



**THE AMERICAN SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS**

Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

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

We have audited the accompanying financial statements of the American Society for the Prevention of Cruelty to Animals (the ASPCA), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the American Society for the Prevention of Cruelty to Animals as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

June 11, 2013

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Balance Sheets

December 31, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents	\$ 9,585,155	17,855,957
Bequests and contributions receivable	8,491,982	7,917,660
Other receivables, net of allowance of \$79,000 in 2012 and \$90,000 in 2011	4,512,569	6,259,520
Prepaid expenses and other assets	3,174,863	2,401,034
Investments (note 3)	128,976,480	133,400,497
Beneficial interest in trusts held by others (note 4)	17,697,985	17,247,911
Land, building, and equipment, net (note 5)	41,053,221	28,623,533
Total assets	\$ 213,492,255	213,706,112
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 10,424,146	12,803,824
Grants payable	4,752,567	5,534,457
Deferred income	254,102	975,511
Deferred rent	2,513,291	1,796,405
Annuity obligations	4,015,457	3,808,211
Unfunded pension obligation (note 6)	6,081,555	5,876,125
Total liabilities	28,041,118	30,794,533
Commitments and contingencies (note 7)		
Net assets (note 10):		
Unrestricted	127,755,165	126,356,278
Temporarily restricted (note 11)	34,604,344	34,666,749
Permanently restricted	23,091,628	21,888,552
Total net assets	185,451,137	182,911,579
Total liabilities and net assets	\$ 213,492,255	213,706,112

See accompanying notes to financial statements.

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Statement of Activities

Year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating support and revenues:				
Contributions and memberships	\$ 104,876,620	6,802,417	—	111,679,037
Animal health services fees	14,332,923	—	—	14,332,923
Bequests and trusts	6,465,617	7,284,097	—	13,749,714
Grants and sponsorships	10,557,146	—	—	10,557,146
Royalties, licenses and other	4,475,512	—	—	4,475,512
Investment income designated for operations (note 3)	4,700,000	—	—	4,700,000
Net assets released from restrictions	15,276,980	(15,276,980)	—	—
Total operating support and revenues	<u>160,684,798</u>	<u>(1,190,466)</u>	<u>—</u>	<u>159,494,332</u>
Operating expenses:				
Program expenses:				
Animal health services	32,069,340	—	—	32,069,340
Public education and communications	31,993,657	—	—	31,993,657
Anticruelty programs	27,112,159	—	—	27,112,159
Community outreach	20,554,329	—	—	20,554,329
Grants and sponsorships	18,057,270	—	—	18,057,270
Total program expenses	<u>129,786,755</u>	<u>—</u>	<u>—</u>	<u>129,786,755</u>
Supporting expenses:				
Membership development and fund-raising	31,287,838	—	—	31,287,838
Management and general	6,922,121	—	—	6,922,121
Total supporting expenses	<u>38,209,959</u>	<u>—</u>	<u>—</u>	<u>38,209,959</u>
Total operating expenses	<u>167,996,714</u>	<u>—</u>	<u>—</u>	<u>167,996,714</u>
Change in net assets from operating activities	(7,311,916)	(1,190,466)	—	(8,502,382)
Nonoperating activities:				
Investment return in excess of amounts designated for operations (note 3)	9,902,930	813,064	—	10,715,994
Unrealized gain on beneficial interests in perpetual trusts held by others (note 4)	—	—	946,718	946,718
Bequests and trust income restricted for endowment (note 4)	—	314,997	672,233	987,230
Other	—	—	(415,875)	(415,875)
Pension-related charges other than net periodic pension cost (note 6)	(1,192,127)	—	—	(1,192,127)
Change in net assets	1,398,887	(62,405)	1,203,076	2,539,558
Net assets at beginning of year	<u>126,356,278</u>	<u>34,666,749</u>	<u>21,888,552</u>	<u>182,911,579</u>
Net assets at end of year	<u>\$ 127,755,165</u>	<u>34,604,344</u>	<u>23,091,628</u>	<u>185,451,137</u>

See accompanying notes to financial statements.

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Statement of Activities

Year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating support and revenues:				
Contributions and memberships	\$ 99,593,884	4,312,287	—	103,906,171
Animal health services fees	14,900,407	—	—	14,900,407
Bequests and trusts	4,777,162	5,385,465	—	10,162,627
Grants and sponsorships	7,437,516	—	—	7,437,516
Royalties, licenses and other	6,052,614	—	—	6,052,614
Investment income designated for operations (note 3)	4,600,000	—	—	4,600,000
Net assets released from restrictions	13,075,689	(13,075,689)	—	—
Total operating support and revenues	<u>150,437,272</u>	<u>(3,377,937)</u>	<u>—</u>	<u>147,059,335</u>
Operating expenses:				
Program expenses:				
Animal health services	28,910,948	—	—	28,910,948
Public education and communications	31,674,045	—	—	31,674,045
Anticruelty programs	15,433,183	—	—	15,433,183
Community outreach	16,584,978	—	—	16,584,978
Grants and sponsorships	15,847,173	—	—	15,847,173
Total program expenses	<u>108,450,327</u>	<u>—</u>	<u>—</u>	<u>108,450,327</u>
Supporting expenses:				
Membership development and fund-raising	29,422,049	—	—	29,422,049
Management and general	7,047,900	—	—	7,047,900
Total supporting expenses	<u>36,469,949</u>	<u>—</u>	<u>—</u>	<u>36,469,949</u>
Total operating expenses	<u>144,920,276</u>	<u>—</u>	<u>—</u>	<u>144,920,276</u>
Change in net assets from operating activities	5,516,996	(3,377,937)	—	2,139,059
Nonoperating activities:				
Investment return (less than) in excess of amounts designated for operations (note 3)	(4,840,354)	129,232	—	(4,711,122)
Unrealized loss on beneficial interests in perpetual trusts held by others (note 4)	—	—	(720,820)	(720,820)
Bequests and trust income restricted for endowment (note 4)	—	665,655	6,459	672,114
Pension-related charges other than net periodic pension cost (note 6)	(2,492,054)	—	—	(2,492,054)
Change in net assets	(1,815,412)	(2,583,050)	(714,361)	(5,112,823)
Net assets at beginning of year	<u>128,171,690</u>	<u>37,249,799</u>	<u>22,602,913</u>	<u>188,024,402</u>
Net assets at end of year	<u>\$ 126,356,278</u>	<u>34,666,749</u>	<u>21,888,552</u>	<u>182,911,579</u>

See accompanying notes to financial statements.

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Statement of Functional Expenses

Year ended December 31, 2012

	Program expenses					Supporting expenses				
	Animal health services	Public education and communications	Anticruelty programs	Community outreach	Grants and sponsorships	Total program expenses	Membership development and fund-raising	Management and general	Total supporting expenses	Total expenses
Compensation	\$ 17,726,121	3,428,029	7,402,143	10,234,463	480,893	39,271,649	4,194,332	2,863,458	7,057,790	46,329,439
Employee benefits	5,735,105	1,042,713	2,135,314	3,085,398	126,919	12,125,449	1,245,864	723,656	1,969,520	14,094,969
Supplies	464,216	162,419	988,968	1,137,893	6,367	2,759,863	112,476	36,367	148,843	2,908,706
Telephone	389,169	69,586	169,723	320,744	8,965	958,187	77,686	158,581	236,267	1,194,454
Postage and shipping	93,262	4,018,258	204,348	40,291	1,348	4,357,507	3,805,689	35,842	3,841,531	8,199,038
Rent	457,731	748,045	826,171	412,145	58,235	2,502,327	934,756	391,433	1,326,189	3,828,516
Repairs and maintenance	304,855	10,439	74,387	285,644	932	676,257	13,188	9,080	22,268	698,525
Data processing	303,621	3,937,797	296,943	332,353	99,919	4,970,633	4,511,904	257,203	4,769,107	9,739,740
Printing	24,054	2,648,074	167,047	10,279	4,150	2,853,604	2,438,781	16,302	2,455,083	5,308,687
Auto expenses	309,418	341	151,084	20,565	28	481,436	428	222	650	482,086
Travel, conferences, and seminars	549,317	179,341	1,973,221	1,536,848	63,754	4,302,481	345,134	74,310	419,444	4,721,925
Insurance	181,722	37,087	239,621	92,737	2,478	553,645	38,516	17,706	56,222	609,867
Utilities	171,638	45,447	65,293	213,179	3,619	499,176	56,887	26,230	83,117	582,293
Veterinary and medical services	2,764,949	—	1,840,475	190,847	—	4,796,271	—	—	—	4,796,271
Media buys, promotion, and related costs	456,133	11,253,226	862,225	193,236	—	12,764,820	10,133,217	73,879	10,207,096	22,971,916
Professional services	773,618	2,962,947	9,031,239	1,278,739	78,429	14,124,972	2,958,578	1,781,557	4,740,135	18,865,107
Grants	—	—	—	—	17,018,180	17,018,180	—	—	—	17,018,180
Other	412,681	68,900	173,205	188,151	39,464	882,401	220,312	289,543	509,855	1,392,256
Total expenses before depreciation and amortization	31,117,610	30,612,649	26,601,407	19,573,512	17,993,680	125,898,858	31,087,748	6,755,369	37,843,117	163,741,975
Depreciation and amortization	951,730	1,381,008	510,752	980,817	63,590	3,887,897	200,090	166,752	366,842	4,254,739
Total expenses	\$ 32,069,340	31,993,657	27,112,159	20,554,329	18,057,270	129,786,755	31,287,838	6,922,121	38,209,959	167,996,714

See accompanying notes to financial statements.

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Statement of Functional Expenses

Year ended December 31, 2011

	Program expenses					Supporting expenses				
	Animal health services	Public education and communications	Anticruelty programs	Community outreach	Grants and sponsorships	Total program expenses	Membership development and fund-raising	Management and general	Total supporting expenses	Total expenses
Compensation	\$ 15,902,808	2,906,438	5,559,022	8,313,296	379,464	33,061,028	3,756,385	2,871,045	6,627,430	39,688,458
Employee benefits	4,869,864	778,960	1,500,207	2,557,713	90,947	9,797,691	983,127	761,941	1,745,068	11,542,759
Supplies	469,145	265,192	474,785	913,136	5,971	2,128,229	102,439	62,911	165,350	2,293,579
Telephone	340,954	63,130	133,712	149,722	6,626	694,144	62,390	54,649	117,039	811,183
Postage and shipping	33,361	4,361,941	226,844	36,430	976	4,659,552	3,847,844	103,260	3,951,104	8,610,656
Rent	190,040	501,545	456,903	251,674	43,447	1,443,609	623,277	478,975	1,102,252	2,545,861
Repairs and maintenance	281,421	16,285	26,937	289,763	1,862	616,268	19,934	25,274	45,208	661,476
Data processing	356,679	3,782,442	238,181	254,921	39,541	4,671,764	4,289,305	292,141	4,581,446	9,253,210
Printing	23,208	2,824,844	101,845	11,654	106	2,961,657	2,842,798	36,436	2,879,234	5,840,891
Auto expenses	261,873	356	159,728	16,135	38	438,130	438	301	739	438,869
Travel, conferences, and seminars	564,960	173,084	2,121,665	1,200,148	34,572	4,094,429	300,931	165,332	466,263	4,560,692
Insurance	140,814	28,595	185,238	71,060	2,081	427,788	28,302	43,559	71,861	499,649
Utilities	139,556	55,437	67,938	220,531	5,122	488,584	68,678	36,656	105,334	593,918
Veterinary and medical services	2,997,732	—	804,409	179,513	—	3,981,654	—	—	—	3,981,654
Media buys, promotion, and related costs	328,370	10,687,143	756,593	206,127	—	11,978,233	8,645,039	127,255	8,772,294	20,750,527
Professional services	822,280	3,935,623	2,132,206	975,614	99,972	7,965,695	3,610,476	1,582,918	5,193,394	13,159,089
Grants	—	—	—	—	15,050,627	15,050,627	—	—	—	15,050,627
Other	406,110	30,332	116,559	109,307	23,106	685,414	100,769	204,288	305,057	990,471
Total expenses before depreciation and amortization	28,129,175	30,411,347	15,062,772	15,756,744	15,784,458	105,144,496	29,282,132	6,846,941	36,129,073	141,273,569
Depreciation and amortization	781,773	1,262,698	370,411	828,234	62,715	3,305,831	139,917	200,959	340,876	3,646,707
Total expenses	\$ 28,910,948	31,674,045	15,433,183	16,584,978	15,847,173	108,450,327	29,422,049	7,047,900	36,469,949	144,920,276

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 2,539,558	(5,112,823)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	4,340,380	3,732,347
Net investment (gains) losses	(13,725,146)	2,236,469
Beneficial interests in perpetual trusts held by others	(497,532)	—
Unrealized (gains) losses on beneficial interests in trusts held by others	(946,718)	720,820
Contributions restricted for endowments	(174,701)	(6,459)
Changes in assets and liabilities:		
Bequests and contributions receivable	(574,322)	3,737,369
Other receivables, net	1,746,951	(3,356,306)
Prepays and other assets	(773,829)	681,215
Beneficial interests in charitable remainder trusts held by others	994,176	1,011,832
Accounts payable and accrued expenses	(2,379,678)	1,418,996
Grants payable	(781,890)	4,686,977
Other liabilities	408,153	3,148,850
Net cash (used in) provided by operating activities	(9,824,598)	12,899,287
Cash flows from investing activities:		
Additions to land, building, and equipment	(16,770,068)	(4,190,935)
Purchases of investments	(48,270,054)	(60,495,744)
Proceeds from sales of investments	66,419,217	41,767,861
Net cash provided by (used in) investing activities	1,379,095	(22,918,818)
Cash flows from financing activity:		
Contributions restricted for endowments	174,701	6,459
Net change in cash and cash equivalents	(8,270,802)	(10,013,072)
Cash and cash equivalents, beginning of year	17,855,957	27,869,029
Cash and cash equivalents, end of year	\$ 9,585,155	17,855,957

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2012 and 2011

(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: animal health services, public education and communications, anticruelty programs, community outreach and grants and sponsorships to other animal welfare-related organizations. The ASPCA is a privately funded 501(c)(3) not-for-profit corporation. The ASPCA's vision is that all animals are to be treated with respect and kindness.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

(b) 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:

Unrestricted – resources that are available for the general support of the ASPCA's operations. The ASPCA's Board of Directors (Board) has approved the establishment of a long-term investment policy for operating reserves (designated fund) to ensure the stability of the mission, programs, employment, and ongoing operations of the ASPCA and to provide a source of internal funds for organization priorities.

Temporarily Restricted – net assets that have been limited by donor-imposed restrictions that expire with the passage of time or that can be fulfilled by actions of the ASPCA pursuant to those restrictions. When a time restriction or purpose restriction is satisfied, those temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net asset released from restrictions.

Permanently Restricted – net 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.

(c) 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.

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(d) 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. Also included in Level 2 are investments measured using a net asset value (NAV) per share, or its equivalent, that may be redeemed at that NAV at or near the balance sheet date.

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. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that cannot be redeemed at the NAV near the balance sheet date, or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

The carrying value of cash, cash equivalents, prepaid expenses and other assets, accounts payable and accrued expenses, and grants payable is a reasonable estimate of their fair value due to their short-term nature. The carrying amounts of the ASPCA's investments and beneficial interest in trusts held by others approximate fair value. The carrying value of bequests and contributions receivable is estimated based on the present value of expected future cash flows from these receivables, and thus approximates fair value.

(e) Split-Interest Agreements

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

Perpetual Trusts Held by a Third Party

Donors have established and funded trusts that are administered by third-party organizations. 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

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interest in such trusts, based on the fair value of the assets contributed to the trusts and records them as permanently restricted contributions.

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' term. Upon termination of the trust's term, 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 1.0% to 1.6% at December 31, 2012 and 1.4% to 3.0% at December 31, 2011.

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

(f) Investments

The ASPCA's investments in debt and equity securities are reported at fair value and are based upon quoted market prices. The alternative investments are reported at estimated fair value using the investee's NAV per share or its equivalent, as a practical expedient. These values are provided by the fund managers. The values are reviewed by the ASPCA for reasonableness. Due to the inherent uncertainty of these estimates, these values may differ significantly from values that would have been used had a readily available market for such investments existed, and such differences could be material.

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.

(g) Land, Building, 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. 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 current operations. Fixed assets costing greater than \$1,000 (computers) or \$2,000 (all other fixed assets) and with a useful life of greater than one year are capitalized.

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(h) Contributions and Memberships

Unless specifically restricted by the donor, all contributions are considered to be available for unrestricted use. 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.

(i) Animal Health Service Fees

Animal health service fee revenues, primarily from the animal hospital and animal poison control center, are recognized when services have been performed.

(j) Bequests and Trusts

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.

(k) Grants and Sponsorships

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. Grant contributions are recorded at fair value and discounted if due in over one year. 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.

(l) Royalties, Licenses, and Other

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.

(m) Donated Services and Gifts in Kind

A substantial number of volunteers have donated significant amounts of time to the ASPCA's activities and the majority of this donated time is not reflected in these financial statements. Contributed services are reported at fair value in the 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 year ended December 31, 2012, of approximately \$65,000.

Donated materials are reported at fair value at the date of the donation. The ASPCA reported donated materials revenue and related expense for the year ended December 31, 2012, of approximately \$761,000, primarily in support of the ASPCA's response to Hurricane Sandy.

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(n) 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. No grant payments may be made prior to the final approval.

(o) Functional Allocation of Expenses

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

Animal health services – includes the Bergh Memorial Animal Hospital and mobile spay/neuter clinics in New York City and the Animal Poison Control Center and 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.

Anticruelty programs – includes humane law enforcement in New York as well as national, state, and local legislative initiatives, as well as animal behavior, animal field investigative and animal forensic activities.

Community outreach – includes a state-of-the-art animal adoptions center in New York City and extensive outreach, education, and training programs in communities throughout the United States.

Grants and sponsorships – represents programs designed to ensure the ASPCA's leadership in serving the animal welfare field.

Membership development and fund-raising – involves the direction of the overall fund-raising 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.

(p) Special Events

The ASPCA holds special events each year, such as the Bergh Ball, the Humane Awards Luncheon, the Young Friends Benefit and the Team ASPCA Marathons. The revenue generated from these events for 2012 and 2011 was \$2,118,713 and \$1,934,331, respectively, and are presented net of expenses of \$1,480,311 and \$1,369,640. The net amounts for 2012 and 2011 of \$638,402 and \$564,691 are included in royalties, licenses and other in the statements of activities.

(q) Concentration of Market and 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

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equivalents in various bank deposit accounts that may exceed federally insured limits at times. 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.

(r) *Estimates*

The preparation of financial statements in conformity with US GAAP 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 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, and the beneficial interest in third-party trusts; the useful lives of fixed assets; the functional allocation of expenses; and the collectibility of receivables. Actual results could differ from those estimates.

(s) *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 perpetual trusts held by others, actuarial adjustments to the ASPCA's frozen pension plan, and other activities considered to be of a more unusual or nonrecurring nature. In addition, in 2011, the ASPCA adopted 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 to fund operations is reported as nonoperating.

(t) *Income Taxes*

The ASPCA qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), and is not subject to federal 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 2012 or 2011.

(u) *Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation.

(v) *Adoption of Recently Issued Accounting Pronouncement*

In October 2012, the Financial Accounting Standards Board issued Accounting Standards Update No. 2012-05 (Update No. 2012-05), *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (a consensus of the FASB Emerging Issues Task Force)*. The guidance requires not-for-profit

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organizations to classify contributed financial assets that they intend to sell immediately or in the near term as cash flows from operating activities in the statement of cash flows if there are no donor – imposed restrictions for long-term purposes on the use of the contributed assets. Update No. 2012-05 is effective for fiscal years beginning after June 15, 2013. Commencing January 1, 2012, the ASPCA elected to early adopt the provisions of Update No. 2012-05 for contributed securities meeting the specified criteria and the prior year statement of cash flows was reclassified for such amounts previously reported as cash flows from investing activities. Adoption of the provisions of Update No. 2012-05 resulted in the classification of \$1,313,499 and \$566,984 of contributed securities received for the fiscal years ended December 31, 2012 and 2011, respectively, as cash flows from operating activities in the accompanying statements of cash flows.

(3) Investments

The following tables present the ASPCA’s fair value hierarchy for those investments measured at fair value on a recurring basis at December 31:

	2012			Total
	Level 1	Level 2	Level 3	
Short-term investments	\$ 2,288,679	—	—	2,288,679
Common stocks:				
Large cap equity	15,237,763	—	—	15,237,763
Small and mid cap equity	7,522,377	—	—	7,522,377
	<u>22,760,140</u>	<u>—</u>	<u>—</u>	<u>22,760,140</u>
Fixed-income securities:				
Domestic corporate bonds	—	3,429,433	—	3,429,433
U.S. government bonds	2,471,868	—	—	2,471,868
Municipal bonds	—	1,970,766	—	1,970,766
	<u>2,471,868</u>	<u>5,400,199</u>	<u>—</u>	<u>7,872,067</u>
Mutual funds:				
Total fixed income	9,017,523	—	—	9,017,523
Small and mid cap equity	3,686,672	—	—	3,686,672
Large cap equity	7,631,522	—	—	7,631,522
Other equity	924,913	—	—	924,913
International equity	9,302,851	—	—	9,302,851
Global asset allocation	28,318,607	—	—	28,318,607
	<u>58,882,088</u>	<u>—</u>	<u>—</u>	<u>58,882,088</u>
Alternative investments	—	29,773,380	7,400,126	37,173,506
	<u>\$ 86,402,775</u>	<u>35,173,579</u>	<u>7,400,126</u>	<u>128,976,480</u>

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	2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments	\$ 6,867,395	—	—	6,867,395
Common stocks:				
Large cap equity	15,616,834	—	—	15,616,834
Small and mid cap equity	11,012,237	—	—	11,012,237
	<u>26,629,071</u>	<u>—</u>	<u>—</u>	<u>26,629,071</u>
Fixed-income securities:				
Domestic corporate bonds	—	924,915	—	924,915
U.S. government bonds	5,250,737	—	—	5,250,737
Municipal bonds	—	1,561,635	—	1,561,635
	<u>5,250,737</u>	<u>2,486,550</u>	<u>—</u>	<u>7,737,287</u>
Mutual funds:				
Total fixed income	9,669,232	—	—	9,669,232
Small and mid cap equity	6,264,606	—	—	6,264,606
Large cap equity	10,089,035	—	—	10,089,035
Other equity	557,634	—	—	557,634
International equity	13,284,115	—	—	13,284,115
Global asset allocation	26,578,895	—	—	26,578,895
	<u>66,443,517</u>	<u>—</u>	<u>—</u>	<u>66,443,517</u>
Alternative investments	—	18,746,729	6,976,498	25,723,227
	<u>\$ 105,190,720</u>	<u>21,233,279</u>	<u>6,976,498</u>	<u>133,400,497</u>

The following tables present the ASPCA's activities for the years ended December 31, 2012 and 2011 for assets classified in Level 3:

	<u>Fund of funds</u>	<u>Private equity</u>	<u>Total</u>
Beginning balance at January 1, 2012	\$ 1,542,559	5,433,939	6,976,498
Acquisitions	833,274	330,000	1,163,274
Dispositions	(409,038)	(686,407)	(1,095,445)
Net appreciation	300,712	55,087	355,799
Ending balance at December 31, 2012	<u>\$ 2,267,507</u>	<u>5,132,619</u>	<u>7,400,126</u>

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		<u>Fund of funds</u>	<u>Private equity</u>	<u>Total</u>
Beginning balance at January 1, 2011	\$	—	4,282,280	4,282,280
Acquisitions		1,517,260	700,000	2,217,260
Dispositions		(256,775)	(294,079)	(550,854)
Net appreciation		282,074	745,738	1,027,812
Ending balance at December 31, 2011	\$	<u>1,542,559</u>	<u>5,433,939</u>	<u>6,976,498</u>

Investments with a fair value of \$6,937,014 and \$6,212,482 and cash equivalents of \$253,504 and \$401,246 at December 31, 2012 and 2011, 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:

		<u>2012</u>				
		<u>2012</u> <u>Fair value</u>	<u>2011</u> <u>Fair value</u>	<u>Unfunded</u> <u>commitments</u>	<u>Redemption</u> <u>frequency</u>	<u>Redemption</u> <u>notice period</u>
Equity long (a)	\$	8,329,931	7,327,057	—	Monthly	30 days
Distressed debt (b)		7,464,103	6,520,743	—	Quarterly	90 days
Funds of funds (c)		5,135,725	4,898,929	—	Annual	60 days
Fund of funds – private equity (d)		2,267,507	1,542,559	1,807,230	None	N/A
Fund of funds – capital appreciation (e)		6,769,692	—	—	Quarterly	90 days
Private equity (f)		5,132,619	5,433,939	899,519	None	N/A
Emerging markets (g)		2,073,929	—	—	Daily	3-5 days
	\$	<u>37,173,506</u>	<u>25,723,227</u>	<u>2,706,749</u>		

- (a) This category includes investments in a limited partnership that invests primarily in international equity securities.
- (b) This category includes investments in a hedge fund that invests indirectly in a diversified portfolio focused on the securities of distressed companies, special situations, and related capital structure opportunities.
- (c) This category includes investments in a fund that invests in offshore and advisory accounts that are managed outside of the United States, and domestically managed hedge funds, which are available for subscription by tax-exempt organizations.
- (d) 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.

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- (e) This category includes several fund of funds that invests 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.
- (f) 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, and in these instances, distributions are received through the liquidation of the underlying assets of the fund.
- (g) This category includes investments in a fund that invests in a diversified portfolio of emerging market securities.

Investment Return

Components of investment return representing total return on investments and interest-bearing cash and cash equivalents for the years ended December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 2,438,539	2,762,701
Realized gains, net	5,523,242	2,404,093
Investment expenses	<u>(747,691)</u>	<u>(637,354)</u>
Realized investment return	7,214,090	4,529,440
Unrealized appreciation (depreciation)	<u>8,201,904</u>	<u>(4,640,562)</u>
Total investment return (loss)	<u>\$ 15,415,994</u>	<u>(111,122)</u>

For the years ended December 31, 2012 and 2011, the ASPCA's board-approved spending rate on investments was approximately 5% of the average historical investment balance, excluding certain restricted investment balances. The board-approved spending rate in 2012 and 2011 was \$4,700,000 and \$4,600,000, respectively.

(4) Beneficial Interests in Trusts Held by Others

Included as beneficial interests in trusts held by others in the accompanying balance sheets 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 \$1,380,000 and \$2,374,000 at December 31, 2012 and 2011, respectively, and has been included in temporarily restricted net assets. The present values of the trusts are calculated using discount rates ranging from 4.0% to 10.6% at December 31, 2012 and 2011. Beneficial interests in perpetual third-party trusts of approximately \$16,318,000 and \$14,873,000, valued at the ASPCA's share of the fair value of the underlying trust assets, are included in permanently restricted net assets at December 31, 2012 and 2011, respectively.

At December 31, 2012 and 2011, 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

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changes in the ASPCA's Level 3 beneficial interests in trusts held by third-party trustees for the years ended December 31, 2012 and 2011:

	Charitable remainder trusts	Perpetual trusts	Total
Balance at December 31, 2010	\$ 3,386,291	15,594,272	18,980,563
Additions	665,655	—	665,655
Terminations	(1,634,567)	—	(1,634,567)
Unrealized losses	(42,920)	(720,820)	(763,740)
Balance at December 31, 2011	2,374,459	14,873,452	17,247,911
Additions	314,997	497,532	812,529
Terminations	(1,149,542)	—	(1,149,542)
Unrealized gains (losses)	(159,631)	946,718	787,087
Balance at December 31, 2012	\$ 1,380,283	16,317,702	17,697,985

(5) Land, Building, and Equipment, Net

Land, building, and equipment as of December 31, 2012 and 2011 consisted of the following:

	Estimated useful lives	2012	2011
Land	—	\$ 4,440,000	4,440,000
Building	20 – 40 years	14,761,877	14,761,877
Building improvements	10 – 25 years	15,229,481	12,157,228
Furniture, fixtures, and equipment	3 – 10 years	13,855,929	11,796,233
Transportation equipment	4 – 6 years	4,104,238	3,730,239
Construction in progress		12,464,339	2,049,826
Total cost		64,855,864	48,935,403
Accumulated depreciation and amortization		(23,802,643)	(20,311,870)
Net book value		\$ 41,053,221	28,623,533

In December 2011, the ASPCA entered into fixed-price construction contract for the renovation of its 92nd Street property. Approximately \$14,000,000 has been committed to the renovation of the 92nd Street property. As of December 31, 2012, approximately \$12,365,000 has been spent toward this renovation project. Completion of the renovation is estimated to be August 30, 2013.

The ASPCA owns a building and land adjoining its headquarters facility in New York City, which is occupied by a commercial tenant under a ten-year lease (with a five-year renewal option) that commenced in September 2006. Rental payments increase 3% each year plus payment of property taxes, utilities, and

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normal maintenance. As of December 31, 2012, minimum, future rental income under this lease is as follows:

2013	\$	300,752	
2014		309,774	
2015		319,068	
2016		180,630	
		1,110,224	
	\$	1,110,224	

Total rental income recognized by the ASPCA in 2012 and 2011 was \$279,968 and \$280,592, respectively, which was recognized on a straight-line basis over the term of the lease, and is included in other revenues in the accompanying statements of activities. Depreciation expense of \$85,640 for both 2012 and 2011, respectively, related to the leased premises was netted against rental income.

(6) Pension Plan

The ASPCA has a defined benefit pension plan that was frozen effective June 30, 2006. All participants will receive benefits accrued through that date. Benefits under the plan are generally based on years of service and average compensation during the highest five years of employment. Annual contributions are determined by the ASPCA based upon calculations performed by the plan's actuary.

The actuarial present value of the benefit obligation recognized in the accompanying balance sheets at December 31 is as follows:

		2012	2011
Projected benefit obligation, beginning of year	\$	16,500,387	15,048,692
Interest cost		706,475	753,295
Actuarial loss		231,458	263,713
Assumption change		1,912,881	1,317,628
Benefits paid		(953,924)	(882,941)
Projected benefit obligation, end of year	\$	18,397,277	16,500,387
Fair value of plan assets, beginning of year	\$	10,624,262	11,162,363
Return on plan assets		1,317,862	(310,324)
Employer contributions		1,327,522	655,164
Benefits paid		(953,924)	(882,941)
Fair value of plan assets, end of year		12,315,722	10,624,262
Funded status of plan, end of year	\$	(6,081,555)	(5,876,125)
Accumulated benefit obligation	\$	18,397,277	16,500,387

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	2012	2011
Amounts included in the balance sheets:		
Unfunded pension obligation	\$ (6,081,555)	(5,876,125)
Net accumulated actuarial loss within unrestricted net assets	8,879,021	7,686,894

Components of net periodic pension cost in the statements of activities consist of the following:

	2012	2011
Interest cost	\$ 706,475	753,295
Expected return on plan assets	(809,514)	(872,552)
Actuarial loss	443,864	272,163
Net periodic pension cost	\$ 340,825	152,906

The weighted average rates used to determine net periodic pension cost and year-end benefit obligation for the years ended December 31, 2012 and 2011 were:

	2012	2011
Discount rate – benefit obligation	3.76%	4.35%
Discount rate – net periodic benefit cost	4.35	5.10
Expected long-term rate of return on plan assets	7.30	8.00

Other changes in plan assets and benefit obligation recognized in unrestricted net assets were as follows:

	2012	2011
Net actuarial loss arising during measurement period	\$ (1,635,991)	(2,764,217)
Amortization of net actuarial gain	443,864	272,163
	\$ (1,192,127)	(2,492,054)

The net accumulated actuarial loss within unrestricted net assets expected to be recognized in net periodic benefit cost during 2013 is \$499,950.

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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 tables categorize the inputs used to report the fair value of the plan's investments within the fair value hierarchy as of December 31, 2012 and 2011:

	2012		
	Level 1	Level 2	Total
Equity – domestic common stock:			
Large cap equity	\$ 2,183,682	—	2,183,682
Fixed-income securities:			
Domestic corporate bonds	—	2,202,325	2,202,325
U.S. government bonds	466,014	—	466,014
Mutual funds:			
Small cap equity	2,032,391	—	2,032,391
International equity	1,755,793	—	1,755,793
Global asset allocation	3,340,736	—	3,340,736
Cash and cash equivalents	334,781	—	334,781
	<u>\$ 10,113,397</u>	<u>2,202,325</u>	<u>12,315,722</u>
	2011		
	Level 1	Level 2	Total
Equity – domestic common stock:			
Large cap equity	\$ 2,274,332	—	2,274,332
Fixed-income securities:			
Domestic corporate bonds	—	1,343,078	1,343,078
U.S. government bonds	812,620	—	812,620
Mutual funds:			
Small cap equity	1,482,138	—	1,482,138
International equity	1,720,302	—	1,720,302
Global asset allocation	2,893,794	—	2,893,794
Cash and cash equivalents	97,998	—	97,998
	<u>\$ 9,281,184</u>	<u>1,343,078</u>	<u>10,624,262</u>

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The plan's weighted average asset allocation at December 31, 2012 and 2011, by asset category, is as follows:

	2012	2011
Equities	48.5%	51.6%
Fixed income	21.7	20.3
Mutual funds	27.1	27.2
Cash and cash equivalents	2.7	0.9
	100.0%	100.0%

Plan benefits are expected to be paid as follows:

2013	\$	986,000
2014		948,000
2015		963,000
2016		976,000
2017		902,000
2018 – 2022		7,173,000

Projected contributions for 2013 are estimated to be \$388,000.

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% of pretax employee contributions up to 4% of eligible compensation in each pay period. Employee and matching employer contributions are immediately 100% 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 \$2,815,000 and \$2,568,000 in 2012 and 2011, respectively.

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(7) Commitments and Contingencies

The ASPCA holds leases in Queens, New York, Washington DC and Urbana, Illinois. 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 aggregate annual minimum rental obligations at December 31, 2012, for facilities under operating leases expiring through 2026, are:

2013	\$	3,062,000
2014		2,788,000
2015		2,608,000
2016		2,535,000
2017		2,485,000
Thereafter		<u>27,286,000</u>
	\$	<u><u>40,764,000</u></u>

The ASPCA, along with at least three other entities, was a party to a pending civil litigation matter. The ASPCA entered into a settlement agreement in 2012.

In addition, the ASPCA is a defendant in several lawsuits arising in the normal course of operations. While outside counsel cannot predict the outcome of such litigation, management does not expect the outcome to have a material effect on the financial position, changes in net assets, and cash flows of the ASPCA.

(8) 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, 2012 and 2011, these costs were allocated as follows:

	<u>2012</u>	<u>2011</u>
Program	\$ 20,584,370	21,868,478
Membership development and fund-raising	22,701,230	22,505,735
Management and general	<u>143,917</u>	<u>311,109</u>
	<u><u>\$ 43,429,517</u></u>	<u><u>44,685,322</u></u>

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(9) Grants

The ASPCA granted approximately \$17,018,000 and \$15,051,000 during 2012 and 2011, respectively. The grants were spent in furtherance of the mission in the following program areas:

	<u>2012</u>	<u>2011</u>
Animal health services	\$ 182,000	111,000
Anti cruelty:		
Anti cruelty response	1,835,408	1,492,029
Disaster/Emergency	454,355	760,568
Equine	1,837,167	1,662,450
Farm animals	<u>1,016,490</u>	<u>314,800</u>
	<u>5,143,420</u>	<u>4,229,847</u>
Community outreach:		
Intake reduction	1,183,749	833,377
Live release	4,498,953	4,236,071
Other	5,500	5,500
Relocation	868,641	431,842
Spay/Neuter	<u>5,135,917</u>	<u>5,202,990</u>
	<u>11,692,760</u>	<u>10,709,780</u>
Total amount granted	17,018,180	15,050,627
Other grant expenses	<u>1,039,090</u>	<u>796,546</u>
Total grants expense	<u>\$ 18,057,270</u>	<u>15,847,173</u>

Included in grants payable are multi-year grants due to be paid during 2013, 2014, and 2015 of \$1 million, \$500,000, and \$500,000, respectively. The remaining grants payable are scheduled to be paid during 2013.

(10) Endowment Net Assets

The ASPCA's endowment includes both donor-restricted endowment funds and funds designated by the trustees to function as endowments. The ASPCA's donor-restricted endowment funds are subject to the provisions of the *New York Prudent Management of Institutional Funds Act* (NYPMIFA).

Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds*, provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA. The ASPCA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is

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classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

At December 31, 2012 and 2011, permanently restricted net assets of \$23,091,628 and \$21,888,552 consisted of donor-restricted endowment funds of \$6,773,926 and \$7,015,100 and beneficial interests in perpetual trusts totaling \$16,317,702 and \$14,873,452, respectively. Permanently restricted net assets are restricted to investment in perpetuity, with investment return available to support current operations.

The following summarizes the ASPCA's endowment net asset composition as of December 31, 2012 and 2011:

Endowment composition by net asset category	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ —	823,698	6,773,926	7,597,624
Board-designated endowment funds	41,889,160	—	—	41,889,160
Total endowment funds	<u>\$ 41,889,160</u>	<u>823,698</u>	<u>6,773,926</u>	<u>49,486,784</u>
Changes in endowment net assets				
Endowment net assets, beginning				
of year	\$ 39,262,859	331,124	7,015,100	46,609,083
Contributions and bequests	—	—	174,701	174,701
Investment return and other	4,626,301	813,064	—	5,439,365
Other	—	—	(415,875)	(415,875)
Appropriation of endowment assets for expenditures and other costs	<u>(2,000,000)</u>	<u>(320,490)</u>	<u>—</u>	<u>(2,320,490)</u>
Endowment net assets, end of year	<u>\$ 41,889,160</u>	<u>823,698</u>	<u>6,773,926</u>	<u>49,486,784</u>

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<u>Endowment composition by net asset category</u>	2011			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	331,124	7,015,100	7,346,224
Board-designated endowment funds	39,262,859	—	—	39,262,859
Total endowment funds	<u>\$ 39,262,859</u>	<u>331,124</u>	<u>7,015,100</u>	<u>46,609,083</u>
<u>Changes in endowment net assets</u>				
Endowment net assets, beginning of year	\$ 41,082,520	550,241	7,008,641	48,641,402
Contributions and bequests	—	—	6,459	6,459
Investment return and other	230,339	129,232	—	359,571
Appropriation of endowment assets for expenditures and other costs	<u>(2,050,000)</u>	<u>(348,349)</u>	<u>—</u>	<u>(2,398,349)</u>
Endowment net assets, end of year	<u>\$ 39,262,859</u>	<u>331,124</u>	<u>7,015,100</u>	<u>46,609,083</u>

(11) Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Animal health services	\$ 25,560,334	25,800,250
Anticruelty programs	166,700	191,000
Grants and sponsorships	1,567,338	833,164
Restricted for use in future periods	5,861,861	7,328,874
Other	<u>1,448,111</u>	<u>513,461</u>
	<u>\$ 34,604,344</u>	<u>34,666,749</u>

(12) Subsequent Events

The ASPCA evaluated its December 31, 2012 financial statements for subsequent events through June 11, 2013, the date the financial statements were available to be issued. The ASPCA is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.