559,522
Total lease cost	<u>\$ 5,059,549</u>	<u>\$ 4,696,578</u>

Other information related to the ASPCA's operating leases and supplemental cash flows for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Operating cash flows from operating leases *	\$ 4,854,827	\$ 4,400,047
Right-of-use leased assets obtained in exchange for new operating lease obligations	9,155,257	6,319,655
Weighted-average remaining lease term:		
Operating leases	5.7 years	5 years
Weighted-average discount rate on operating leases	2.6%	2.7%

* Cash flows relating to operating lease costs for leases with terms greater than one year. Excludes variable lease costs.

Future minimum lease payments as of December 31, 2020 were:

2021	\$ 5,013,360
2022	4,743,914
2023	4,688,139
2024	4,749,717
2025	4,822,060
Thereafter	<u>16,003,476</u>
	40,020,666
Less interest	<u>(5,687,391)</u>
Total	<u>\$ 34,333,275</u>

Future minimum lease payments as of December 31, 2019 were:

2020	\$ 4,459,252
2021	4,133,484
2022	3,848,372
2023	3,665,158
2024	3,782,836
Thereafter	<u>12,822,122</u>
	32,711,224
Less interest	<u>(4,197,747)</u>
Total	<u>\$ 28,513,477</u>

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Notes to Consolidated Financial Statements

December 31, 2020 and 2019

13. Commitments and Contingencies

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, 2020 and 2019.

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 25, 2021, 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.

The American Society for the Prevention of Cruelty to Animals

Consolidating Statement of Financial Position
December 31, 2020

	ASPCA	ASPCA Veterinary Services of NC, PC	Eliminations	ASPCA Consolidated
Assets				
Assets				
Cash and cash equivalents	\$ 25,473,800	\$ 501,584	\$ -	\$ 25,975,384
Bequests and contributions receivable, net of discount of \$100	13,654,044	-	-	13,654,044
Other receivables	5,301,656	559,458	-	5,861,114
Due from ASPCA Veterinary Services of NC, PC	231,134	-	(231,134)	-
Prepaid expenses and other assets	5,488,607	-	-	5,488,607
Investments	305,088,304	-	-	305,088,304
Beneficial interest in trusts held by others	24,038,168	-	-	24,038,168
Land, buildings and equipment, net	61,164,799	-	-	61,164,799
Right-of-use assets	29,915,066	-	-	29,915,066
Total assets	\$ 470,355,578	\$ 1,061,042	\$ (231,134)	\$ 471,185,486
Liabilities and Net Assets (Deficiency)				
Liabilities				
Accounts payable and accrued expenses	\$ 19,045,160	\$ 1,413,346	\$ -	\$ 20,458,506
Due to ASPCA	-	231,134	(231,134)	-
Grants payable	1,313,840	-	-	1,313,840
Other liabilities	800,498	-	-	800,498
Annuity obligations	7,344,131	-	-	7,344,131
Operating leases liabilities	34,333,275	-	-	34,333,275
Total liabilities	62,836,904	1,644,480	(231,134)	64,250,250
Net Assets (Deficiency)				
Net assets without donor restrictions	334,358,074	(583,438)	-	333,774,636
Net assets with donor restrictions	73,160,600	-	-	73,160,600
Total net assets (deficiency)	407,518,674	(583,438)	-	406,935,236
Total liabilities and net assets (deficiency)	\$ 470,355,578	\$ 1,061,042	\$ (231,134)	\$ 471,185,486