The American Society for the Prevention of Cruelty to Animals

Consolidated Financial Statements

December 31, 2019 and 2018

Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The American Society for the Prevention of Cruelty to Animals (the ASPCA), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the ASPCA as of December 31, 2019 and 2018, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, as of January 1, 2018, the ASPCA adopted new accounting guidance related to the Financial Accounting Standards Board Accounting Standard Update 2016-02, *Leases (as amended) (Topic 842)*. Our opinion is not modified with respect to this matter.

Baker Tilly Virchow Krause, LLP

New York, New York
May 14, 2020

The American Society for the Prevention of Cruelty to Animals

Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Assets		
Cash and cash equivalents	$ 40,976,720	$ 19,812,575
Bequests and contributions receivable, net of discount of $9,000 in 2019 and $43,000 in 2018	14,098,940	19,972,783
Other receivables, net of allowance of $104,000 in 2019 and $96,000 in 2018	7,791,383	6,960,782
Prepaid expenses and other assets	3,452,748	3,207,364
Investments	223,648,512	191,194,374
Beneficial interest in trusts held by others	22,177,274	18,384,845
Land, buildings and equipment, net	57,658,526	54,320,942
Right-of-use assets	24,281,666	20,826,551
Total assets	$ 394,085,769	$ 334,680,216
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 17,491,904	$ 14,569,889
Grants payable	1,535,699	3,991,906
Other liabilities	140,454	61,357
Annuity obligations	6,620,168	8,282,272
Operating leases liabilities	28,513,477	25,140,766
Total liabilities	54,301,702	52,046,190
Commitments and Contingencies		
Net Assets		
Net assets without donor restrictions	264,284,623	213,024,673
Net assets with donor restrictions	75,499,444	69,609,353
Total net assets	339,784,067	282,634,026
Total liabilities and net assets	$ 394,085,769	$ 334,680,216

See notes to consolidated financial statements

The American Society for the Prevention of Cruelty to Animals

Consolidated Statement of Activities and Change in Net Assets
Year Ended December 31, 2019
(With Summarized Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	2018
Operating Support and Revenues				
Contributions, memberships, grants and sponsorships	$ 187,920,759	$ 14,253,505	$ 202,174,264	$ 194,153,155
Shelter and veterinary service fees	14,295,598	-	14,295,598	13,734,592
Bequests and trusts	32,127,143	15,040,174	47,167,317	42,877,234
Royalties, licenses and other	8,361,871	-	8,361,871	9,451,633
Net assets released from donor restrictions	28,379,973	(28,379,973)	-	-
Total operating support and revenues	271,085,344	913,706	271,999,050	260,216,614
Operating Expenses				
Program expenses:				
Shelter and veterinary services	86,448,341	-	86,448,341	77,674,754
Public education and communications	54,145,558	-	54,145,558	47,731,357
Policy, response and engagement	36,583,186	-	36,583,186	37,190,054
Grants	15,867,869	-	15,867,869	13,953,312
Total program expenses	193,044,954	-	193,044,954	176,549,477
Supporting expenses:				
Membership development and fundraising	48,100,559	-	48,100,559	51,565,776
Management and general	9,696,826	-	9,696,826	11,907,525
Total supporting expenses	57,797,385	-	57,797,385	63,473,301
Total operating expenses	250,842,339	-	250,842,339	240,022,778
Change in net assets from operating activities	20,243,005	913,706	21,156,711	20,193,836
Nonoperating Activities				
Net investment return (loss)	31,016,945	1,213,795	32,230,740	(9,678,174)
Net appreciation (depreciation) on beneficial interest in trusts held by others	-	3,762,590	3,762,590	(2,527,180)
Loss on settlement and curtailment of defined benefit pension plan	-	-	-	(8,208,682)
Contributions related to endowment	-	-	-	15,663
Total nonoperating activities	31,016,945	4,976,385	35,993,330	(20,398,373)
Change in net assets before pension adjustment	51,259,950	5,890,091	57,150,041	(204,537)
Pension Liability Adjustment	-	-	-	9,214,114
Change in net assets	51,259,950	5,890,091	57,150,041	9,009,577
Net Assets, Beginning	213,024,673	69,609,353	282,634,026	273,624,449
Net Assets, Ending	$ 264,284,623	$ 75,499,444	$ 339,784,067	$ 282,634,026

See notes to consolidated financial statements

The American Society for the Prevention of Cruelty to Animals

Consolidated Statement of Activities and Change in Net Assets
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenues			
Contributions, memberships, grants and sponsorships	$ 180,797,266	$ 13,355,889	$ 194,153,155
Shelter and veterinary service fees	13,734,592	-	13,734,592
Bequests and trusts	23,686,950	19,190,284	42,877,234
Royalties, licenses and other	9,451,633	-	9,451,633
Net assets released from donor restrictions	32,860,803	(32,860,803)	-
Total operating support and revenues	260,531,244	(314,630)	260,216,614
Operating Expenses			
Program expenses:			
Shelter and veterinary services	77,674,754	-	77,674,754
Public education and communications	47,731,357	-	47,731,357
Policy, response and engagement	37,190,054	-	37,190,054
Grants	13,953,312	-	13,953,312
Total program expenses	176,549,477	-	176,549,477
Supporting expenses:			
Membership development and fundraising	51,565,776	-	51,565,776
Management and general	11,907,525	-	11,907,525
Total supporting expenses	63,473,301	-	63,473,301
Total operating expenses	240,022,778	-	240,022,778
Change in net assets from operating activities	20,508,466	(314,630)	20,193,836
Nonoperating Activities			
Net investment (loss) return	(10,021,640)	343,466	(9,678,174)
Net depreciation on beneficial interest in trusts held by others	-	(2,527,180)	(2,527,180)
Loss on settlement and curtailment of defined benefit pension plan	(8,208,682)	-	(8,208,682)
Contributions related to endowment	-	15,663	15,663
Total nonoperating activities	(18,230,322)	(2,168,051)	(20,398,373)
Change in net assets before pension adjustment	2,278,144	(2,482,681)	(204,537)
Pension Liability Adjustment	9,214,114	-	9,214,114
Change in net assets	11,492,258	(2,482,681)	9,009,577
Net Assets, Beginning	201,532,415	72,092,034	273,624,449
Net Assets, Ending	$ 213,024,673	$ 69,609,353	$ 282,634,026

See notes to consolidated financial statements

The American Society for the Prevention of Cruelty to Animals

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
(With Summarized Comparative Totals for 2018)

	Program Expenses					Supporting Expenses				
	Shelter and Veterinary Services	**Public Education and Communications**	**Policy, Response and Engagement**	**Grants**	**Total Program Expenses**	**Membership Development and Fundraising**	**Management and General**	**Total Supporting Expenses**	**Total Expenses 2019**	**Total Expenses 2018**
Compensation	$ 43,260,287	$ 4,578,722	$ 16,152,881	$ 697,038	$ 64,688,928	$ 5,874,864	$ 4,603,604	$ 10,478,468	$ 75,167,396	$ 69,810,964
Employee benefits	13,871,685	1,525,773	5,299,542	207,141	20,904,141	1,916,850	1,460,345	3,377,195	24,281,336	23,434,544
Supplies	2,009,382	93,567	718,369	5,936	2,827,254	35,526	56,444	91,970	2,919,224	3,085,676
Telephone	874,538	73,345	326,628	22,252	1,296,763	80,741	109,844	190,585	1,487,348	1,335,033
Postage and shipping	85,371	5,000,651	156,769	1,087	5,243,878	3,278,272	68,278	3,346,550	8,590,428	9,896,648
Rent	3,061,483	8,007	1,371,737	1,430	4,442,657	5,719	266,181	271,900	4,714,557	4,200,022
Repairs and maintenance	1,079,445	2,302	283,226	412	1,365,385	1,657	70,482	72,139	1,437,524	1,352,314
Data processing	1,237,069	3,931,809	546,131	116,236	5,831,245	5,896,161	604,488	6,500,649	12,331,894	11,758,383
Printing	33,183	4,787,789	108,889	-	4,929,861	2,565,688	44,386	2,610,074	7,539,935	8,038,350
Auto expenses	851,580	37	239,041	7	1,090,665	249	1,137	1,386	1,092,051	953,010
Travel, conferences and seminars	2,809,450	190,329	2,911,627	35,178	5,946,584	292,444	122,099	414,543	6,361,127	7,541,864
Insurance	929,577	5,293	554,052	7,815	1,496,737	7,115	84,883	91,998	1,588,735	1,230,465
Utilities	741,696	1,895	245,401	338	989,330	1,354	58,744	60,098	1,049,428	1,016,968
Veterinary and medical services	6,823,012	198	2,391,244	49	9,214,503	35	278	313	9,214,816	8,973,034
Media buys, promotion and related costs	46,213	19,530,119	318,105	4	19,894,441	19,973,558	21	19,973,579	39,868,020	39,064,522
Professional services	4,420,932	14,191,983	3,946,578	299,822	22,859,315	8,084,918	1,624,464	9,709,382	32,568,697	29,039,846
Grants	-	-	-	14,439,720	14,439,720	-	-	-	14,439,720	12,841,684
Other	680,431	32,108	152,450	31,102	896,091	68,549	292,531	361,080	1,257,171	1,417,803
Total expenses before depreciation and amortization	82,815,334	53,953,927	35,722,670	15,865,567	188,357,498	48,083,700	9,468,209	57,551,909	245,909,407	234,991,130
Depreciation and amortization	3,633,007	191,631	860,516	2,302	4,687,456	16,859	228,617	245,476	4,932,932	5,031,648
Total expenses	$ 86,448,341	$ 54,145,558	$ 36,583,186	$ 15,867,869	$ 193,044,954	$ 48,100,559	$ 9,696,826	$ 57,797,385	$ 250,842,339	$ 240,022,778

See notes to consolidated financial statements

The American Society for the Prevention of Cruelty to Animals

Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program Expenses					Supporting Expenses			
	Shelter and Veterinary Services	Public Education and Communications	Policy, Response and Engagement	Grants	Total Program Expenses	Membership Development and Fundraising	Management and General	Total Supporting Expenses	Total Expenses
Compensation	$ 39,221,727	$ 4,904,826	$ 14,504,186	$ 552,318	$ 59,183,057	$ 5,365,968	$ 5,261,939	$ 10,627,907	$ 69,810,964
Employee benefits	14,383,838	1,392,764	4,454,719	161,271	20,392,592	1,620,906	1,421,046	3,041,952	23,434,544
Supplies	1,876,451	113,613	968,144	3,218	2,961,426	53,773	70,477	124,250	3,085,676
Telephone	703,727	92,780	282,592	11,248	1,090,347	58,915	185,771	244,686	1,335,033
Postage and shipping	69,951	4,920,973	78,469	417	5,069,810	4,801,609	25,229	4,826,838	9,896,648
Rent	1,056,696	540,065	1,250,435	69,537	2,916,733	606,557	676,732	1,283,289	4,200,022
Repairs and maintenance	991,267	47,706	140,612	6,230	1,185,815	52,823	113,676	166,499	1,352,314
Data processing	936,423	3,409,049	363,786	96,218	4,805,476	6,277,366	675,541	6,952,907	11,758,383
Printing	31,206	4,117,282	19,103	-	4,167,591	3,862,453	8,306	3,870,759	8,038,350
Auto expenses	670,706	421	280,277	55	951,459	465	1,086	1,551	953,010
Travel, conferences and seminars	2,620,248	206,925	4,212,014	25,968	7,065,155	273,921	202,788	476,709	7,541,864
Insurance	605,503	52,677	379,915	7,874	1,045,969	62,823	121,673	184,496	1,230,465
Utilities	558,228	52,393	243,381	6,801	860,803	58,402	97,763	156,165	1,016,968
Veterinary and medical services	5,990,823	-	2,975,568	-	8,966,391	-	6,643	6,643	8,973,034
Media buys, promotion and related costs	75,594	19,465,697	360,506	-	19,901,797	19,120,415	42,310	19,162,725	39,064,522
Professional services	4,206,716	7,728,937	5,768,742	126,607	17,831,002	8,959,628	2,249,216	11,208,844	29,039,846
Grants	-	-	-	12,841,684	12,841,684	-	-	-	12,841,684
Other	585,602	372,139	129,823	27,076	1,114,640	72,426	230,737	303,163	1,417,803
Total expenses before depreciation and amortization	74,584,706	47,418,247	36,412,272	13,936,522	172,351,747	51,248,450	11,390,933	62,639,383	234,991,130
Depreciation and amortization	3,090,048	313,110	777,782	16,790	4,197,730	317,326	516,592	833,918	5,031,648
Total expenses	$ 77,674,754	$ 47,731,357	$ 37,190,054	$ 13,953,312	$ 176,549,477	$ 51,565,776	$ 11,907,525	$ 63,473,301	$ 240,022,778

See notes to consolidated financial statements

The American Society for the Prevention of Cruelty to Animals

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	$ 57,150,041	$ 9,009,577
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	4,932,932	5,031,648
Change in provision for allowance for doubtful accounts	7,230	(93,276)
Net investment (gains) losses	(27,660,545)	12,856,205
Change in deferred rent	-	(15,887)
Change in annuity obligations	(1,662,104)	1,001,575
Unrealized (gain) loss on beneficial interests in perpetual trusts held by others	(3,762,590)	2,527,180
Loss on settlement and curtailment of defined benefit pension plan	-	8,208,682
Pension liability adjustment	-	(9,214,114)
Net decretion of operating leases	(82,404)	-
Contributions restricted for endowments	-	(15,663)
Changes in assets and liabilities:		
Bequests and contributions receivable	5,873,843	(8,829,724)
Other receivables, net	(837,831)	(843,083)
Prepaid expenses and other assets	(245,384)	(2,199,082)
Beneficial interests in charitable remainder trusts held by others	(29,839)	215,114
Accounts payable and accrued expenses	3,034,794	380,827
Grants payable	(2,456,207)	2,039,089
Other liabilities	79,097	(42,051)
Unfunded pension obligation	-	(4,916,545)
Net cash flows from operating activities	34,341,033	15,100,472
Cash Flows From Investing Activities		
Additions to land, buildings and equipment	(8,270,516)	(5,317,168)
Purchases of investments	(23,974,447)	(53,857,309)
Proceeds from sales of investments	19,180,854	43,776,731
Decrease in accounts payable related to land, buildings and equipment	(112,779)	(671,541)
Net cash flows from investing activities	(13,176,888)	(16,069,287)
Cash Flows From Financing Activities		
Contributions restricted for endowments	-	15,663
Net cash flows from financing activities	-	15,663
Net change in cash and cash equivalents	21,164,145	(953,152)
Cash and Equivalents, Beginning	19,812,575	20,765,727
Cash and Equivalents, Ending	$ 40,976,720	$ 19,812,575
Supplemental Disclosures		
Cash paid during the year for interest	$ -	$ -

See notes to consolidated financial statements

1. Description of the Organization

The American Society for the Prevention of Cruelty to Animals (the ASPCA) is North America's first humane organization. The ASPCA provides effective means for the prevention of cruelty to animals throughout the United States. It has been headquartered in New York City since its founding in 1866 where it maintains a strong local presence. The ASPCA's activities are focused on four primary program areas: (1) shelter and veterinary services, (2) public education and communications, (3) policy, response and engagement programs, and (4) grants to other animal welfare-related organizations. The ASPCA is a public charity, which is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (the IRC). The ASPCA's vision is that all animals are to be treated with respect and kindness.

ASPCA Veterinary Services of North Carolina, P.C. is a professional corporation that provides the veterinary services of qualified, licensed veterinarians exclusively to the ASPCA in North Carolina, by way of a professional services agreement. These services include the veterinary services needed to operate a high-volume, high-quality companion animal sterilization training clinic in order to alleviate shelter pet overpopulation. This corporation was formed pursuant to the North Carolina Veterinary Practice Act. The ASPCA provides management services to ASPCA Veterinary Services of North Carolina, P.C. per a management services agreement.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit entities and include the accounts of the ASPCA and ASPCA Veterinary Services of North Carolina, P.C. in which the ASPCA has a controlling and economic interest. All significant intercompany balances and transactions have been eliminated in consolidation.

Net Asset Classifications

The ASPCA's net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the ASPCA and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Resources that are available for the general support of the ASPCA's operations and are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets of which the use has been restricted by donors to specific purposes and/or the passage of time. In addition, net assets with donor restrictions also includes endowment gains, which have not been appropriated for expenditure. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or a purpose is accomplished, or endowment funds are appropriated through an action of the Board, those net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities and change in net assets as net asset released from donor restrictions. Net assets with donor restrictions also include the assets whereby donors have stipulated that the principal contributed be invested and retained in perpetuity, with investment return available for expenditure according to the restrictions, if any, imposed by those donors. Such resources also include the ASPCA's beneficial interests in perpetual trusts held by others.

Cash and Cash Equivalents

Cash equivalents are defined as short-term highly liquid investments with original maturities of three months or less, except for those cash equivalents included in the ASPCA's investment portfolio that are held for long-term investment purposes.

Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The ASPCA measures the fair value of its financial assets using a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy is categorized into three levels using the following guidelines:

Level 1 - Inputs are quoted prices in active markets for identical assets, which are directly observable at year-end.

Level 2 - Inputs are other than quoted prices in active markets, which may be directly or indirectly observable at year-end.

Level 3 - Holdings that have little or no pricing observability at year-end. These are measured using management's best estimate of fair value, where inputs to determine fair value are not observable and require significant management judgment and estimation.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2019 and 2018:

Alternative investments - These funds do not make known nor do they advertise their value and their performance data is not readily available. They do not have a readily determinable fair value and are valued at net asset value (NAV).

Fixed income securities - Publicly traded in active markets.

Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the ASPCA are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the ASPCA are deemed to be actively traded.

Short-term investments - Cash and cash equivalents held for long-term purposes.

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

The carrying value of cash and cash equivalents approximates fair value as of December 31, 2019 and 2018. The carrying amounts of the ASPCA's investments and beneficial interest in trusts held by others approximate fair value and are presented in the fair value hierarchy in Notes 3 and 4, respectively.

Investments

Investment transactions are accounted for on the dates the purchases or sales are executed (trade date). Dividend income is recorded on the ex-dividend date; interest income is recorded as earned on the accrual basis. Investment returns are presented net of external investment expenses/fees and internal investment expenses, when applicable.

Split-Interest Agreements

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

Beneficial Interests in Perpetual Trusts Held by Others

Donors have established and funded trusts that are administered by third-party trustees. Under the terms of these trusts, the ASPCA has the irrevocable right to receive all or a portion of the income earned on the trust assets either in perpetuity or for the life of the trust. The ASPCA does not control the assets held by the respective third-party trustees. Accordingly, the ASPCA recognizes its interest in such trusts, based on the fair value of the trusts.

Charitable Remainder Trusts

Donors have established and funded trusts under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trusts' terms. Upon termination of the trusts' terms, the ASPCA receives their interest in the assets remaining in those trusts. Trusts are recorded as increases to net assets at the fair value of trust assets, less the present value of the estimated future payments to be made under the specific terms of the trusts.

Charitable Gift Annuities

Donors have contributed assets to the ASPCA in exchange for a promise by the ASPCA to pay a fixed amount or percentage for a specified period of time to such donors or to individuals or organizations designated by those donors. Under the terms of such agreements, no trusts exist as the assets received are held by, and the annuity liability is an obligation of, the ASPCA. The discount rates used to measure the liabilities ranged from 1.8 percent to 3.4 percent as of December 31, 2019 and 2.6 percent to 3.6 percent as of December 31, 2018.

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

Land, Buildings and Equipment

Land owned by the ASPCA is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation that is calculated using the straight-line method over the estimated useful lives of the assets. It is ASPCA policy to capitalize all purchases in excess of $5,000 with useful lives greater than one year. Repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. At the time fixed assets are retired or disposed of, the fixed asset and related accumulated depreciation accounts are relieved of the applicable amounts, and any gain or loss is credited or charged to operations.

Land, buildings and equipment contributed to the ASPCA are reported at fair value in the consolidated financial statements at the time of the contribution. Depreciation is calculated on buildings and equipment using the straight-line method over the estimated useful lives of the assets.

The ASPCA reports gifts of property, plant and equipment as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the ASPCA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

The ASPCA reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2019 and 2018, there have been no such losses.

Assets Limited as to Use

Assets limited as to use consist of gift annuity reserves and separate accounts required by funders, and consist principally of cash and cash equivalents and are on deposit with two financial institutions. Assets limited as to use are stated at fair value which approximates their cost.

Leases

The ASPCA leases office space and equipment used in operations. For many of these leases, the ASPCA is responsible for paying property taxes, insurance, as well as maintenance and repair costs. The ASPCA's real estate leases generally have initial lease terms of 5 to 10 years or more and typically include one or more options to renew, with renewal terms that generally extend the lease term for an additional five to ten years or more. The ASPCA assesses renewal options using a "reasonably certain" threshold, which is understood to be a high threshold, and therefore the majority of its leases' terms do not include renewal periods for accounting purposes. For leases where the ASPCA is reasonably certain to exercise its renewal option, the option periods are included within the lease term and, therefore, the measurement of the right-of-use asset and lease liability. The payment structure of the ASPCA's leases generally include annual escalation clauses that are either fixed or variable in nature, some of which are dependent upon published indices.

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

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

Accrued Vacation

Employees accrue vacation based on tenure and salary band. Unused vacation balances carry over to future years, subject to a cap. As of December 31, 2019 and 2018, accrued vacation obligations were approximately $4,742,000 and $4,605,000, respectively.

The ASPCA's obligation for accrued vacation is included as a liability in the accompanying consolidated statements of financial position and represents the cost of unused employee vacation time payable in the event of employee terminations.

Revenue Recognition

Contributions and memberships are considered to be available for use without donor restrictions, unless they are specifically restricted by the donor. Contributions are recognized as income, at their fair value, when they become unconditional promises to give. Contributions of securities and other tangible assets are recorded at fair value at the date of gift. Conditional contributions 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. Bequests and contributions receivable are expected to be received within one year.

Shelter and Veterinary Services fee revenues from the Animal Hospital, Animal Poison Control Center and Community Medicine are primarily recognized at the time services are delivered. Revenue derived from contracts for Shelter and Veterinary Services customers, mostly are from Animal Poison Control corporate clients and New York City Department of Health and Mental Hygiene. The performance obligations in these contracts are distinct and revenue is recognized when the performance obligations are satisfied. Customers are charged based on the corresponding standalone prices.

The ASPCA enters into various grant and sponsorship agreements. Revenue relating to these agreements is recognized in accordance with the terms and conditions included therein. Grants are evaluated to determine if they represent an exchange transaction or contribution. If determined to be an exchange transaction, the grant is recognized as expenses are incurred. In addition, the ASPCA enters into various agreements that provide royalty and licensing revenues. Revenues relating to royalty contracts are recognized in accordance with the terms and conditions included therein.

Contributed services are reported at fair value in the consolidated financial statements only when those services (1) create or enhance nonfinancial assets, or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. The ASPCA reported contributed services revenue and related expense for the years ended December 31, 2019 and 2018 of approximately $692,000 and $852,000, respectively.

Donated materials are reported at fair value at the date of the donation. The ASPCA reported $116,000 of donated materials primarily in pet supplies for the year ended December 31, 2019. For the year ended December 31, 2018, the ASPCA reported approximately $6,000, primarily in pet supplies.

Allowance for Doubtful Accounts

Periodically, the receivable balances are reviewed and evaluated as to their collectability. An allowance is then set up based on these evaluations.

Allocation of Expenses on a Functional Basis

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the ASPCA. These include depreciation and amortization, administration, communications, media production, information technology, facilities operations, occupancy and maintenance. Depreciation and amortization and occupancy costs are allocated on a square footage or units of service basis. Costs of other categories were allocated on estimates of time and effort.

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

Shelter and Veterinary Services - Includes the ASPCA Animal Hospital in New York City, Spay/Neuter clinics in New York City, Los Angeles and Asheville, North Carolina, state-of-the-art Adoptions Center in New York City, the Behavioral Rehabilitation Center in Weaverville, North Carolina, and the Animal Poison Control Center, a 24-hour Animal Poison Control telephone hotline in Urbana, Illinois.

Public Education and Communications - Includes activities to create public awareness of animal-related issues.

Policy, Response and Engagement Programs - Includes Humane Law Enforcement in New York and national, state and local legislative initiatives, as well as animal behavior, animal field investigations and response, and animal forensic activities.

Grants - Represents programs designed to ensure the ASPCA's leadership in serving the animal welfare field.

Membership Development and Fundraising - Involves the direction of the overall fundraising affairs of the ASPCA, which include development and related areas.

Management and General - Includes the direction of the overall affairs of the ASPCA, such as portions of accounting, human resources, administration and related areas.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant estimates relate to the valuation of the pension benefit obligation, alternative investments, annuity obligations, the beneficial interest in third-party trusts, the useful lives of fixed assets, the expense allocation on a functional basis, and the collectability of receivables. Actual results could differ from those estimates.

Advertising Expenses

The ASPCA uses advertising to educate the public and bring awareness to its programs and mission. The production costs of advertising are expensed as incurred. Advertising costs totaled approximately $39,623,000 and $38,807,000 for the years ended December 31, 2019 and 2018, respectively.

Measure of Operations

The ASPCA uses the "change in net assets from operating activities" as the measure of net assets that are available to support current and future programs and services. Operating activities include all revenues and expenses related to carrying out the ASPCA's mission. Nonoperating activities include bequest and trust income restricted for endowment, changes in beneficial interests in trusts held by others, loss on settlement and curtailment of defined benefit pension plan, and other activities considered to be of a more unusual or nonrecurring nature. In addition, the ASPCA has a spending policy under which a predetermined amount of investment return is authorized to fund operations. The difference between the actual investment return and the amount authorized and appropriated to fund operations is reported as nonoperating.

Income Taxes

The ASPCA and ASPCA Veterinary Services of North Carolina, P.C. qualify as tax-exempt organizations under Section 501(c)(3) of the IRC and corresponding provisions of the State law in New York State and North Carolina and are not subject to federal or state income taxes. Accordingly, donors are entitled to a charitable contribution deduction as defined in the IRC. Continued qualification of tax-exempt status is contingent upon compliance with the requirements of the IRC.

The ASPCA recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required for 2019 or 2018.

Reclassifications

Certain 2018 amounts have been reclassified to conform with the 2019 presentation.

Recently Issued Accounting Pronouncements

During 2019, the ASPCA adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)* using a full retrospective method of adoption to all contracts with customers as of January 1, 2018. 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 ASPCA's revenue recognition methodologies.

During 2019, the ASPCA adopted the FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 did not impact the ASPCA's revenue recognition methodologies.

During 2019, the ASPCA adopted the FASB ASU 2016-02, *Leases (as amended) (Topic 842)* using a full retrospective transition approach. ASC 842 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Under the provisions of ASC 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments in the consolidated statements of financial position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the ASPCA's leasing activities (Note 13).

The adoption of ASU 2016-02 (as amended) had a material effect on the ASPCA's consolidated financial statements. Upon adoption, as of December 31, 2018, the ASPCA recognized operating leases liabilities of approximately $25,141,000 based on the present value of the remaining minimum rental payments as determined in accordance with Topic 842 for leases that had historically been accounted for as operating leases under Topic 840. The ASPCA recognized the corresponding right-of-use assets of approximately $20,827,000 based on the operating leases liabilities. The resulting net impact associated with this change in accounting was captured, as the ASPCA had previously recorded deferred rent payable on the consolidated statements of financial position.

During 2019, the ASPCA adopted the FASB ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The core principles require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the consolidated statements of cash flows. The adoption of ASU 2016-18 did not have an impact on the ASPCA's consolidated financial statements.

During 2018, the ASPCA adopted the FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASPCA applied the changes retrospectively to all periods presented. The following summarizes the applicable financial reporting items reflected in the ASPCA consolidated financial statements as required by ASU 2016-14:

- The unrestricted net asset class was renamed net assets without donor restrictions.
- The temporarily restricted and permanently restricted net asset classes were combined into a single class called net assets with donor restrictions.

- The consolidated financial statements included a disclosure about liquidity and availability of resources (Note 10).
- Additional disclosure of the ASPCA's operating measure was provided.
- Additional disclosures related to underwater endowments are included (Note 11).
- Expenses were reported by both nature and function; as well as the disclosure of specific methodologies used to allocate costs among program and support functions.

3. Investments

Investments as of December 31, 2019 and 2018 consist of the following:

	2019	2018
Cash and cash equivalents	$ 7,979,573	$ 2,138,535
Common stocks	29,444	29,187
Fixed income securities	1,111,116	1,078,178
Mutual funds	145,251,207	125,662,276
Alternative investments	69,277,172	62,286,198
Total investments	$ 223,648,512	$ 191,194,374

The return (loss) on investments and interest-bearing cash and cash equivalents for the years ended December 31, 2019 and 2018 consist of the following:

	2019	2018
Interest and dividends, net of expenses of approximately $675,000 and $694,000, respectively	$ 4,566,884	$ 3,178,031
Unrealized gains (losses)	24,931,380	(16,652,391)
Realized gains	2,732,476	3,796,186
Net return (loss) on investments (including amounts with donor restrictions of $1,213,795 and $343,466, respectively)	$ 32,230,740	$ (9,678,174)

Spending Policy

The objective of the ASPCA's spending policy is to allocate in a reasonable and balanced manner the total earnings from the investment portfolio between current spending and reinvestment for future earnings and expenditures in order for the purchasing power of the investment portfolio to be maintained or enhanced. Such purchasing power is to provide a stable source of income to the operating fund of the ASPCA and to meet certain working capital and/or capital expenditures needs. Budgeted annual spending is generally set at the lesser of 5 percent of the investment portfolio's average five-year portfolio value or 5 percent of the beginning year balance and is subject to approval by the Finance Committee and the Board during the annual budget review and approval process. Any overage will reduce future spending by the amount of such overage (reduction implemented over subsequent one to three years). The Finance Committee and the Board did not approve a spending amount to be used for operations in 2019 and 2018.

The following tables present the ASPCA's fair value hierarchy for those investments measured at fair value on a recurring basis as of December 31, 2019 and 2018:

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

	2018		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Total**
Common stocks	$ 29,187	$ -	$ 29,187
Fixed income securities	1,013,026	65,152	1,078,178
Mutual funds	115,335,730	10,326,546	125,662,276
Alternative investments reported at net asset value			62,286,198
Cash and cash equivalents			2,138,535
Total investments			$ 191,194,374

Investments with a fair value of $10,987,167 and $9,017,412 and cash equivalents of $375,171 and $480,281 as of December 31, 2019 and 2018, respectively, were held in investment accounts relating to charitable gift annuities, in compliance with the insurance laws of various states. The ASPCA maintains separate and distinct reserve funds adequate to meet the future payments of all outstanding charitable gift annuities administered by the ASPCA.

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

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

	2018			
	Net Asset Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
(a) Equity long	$ 16,028,149	$ -	Monthly	15 days
(b) Global asset allocation, Worldarb	7,888,643	-	Quarterly	45 days
(c) Fund of funds, private equity	1,222,587	464,347	None	N/A
(d) Fund of funds, capital appreciation	7,002,997	-	Quarterly	90 days
(e) Private equity in liquidation	11,872,513	2,694,901	None	N/A
(f) Private equity	10,003,511	919,273	Annual	60 days
(g) Emerging markets	8,267,798	-	Daily	3-5 days
Total	$ 62,286,198	$ 4,078,521		

(a) This category includes investments in a limited partnership that invests primarily in international equity securities.

(b) This category includes investments in a fund that invests in a diversified portfolio exposed to global developed and emerging stocks, developed country government bonds, global inflation protected bonds, and commodities, among other exposures.

(c) This category includes investments in a fund that invests in a diversified portfolio of interests in private investment funds, principally established global buyout, mezzanine, and venture capital funds primarily through secondary market transactions.

(d) This category includes several funds of funds that invest in private investment funds that utilize a variety of alternative investment strategies that seek to produce an attractive absolute return on invested capital. These strategies include arbitrage, distressed, and long/short strategies.

(e) This category includes several private equity funds that invest in privately held corporations and domestic and international venture capital and private funds. Certain of these investments can never be redeemed by the ASPCA and, in these instances; distributions are received through the liquidation of the underlying assets of the fund. The ASPCA management expects liquidations to take place from approximately 2019 through 2025.

(f) This category includes several private equity funds that invest in privately held corporations and domestic and international venture capital and private funds.

(g) This category includes investments in a fund that invests in a diversified portfolio of emerging market securities.

4. Beneficial Interests in Trusts Held by Others

Beneficial interests in trusts held by others in the accompanying consolidated statements of financial position are remainder interests in several irrevocable trusts. The present value of the ASPCA's share of future interests in charitable remainder trusts amounted to approximately $687,000 and $650,000 as of December 31, 2019 and 2018, respectively, and has been included in net assets with donor restriction. The present values of the trusts are calculated using discount rates of 6.0 percent, as of December 31, 2019 and 2018. Beneficial interests in perpetual third-party trusts of approximately $21,490,000 and $17,735,000 valued at the ASPCA's share of the fair value of the underlying trust assets, are included in net assets with donor restrictions as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the ASPCA's beneficial interests in trusts held by third-party trustees were classified as Level 3 instruments within the fair value hierarchy. The following table summarizes the changes in the ASPCA's Level 3 beneficial interests in trusts held by third-party trustees for the years ended December 31, 2019 and 2018:

	2019		
	Charitable Remainder Trusts	**Perpetual Trusts**	**Total**
Balance, December 31, 2018	$ 649,978	$ 17,734,867	$ 18,384,845
Acquisitions	-	956,304	956,304
Dispositions	-	-	-
Net appreciation	36,847	2,799,278	2,836,125
Balance, December 31, 2019	$ 686,825	$ 21,490,449	$ 22,177,274

	2018		
	Charitable Remainder Trusts	**Perpetual Trusts**	**Total**
Balance, December 31, 2017	$ 1,001,537	$ 20,125,602	$ 21,127,139
Acquisitions	-	-	-
Dispositions	(347,892)	-	(347,892)
Net depreciation	(3,667)	(2,390,735)	(2,394,402)
Balance, December 31, 2018	$ 649,978	$ 17,734,867	$ 18,384,845

5. Land, Buildings and Equipment, Net

Land, buildings and equipment as of December 31, 2019 and 2018 consisted of the following:

	Estimated Useful Lives	2019	2018
Land	-	$ 5,321,057	$ 5,321,057
Buildings	20-40 years	28,255,720	28,316,901
Building improvements	3-25 years	33,985,738	33,448,438
Furniture, fixtures and equipment	3-10 years	23,734,817	20,678,679
Transportation equipment	4-6 years	8,799,253	7,802,203
Construction in progress		5,683,218	3,406,268
Total cost		105,779,803	98,973,546
Less accumulated depreciation and amortization		48,121,277	44,652,604
Net land, buildings and equipment		$ 57,658,526	$ 54,320,942

6. Pension and Deferred Compensation Plans

Defined Benefit Plan

The ASPCA sponsored a noncontributory defined benefit pension plan for its employees. Participation and accruals under this plan were frozen as of June 30, 2006, and at that time the ASPCA adopted a new 401(k) plan, which includes both safe harbor employer matching contributions and discretionary nonelective contributions, effective July 1, 2006.

In early 2017, the ASPCA began the process of terminating the defined benefit pension plan in a standard termination with the Pension Benefit Guaranty Corporation (PBGC), with a proposed termination date of July 1, 2017. The plan was also filed for a determination of qualified status on termination with the Internal Revenue Service (IRS) on November 14, 2017. The IRS issued a favorable determination letter on June 14, 2018, which was received by the ASPCA on June 26, 2018. Distribution of all plan benefits was completed on October 24, 2018, by direct payment of all elected lump sum distributions, and the purchase of a single-premium group annuity contract to assume liability for all continuing, current, and deferred annuity distributions. The PBGC Form 501 (post-termination certification) was filed on November 22, 2018 and all other steps of the standard termination process were completed on a timely basis.

For the year ended December 31, 2018, the settlement of the defined benefit plan was recorded as follows:

Reclassification of unrecognized loss	$ (9,214,114)
Loss recognized on settlement	8,208,682
Net gain	$ (1,005,432)

The actuarial present value of the benefit obligation recognized in the accompanying consolidated statement of financial position as of December 31, 2018 was as follows:

Projected benefit obligation, beginning of year	
Interest cost	$ 18,420,566
Actuarial gain	518,116
Assumption change	(451,641)
Effect of settlement	(17,796,823)
Benefits paid	(690,218)
Projected and accumulated benefit obligation, end of year	$ -
Fair value of plan assets, beginning of year	$ 12,498,589
Return on plan assets	(512)
Employer contributions	5,988,964
Effect of settlement	(17,796,823)
Benefits paid	(690,218)
Fair value of plan assets, end of year	-
Funded status of plan, end of year	$ -

The expected long-term rate of return on plan assets for net periodic benefit cost for 2018 decreased from 6.25 percent to 1.55 percent. Since there was no obligation as of December 31, 2018, other changes in assumptions, plan provisions or methods were not required.

Components of net periodic pension cost in the consolidated statement of activities and change in net assets for the year ended December 31, 2018 consisted of the following:

Interest cost	$ 518,116
Expected return on plan assets	14,858
Actuarial loss	539,445
Net periodic pension cost	$ 1,072,419

The weighted average rates used to determine net periodic pension cost and the year-end benefit obligation for the year ended December 31, 2018 was as follows:

Discount rate, benefit obligation	N/A
Discount rate, net periodic benefit cost	3.55 %
Expected long-term rate of return on plan assets	1.55

Other changes in plan assets and benefit obligation recognized in net assets without donor restrictions for the year ended December 31, 2018 were as follows:

Net actuarial gain arising during measurement period	$ 465,987
Amortization of net actuarial gain	539,445
Amount recognized due to plan settlement	8,208,682
Total	$ 9,214,114

The ASPCA also sponsors a 401(k) defined contribution retirement plan. Substantially all full-time employees over age 21 are eligible to participate. The ASPCA matches 100 percent of pretax employee contributions up to 4 percent of eligible compensation in each pay period. Employee and matching employer contributions are immediately 100 percent vested. Additional employer contributions are also made as a percentage of compensation in each pay period. These additional contributions are fully vested for employees who have attained at least three years of eligible service. Employer contributions, representing matching employee contributions plus additional employer contributions, totaled approximately $4,135,000 and $3,889,000 in 2019 and 2018, respectively.

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

7. Allocation of Joint Costs

Direct appeal program joint costs incurred in connection with mailing educational and informational materials are allocated to program and supporting services on the basis of the content of the respective materials. For the years ended December 31, 2019 and 2018, these costs were allocated as follows:

	2019	2018
Program	$ 44,631,955	$ 37,432,729
Membership development and fundraising	39,477,936	42,551,655
Management and general	131,736	88,821
Total	$ 84,241,627	$ 80,073,205

8. Grants

Grants are recorded as an expense and a liability based on funds committed per the grant agreements once final approval by the grants department has occurred and that the grants are either unconditional or the conditions have been substantially met. No grant payments may be made prior to the final approval.

The ASPCA granted approximately $14,440,000 and $12,842,000 for the years ended December 31, 2019 and 2018, respectively. The grants were spent in furtherance of the mission in the following program areas:

	2019	2018
Anticruelty:		
Anticruelty response	$ 877,110	$ 869,356
Disaster/emergency	45,309	115,684
Equine	716,227	751,622
Farm animals	291,300	639,468
Total anticruelty	1,929,946	2,376,130
Community outreach:		
Live release	6,151,610	3,851,999
Relocation	1,763,275	1,026,477
Spay/neuter	2,399,169	3,512,340
Return to owner	26,750	147,400
Surrender prevention	2,260,700	1,981,748
Other	59,200	169,656
Total community outreach	12,660,704	10,689,620
Grant refunds	(150,930)	(224,066)
Total amount granted	14,439,720	12,841,684
Other grant expenses	1,428,149	1,111,628
Total grant expenses	$ 15,867,869	$ 13,953,312

9. Net Assets

The ASPCA's net assets are summarized as follows as of December 31, 2019 and 2018:

	2019	2018
Without donor restrictions	$ 264,284,623	$ 213,024,673
Total without donor restrictions	264,284,623	213,024,673
With donor restrictions:		
Restricted in perpetuity	28,975,040	25,255,639
Restricted for use in future periods	15,164,419	18,282,096
Purpose restricted	31,359,985	26,071,618
Total with donor restrictions	75,499,444	69,609,353
Total net assets	$ 339,784,067	$ 282,634,026

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

	2019	2018
Shelter and veterinary services	$ 6,622,657	$ 16,844,988
Policy, response and engagement programs	2,025,384	1,873,915
Grants and sponsorships	4,833,646	2,371,831
Time restrictions satisfied	14,683,419	10,850,260
Other	214,867	919,809
Total	$ 28,379,973	$ 32,860,803

10. Liquidity and Availability of Resources

The ASPCA's financial assets available within one year of the consolidated statements of financial position sheet date for general expenditure such as operating expenses, as follows as of December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 40,976,720	$ 19,812,575
Other receivables	7,791,383	6,960,782
Contributions receivable	13,553,940	18,188,240
Short-term investments	7,604,399	1,658,254
Other investments appropriated for current use	197,161,001	172,517,653
Total	267,087,443	219,137,504
Less amounts unavailable for general expenditures within one year, due to:		
Restricted in perpetuity	28,975,040	25,255,639
Restricted for use in future periods	15,164,419	18,282,096
Purpose restricted	31,359,985	26,071,618
Total financial assets available	$ 191,587,999	$ 149,528,151

The financial assets in the table above have been reduced by amounts not available for general use because of contractual or donor restrictions within one year of the date of the consolidated statements of financial position. Income from donor-restricted endowments is also restricted for specific purposes and has not been appropriated, and therefore, is not available for general expenditures.

As part of the ASPCA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the ASPCA invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the ASPCA has a $15 million committed line of credit, which can be drawn to help manage unanticipated liquidity needs. However, the donor restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (see Note 3 for disclosures about investments).

11. Endowment Net Assets

Interpretation of Relevant Law

The ASPCA's endowment is made up of donor-restricted endowment funds. The ASPCA's endowment is subject to the provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA). Under NYPMIFA, the ASPCA manages an endowment fund consisting of donor-restricted that are not wholly expendable on a current basis. The ASPCA maintains the historic value of each endowment fund and appropriates the appreciation of each fund, but not the original value. These funds are maintained in the ASPCA's investment portfolio, which is governed by the investment policy. Appropriation occurs in the form of the spending policy, which is approved by the board of directors of the ASPCA during the annual budget process.

Return Objectives and Risk Parameters

The Board has adopted investment and spending policies for the ASPCA's endowment assets that seek to provide a predictable stream of funding to programs supported by its endowment funds and maintain the purchasing power of the endowment over time.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the ASPCA relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The ASPCA targets a diversified asset allocation within prudent risk constraints.

Spending Policy

The ASPCA applies the spending policy described in Note 3 to its endowment funds.

Funds With Deficiencies

Due to unfavorable market fluctuations, from time-to-time the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, with restriction contribution. There were no such deficiencies in either 2019 or 2018.

The following summarizes the ASPCA's endowment net asset composition as of December 31, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Composition			
Perpetual endowment funds	$ -	$ 7,484,591	$ 7,484,591
Unappropriated endowment earnings	-	3,761,933	3,761,933
Total endowment funds	$ -	$ 11,246,524	$ 11,246,524
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	$ -	$ 10,238,118	$ 10,238,118
Investment return	-	1,008,406	1,008,406
Endowment net assets, end of year	$ -	$ 11,246,524	$ 11,246,524

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Composition			
Perpetual endowment funds	$ -	$ 7,520,772	$ 7,520,772
Unappropriated endowment earnings	-	2,717,346	2,717,346
Total endowment funds	$ -	$ 10,238,118	$ 10,238,118
Changes in Endowment Net Assets			
Endowment net assets, beginning of year	$ 55,402,298	$ 10,595,770	$ 65,998,068
Contributions and bequests	-	15,663	15,663
Investment return	(2,755,784)	(373,315)	(3,129,099)
Board action	(52,646,514)	-	(52,646,514)
Endowment net assets, end of year	$ -	$ 10,238,118	$ 10,238,118

12. Special Events Revenue and Direct Expenses

Revenue generated from special events and the related direct expenses for the years ended December 31, 2019 and 2018 are reported within royalties, licenses and other operating support and revenue on the consolidated statements of activities and change in net assets and are summarized as follows:

	Gross Revenue	Costs of Direct Benefits to Donors	Net Revenue
Year ended December 31, 2019	$ 719,142	$ 589,935	$ 129,207
Year ended December 31, 2018	$ 983,614	$ 583,826	$ 399,788

13. Operating Leases

As described in Note 2, the ASPCA adopted the FASB ASU 2016-02 effective January 1, 2018. The ASPCA has noncancelable operating leases, which expire in various years through 2041. Most of these leases generally do not contain renewal options and require the ASPCA to pay all executory costs (property taxes, maintenance and insurance). The ASPCA considers the renewal options in determining the lease term used to establish the right-to-use asset.

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

The components of lease cost included in the accompanying consolidated statement of functional expenses for the year ended December 31, 2019 are as follows:

Operating lease cost:	
Lease cost, leases with terms greater than one year	$ 4,137,056
Short term lease cost	559,522
Total lease cost	$ 4,696,578

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

Operating cash flows from operating leases *	$ 4,400,047
Right-of-use leased assets obtained in exchange for new operating lease obligations	-
Weighted-average remaining lease term:	
Operating leases	5 years
Weighted-average discount rate on operating leases	2.7%

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

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

2020	$ 4,459,242
2021	4,133,484
2022	3,848,372
2023	3,665,158
2024	3,782,836
Thereafter	12,822,132
	32,711,224
Less interest	(4,197,747)
Total	$ 28,513,477

The components of lease cost included in the accompanying consolidated statement of functional expenses for the year ended December 31, 2018 are as follows:

Operating lease cost:	
Lease cost, leases with terms greater than one year	$ 3,872,783
Short term lease cost	309,037
Total lease cost	$ 4,181,820

Other information related to the ASPCA's operating leases and supplemental cash flows for the year ended December 31, 2018 are as follows:

Operating cash flows from operating leases *	$ 3,888,671
Right-of-use leased assets obtained in exchange for new operating lease obligations	-
Weighted-average remaining lease term:	
Operating leases	3.1 years
Weighted-average discount rate on operating leases	2.7%

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

Future minimum lease payments as of December 31, 2018 were:

2019	$ 4,149,090
2020	3,800,201
2021	3,460,094
2022	3,371,059
2023	3,193,146
Thereafter	10,213,057
	28,186,647
Less interest	(3,045,881)
Total	$ 25,140,766

14. Commitments and Contingencies

Litigation

The ASPCA is a defendant in several lawsuits arising in the normal course of operations. All of the significant suits and many of the others involve insured risks, subject to deductibles and co-insurance requirements. While outside counsel cannot predict the outcome of such litigation, management does not expect the net financial outcome to have a material effect on the financial position, change in net assets, and cash flows of the ASPCA.

Financing Activities

The ASPCA entered into a revolving line of credit with TD Bank on June 8, 2015 in the amount of $15,000,000 with an interest rate per annum of 1.25 percent percentage points in excess of the London Interbank Offered Rate (LIBOR), or a fluctuating interest rate equal to prime. The purpose of the line of credit is for the short-term working capital needs of the ASPCA. There was no balance on the line of credit as of December 31, 2019 and 2018.

Concentration of Credit Risks

Financial instruments that potentially subject the ASPCA to concentrations of credit risk consist principally of cash, cash equivalents and investments. The ASPCA maintains its cash and cash equivalents in various bank deposit accounts that at times may exceed federally insured limits.
To minimize risk, the ASPCA's cash accounts are placed with high-credit quality financial institutions, while the ASPCA's investment portfolio is diversified with several investment managers in a variety of asset classes. The ASPCA regularly evaluates its depository arrangements and investments, including performance thereof.

15. Subsequent Events

The ASPCA has evaluated subsequent events through May 14, 2020, which is the date the consolidated financial statements were available to be issued and determined that there were no additional subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.

The ASPCA is monitoring closely any impact to its contributions related to the COVID-19 pandemic outbreak. The ASPCA has taken some precautionary steps to manage its expense base and will manage its operations in-line with the changing environment. The mandatory government shutdowns have resulted in temporary reductions in some of its programs and the ASPCA has chosen to increase its support to the public during this difficult time, including providing emergency pet food distributions in several key metropolitan areas, and providing emergency grants to animal welfare organizations experiencing difficulties during the pandemic. In an abundance of caution, the ASPCA drew down the maximum amount from its revolving line of credit. The ASPCA wanted to ensure it had access to all liquid assets available in the event they needed them in the future. On March 17, 2020, $13,945,000 was deposited into the ASPCA's operating account and immediately transferred to the ASPCA's investment account for safe keeping. The ASPCA continues to monitor the situation and remain vigilant in determining the need to adjust operations.