

Financial Statements

**SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.**

June 30, 2013 and 2012

**SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.**

Financial Statements

June 30, 2013 and 2012

(With Independent Auditor's Report Thereon)

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

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Independent Auditor's Report

The Board of Directors
Society for the Prevention of Cruelty to Animals of Central Florida, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Society for the Prevention of Cruelty to Animals of Central Florida, Inc., which comprise the statements of financial position as of June 30, 2013 and 2012, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 of material misstatement.

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society for the Prevention of Cruelty to Animals of Central Florida, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schatz, Tschagg, Whitcomb, Mitchell & Shuler, LLP

December 6, 2013
Altamonte Springs, Florida

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Statements of Financial Position

June 30, 2013 and 2012

	<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets			
Cash and cash equivalents		\$ 1,023,563	1,720,180
Investments (note 3)		1,372,266	1,234,953
Contributions receivable		510,000	140,000
Prepaid expenses and other assets		87,752	126,722
Total current assets		2,993,581	3,221,855
Property and equipment, net (note 4)		3,730,988	3,919,829
Contribution receivable - split-interest agreement (note 2)		537,891	483,054
Beneficial interest in assets held by a Community Foundation (note 5)		26,808	24,946
Other assets, net		145,000	145,000
Total assets		\$ 7,434,268	7,794,684
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable		\$ 289,061	657,653
Accrued expenses		130,408	86,833
Total current liabilities		419,469	744,486
Net assets:			
Unrestricted		6,476,908	6,567,144
Temporarily restricted (note 8)		537,891	483,054
Total net assets		7,014,799	7,050,198
Total liabilities and net assets		\$ 7,434,268	7,794,684

See accompanying notes to financial statements.

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Statement of Activities

Year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and public support:			
Revenue			
Public medical clinic	\$ 3,633,884	-	3,633,884
Adoption and related fees	630,575	-	630,575
Service contracts (note 1 (j))	14,960	-	14,960
Merchandise sales	41,721	-	41,721
Investment income	47,292	-	47,292
Net realized and unrealized losses on investments (note 3)	(1,112)	-	(1,112)
Other revenue	56,459	-	56,459
Public Support			
Donations and grants	835,025	-	835,025
Bequest income	735,836	-	735,836
Change in value of beneficial interests in assets held by community foundations	1,862	-	1,862
Change in value of split interest agreement	-	54,837	54,837
Membership fees	60,400	-	60,400
Special events	582,509	-	582,509
Less: direct benefit costs to donors	(168,177)	-	(168,177)
Total revenue and public support	6,471,234	54,837	6,526,071
Expenses:			
Program services	5,860,592	-	5,860,592
General administration	275,326	-	275,326
Fundraising and development	429,456	-	429,456
Total expenses	6,565,374	-	6,565,374
Change in net assets before non-operating income (expense)	(94,140)	54,837	(39,303)
Non-operating income (expense):			
Rental income (expense), net	3,904	-	3,904
Total non-operating income (expense)	3,904	-	3,904
Change in net assets	(90,236)	54,837	(35,399)
Net assets at beginning of year	6,567,144	483,054	7,050,198
Net assets at end of year	\$ 6,476,908	537,891	7,014,799

See accompanying notes to financial statements.

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Statement of Activities

Year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and public support:			
Revenue			
Public medical clinic	\$ 3,849,373	-	3,849,373
Adoption and related fees	748,264	-	748,264
Service contracts (note 1 (j))	14,960	-	14,960
Merchandise sales	52,723	-	52,723
Investment income	29,136	-	29,136
Net realized and unrealized losses on investments (note 3)	(54,575)	-	(54,575)
Other revenue	42,024	-	42,024
Public Support			
Donations and grants	776,563	-	776,563
Bequest income	2,038,131	-	2,038,131
Change in value of beneficial interests in assets held by community foundations	(623)	-	(623)
Change in value of split interest agreement	-	(8,153)	(8,153)
Membership fees	77,176	-	77,176
Special events	651,397	-	651,397
Less: direct benefit costs to donors	(149,906)	-	(149,906)
Net assets released from restrictions	563,516	(563,516)	-
Total revenue and public support	8,638,159	(571,669)	8,066,490
Expenses:			
Program services	6,387,461	-	6,387,461
General administration	255,147	-	255,147
Fundraising and development	408,469	-	408,469
Total expenses	7,051,077	-	7,051,077
Change in net assets before non-operating income (expense)	1,587,082	(571,669)	1,015,413
Non-operating income (expense):			
Rental income (expense), net	(7,829)	-	(7,829)
Loss on write down of rental property	(54,000)	-	(54,000)
Total non-operating income (expense)	(61,829)	-	(61,829)
Change in net assets	1,525,253	(571,669)	953,584
Net assets at beginning of year	5,041,891	1,054,723	6,096,614
Net assets at end of year	\$ 6,567,144	483,054	7,050,198

See accompanying notes to financial statements.

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Statements of Functional Expenses

Years ended June 30, 2013 and 2012

	2013			2012			
	Program Services	General Administration	Fundraising and Development	Program Services	General Administration	Fundraising and Development	Total
Salaries and related expenses	\$ 3,610,980	127,640	193,537	3,932,157	149,724	177,163	4,068,618
Medical supplies	1,488,038	-	-	1,488,038	-	-	1,767,740
Shelter animal support costs and in-kind supplies	103,923	-	-	103,923	-	-	150,666
Education supplies and camp expenses	27,034	-	-	27,034	-	-	11,476
Cost of resale merchandise	-	-	23,854	23,854	-	23,526	23,526
Utilities	95,181	4,500	4,524	104,205	5,361	5,361	107,729
Repairs and maintenance	48,282	1,629	353	50,264	900	900	56,189
Insurance	112,593	8,900	6,257	127,750	10,871	8,076	151,970
Depreciation	195,120	4,128	4,128	203,376	4,228	4,228	214,017
Office supplies	23,139	7,047	1,164	31,350	6,753	818	23,783
Telephone expense	27,678	2,454	1,544	31,676	18,521	1,924	59,421
Equipment leasing and maintenance	15,015	3,339	3,339	21,693	1,143	1,116	19,687
Computer support costs	2,972	3,067	1,937	7,976	3,776	1,908	19,997
Direct mail campaigns and postage	1,962	3,620	13,660	19,242	8,790	19,282	31,026
Printing	30,799	17,640	2,672	51,111	13,816	10,460	51,122
Advertising and in-kind public relations	465	843	150,093	151,401	94	139,094	139,752
Bank charges and credit card fees	51,485	1,002	16,545	69,032	60	11,845	79,799
Dues, licenses and subscriptions	1,701	5,456	2,812	9,969	3,228	150	7,176
Professional fees	6,032	13,859	-	19,891	11,142	-	12,533
Staff and volunteer appreciation in-kind expense	-	36,000	-	36,000	-	-	-
Travel costs, vehicle expense and repairs	17,875	1,290	990	20,155	1,748	968	29,590
Miscellaneous expenses	318	32,912	2,047	35,277	14,992	1,650	25,260
Total expenses	\$ 5,860,592	275,326	429,456	6,565,374	255,147	408,469	7,051,077

See accompanying notes to financial statements.

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Statements of Cash Flows

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ (35,399)	953,584
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	203,376	214,017
Donated property	-	(145,000)
Loss on write down of rental property	-	54,000
Net realized and unrealized losses on investments	1,112	54,575
Change in operating assets and liabilities:		
Contributions receivable	(370,000)	(140,000)
Contribution receivable - split interest agreement	(54,837)	571,669
Prepaid expenses and other assets	38,970	(72,357)
Beneficial interest in assets held by a Community Foundation	(1,862)	10,624
Accounts payable	(368,592)	112,311
Accrued expenses	43,575	33,797
Net cash provided by (used in) operating activities	<u>(543,657)</u>	<u>1,647,220</u>
Cash flows from investing activities:		
Proceeds from sales of investments	-	988,836
Purchases of investments	(138,425)	(1,370,839)
Purchases - property and equipment	(14,535)	(111,287)
Purchases - rental property	-	(54,000)
Net cash used in investing activities:	<u>(152,960)</u>	<u>(547,290)</u>
Net increase (decrease) in cash and cash equivalents	(696,617)	1,099,930
Cash and cash equivalents at beginning of year	<u>1,720,180</u>	<u>620,250</u>
Cash and cash equivalents at end of year	<u>\$ 1,023,563</u>	<u>1,720,180</u>

See accompanying notes to financial statements.

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies

(a) General

Society for the Prevention of Cruelty to Animals of Central Florida, Inc. (the "Society") is a not-for-profit organization incorporated in Orange County, Florida. The purpose of the organization is to promote responsible human behavior towards animals.

The Society maintains shelters as temporary homes for abandoned, mistreated or abused animals. The Society also operates clinics which provide low-cost spay and neuter services, as well as general preventive care. These services are provided through facilities located in Orange and Seminole Counties, Florida.

(b) Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting and represent the financial position and results of operations of the Society.

The Society has adopted the provisions of Financial Accounting Standards Board ASC 958, Accounting for Contributions Received and Contributions Made and Financial Statements for Not-for-Profit Organizations.

These financial statements are prepared on an entity wide basis, focusing on the organization as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets – unrestricted, temporarily restricted, and permanently restricted as follows:

- ◆ Unrestricted net assets---Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- ◆ Temporarily restricted net assets---Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Society and/or the passage of time (See note 8).

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation (Continued)

- ◆ Permanently restricted net assets--Net assets subject to donor-imposed stipulations that will be maintained permanently by the Society. There were no permanently restricted net assets as of or for the years ended June 30, 2013 and 2012.

Revenue and Public Support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenue in the period made or received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the financial statements as an asset or expense and revenue. In addition, the Society receives a significant amount of contributed time related to various program services and fundraising campaigns. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Society, and (b) the services required specialized skills. For the years ended June 30, 2013 and 2012, contributed assets and services amounted to approximately \$344,000 and \$329,000, respectively.

From time to time, the Society is informed of intentions to give by prospective donors. Such expressions of intent are revocable and unenforceable. The ultimate value of these expressions has not been established nor have they been recognized in the accompanying financial statements.

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies (Continued)

(c) Property and Equipment

Property and equipment are stated at cost, or estimated market value at the date of receipt if donated, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. All property expenditures in excess of \$500 are capitalized; maintenance and renewals are charged to expense as incurred.

(d) Long-Lived Assets

The Society follows the policy of lifting restrictions on contributions of cash and other assets received for the acquisition of long-lived assets when the long-lived assets are acquired.

In accordance with “Property, Plant and Equipment – Impairment or Disposal of Long-Lived Assets,” FASB Codification Topic 360-10 (Topic 360-10) long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Society first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary. No impairment charges have been recorded in the accompanying financial statements related to long-lived assets.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies (Continued)

(f) Functional Allocation of Expenses

The costs of providing Society programs and the administration of the Society have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(g) Cash and Cash Equivalents

The Society considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(h) Income Taxes

The Society is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. The Society is not aware of any activities that would jeopardize its tax-exempt status or that are subject to tax on unrelated business income, excise or other taxes. In addition, the Society has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with "Income Taxes" FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2013, the Society had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies (Continued)

(h) Income Taxes (Continued)

The Society's income tax returns are subject to review and examination by federal authorities. Since the Society's income tax filings are subject to audit by federal taxing authorities, generally three years after they are filed, the Society is no longer subject to examinations by federal taxing authorities for the years ended before June 30, 2010. In addition, there are currently no pending income tax examinations by federal taxing authorities.

(i) Financial Instruments Fair Value, Concentration of Business and Credit Risks

The Society's financial instruments are cash and cash equivalents, investments, short-term contributions receivable, prepaid expenses and other assets, a long-term contribution receivable – split-interest agreement, beneficial interests in assets held by a Community Foundation, accounts payable and accrued expenses.

The recorded values of cash and cash equivalents, short-term contributions receivable, prepaid expenses and other assets, accounts payable, and accrued expenses, approximate their fair value based on their short-term nature.

The recorded value of investments approximates fair value based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities (see notes 1(k) and 3).

The recorded net present value of a long-term contribution receivable split-interest agreement approximates fair value, as the discount rate approximates market rates (Level 3 inputs) (See notes 1(k) and 2). The fair value of the underlying investments within the trust instruments are based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities.

The recorded values of beneficial interests in assets held by a Community Foundation approximate fair value as they are based on these funds being pooled into various investment funds held by the Foundations (Level 3 inputs) (See notes 1(k) and 5). The fair value of the underlying investments within the Community Foundation's investment funds are based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities.

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies (Continued)

(i) Financial Instruments Fair Value, Concentration of Business and Credit Risks

Grants and contracts receivable arise as a result of the agreements with third parties to provide specified services. The grants and contracts are monitored on a monthly basis and are not collateralized.

The Society maintains its cash balances at certain financial institutions in which balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the year, the Society from time to time may have had amounts on deposit in excess of the insured limits. Management believes the associated risk is minimized by placing such assets with quality financial institutions. The Society has not experienced any losses on such accounts.

(j) Service Contracts

In fiscal years 2013 and 2012, the Society had service contracts with the City of Orlando, Florida under which the Society provided certain services including cruelty investigation, rescue, transportation and emergency treatment of injured, abused or neglected animals within the City of Orlando. During fiscal 2013 and 2012, the Society received approximately \$15,000, respectively, under these contracts.

(k) Fair Value Measurements

The Society has adopted accounting standards for fair value measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements of assets and liabilities to include disclosure about inputs used in the determination of fair value using the three categories listed below.

These accounting standards apply under other accounting pronouncements previously issued by the Financial Accounting Standards Board, or FASB, which require or permit fair measurements. The adoption of the new accounting standards did not impact the Society's financial position or results of operations.

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies (Continued)

(k) Fair Value Measurements (Continued)

Fair value is defined under “Fair Value Measurements and Disclosures,” FASB Accounting Standards Codification Topic 820 (Topic 820) as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Topic 820 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

- Level 1 quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 unobservable and significant to the fair value measurement of the asset or liability.

The Society’s financial instruments measured at fair value on a recurring basis subject to the disclosure requirements of Topic 820 at June 30, 2013 and 2012 were as follows:

<u>2013</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
Investments	<u>\$ 1,372,266</u>	<u>-</u>	<u>-</u>	<u>1,372,266</u>
Contribution receivable – split-interest agreement	<u>-</u>	<u>-</u>	<u>537,891</u>	<u>537,891</u>
Beneficial interest in assets held by a Community Foundation	<u>-</u>	<u>-</u>	<u>26,808</u>	<u>26,808</u>

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies (Continued)

(k) Fair Value Measurements (Continued)

<u>2012</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
Investments	<u>\$ 1,234,953</u>	<u>-</u>	<u>-</u>	<u>1,234,953</u>
Contribution receivable – split-interest agreement	<u>-</u>	<u>-</u>	<u>483,054</u>	<u>483,054</u>
Beneficial interest in assets held by a Community Foundation	<u>-</u>	<u>-</u>	<u>24,946</u>	<u>24,946</u>

(l) Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through December 6, 2013, which is the date the financial statements were available to be issued.

(m) Reclassifications

Certain reclassifications have been made to the 2012 financial statements in order to conform to the 2013 presentation.

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(2) Split-Interest Agreement

During 2001, the Society became a beneficiary to an irrevocable charitable remainder trust. A charitable remainder trust provides for the payment of distributions to beneficiaries over the trust term. The trust term provides that approximately one-third of the trust will be paid at the end of ten, twenty, and thirty years. At the end of the term, the remaining assets are distributed to specified beneficiaries including the Society. The portion of the trust attributable to the present value of the future benefits to be received by the Society is recorded in the statement of activities as a temporarily restricted contribution in the period the trust is contributed. The related receivable is shown under split-interest receivable in the statement of financial position. The assets are held by a third party who administers the gift. The net present value of the Society's interest using a 6.5% discount rate is \$537,891, and is considered or classified as temporarily restricted due to the passage of time.

(3) Investments

At June 30, 2013 the Society's investment portfolio consisted of marketable equity and fixed income securities carried at fair value. The Society derives the fair value of its securities based on quoted market prices.

The following table summarizes the Society's investments at June 30, 2013 and 2012:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Mutual fund - equities	\$ 102,214	117,783	-	-
Mutual funds - fixed income securities	1,251,881	1,254,483	1,215,892	1,234,953
	\$ 1,354,095	1,372,266	1,215,892	1,234,953

Investment gains and losses as reported in the accompanying statements of activities include net realized and unrealized losses of \$1,112 and \$54,575 in 2013 and 2012, respectively, associated with the investments reflected herein.

SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS OF CENTRAL FLORIDA, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(4) **Property and Equipment**

Property and equipment consist of the following at June 30:

	Useful Life	2013	2012
Building	40	\$ 5,376,596	5,373,196
Equipment	5-10	951,279	940,144
Vehicles	5	300,026	300,026
		<u>6,627,901</u>	<u>6,613,366</u>
Less accumulated depreciation		<u>2,896,913</u>	<u>2,693,537</u>
		<u>\$ 3,730,988</u>	<u>3,919,829</u>

The Society leases the land on which the buildings are located under long-term leases with Orange County and Seminole County, Florida, which expire March 2, 2042 and October 5, 2043, respectively. Under the terms of the leases, the Society paid total consideration of \$10. The effect of these leases is not reflected in the accompanying statements of activities because the fair value of these leases is not readily determinable.

(5) **Beneficial Interest in Assets Held by a Community Foundation**

The Society established an endowment with the Community Foundation of Central Florida, Inc. (the "CFCF"). The endowment will provide a permanent source of income for the Society. Future income may be withdrawn or added to the principal balance of the endowment at the Society's discretion. In accordance with accounting standards on the reporting of endowment funds, those funds are classified as unrestricted and are carried as an asset on the accompanying statement of financial position.

The terms of the fund agreement with the CFCF provide, among other things, that distributions are subject to the CFCF's policies. The Society may recommend distribution from certain funds at any time; however, all recommendations are solely advisory and may be accepted or rejected by the CFCF. At the time of the transfers, the Society granted variance power to the CFCF. That power gives the Board of Directors of the CFCF the power to modify or eliminate any

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Notes to Financial Statements

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(5) Beneficial Interest in Assets Held by a Community Foundation (Continued)

restriction, limitation, or condition on the distribution of funds, including their use for any specified purposes or their distribution to specific organizations, if the Board of Directors determines that such restriction, limitation or condition becomes by material and significant change of circumstances in effect unnecessary, incapable of fulfillment, or inconsistent with the proper charitable, religious, scientific, literary, cultural or educational uses and purposes of the Central Florida area.

(6) Employee Benefit Plan

The Society's contributions to a salary savings 401(k) plan for the years ended June 30, 2013 and 2012 amounted to approximately \$43,000, respectively.

(7) Commitments and Contingencies

Legal matters

The Society occasionally becomes party to various legal actions and proceedings in the normal course of business. In the opinion of management, the ultimate resolution of these matters will not have a significant adverse effect on the accompanying financial statements.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Contribution receivable – split-interest agreement	<u>\$ 537,891</u>	<u>483,054</u>