

**HAMILTON COUNTY  
SOCIETY FOR THE PREVENTION  
OF CRUELTY TO ANIMALS  
d.b.a. SPCA CINCINNATI  
FINANCIAL STATEMENTS  
For the Year Ending December 31, 2018**

**HAMILTON COUNTY**  
**SOCIETY FOR THE PREVENTION**  
**OF CRUELTY TO ANIMALS**  
**d.b.a. SPCA CINCINNATI**  
  
**FINANCIAL STATEMENTS**  
  
**For the Year Ending December 31, 2018**

CONTENTS

	<u>Pages</u>
Board of Trustees.....	1
Independent Auditor's Report.....	2 - 3
Statement of Financial Position.....	4
Statement of Activities.....	5
Statement of Functional Expenses.....	6
Statement of Cash Flows.....	7
Notes to Financial Statements.....	8 - 15

**HAMILTON COUNTY  
SOCIETY FOR THE PREVENTION  
OF CRUELTY TO ANIMALS  
d.b.a. SPCA CINCINNATI**

**FINANCIAL STATEMENTS**

**For the Year Ending December 31, 2018**

**Board of Trustees**

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USI Midwest

**Vice Chair:** Michael Frederick, DVM  
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**1st Vice Chair:** Michele O'Rourke  
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**Asst. Secretary:** James A. Tomaszewski, Jr., Esq.  
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**Treasurer:** Mark Weber  
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Community Volunteer

Barbara Boat, PhD  
University of Cincinnati

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Community Volunteer

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Kenwood By Senior Star

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Fifth Third Bank

Jeff Hock  
HBH Holdings, Inc.

Peter Kambelos, MD  
Seven Hills Medical Arts

Karen Knight  
Proctor and Gamble

Bob May  
RJM Consulting, LLC

Joelle Ragland  
Cocitino Interior Design

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USA Collision Centers

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John J. & Thomas R. Schiff Co.

Greg Taylor  
Mason Co.

**President & CEO**

Jake White



**Van Gorder, Walker & Co., Inc.**  
Certified Public Accountants

## **Independent Auditor's Report**

Charles A. Van Gorder, CPA  
Lori A. Owen, CPA  
John R. Chamberlin, CPA, MBA  
Members of AICPA & KyCPA  
Licensed in Kentucky & Ohio

**To the Board of Trustees of the  
Hamilton County Society for the Prevention of Cruelty to Animals  
d.b.a. SPCA Cincinnati  
Cincinnati, Ohio**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Hamilton County Society for the Prevention of Cruelty to Animals, doing business as and hereafter referred to as SPCA Cincinnati (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 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.



Van Gorder, Walker & Co., Inc.  
Certified Public Accountants

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPCA Cincinnati as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Van Gorder, Walker + Co., Inc.*

Van Gorder, Walker, & Co., Inc.  
Erlanger, Kentucky  
May 1, 2019

<b>SPCA CINCINNATI</b> <b>STATEMENT OF FINANCIAL POSITION</b> <b>December 31, 2018</b>
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	<u>Animal Control</u>	<u>Humane Operations</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 5,367	\$ 2,291,883	\$ 2,297,250
Investments	-	4,243,247	4,243,247
Estates/Trusts receivable	-	100,322	100,322
Accounts receivable	-	11,136	11,136
Pledges receivable	-	36,000	36,000
Total current assets	<u>5,367</u>	<u>6,682,588</u>	<u>6,687,955</u>
Property and equipment			
Land	-	651,750	651,750
Buildings	-	8,048,891	8,048,891
Furnishings and equipment	-	1,266,953	1,266,953
Vehicles	-	696,849	696,849
Less: Accumulated depreciation	-	(4,238,094)	(4,238,094)
Total property and equipment, net	<u>-</u>	<u>6,426,349</u>	<u>6,426,349</u>
Other assets			
Beneficial interests in trusts	-	539,761	539,761
Prepaid expenses	-	44,959	44,959
Employee advance	-	883	883
Pet supply store inventory	-	31,866	31,866
Total other assets	<u>-</u>	<u>617,469</u>	<u>617,469</u>
<b>Total assets</b>	<u>\$ 5,367</u>	<u>\$ 13,726,406</u>	<u>\$ 13,731,773</u>
<b>Liabilities and net assets</b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 43,898	\$ 93,458	\$ 137,356
Accrued expenses	-	146,623	146,623
Current portion of debt	-	43,122	43,122
Total current liabilities	<u>43,898</u>	<u>283,203</u>	<u>327,101</u>
Long term liabilities			
Commercial notes payable	-	24,000	24,000
Promissary note	-	38,781	38,781
Capital leases	-	78,476	78,476
Total long term liabilities	<u>-</u>	<u>141,257</u>	<u>141,257</u>
<b>Total liabilities</b>	<u>43,898</u>	<u>424,460</u>	<u>468,358</u>
<b>Net assets</b>			
With donor restrictions	(38,531)	1,138,111	1,099,580
Without donor restrictions	-	12,163,835	12,163,835
<b>Total net assets</b>	<u>(38,531)</u>	<u>13,301,946</u>	<u>13,263,415</u>
<b>Total liabilities and net assets</b>	<u>\$ 5,367</u>	<u>\$ 13,726,406</u>	<u>\$ 13,731,773</u>

The accompanying notes are an integral part of the financial statements.

**SPCA CINCINNATI**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ending December 31, 2018**

	Without Donor Restrictions		With Donor Restrictions	
	Humane Operations	Humane Operations	Animal Control	Total
<b>Revenues, gain, and other support</b>				
Contractual revenue	\$ -	\$ -	\$ 1,760,136	\$ 1,760,136
Cash contributions	1,697,228	-	-	1,697,228
Estate and trust income	-	1,111,518	-	1,111,518
Investment income	118,476	-	-	118,476
Animal sales, net	83,061	-	-	83,061
Animal calls	89,906	-	-	89,906
Fees - Pit Bulls	-	5,270	-	5,270
Fees - Board of Health	-	10,478	-	10,478
Other fees/income	31,627	-	150	31,777
In-kind donations	236,896	-	-	236,896
Net gains (losses) on investments	75,172	-	-	75,172
Grant income	-	1,115,000	-	1,115,000
Special events, net	298,693	-	-	298,693
Net assets released from restrictions				
Satisfaction of program restrictions	1,104,155	(1,104,155)	-	-
<b>Total revenues, gains, and other support</b>	<b>3,735,214</b>	<b>1,138,111</b>	<b>1,760,286</b>	<b>6,633,611</b>
<b>Expenses</b>				
Program services				
Animal control	-	-	1,795,188	1,795,188
Farm education center	28,355	-	-	28,355
Humane services	3,385,883	-	-	3,385,883
Total program services	3,414,238	-	1,795,188	5,209,426
Supporting services				
Management and general	260,151	-	-	260,151
Development	738,985	-	-	738,985
Depreciation	273,839	-	-	273,839
<b>Total expenses</b>	<b>4,687,213</b>	<b>-</b>	<b>1,795,188</b>	<b>6,482,401</b>
<b>Change in net assets</b>	<b>(951,999)</b>	<b>1,138,111</b>	<b>(34,902)</b>	<b>151,210</b>
<b>Net assets at beginning of year</b>	<b>13,115,834</b>	<b>-</b>	<b>(3,629)</b>	<b>13,112,205</b>
<b>Net assets at end of year</b>	<b>\$ 12,163,835</b>	<b>\$ 1,138,111</b>	<b>\$ (38,531)</b>	<b>\$ 13,263,415</b>

The accompanying notes are an integral part of the financial statements.

**SPCA CINCINNATI**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ending December 31, 2018

	Program Services				Management and General	Development	Totals	
	Animal Control	Farm Education Center	Humane Services	Total Programs			2018	Memo Only 2017
Salaries	\$ 879,422	\$ -	\$ 1,380,582	\$ 2,260,004	\$ 150,210	\$ 222,169	\$ 2,632,383	\$ 2,617,697
Benefits and taxes	199,094	-	255,505	454,599	28,540	42,212	525,351	592,630
Total salaries and related costs	1,078,516	-	1,636,087	2,714,603	178,750	264,381	3,157,734	3,210,327
Advertising	-	-	-	-	-	36,805	36,805	41,605
Building/maintenance	80,839	15,661	107,259	203,759	-	-	203,759	184,571
Communications	33,451	2,350	16,761	52,562	-	-	52,562	57,818
Contracted services	9,600	-	13,201	22,801	22,801	-	45,602	56,771
Insurance expense	26,098	150	52,196	78,444	-	-	78,444	66,806
Interest	-	-	7,009	7,009	-	-	7,009	9,920
Kennel - med/vet/clinic	279,550	-	1,004,078	1,283,628	-	-	1,283,628	1,099,783
Kennel - supplies	75,693	-	227,078	302,771	-	-	302,771	282,402
Miscellaneous	42,008	930	59,137	102,075	420	13,834	116,329	105,225
Printing/postage	-	-	-	-	-	8,922	8,922	12,106
Professional fees	24,935	1,250	81,666	107,851	58,180	200	166,231	143,980
Supplies	24,607	222	57,600	82,429	-	-	82,429	74,752
Third party fund raising	-	-	-	-	-	414,683	414,683	374,057
Training	13,125	-	24,374	37,499	-	-	37,499	16,961
Travel/vehicles	38,339	-	3,020	41,359	-	160	41,519	55,977
Uniforms	9,638	-	-	9,638	-	-	9,638	9,657
Utilities	58,789	7,792	96,417	162,998	-	-	162,998	160,379
Total expenses before depreciation	1,795,188	28,355	3,385,883	5,209,426	260,151	738,985	6,208,562	5,963,097
Depreciation, unallocated	-	-	-	-	-	-	273,839	267,864
Total expenses	<u>\$ 1,795,188</u>	<u>\$ 28,355</u>	<u>\$ 3,385,883</u>	<u>\$ 5,209,426</u>	<u>\$ 260,151</u>	<u>\$ 738,985</u>	<u>\$ 6,482,401</u>	<u>\$ 6,230,961</u>

The accompanying notes are an integral part of the financial statements.



<b>SPCA CINCINNATI</b> <b>STATEMENT OF CASH FLOWS</b> <b>For the Year Ending December 31, 2018</b>
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	<u>2018</u>
<b>Cash flows from operating activities</b>	
Change in net assets	\$ 151,210
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation and amortization	273,839
Gain on disposal of property and equipment	(1,639)
Unrealized (gain)/loss on investments	(75,172)
(Increase) decrease in operating assets:	
Other assets and deposits	161,648
Estates/Trusts receivable	537,878
Accounts receivable	201,695
Pledges receivable	(36,000)
Increase (decrease) in operating liabilities:	
Accounts payable	(19,996)
Other liabilities	14,513
<b>Net change in cash from operating activities</b>	<u>1,207,976</u>
<b>Cash flows from investing activities</b>	
Purchases of investment securities	(112,891)
Proceeds from disposal of property and equipment	16,040
Purchase of property and equipment	(256,238)
<b>Net change in cash from investing activities</b>	<u>(353,089)</u>
<b>Cash flows from financing activities</b>	
Proceeds from new note payable	47,217
Proceeds from new capital leases	54,672
Payments on capital leases	(51,282)
<b>Net change in cash from financing activities</b>	<u>50,607</u>
<b>Net change in cash and cash equivalents</b>	905,494
<b>Beginning cash and cash equivalents</b>	<u>1,391,756</u>
<b>Ending cash and cash equivalents</b>	<u><u>\$ 2,297,250</u></u>
<b>Supplemental data</b>	
Interest paid	<u>\$ 7,009</u>
Non-cash in-kind contributions	<u>\$ 236,896</u>

The accompanying notes are an integral part of the financial statements.

<b>SPCA CINCINNATI</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>December 31, 2018</b>
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## **ORGANIZATION**

Founded in 1907, the Hamilton County Society for the Prevention of Cruelty to Animals, doing business as SPCA Cincinnati (Organization) is a not-for-profit corporation organized to provide a means to prevent cruelty to animals throughout Hamilton County and the State of Ohio. The Organization's mission is to be a driving force in promoting animal welfare, strengthening the human-animal bond, providing humane education and eliminating pet overpopulation.

The Organization also has a contractual agreement with the Hamilton County, Ohio Board of Commissioners to furnish facilities, materials, and personnel to perform the necessary services for the housing, feeding, veterinary care, and humane disposal of unlicensed stray dogs within Hamilton County, Ohio. Contractual compensation under this contract is subject to state audit and funds received and related expenses incurred in relation to this contract are presented separately in the financial statements.

The Organization is a non-profit organization exempt from tax under Internal Revenue Code Section 501(c)(3) and the Internal Revenue Service has determined the Organization is not a "private foundation" within the meaning of Section 509(a) of the Code.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

### Concentration of Credit Risk

The Organization maintains its cash in bank deposits, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in these accounts. The Organization believes it is not exposed to any significant credit risk on cash.

### Interest Rate Risk

In accordance with the Organization's policy, interest rate risk is limited by investing in diversified portfolios with a combination of the highest rate of return and the lowest risk to ensure maximum security of principal. Investments are undertaken in a manner that seeks to ensure the preservation of capital in its portfolio.

<b>SPCA CINCINNATI</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>December 31, 2018</b>
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Credit Risk

The Organization limits its investments to diversified, managed portfolios which contain funds with varying credit ratings applied. Because of the diversity of these funds, the credit risk of the investments, in the aggregate, is reduced to an acceptable level.

Custodial Credit Risk

For deposits, this is the risk that, in the event of a bank failure, the Organization's deposits will not be returned. The cash and cash equivalents balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2018, the Organization had collected balances of approximately \$66,996 at PNC Bank and \$676,338 at Miami Savings Bank in excess of the FDIC insured limits.

Revenue Concentration Risk

The Organization received 26.4% of its total revenues from contracts with the Hamilton County, Ohio Board of Commissioners for dog warden services.

Contributions

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, those net assets are reported in the statement of activities as net assets released from restrictions. Unconditional promises to give are recorded at their net realizable value. Gifts are considered to be available for unrestricted use or designation by the governing board unless specifically restricted by the donor. Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated fair values at date of receipt.

Allowance for Doubtful Accounts

The Organization had pledges receivable of \$36,000 at December 31, 2018. The Organization does not utilize an allowance for doubtful accounts.

Property and Equipment

Property and equipment are stated at cost except for donated property, which is capitalized at the estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over 5 – 40 years.

Net Assets

Resources are classified into two net asset categories according to the existence or absence of donor-imposed restrictions. A description of the two net asset categories, as applied to the Organization is as follows:

- 1) Net assets without donor restrictions – Net assets available for general use and not subject to donor restrictions:
  - Undesignated net assets include the assets and liabilities associated with the principal mission of the Organization, including its net property and equipment. Board designated net assets can be an internally tracked subset of this category. This includes net assets which the board has determined should be invested for future needs of the Organization.
- 2) Net assets with donor restrictions:
  - Include grants and contributions subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of

<b>SPCA CINCINNATI</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>December 31, 2018</b>
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the Organization and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

Functional Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities, and accordingly, certain costs have been allocated between the program and supporting services.

Inventories

Inventories are stated at cost. Cost is determined under the First-In, First-Out (FIFO) method.

In-Kind Donations

The organization receives donations of pet food, pet medications, and pet supplies on an in-kind basis. The amounts of these donations were estimated to be \$236,896 as of December 31, 2018 and are recorded as revenues and as offsetting expenses of the same amount.

**NOTE B – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

At December 31, 2018, the Organization had investments consisting of various public company stock equities. The market value of these investments was \$4,446,025 with \$202,778 of this amount classified as cash or cash equivalents on the balance sheet for a net investment balance of \$4,243,247.

Investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments are Level 1 investments. Level 1 investments are investments that have readily observable prices, are bought and sold on an open market, and whose prices have a reliable fair market value. There are no Level 2 or Level 3 investments.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2018, are as follows:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Equity securities:				
Cincinnati Financial	\$ 4,221,219	\$ 4,221,219	\$ -	\$ -
Procter and Gamble Co.	22,028	22,028	-	-
Total equity securities	<u>4,243,247</u>	<u>4,243,247</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents				
PNC Money Fund	202,778	202,778	-	-
Total investments	<u>\$ 4,446,025</u>	<u>\$ 4,446,025</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE C – PLEDGES RECEIVABLE**

The Organization often receives unconditional promises to give cash from unrelated donors. These pledges receivable are included in the financial statements at the pledged value. Total pledges receivable at December 31, 2018 was \$36,000.

<b>SPCA CINCINNATI</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>December 31, 2018</b>
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**NOTE D – PROPERTY AND EQUIPMENT**

The Organization has elected to capitalize assets with a cost of \$500 or more. Capital assets are depreciated using the straight-line method and charged as an expense against operations; total capital assets and accumulated depreciation are reported on the statement of net position. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40 years
Vehicles	5 years
Furniture and equipment	5 years

Property and Equipment includes:

Asset	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
<b>Colerain Facility</b>				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Buildings	1,298,824	11,900	-	1,310,724
Furniture and equipment	354,297	30,486	-	384,783
<b>Conrey Road Facility</b>				
Land	400,000	-	-	400,000
Buildings	6,500,924	-	-	6,500,924
Furniture and equipment	667,039	140,801	-	807,840
<b>Simmonds Farm</b>				
Land	176,750	-	-	176,750
Buildings	237,243	-	-	237,243
Furniture and equipment	74,330	-	-	74,330
Vehicles	653,575	73,051	(29,777)	696,849
Subtotal	10,437,982	256,238	(29,777)	10,664,443
Less: accum. depreciation	(3,979,631)	(273,839)	15,376	(4,238,094)
Property and equipment, net	<u>\$ 6,458,351</u>	<u>\$ (17,601)</u>	<u>\$ (14,401)</u>	<u>\$ 6,426,349</u>

**NOTE E – BENEFICIAL INTEREST IN TRUST FUND ASSETS HELD BY OTHERS**

The Organization has unconditional rights to distributions from the following trusts. The fair values of these beneficial interest trusts at December 31, 2018 are as follows:

Trust Name	Trust Type	Fair Value at December 31, 2018
Eliabeth Miller Irrevocable Charitable Trust	Perpetual	\$ 387,448
Carole C. & Charles Kehrer Charitable Trust	Perpetual	152,313
Total Beneficial Interest in Trusts		<u>\$ 539,761</u>

<b>SPCA CINCINNATI</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>December 31, 2018</b>
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**Perpetual Trusts** – The Organization is the recipient of investment income from two perpetual trusts:

The Elizabeth Miller Irrevocable Charitable Trust – The Miller Trust was established in the early 1900's and is permanently in trust, currently with PNC Bank, with the Organization as its sole beneficiary. The Organization receives quarterly interest payments on the corpus of this trust. The market value of this trust at December 31, 2018 was \$425,210 and the beneficial interest was \$387,448. During 2018, the unrestricted income received from this trust was \$17,281; the fees and charges to manage the trust was \$4,862.

The Carole C. & Charles A. Kehrer Charitable Trust – The Kehrer Trust was established in 2012 and is permanently in trust, currently with Raymond James Financial, with the Organization as a 5% beneficiary. The Organization receives quarterly interest payments on the corpus of this trust. The market value of this trust at December 31, 2018 was \$3,046,254 and the beneficial interest was \$152,313. During 2018, the unrestricted income received from this trust was \$14,275; the fees and charges to manage the trust was \$48,243.

**Other Trusts** – The Organization has also been named as the beneficiary in three other remainder trusts whose value cannot currently be ascertained due to conditions in the individual trust documents. The following amounts are for disclosure purposes only and are not yet recognized in the financial statements:

The Flora R. Ploss Remainder Trust – The Organization has been designated to receive 100% of trust balance on the death of a designated family member. This amount is currently estimated to be \$1,082,166 and the estimated beneficial interest is \$1,082,166.

Phyllis Romanow Charitable Remainder Unitrust – The Organization has been designated to receive 25% of trust balance on the death of a designated family member. This amount is currently estimated to be \$137,894 and the estimated beneficial interest is \$34,473.

Arthur Romanow Charitable Remainder Unitrust – The Organization has been designated to receive 25% of trust balance on the death of a designated family member. This amount is currently estimated to be \$174,474 and the estimated beneficial interest is \$43,619.

#### **NOTE F – RETIREMENT PLAN**

The Organization maintains a contributory retirement plan under Section 403(b) of the Internal Revenue Code. Employee contributions are discretionary. The Organization has elected to match employee contributions up to a maximum of 6% of gross pay. The Organization made \$32,763 in contributions to the plan for the year ended December 31, 2018.

#### **NOTE G – LEASES**

##### Capital Leases

The Organization has both vehicles and equipment under capital leases at December 31, 2018. These vehicles and equipment are included at cost as fixed assets on the balance sheet and are being depreciated based on their respective asset category.

<b>SPCA CINCINNATI</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>December 31, 2018</b>
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The following is a listing of the vehicles and equipment under capital lease and the remaining lease balances:

Item Leased	Lease Date	Maturity Date	Asset Cost	Term (Mo.)	Remaining Balance
2014 Kennels Conrey	7/30/2014	7/30/2019	\$ 41,011	60	\$ 5,465
2016 Ford Explorer	12/10/2015	12/10/2020	27,471	60	12,516
2015 Ford Transit	12/29/2016	12/29/2022	42,039	72	29,398
2015 Ford Transit	12/29/2016	12/29/2022	42,039	72	29,398
Colerain Front Office HVAC	7/6/2018	7/9/2023	11,900	60	11,035
2018 Chevrolet Silverado	6/29/2018	6/30/2021	30,772	36	25,350
Capital Lease Balance					\$ 113,162

The 2016 Ford explorer leased in December of 2015 and the 2018 Chevrolet Silverado leased in June of 2018 both have a balloon payment at the end of the lease period of \$12,000. At the end of the 60-month maturity period, these amounts will be eligible for a follow-on lease, a note, or full payment. This balloon payment is currently held as a long-term liability.

The following is a summary of future lease payments required to fulfill the leasing contracts:

Year	Principal Amount	Interest Amount	Total Debt Service
2019	\$ 38,161	\$ 4,858	\$ 43,019
2020	33,964	728	34,692
2021	21,690	2,126	23,816
2022	18,397	593	18,990
2023	950	653	1,603
Totals	\$ 113,162	\$ 8,958	\$ 122,120

#### **NOTE H – LINES OF CREDIT**

The Organization has two revolving lines of credit with PNC Bank, one for \$50,000 and one for \$325,000, for a maximum of \$375,000, which is secured by Organization investment funds. At December 31, 2018, the total amount drawn on the lines of credit was \$0 leaving an available balance of \$375,000.

#### **NOTE I – PROMISSORY NOTE**

On December 3, 2018, the organization purchased an x-ray machine and wrote a promissory note to CFC Investment Company to finance the equipment. The loan has monthly payments of \$902. The terms of the note are 5 years at an interest rate of 5.505%. The equipment serves as collateral for the note.

<b>SPCA CINCINNATI</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>December 31, 2018</b>
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**NOTE J – DEBT SUMMARY**

The following is a summary of the changes in the Organization’s debt during 2018, and the balances that exist at December 31, 2018:

Debt type	Balance at December 31, 2017	Additions	Principal Payments	Balance at December 31, 2018	Current Portion
Capital leases	\$ 121,772	\$ 42,672	\$ (51,282)	\$ 113,162	\$ 34,686
Lease balloon payments	12,000	12,000	-	24,000	-
Promissory note	-	47,217	-	47,217	8,436
Totals	<u>\$ 133,772</u>	<u>\$ 101,889</u>	<u>\$ (51,282)</u>	<u>\$ 184,379</u>	<u>\$ 43,122</u>

**NOTE K – FUND RAISING**

The Organization received total solicited revenues of \$1,697,228 from its fund raising and direct mail activities and \$544,419 from special events activities. The Organization incurred direct, related expenses from both activities of \$660,409 for the year ended December 31, 2018.

**NOTE L – DONATED SERVICES**

The Organization receives services of volunteers who donate their time to administrative and oversight services to the Organization. These contributed services do not meet the requirements for recognition in the financial statements.

**NOTE M – RELATED PARTY TRANSACTIONS**

A board member for the Organization is a member of the Board of Directors of a publicly traded for-profit corporation. The Organization leases equipment and vehicles, under capital leases as described in NOTE H above, from a finance company which is a subsidiary of that corporation. Additionally, the board member is also a member of the board of an insurance company and the Chief Executive Officer of an insurance brokerage company. The Organization purchases insurance through the brokerage, which is written by the insurance company. During 2018, insurance premiums in the amount of \$78,444 were paid to the insurance brokerage. The Organization’s board believes that the pricing of the policies and the financial leases described above were compatible to the pricing from other sources for similar lease financing and insurance coverage available at the time of purchase.

**NOTE N – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. As part of the Organization’s liquidity management, it invests cash in investments, typically equity securities.



<b>SPCA CINCINNATI</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>December 31, 2018</b>
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The Organization has the following amounts that are available for use within one year for general purposes:

	2018
Cash and cash equivalents	\$ 2,297,250
Investments at market rate	4,243,247
Estates/Trusts receivable	100,322
Accounts receivable	11,136
Pledges receivable	36,000
Subtotal financial assets, at year end	<u>6,687,955</u>
Less assets unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	(84,743)
Board designations:	
Amounts set aside for capital projects	<u>(513,607)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 6,089,605</u>

**NOTE O – ADOPTION OF ASU-2016-14**

At December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities.*" Effective for fiscal years beginning after December 15, 2017, ASU 2016-14 reduces the number of classes of assets from three to two, requires the presentation of expenses in both natural and functional classifications, and enhances disclosures regarding liquidity and availability of financial assets.

**NOTE P– SUBSEQUENT EVENTS**

The Organization's management has evaluated events through May 1, 2019, the date on which the financial statements were available for issue. The Organization did not have any events subsequent to December 31, 2018 through May 1, 2019, to disclose.