



Virginia Beach Society for the Prevention of Cruelty to Animals

**VIRGINIA BEACH SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**

FINANCIAL REPORT

AUGUST 31, 2021



ASSURANCE, TAX & ADVISORY SERVICES

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Virginia Beach Society for the Prevention of Cruelty to Animals

Report on the Financial Statements

We have audited the accompanying financial statements of the Virginia Beach Society for the Prevention of Cruelty to Animals (the "Organization") which comprise the statement of financial position as of August 31, 2021, the related statements 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 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 Virginia Beach Society for the Prevention of Cruelty to Animals as of August 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PBMares, LLP

Norfolk, Virginia
January 24, 2022

FINANCIAL STATEMENTS

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF FINANCIAL POSITION

August 31, 2021

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 184,126
Accounts receivable, net	63,647
Bequests receivable	994,000
Inventory	36,971
Prepaid insurance and expenses	28,897
Total current assets	<u>1,307,641</u>
Property and Equipment, net	1,752,463
Other Assets	
Investments	2,365,772
Total assets	<u><u>\$ 5,425,876</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 183,136
Accrued expenses	182,531
Deferred revenue	38,014
Lines of credit	426,215
Capital lease, current portion	13,025
Total current liabilities	<u>842,921</u>
Long-Term Liabilities	
Capital lease, net of current portion	14,749
Total liabilities	<u>857,670</u>
Net Assets	
Without donor restrictions	4,499,250
With donor restrictions	68,956
Total net assets	<u>4,568,206</u>
Total liabilities and net assets	<u><u>\$ 5,425,876</u></u>

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF ACTIVITIES

Year Ended August 31, 2021

Change in Net Assets Without Donor Restrictions	
Support and revenue:	
Public veterinary clinic medical fees	\$ 1,764,716
Contributions	2,712,403
Adoptions	359,925
Special events, net of expenses	32,849
Retail sales	45,740
In-kind contributions	367,740
Miscellaneous	5,962
Investment income	415,633
Net assets released from restriction	<u>177,147</u>
Total support and revenue without donor restrictions	<u>5,882,115</u>
Expenses	
Program services	4,111,402
Supporting services, management and general	195,059
Supporting services, fundraising	<u>511,117</u>
Total expenses	<u>4,817,578</u>
Gain on disposal of property and equipment	<u>841</u>
Change in net assets without donor restrictions	<u>1,065,378</u>
Change in Net Assets With Donor Restrictions	
Investment income	110
Grants	224,489
Net assets released from restriction	<u>(177,147)</u>
Change in net assets with donor restrictions	<u>47,452</u>
Change in net assets	1,112,830
Net Assets, beginning of year	<u>3,455,376</u>
Net Assets, end of year	<u><u>\$ 4,568,206</u></u>

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2021

	Program Services	Supporting Services		Total Functional Expenses
		Management and General	Fundraising	
Advertising and marketing	\$ 297,655	\$ -	\$ -	\$ 297,655
Animal care supplies	245,393	-	-	245,393
Animal medical care	815,701	-	-	815,701
Communications and IT	51,132	4,635	17,487	73,254
Cost of goods sold	26,729	-	-	26,729
Depreciation and amortization	114,102	15,907	20,367	150,376
Facilities	249,985	34,850	44,622	329,457
Fundraising expenses	-	-	32,528	32,528
Interest and portfolio fees	28,405	3,960	5,070	37,435
Legal and professional fees	108,841	6,298	8,403	123,542
Operation expenses	36,005	2,169	2,777	40,951
Processing and banking fees	32,712	4,560	5,839	43,111
Salaries and benefits	1,927,964	119,922	347,976	2,395,862
Staff training	20,196	1,267	1,622	23,085
Taxes and licenses	140,968	1,491	24,426	166,885
Transportation	15,614	-	-	15,614
Total expenses	<u>\$ 4,111,402</u>	<u>\$ 195,059</u>	<u>\$ 511,117</u>	<u>\$ 4,817,578</u>

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF CASH FLOWS

Year Ended August 31, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ 1,112,830
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Gain on disposal of property and equipment	(841)
Depreciation and amortization	150,376
Realized and unrealized gains on investments	(374,289)
Dividend and interest income reinvested	(41,454)
Change in operating assets and liabilities:	
Accounts receivable	207
Bequests receivable	(994,000)
Inventory	516
Prepaid insurance and expenses	(10,183)
Accounts payable	29,088
Deferred revenue	38,014
Accrued expenses	133,600
Net cash provided by operating activities	43,864
Cash Flows from Investing Activities	
Purchases of property and equipment	(88,409)
Proceeds from disposal of property and equipment	2,100
Proceeds from sale of investments	775,260
Purchases of investments	(560,474)
Net cash provided by investing activities	128,477
Cash Flows from Financing Activities	
Repayments on lines of credit	(725,000)
Borrowings on lines of credit	405,000
Principal payments on capital lease obligation	(12,484)
Net cash used in financing activities	(332,484)
Net decrease in cash and cash equivalents	(160,143)
Cash and Cash Equivalents	
Beginning	344,269
Ending	\$ 184,126
Supplemental Disclosures of Cash Flow Information	
Cash paid during the year for interest	\$ 22,760
Supplemental Disclosure of Non-Cash Activities	
In-kind donations	367,740

See Notes to Financial Statements.

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: The Virginia Beach Society for the Prevention of Cruelty to Animals (the Organization) is a Virginia non-stock, not-for-profit corporation, engaged in the prevention of cruelty to animals, including, but not limited to, the operation of an animal shelter, low income veterinary clinic and the education of the community with regard to animal welfare and humane issues.

Basis of presentation: The financial statements have been prepared using the accrual method of accounting. The Organization is required to report information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of donor restrictions: net assets with donor restrictions and net assets without donor restrictions. Support that is restricted by the donor is however, reported as an increase in net assets without donor restrictions if the restriction expires or is otherwise satisfied in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires or is otherwise satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and presented as “net assets released from restriction” in the accompanying statement of activities.

Use of estimates: The preparation of the Organization's 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 and assumptions.

Cash and cash equivalents: Cash and cash equivalents includes all monies in banks and highly liquid investments with original maturity dates less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts receivable: Accounts receivable consist of trade receivables at amounts billed less an allowance for doubtful accounts. As of August 31, 2021, \$2,990 of employee receivables for clinical services were included in accounts receivable. Management considers all trade receivables over 30 days to be past due. Management's determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past collection experience, current economic conditions, and other risks inherent in the receivable portfolio. The allowance for doubtful accounts was \$8,507 at August 31, 2021.

Bequests receivable: Bequests are recognized when a legally enforceable document is received or a will has been validated after a donor's passing and when a fair value can be reasonably estimated. At August 31, 2021, the Organization had \$994,000 of bequests receivable.

Inventory: Inventory consists of pet supplies maintained and sold and is stated at the lower of cost (first-in/first-out) or net realizable value.

Investments: The Organization's investments are recorded at fair value. Realized gains and losses are determined on the basis of actual cost of the securities sold. Realized and unrealized gains and losses are included in investment income in the statement of activities. Fees related to the investments were \$14,675 in 2021. These fees are included within interest and portfolio fees expense in the accompanying statement of functional expenses.

Additional disclosures on investments have been included in Note 10.

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are stated at cost if purchased or fair value as of the date of gift if donated. Depreciation and amortization of property and equipment is provided using the straight-line method over estimated useful lives of 3 to 39 years. Assets having a cost of \$1,000 or greater and an expected life of more than one year are capitalized.

Revenue recognition: Revenue derived from exchange transactions such as public veterinary clinic medical fees, adoptions and retail sales are recognized at a point in time when services are performed or products are provided. Contributions and grants are recognized as revenue when received or when an unconditional promise to give is made.

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

Adoptions and public veterinary clinic medical fee revenues are primarily recognized at a point in time when services are delivered. The Organization enters into various grant agreements. Revenue relating to these agreements is recognized in accordance with the terms and conditions included therein. Grants are evaluated to determine if they represent an exchange transaction or contribution. If determined to be an exchange transaction, the grant is recognized as expenses are incurred.

Functional allocation of expenses: The costs of providing various program services and supporting activities have been allocated on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated by management among the program and supporting services benefitted based on various methodologies.

Advertising costs: The Organization expenses advertising costs as incurred. Total advertising expense for the year ended August 31, 2021 was \$297,655.

Income taxes: The Organization is a not-for-profit organization organized under Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal and state income taxes, except on net income, if any, generated from unrelated business income.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization's management has evaluated the impact of this guidance to its financial statements. The Organization is not aware of any material uncertain tax positions, and has not accrued the effect of any uncertain tax positions as of August 31, 2021.

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

The Organization's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date the returns are filed. Any interest and penalties incurred by the Organization in connection with its tax positions are included in the accompanying statement of functional expenses as interest and penalties expense, respectively.

Donated materials, services and facilities: Donated goods and services are recorded based on fair value as of the date received for the donated goods and the estimated number of hours at an estimated hourly rate of the persons performing the services. These contributed goods and services are reflected in the accompanying financial statements as in-kind contributions as well as kennel and animal supplies expense, cost of events and direct mail expense, and office expense as appropriate. During the year ended August 31, 2021, the Organization received \$367,740 in donated goods and services.

No amounts have been reflected in the financial statements for donated volunteer services in as much as no objective basis is available to measure the value of such services and the requirements for recognition in the financial statements have not been met; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's programs and events.

Special events: Special events revenue is reported net of related expenses totaling \$1,880 in 2021.

Adopted accounting pronouncements: During the year ended August 31, 2021, the Organization adopted FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) using a modified retrospective method. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. The adoption of ASU 2014-09 did not impact the Organization's revenue recognition methodologies.

New accounting pronouncements: In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. In ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. This ASU requires a modified retrospective transition approach, which includes a number of optional practical expedients, described in ASU 2016-02, which may be applied. The ASU is effective for fiscal years beginning after December 15, 2021. The impact of the new standard has not been determined; however, it is expected that there will be an increase in the Organization's assets and liabilities.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Not-for-profits will be required to provide additional information on the contributions of nonfinancial assets they receive under a new accounting standard issued. Contributed nonfinancial assets can include fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities; materials and supplies, such as food, clothing, or pharmaceuticals; intangible assets; and recognized contributed services.

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

The new ASU requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets. The ASU is effective for fiscal years beginning after June 15, 2021. The Organization is currently evaluating the impact of the pending adoption of ASU 2020-07 on the financial statements.

Note 2. Liquidity and Availability

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of August 31, 2021, the following financial assets and liquidity resources without donor or other restrictions are available to meet annual operating needs of the Organization.

Financial assets:

Cash and cash equivalents	\$ 184,126
Accounts receivable	63,647
Investments	<u>2,365,772</u>
Total financial assets available within one year	<u>2,613,545</u>

Liquidity resources:

Bank lines of credit	<u>823,785</u>
Total financial assets and liquidity resources available within one year	<u>\$ 3,437,330</u>

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and lines of credit. See Note 11 for information about the Organization's lines of credit.

Note 3. Bequests Receivable

In April 2021, the Organization was notified of an executed will in which the Organization was included as a beneficiary. The Organization has recorded a bequest receivable at August 31, 2021 totaling \$898,000. In September and November 2021, the Organization received \$600,000 and \$298,000, respectively. Additional amounts may be received from this bequest in the future but due to uncertainty as to the amount or timing, the Organization has elected not to accrue additional amounts at August 31, 2021.

In August 2021, the Organization was notified of an executed will in which the Organization was included as a beneficiary. The Organization has recorded a bequest receivable at August 31, 2021 totaling \$96,000. In September 2021, the Organization received \$96,000. Additional amounts may be received from this bequest in the future but due to uncertainty as to the amount or timing, the Organization has elected not to accrue additional amounts at August 31, 2021.

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 4. Property and Equipment

A summary of property and equipment follows:

Land	\$ 121,264
Buildings	1,134,504
Furniture, fixtures and equipment	1,163,530
Building improvements	797,189
Building expansion	<u>1,629,432</u>
	4,845,919
Less accumulated depreciation	<u>3,093,456</u>
	<u><u>\$ 1,752,463</u></u>

Note 5. Capital Lease

The Organization is the lessee of equipment under a capital lease. The asset and liability under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Amortization of the asset under the capital lease is included in depreciation and amortization expense for the fiscal year 2021.

Following is a summary of property held under capital lease:

ProCyte Dx Analyzer	\$ 79,129
Accumulated amortization	<u>(50,869)</u>
	<u><u>\$ 28,260</u></u>

Minimum future lease payments under the capital lease as of August 31, 2021 are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 13,954
2023	13,954
2024	<u>1,163</u>
Net minimum lease payments	29,071
Amount representing interest	<u>(1,297)</u>
Present value of net minimum lease payments	27,774
Less current portion	<u>(13,025)</u>
Long-term portion of lease payments	<u><u>\$ 14,749</u></u>

The interest rate on the capitalized lease is 4.25% and is imputed based on the lower of the Organization's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 6. Lease Commitments

The Organization leases copier and postage meter equipment under non-cancellable operating leases.

Future minimum lease commitments for the years ending August 31 are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 24,256
2023	5,686
2024	<u>1,452</u>
	<u>\$ 31,394</u>

Note 7. Concentrations

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) provides insurance up to \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits.

The Organization's revenue sources and accounts receivable are concentrated as most of the customers and donors are located in the same geographic region.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2021 included amounts restricted for the following:

Subject to expenditure for specified purpose:

Unexpended contributions and interest for education purposes	\$ 65,330
Unexpended investment income for future years	<u>1,626</u>
Total	66,956
Endowment fund restricted in perpetuity	<u>2,000</u>
Total net assets with donor restrictions	<u>\$ 68,956</u>

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 9. Net Assets Released from Restriction

Net assets released from restriction by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by grantors or donors during the year ended August 31, 2021 include the following:

Amounts expended for senior dogs	\$ 1,658
Amounts expended for purchase of equipment and leasehold improvements	115,000
Amounts expended for various designated expenses	<u>60,489</u>
Total net assets released from restriction	<u><u>\$ 177,147</u></u>

Note 10. Investments

The Organization records certain assets at fair value on a recurring basis. Fair value is the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Accounting standards specify a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. The three levels of the fair value hierarchy based on these three types of inputs are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs used in the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 10. Investments (Continued)

The following tables present the financial instruments carried at fair value based on the ASC Topic 820 valuation hierarchy as of August 31, 2021:

	August 31, 2021			
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Corporate Bonds	\$ -	\$ 679,474	\$ -	\$ 679,474
Mutual Funds - cash equivalents	80,697	-	-	80,697
Common Stocks	1,484,957	-	-	1,484,957
U.S. Treasury Obligations	120,644	-	-	120,644
	\$ 1,686,298	\$ 679,474	\$ -	\$ 2,365,772

The following describes the valuation methodologies used by the Organization to measure certain assets and liabilities recorded at fair value on a recurring basis in the financial statements:

Common stocks, mutual funds and U.S. Treasury obligations - Consist of investments valued based on quoted market prices in active markets (Level 1).

Corporate bonds - Consist of investments valued based on observable inputs including quoted prices in active markets for similar assets, quoted prices for identical or similar assets in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market (Level 2).

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

Investment income, including realized and unrealized gains (losses), dividends and interest is included in the statement of activities.

Investment income included the following:

	Year ended August 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 41,419	\$ 35	\$ 41,454
Realized and unrealized gains, net	374,214	75	374,289
Total	\$ 415,633	\$ 110	\$ 415,743

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 11. Lines of Credit

The Organization has a revolving line of credit with TowneBank for \$500,000 to be drawn upon as needed. Payments of interest only are due monthly and principal plus all unpaid accrued interest is due on demand. Amounts advanced and due under the agreement accrue interest at the variable *Wall Street Journal* Prime Rate with a minimum rate of 4.25%. The interest rate was 5.25% at August 31, 2021. The balance on the line of credit was \$60,715 at August 31, 2021. The line is collateralized by all assets, described in a security agreement executed between the Organization and TowneBank. In September 2021, the line of credit was increased to \$750,000.

The Organization has a revolving line of credit with Truist Bank (formerly SunTrust Bank) for \$500,000 to be drawn upon as needed. Payments of interest only are due monthly and principal plus all unpaid accrued interest is due on demand. Amounts advanced and due under the agreement accrue interest at the variable *Wall Street Journal* Prime Rate. The interest rate at August 31, 2021 was 3.25%. The balance on the line of credit was \$365,500 at August 31, 2021. The line is collateralized by all assets, described in a security agreement executed between the Organization and Truist Bank. There is no stated maturity or renewal date for this line of credit.

Note 12. Related Party Transactions

The Organization's related party transactions during the year ended August 31, 2021 were related to contributions by members of the Board of Directors and receivables from employees (as previously disclosed in Note 1).

During the year ended August 31, 2021, the Organization received \$24,269 in contributions from Board members. Additionally, various Board members provided pro bono legal advice and other services to the Organization during 2021.

Note 13. Risk and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization.

VIRGINIA BEACH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 14. Subsequent Events

The Organization has evaluated all events subsequent to August 31, 2021 through January 24, 2022, which is the date these financial statements were available to be issued. Management has determined that there are no subsequent events that are required to be disclosed pursuant to the FASB ASC except as disclosed in Notes 3 and 11.