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Kindness and Care for Animals®

MASSACHUSETTS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

FINANCIAL STATEMENTS
DECEMBER 31, 2023

MASSACHUSETTS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

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December 31, 2023

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Independent Auditor's Report

To the Board of Directors of
Massachusetts Society for the Prevention of Cruelty to Animals:

Opinion

We have audited the financial statements of Massachusetts Society for the Prevention of Cruelty to Animals (a Massachusetts corporation, not for profit) (the Society) which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Massachusetts Society for the Prevention of Cruelty to Animals as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPAs, Inc.

Westborough, Massachusetts
April 23, 2024

MASSACHUSETTS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Statement of Financial Position
December 31, 2023

Assets	
Current Assets:	
Cash and cash equivalents	$ 8,195,171
Accounts receivable from hospital operations, net	460,991
Current portion of contributions receivable	655,177
Prepaid expenses and other assets	2,641,658
Total current assets	11,952,997
Contributions Receivable, net of current portion and discount	44,679
Investments	123,890,118
Beneficial Interest in Perpetual Trusts	14,998,578
Operating Lease Right-of-Use Assets	1,411,052
Property and Equipment, net	67,140,013
Total assets	$ 219,437,437
Liabilities and Net Assets	
Current Liabilities:	
Current portion of long-term debt	$ 967,601
Current portion of operating lease liability	476,721
Current portion of accrued pension, postretirement and other retirement agreements	210,046
Current portion of charitable gift annuity liability	127,403
Accounts payable, accrued expenses and other liabilities	3,434,708
Accrued salaries, vacation and other benefits	3,381,162
Deferred revenue	424,450
Due to Fondouk	152,479
Total current liabilities	9,174,570
Long-Term Liabilities:	
Long-term debt, net of current portion and unamortized debt issuance costs	18,631,022
Operating lease liability, net of current portion	934,331
Accrued pension, postretirement and other retirement agreements, net of current portion	5,147,896
Other long-term liabilities	396,605
Charitable gift annuity liability, net of current portion	734,066
Total liabilities	35,018,490
Net Assets:	
Without donor restrictions	119,692,211
With donor restrictions	64,726,736
Total net assets	184,418,947
Total liabilities and net assets	$ 219,437,437

The accompanying notes are an integral part of these statements.

MASSACHUSETTS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:			
Revenue from health, hospital services and adoption	$ 79,371,082	$ -	$ 79,371,082
Contributions and grants	14,117,618	1,954,813	16,072,431
Donated goods and services	2,076,150	-	2,076,150
Investment returns appropriated for operations	1,920,308	-	1,920,308
Other income	1,851,986	-	1,851,986
Distributions from outside managed trusts	684,188	6,237	690,425
Net assets released from program restrictions	2,257,991	(2,257,991)	-
Total operating revenue	102,279,323	(296,941)	101,982,382
Operating Expenses:			
Program services:			
Health and hospital services	81,431,872	-	81,431,872
Humane services, adoption centers, animal advocacy legislative affairs and humane education	19,599,083	-	19,599,083
Publications, communications and public relations	1,764,654	-	1,764,654
Total program services	102,795,609	-	102,795,609
General administration and support expenses	8,727,988	-	8,727,988
Development, annual and planned giving expenses	3,389,260	-	3,389,260
Total operating expenses	114,912,857	-	114,912,857
Changes in net assets from operations	(12,633,534)	(296,941)	(12,930,475)
Non-Operating Activities:			
Bequests	15,821,177	3,978	15,825,155
Investment returns, net of amounts appropriated	8,302,359	3,502,499	11,804,858
Current year impact of change in pension obligations	10,584,822	-	10,584,822
Change in fair value of outside managed trusts	-	1,397,791	1,397,791
Capital campaign contributions	-	318,122	318,122
Endowment contributions	-	82,322	82,322
Net assets released from capital campaign restriction	439,220	(439,220)	-
Pension plan and postretirement benefits normal costs	(9,121,385)	-	(9,121,385)
Total non-operating activities	26,026,193	4,865,492	30,891,685
Changes in net assets	13,392,659	4,568,551	17,961,210
Net Assets:			
Beginning of year	106,299,552	60,158,185	166,457,737
End of year	$ 119,692,211	$ 64,726,736	$ 184,418,947

The accompanying notes are an integral part of these statements.

MASSACHUSETTS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Statement of Cash Flows
For the Year Ended December 31, 2023

Cash Flows from Operating Activities:	
Changes in net assets	$ 17,961,210
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	3,982,295
Right-of-use asset amortization	495,727
Bad debt	469,109
Interest - amortization	28,441
Gain on sale of property and equipment	(31,075)
Realized and unrealized gains on investments	(13,429,475)
Change in fair value of beneficial interest in perpetual trusts	(1,397,791)
Contributions restricted for long-term purposes	(400,444)
Changes in operating assets and liabilities:	
Accounts receivable from hospital operations	(506,825)
Contributions receivable	909,252
Prepaid expenses and other assets	(35,903)
Accrued pension, postretirement and other retirement agreements	(943,234)
Charitable gift annuity liability	(68,032)
Accounts payable, accrued expenses and other liabilities	592,082
Accrued salaries, vacation and other benefits	450,827
Operating lease liability	(495,727)
Deferred revenue	74,832
Due to Fondouk	47,191
Net cash provided by operating activities	7,702,460
Cash Flows from Investing Activities:	
Cash paid for property and equipment	(3,863,172)
Proceeds from sale of investments	52,245,097
Purchase of investments	(52,433,289)
Net cash used in investing activities	(4,051,364)
Cash Flows from Financing Activities:	
Principal payments on long-term debt	(936,436)
Contributions restricted for long-term purposes	400,444
Net cash used in financing activities	(535,992)
Net Change in Cash and Cash Equivalents	3,115,104
Cash and Cash Equivalents:	
Beginning of year	5,080,067
End of year	$ 8,195,171
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	$ 731,770
Property and equipment financed with accounts payable	$ 482,887

The accompanying notes are an integral part of these statements.

MASSACHUSETTS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services				Supporting Services		
	Health and Hospital Services	Humane Services, Adoption Centers, Animal Advocacy Legislative Affairs and Humane Education	Publications, Communications and Public Relations	Total Program Services	General Administration and Support Services	Development, Annual and Planned Giving Expenses	Total
Employee compensation and related	$ 59,238,032	$ 12,116,790	$ -	$ 71,354,822	$ 5,911,304	$ 1,720,193	$ 78,986,319
Other operating expenses	18,047,150	5,091,925	1,764,654	24,903,729	2,260,946	1,636,662	28,801,337
Depreciation	2,443,201	1,207,504	-	3,650,705	314,653	16,937	3,982,295
Occupancy	1,287,136	903,943	-	2,191,079	179,405	14,049	2,384,533
Interest expense	416,353	278,921	-	695,274	61,680	1,419	758,373
Total expenses	$ 81,431,872	$ 19,599,083	$ 1,764,654	$ 102,795,609	$ 8,727,988	$ 3,389,260	$ 114,912,857

The accompanying notes are an integral part of these statements.

1. OPERATIONS

Massachusetts Society for the Prevention of Cruelty to Animals (the Society or MSPCA-Angell) operates two veterinary hospitals with facilities in Boston and Waltham, Massachusetts that are open twenty four hours a day, seven days a week, a technician training program in Danvers, Massachusetts, three animal care and adoption centers, a farm that houses a variety of animals including sheep, goats, chickens, pigs, and horses, an equine rescue program, and provides legislative and community advocacy for humane care of animals on the local, regional and national level, and investigates complaints of animal cruelty within Massachusetts.

One of the first humane organizations in America - founded in 1868 - the Society has seen vast changes in American culture, the environment, and the roles of animals in families. The MSPCA-Angell has helped enact the laws and set the standards that have fundamentally shaped the sense of kindness and compassion for animals, and for one another. Today, the MSPCA-Angell continues to rescue, shelter, protect, heal, and advocate for many thousands of animals every year in our adoption centers and hospitals, and via our successful programs. The Society also provides emergency assistance and strategic-planning support for animal protection groups across the country and around the globe. Through the Society's legislative work, humane-education efforts, and community-based assistance initiatives, lasting change is created for animals and people. The MSPCA-Angell, an independent nonprofit, receives donations not only from Massachusetts, but from all over the United States and more than twenty-five foreign countries. More than 600 volunteers faithfully provided their support in 2023.

Approximately 88,000 sick and injured animals received treatment last year at Angell Animal Medical Center (Angell) in Boston, at the emergency/critical care facility in Waltham, and at the low-income pet clinic and a technician training program in Danvers.

Pet owners who cannot afford routine or emergency care for their companion animals may apply to the Pet Care Assistance Fund for financial aid. As a charitable organization, the MSPCA-Angell provides medical care for abused animals and homeless animals, as well as animals whose owners need financial assistance in order to meet their animals' medical needs. In 2023, the MSPCA-Angell spent approximately $5,607,000 on charitable veterinary care.

The largest facility, Angell Animal Medical Center in Boston, founded in 1915, is a comprehensive specialty hospital serving companion animals. In 2021, the Society completed a 6,000-square-foot addition to its critical care unit (CCU) and medical ward. The renovated and expanded CCU will provide dedicated spaces for hemodialysis, mechanical ventilation, a bathing area to keep patients clean and comfortable, and separate wards for cats, dogs and avian exotic patients. This year there were over 140 veterinarians on staff, the majority of whom are Board-certified. Angell is a teaching hospital; veterinarians from all over the country compete for the intern and resident positions that complete the staff roster. In 2017, an endowed position, Veterinary Social Worker, was newly created. Pet owners and hospital staff are now able to take advantage of the emotional support they need as they deal with issues like making difficult decisions, the loss of a pet, and caring for oneself. A position like this is new in the field of social work, and fits precisely into Angell's cutting-edge profile.

Dedicated staff members throughout the state of Massachusetts care directly for the thousands of homeless animals that come to our adoption centers each year, including the farm animals and horses cared for at the MSPCA-Angell's large-animal adoption center at Nevins Farm in Methuen. Adoption centers for small animals are located in Boston, Methuen, and Centerville. The adoption center staff members work diligently to find creative ways to make animals available to homes that might not otherwise be able to make a donation as part of their adoption. The implementation of progressive, innovative spay/neuter programs has facilitated a significant decline in the number of kittens and adult cats coming into the centers.

1. OPERATIONS (Continued)

In 2018, construction of the all-new adoption center facility in Centerville was completed and placed in service. The Centerville adoption center now includes space for medical and behavioral evaluations; a modern treatment and spay and neuter clinic for homeless animals; and a multi-purpose training and education room for greater collaboration with local schools and community groups.

Several thousand dogs, cats and other animals were spayed or neutered in 2023, in keeping with the Society's commitment to reduce the homeless pet population. Continual thought and strategic planning go into realizing other ways to help reduce the homeless animal population and educate the public about kindness and care for animals. Hillside Acre Animal Cemetery, located at Nevins Farm, offers a lasting tribute to beloved animal companions, bringing support and peace of mind to bereaved pet owners.

Massachusetts State-commissioned humane law enforcement officers, funded exclusively by the Society, investigate reports of animal cruelty, exceeding 680 complaints in 2023. More than 16,000 animals were inspected by our law enforcement officers in 2023. Education is a large piece of the work of these officers, who seek to prevent cruelty in addition to stopping cruelty already in progress.

The Society aims to help as many animals, and people, as possible by providing humane care and resources for homeless and owned pets. Each year, the Society's animal relocation program transports thousands of cats and dogs from overpopulated animal shelters across the country to Massachusetts, where each animal receives medical care, enrichment and behavior training prior to adoption. The Society promotes compassion for all animals through its community programs and partnerships that focus on strengthening the human-animal bond to keep people and pets together. In 2023, the Society placed 4,001 animals in homes - approximately 85% of animals originated from outside of Massachusetts. The community outreach team also supported 3,329 animals through outreach efforts - including vaccine clinics, wellness exams, spay/neuter services, and the community pet food bank which donated 2,729,160 pet food meals and 116,633 pounds of cat litter to support struggling pet owners in the community.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Society prepares the financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification (ASC).

Basis of Presentation

The financial statements of the Society have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without Donor Restrictions

Represents net assets available for use in general operations that are not subject to donor-imposed restrictions or for which restrictions have expired in the current reporting period. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor restrictions or law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

With Donor Restrictions

Represents net assets subject to donor-imposed restrictions. These restrictions may be temporary in nature, such as those that are satisfied by either the passage of time or by other events or actions stipulated by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity and the income be available to support specific or general operations of the Society. Accumulated unspent gains on donor restricted endowment funds are included in net assets with donor restrictions until appropriated for expenditure in accordance with donor-imposed restrictions or through Board of Director action. In addition, changes in fair value of outside managed trusts are included in net assets with donor restrictions as the use of such funds is not under the discretion or control of the Society's Board of Directors.

When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from donor restrictions.

Statement of Activities and Changes in Net Assets

The statement of activities and changes in net assets report the changes in net assets from operating and non-operating activities. Non-operating activities consist of investment returns net of amounts appropriated, amounts added to endowment corpus under donor instruments, changes in fair value of outside managed trusts, bequests and related expenses, transactions associated with the pension plan and postretirement benefits, endowment, and capital campaign activities. All other activities are considered operating.

Fair Value Measurements

The Society reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include the Society's investments and beneficial interest in perpetual trusts. Nonrecurring measures include contributions receivable and charitable gift annuity liabilities. Fair value accounting standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value or to use the net asset value (NAV) per share when permitted as a practical expedient of fair value under the standards.

Fair value standards require the Society to classify its financial instruments (but for those accounted for under the NAV approach) into a three-level hierarchy, based on the priority of inputs used to value the assets, while disclosing certain information about investments valued under the NAV method.

For investments required to be accounted for under the three-level hierarchy, those categories are as follows:

Level 1: Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3: Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that any changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. In addition, certain funds provide for restricted distributions under certain circumstances such as market dislocations. For more information on the fair value of the Society's financial instruments, see Note 5 - Fair Value of Financial Instruments/Investments.

Revenue Recognition

Contributions and Grants

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Society must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome, and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Society should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Grants and contributions are recorded as revenue when unconditionally committed by the donor. Grants and contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. Transfers are made to net assets without donor restrictions as costs are incurred, or when time restrictions or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Health, Hospital Services and Adoption Revenue

The Society generally measures revenue for qualifying exchange transactions based on the amount of consideration expected for the transfer of goods or services to a client, then recognizes this revenue when or as performance obligations are satisfied under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Society evaluates their revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

The Society records program service revenue at a point in time once goods or adoption or other services are transferred or provided to clients of the Society, which is when the Society has satisfied the performance obligation to its client. Fees for goods and services are based on established fee schedules and price listings. Promotional discounts are offered during certain periods when a client purchases certain goods or services. Non-standard discounts are provided at the discretion of management. Revenue from health and hospital services is recognized based on established charges. All services are transferred to customers at a point in time and payment is due at the completion of the services provided. Accordingly, there are no unbilled receivables (contract assets) reported in the accompanying statement of financial position.

The following table presents a disaggregation of revenue recognized in accordance with ASC Topic 606 revenue, by type, for the year ended December 31, 2023:

Health and hospital services	$ 75,829,497
Adoption fees	3,042,481
Retail sales and other	499,104
Total ASC Topic 606 revenue	$ 79,371,082

Retail sales include the sale of food and other pet supplies to clients of the Society.

All other revenue is recorded when earned.

Advertising Costs

The Society expenses advertising costs as they are incurred.

Cash and Cash Equivalents

All highly liquid debt instruments with a maturity of three months or less when purchased are classified as cash equivalents. The Society maintains its cash in interest-bearing bank deposit accounts that are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). Balances at times exceed insured limits. The Society monitors their exposure associated with cash and cash equivalents and has not experienced any losses in such accounts. Cash and cash equivalents held by investment managers are considered part of investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

Donated goods are recorded at their estimated fair value as of the date of donation. Donated services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Society.

Contributed nonfinancial assets recognized within the statement of activities and changes in net assets for the year ended December 31, 2023, included:

Pet food	$ 1,383,924
Services	426,989
Medicine	202,311
Pet supplies	42,926
Catering	20,000
	$ 2,076,150

The Society recognized contributed nonfinancial assets within donated goods and services including, pet food, medicine, pet supplies, catering and services. Donated goods and services are included in other operating expenses in the accompanying statement of functional expenses. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed pet food was utilized in the operations of the hospital and shelters and as part of the community outreach program. Contributed medicine and pet supplies were used in the community outreach program. Contributed catering was used for fundraising events. In valuing pet food, medicine, pet supplies and catering, the Society estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed services recognized comprise of professional marketing and fundraising services. Contributed services are valued and are reported at the estimated fair value in the financial statements based on the current rates for similar services.

Accounts Receivable

Accounts receivable from services rendered are carried at their net realizable value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Accounts are written-off when deemed uncollectible. Recoveries of amounts previously written-off are recorded as revenue when received. Reserves were approximately $278,000 in 2023. The Society recognized bad debt expense of approximately $469,000 during 2023. Accounts receivable from hospital operations, net was $423,275 as of January 1, 2023.

Contributions Receivable

Unconditional promises to give are reported as revenue and assets in the appropriate net asset category at fair value on the date the promise is verifiably committed using a Level 3 market approach. Under this approach, unconditional promises to give that are expected to be collected within one year are recorded at net realizable value, and unconditional promises to give that are expected to be collected in future years are recorded at present value of the estimated future cash flows. Present values are computed using a risk adjusted interest rate applicable to the duration of the gift. Amortization of present value discounts is included in contribution revenue. Conditional promises to give are not included as support until the donor-imposed conditions are substantially met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are carried at fair value as described in Note 5 and on pages 8 and 9. Investments are managed in a pooled fund along with a related organization (see Note 13) with each participating in the relative returns generated by the underlying funds. Investment returns are presented net of investment management and custodial fees.

Investment Objectives and Spending Policy

Investment returns are reported in net assets without donor restrictions or in net assets with donor restrictions if the terms of the gift require that returns be added to the principal of a donor restricted fund or if the terms of the gift or state law impose restrictions on the current use of the returns.

The Society follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Therefore, net assets with donor restrictions are recorded at the fair value on the original gift date.

Any appreciation on gifts (net of amounts expended) or depreciation of net assets below the original corpus (also known as an underwater fund) is recorded in net assets with donor restrictions. In accordance with the state laws, the Society develops its spending policy considering several factors which include the following considerations:

- the duration and preservation of the donor-restricted endowment fund (Spending Policy Assets),
- the purposes of the Society and its Spending Policy Assets,
- the general economic conditions affecting the Society,
- the possible effects of inflation and deflation,
- the expected total return from income and appreciation of invested funds,
- the other resources of the Society, and
- the Investment Policy of the Society.

The Society has adopted investment and spending policies for the endowment to provide a reliable source of funds to support the Society's operating budget, while achieving an investment return sufficient to maintain or grow the long-term investment assets (the Investment Portfolio) purchasing power in perpetuity. Under this policy, the Investment Portfolio shall be invested in a manner that is expected to preserve its purchasing power in real terms after spending and maximize its long-term total return with reasonable and acceptable levels of investment risk. Investment risk is defined in two ways: (i) the possibility of investments declining in value, and (ii) the expected performance volatility of the investments in the portfolio. The investment portfolio will comprise investments made in multiple asset categories in order to safeguard the investment portfolio's capital and to lower overall portfolio risk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Objectives and Spending Policy (Continued)

The performance objective is to achieve a real total annualized return greater than the combined total of the spending policy and investment expenses, on average, over a typical market cycle (generally considered to be five to ten years). Real total return shall be defined as all realized and unrealized capital changes, plus all interest, rent, dividend, and other income earned by the portfolio, adjusted for inflation.

The Society uses a spending policy in determining use of donor restricted endowment resources to support operations, subject to donor stipulations which otherwise direct use of these funds. The amount released from the Society's endowment funds each year is based on a moving average spending policy, whereby the amount available for current spending during a fiscal year (starting on January 1) will be based on the average market value of the Spending Policy Assets for the last twelve (12) quarters as of the preceding June 30th. On an annual basis, the utilization and execution of the spending policy will be discussed with the Society's Audit and Risk Management Committee. The spending policy rate of 5.5% was approved by the Society's Board of Directors.

Split-Interest Agreements

The Society is the beneficiary of various beneficial interests in perpetual trusts and split-interest planned giving arrangements. Assets under these arrangements are recorded at fair value as per Note 5, with the corresponding net assets of such based on donor stipulation. Assets under split-interest agreements are included in investments. Contributions are recognized as revenue initially at fair value based on the present value of future benefits expected to be received or in the case of gift annuities and certain other gift instruments as the difference between fair value of donated investments less the liability for amounts payable to the donor or the donor's designee.

The initially recorded fair value of these gifts is determined based on the nature of interests received which have generally represented Level 3 measurements, while the initial measurement of the related obligations for charitable gift annuities is a Level 3 measurement. Annual distributions from the perpetual trusts are reported as revenue upon receipt as distributions from outside managed trusts with the major portion of such funds having no donor restriction. Annual changes to the fair value of the interests in these trusts are recognized as changes in fair value of outside managed trusts as net assets with donor restrictions.

The Society invests resources obtained in connection with charitable gift annuities and establishes a liability equal to the present value of future cash flows expected to be paid to the beneficiaries, with the difference reflected as contribution revenue. The initial amounts are recorded at fair value with subsequent adjustments made to invested assets based on fair value, while the obligations are measured based on changes in life expectancy and discount rates.

Debt Issuance Costs

Debt issuance costs are amortized to interest expense over the period the related obligation is outstanding using the effective interest method. Unamortized debt issuance costs are reported in the statement of financial position as a direct reduction from the face amount of the related bonds and note payable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost, including capitalized interest cost incurred during the period of asset construction and/or preparation for use, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense, whereas major betterments are capitalized as additions to property and equipment. Depreciation is provided for using the straight-line method over the estimated useful lives of these assets in periods ranging from three to forty years. Property and equipment are recorded at fair value when donated. Fair value is determined as per the fair value policies described on pages 8 and 9. Fair value of donated property and equipment is effectively recorded using a Level 2 market approach.

The Society recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred if a reasonable estimate of the fair value of the obligation can be made. As of December 31, 2023, the Society was unable to estimate the range of legal obligation for future asset retirements for certain asbestos remediation; therefore, the Society cannot develop a reasonable estimate of their fair values. The Society will continue to assess its ability to estimate fair values at each future reporting date. Any related liability will be recognized once necessary information becomes available.

Self-Insurance

The Society self-insures for employee healthcare claims, unemployment and short-term disability on a claims made basis. The Society utilizes stop-loss premium based coverage for individual healthcare claims in excess of $135,000 and for projected aggregate claims in excess of $1,000,000. The current stop-loss policy period for employee healthcare is March 1, 2023 through February 28, 2024. The plan has been renewed through February 2025.

Short-term disability benefits amount to six months or less of exposure; claims in excess of six months convert to long-term disability which is covered under third-party insurance. Unemployment claims present exposure up to thirty weeks on an individual basis.

The Society accrues for claims reported but not yet paid and estimated claims incurred but not yet reported. To the extent stop-loss limits are exceeded during the current policy year, the Society reduces accrued amounts by the estimated insurance receivable.

Pension Plan

The Society recognizes the overfunded or underfunded status of a benefit plan as an asset or liability in its statement of financial position and recognizes changes in that funded status in the year in which the changes occur using standard actuarial methods.

Deferred Revenue

Charges for health and hospital services collected in advance of services being provided have been included in deferred revenue in the accompanying statement of financial position and are recognizable within one year. The balance in deferred revenue as of December 31, 2023, is expected to be recognized within the following year. Deferred revenue was $349,618 as of January 1, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bequests

Bequests are reported as income when the Society is notified of its interest in an estate at such a time that amounts can be reasonably estimated.

Functional Allocation of Expenses

The financial statements contain certain categories of operating expenses that are attributable to various programs and supporting services and require an allocation on a reasonable basis that is consistently applied. The expenses that are allocated among programs and supporting services include employee compensation and related costs, which are allocated based on time and level of effort, and occupancy, depreciation and interest, which are allocated based on square footage utilized by a function.

Income Taxes

The Society is recognized by the Internal Revenue Service (IRS) as an organization described in Section 501(c)(3) of the Internal Revenue Code (IRC), and is generally exempt from Federal and state income taxes on related income. Given the limited taxable activities of the Society, management concluded that disclosures relative to tax provisions are not necessary.

Uncertain Tax Positions

The Society accounts for the effect of any uncertain tax positions based on a more-likely-than-not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense.

The Society has identified its tax status as a tax-exempt entity and its treatment of related and unrelated income as its only significant tax positions and has determined that such tax positions do not result in an uncertainty requiring recognition. The Society's information and tax returns are subject to examination by the Federal and state jurisdictions.

Use of Estimates

The preparation of the 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Significant management estimates included in the financial statements relate to the valuation of alternative investments and postretirement agreements.

Subsequent Events

The Society has evaluated subsequent events through April 23, 2024, the date the financial statements were issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31, 2023:

Amounts due in:	
Less than one year	$ 655,177
One to five years	50,000
	705,177
Less - current portion	655,177
Less - net present value discount	5,321
Long-term contributions receivable, net	$ 44,679

Net present value discounts are computed using a discount rate of 7.8%.

4. INVESTMENT RETURNS

The Society's investment returns consisted of the following for the year ended December 31, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Investment returns:			
Realized and unrealized gains	$ 8,087,342	$ 5,342,133	$ 13,429,475
Interest and dividends	475,730	240,813	716,543
Investment fees	(260,713)	(160,139)	(420,852)
Sub-total of investment returns	8,302,359	5,422,807	13,725,166
Investment returns appropriated	-	(1,920,308)	(1,920,308)
Total investment returns, net of amounts appropriated	$ 8,302,359	$ 3,502,499	$ 11,804,858
Investment returns appropriated	$ 1,920,308	$ -	$ 1,920,308

From time-to-time, the fair value of assets associated with donor restricted funds may fall below the level that the donor or UPMIFA requires the Society to retain. At December 31, 2023, no significant funds were considered to be underwater.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS/INVESTMENTS

The valuation of the Society's instruments using the fair value hierarchy consisted of the following at December 31, 2023:

	Investments Measuring Fair Value Using Net Asset Value Per Share	Level 1	Level 2	Level 3	Total
Investments:					
Multi-regional equity	$ 27,778,813	$ 162,310	$ -	$ -	$ 27,941,123
U.S. equity	20,580,336	3,085,115	-	-	23,665,451
Multi-strategy hedge funds	19,647,349	-	-	-	19,647,349
Developed Ex. U.S. equity	2,773,819	3,285,337	-	-	6,059,156
U.S. government nominal bonds	-	-	5,601,028	-	5,601,028
Cash and cash equivalents	-	7,727,881	-	-	7,727,881
U.S. TIPS	-	3,430,229	-	-	3,430,229
Emerging market equity	2,584,631	861,664	-	-	3,446,295
Opportunistic inflation hedging	1,059,597	-	-	-	1,059,597
Opportunistic deflation hedging	-	4,741	-	-	4,741
Private investments	22,644,013	-	-	-	22,644,013
457(b) plan assets:					
Equity	-	836,024	-	-	836,024
Charitable gift annuities:					
Mutual funds:					
Equity	-	1,102,151	-	-	1,102,151
Fixed income	-	612,403	-	-	612,403
Real assets	-	51,211	-	-	51,211
Cash and cash equivalents	-	61,466	-	-	61,466
Total investments	97,068,558	21,220,532	5,601,028	-	123,890,118
Beneficial interest in perpetual trusts	-	-	-	14,998,578	14,998,578
Total assets at fair value	$ 97,068,558	$ 21,220,532	$ 5,601,028	$ 14,998,578	$ 138,888,696

The fair value of the beneficial interest in perpetual trusts is based on the Society's percent interest of the trust's assets. Due to the trust provisions, the Society does not have the ability to redeem the investments at net asset value per share nor will the Society ever receive the trust corpus. Therefore, the assets have been recorded as Level 3. Investment securities that underlie the trusts have readily determinable fair values.

In accordance with ASC Topic, *Fair Value Measurements*, certain funds are reported at NAV per share. Management has no intentions or plans to liquidate any NAV practical expedient investments at other than NAV per share. As of December 31, 2023, the Society is committed to contribute an additional $15,149,547 in capital to partnerships in which the Society is a limited partner. Certain investments in partnerships cannot be liquidated for stated periods, which range from three to ten years from the investment date. All remaining investments are fully liquid.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS/INVESTMENTS (Continued)

The changes in assets measured at fair value for which the Society has used Level 3 inputs to determine fair value of beneficial interest in perpetual trusts are as follows:

Beneficial interest in perpetual trusts beginning balance	$ 13,600,787
Change in fair value of outside managed trusts	1,397,791
Beneficial interest in perpetual trusts ending balance	$ 14,998,578

Management has determined that fair value approximates carrying value for cash and cash equivalents, accounts receivable, certain contributions receivable, obligations under certain charitable gift annuities, and accounts payable, given the short-term nature of these instruments. Certain portions of contributions receivable and obligations under charitable gift annuities have longer terms and management did not feel it was practical to assess the fair value. In addition, management has not assessed the fair value of its debt instruments, as some of these instruments have special features that make them inherently costly or impractical to assess fair values. Management did not believe the cost of obtaining such information justified the benefit of such data. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable values could be materially different from the estimates. In addition, the estimates are only indicative of the value of the individual financial instruments and should not be considered an indication of the fair value of the Society.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2023:

Land	$ 1,359,310
Land improvements	538,486
Buildings	68,968,299
Building improvements	19,511,269
Leasehold improvements	1,054,928
Furniture and fixtures	612,210
Equipment and vehicles	12,794,649
Major medical equipment	11,804,224
	116,643,375
Less - accumulated depreciation	49,503,362
Net property and equipment	$ 67,140,013

Depreciation expense for the Society for the year ended December 31, 2023, was $3,982,295.

7. PENSION PLAN AND POSTRETIREMENT HEALTH BENEFITS

Pension and postretirement benefit liabilities are as follows at December 31, 2023:

Postretirement health benefits	$ 4,491,452
457(b) Plan	836,024
Supplemental employee retirement	30,466
	5,357,942
Less - current portion	210,046
	$ 5,147,896

7. PENSION PLAN AND POSTRETIREMENT HEALTH BENEFITS (Continued)

Pension Plan

The Society has a defined benefit plan (the Plan) that has been fully frozen for all participants. During 2023, the Board of Directors voted to terminate the Plan. The plan asset liquidation and distribution to participants was completed in December 2023. The following table sets forth the Plan's funded status and amounts recognized at the Plan's year end of December 31, 2023:

Change in projected benefit obligation:	
Projected benefit obligation at beginning of year	$ 47,970,317
Interest cost	2,327,759
Unrecognized effect of change in actuarial assumptions	(1,178,854)
Effect of plan settlement	(46,217,538)
Benefits paid other than for settlement	(2,901,684)
Projected benefit obligation at end of year	-
Change in plan assets:	
Fair value of plan assets at beginning of year	46,375,771
Actual return on plan assets	2,743,451
Effect of plan settlement	(46,217,538)
Benefits paid other than for settlement	(2,901,684)
Fair value of plan assets at end of year	-
Funded status at end of year	$ -
Net periodic pension cost included the following components:	
Interest cost	$ 2,327,759
Expected return on assets	(3,277,096)
Amortization of actuarial loss	594,464
Net periodic pension cost	$ (354,873)
Accumulated benefit obligation	$ -

Assumptions used to determine benefit obligation and net periodic benefit cost are as follows in 2023:

Long-term rate of investment return	7.25%
Discount rate	5.02%

The Society considers various factors in estimating the expected long-term rate of investment return. Among the factors considered are historical long-term investment returns, the current and expected allocation of plan investments, input from actuaries and investment consultants, and long-term inflation assumptions.

7. PENSION PLAN AND POSTRETIREMENT HEALTH BENEFITS (Continued)

Postretirement Health Benefits

While the Society no longer provides postretirement health benefits to employees hired after January 1, 2003, there is a diminishing group of employees that are grandfathered in and can potentially retain benefits under the program in place prior to 2003. For this remaining group of employees, the eligibility requirements are as follows: date of hire prior to 2003, employed by the Society for fifteen years, retirement from the Society at the attainment of or after age 55, and participation in the Medicare program upon reaching the age of 65. Upon reaching Medicare eligibility, this plan acts as a supplemental insurance plan to Medicare up to a benefit cap of $350 per month ($500 per month for pre-2003 retirees). All eligibility requirements must be met in order to qualify for the plan.

The following table sets forth the Postretirement Plan's funded status and amounts recognized as of December 31, 2023 (the most recent actuarial valuation date):

Change in benefit obligation:	
Benefit obligation at beginning of year	$ 3,961,201
Service cost	58,227
Interest cost	190,298
Unrecognized effect of change in actuarial assumptions	463,496
Benefits paid	(181,770)
Accumulated postretirement benefit obligation	$ 4,491,452
Change in plan assets:	
Fair value of plan assets at beginning of year	$ -
Employer contributions	181,770
Benefits paid	(181,770)
Fair value of plan assets at end of year	$ -
Funded status at end of year	$ -
Net periodic benefit cost included the following components:	
Service cost	$ 58,227
Interest cost	190,298
Amortization of net loss	-
Net periodic benefit cost	$ 248,525

The discount rate used to determine the benefit obligation as of December 31, 2023, was 4.83%. In measuring the projected postretirement benefit obligations as of December 31, 2023, the Society assumed a health care cost trend rates of 6.5%, trending downward to 4.04%. A 1% increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of December 31, 2023, and net postretirement health care cost by $66,582 (this assumption is subject to the benefit cap). As the Society has not set aside any assets to fund the postretirement benefit obligations, it will pay the postretirement benefit obligations from current operations as they come due.

7. PENSION PLAN AND POSTRETIREMENT HEALTH BENEFITS (Continued)

Postretirement Health Benefits (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for years beginning on January 1 of the year indicated:

2024	$ 314,000
2025	345,000
2026	388,000
2027	349,000
2028	340,000
2029 - 2033	1,875,000
	$ 3,611,000

Supplemental Employee Retirement Plan

The Society provides supplemental pension benefits to certain key former officers and executives. These benefits are based on individually negotiated contracts, primarily consisting of fixed annuity payments. The Society accrues the actuarial present value of these benefits using a Group Annuity Mortality Table and an assumed discount rate.

Defined Contribution Plan

The Society offers a qualified tax-deferred savings plan under IRC Section 403(b) for eligible employees. The Society matches the first 5% of employee contributions with the option for added employee deferrals subject to IRS limits. The match is on a graduated vesting period over three years; employees are 100% vested upon completion of three years of service. Expenses under this plan, including costs of operating the plan, were $2,400,355 for the year ended December 31, 2023.

Section 457(b) Deferred Compensation Plan

The Society has an executive retirement plan that is designed in accordance with Section 457(b) of the IRC. Participants are designated by the Board of Directors. Participants may elect to defer a portion of their compensation up to the maximum amount permitted under Section 457 of the IRC for each plan year. The employer may, in its sole discretion, contribute to the plan on behalf of any participant. The participants are responsible for making investment selections within their designated accounts; however, the accounts remain the assets of the Society until such time as the participant withdraws the funds in accordance with the plan's provisions. Assets held for the plan were $836,024 in 2023 and are included in investments in the accompanying statement of financial position. A corresponding liability to plan participants is reported in accrued pension, postretirement and other retirement agreements.

8. LONG-TERM DEBT

The Society's long-term debt consists of the following at December 31, 2023:

$7,698,672 in tax-exempt revenue bonds (Series 2019A) with a fixed interest rate of 3.41% and is payable monthly. The bonds are payable in monthly installments of principal and interest over a ten-year period based on a twenty-year amortization schedule, with a final balloon payment due on November 15, 2029. Bonds are secured by a shared first priority interest in the assets of the Society along with the tax-exempt revenue bonds described below.	$ 7,460,372
$10,718,626 in tax-exempt revenue bonds (Series 2019B) to finance the construction, acquisition, furnishing and equipping of a Critical Care Unit to be used by the veterinary hospital at the Society's Boston facility. The interest rate is fixed at 3.12% and is payable monthly. The bonds are payable in monthly installments of principal and interest over a ten-year period based on a twenty-year amortization schedule, with a final balloon payment due on November 15, 2029. Bonds are secured by a shared first priority interest in the assets of the Society along with the tax-exempt revenue bond described below.	8,524,236
$5,981,424 in tax-exempt revenue bonds to finance multiple energy efficiency capital projects at its facilities in Boston. The interest rate is fixed at 2.62% and is payable monthly. The bonds are payable in monthly installments of principal and interest, with a final payment on June 8, 2026. Bonds are secured by a shared first priority interest in the assets of the Society along with the tax-exempt revenue bonds described above.	928,659
$2,959,671 term loan payable to a bank with a fixed interest rate of 5.01%. Monthly principal and interest are payable over a seven-year period based on a twenty-year amortization schedule, with a final balloon payment due in May 2029, at which time all remaining principal and accrued interest are due.	2,820,071
	19,733,338
Less - unamortized debt issuance costs	134,715
Less - current portion	967,601
Total	$ 18,631,022

The Society has incurred debt issuance costs related to the bond and note payable borrowings. These costs are being covered over a period ranging from seven to ten years, based on the life of the bond or note payable associated with these costs.

Future minimum principal payments relating to bonds and notes payable over the next five years are as follows:

2024	$ 967,601
2025	1,000,354
2026	1,021,299
2027	1,043,533
2028	1,080,439
Thereafter	14,620,112
	$ 19,733,338

8. LONG-TERM DEBT (Continued)

Interest incurred, including amortization of debt issuance costs, totaled $758,373 for the year ended December 31, 2023. No interest was capitalized for the year ended December 31, 2023. The Society's bonds and notes payable are subject to financial covenants as defined in the agreements. The Society was in compliance with these covenants at December 31, 2023.

9. LINE OF CREDIT

The Society has a $2,000,000 revolving line of credit which expires on August 31, 2024, and bears interest at the Prime Rate less 1%, subject to a minimum interest rate floor of 2.5%. There is no outstanding debt in relation to the line of credit. The line of credit is cross defaulted with the bonds and note payable agreements as described in Note 8.

10. NET ASSETS AND ENDOWMENT MATTERS

The following represents required disclosure relative to the composition and activities of the Society's endowment and funds functioning as endowment for the year ended December 31, 2023:

Endowment assets, beginning of year	$ 42,437,688
Gifts and additions	101,709
Investment returns:	
Interest and dividends, net of investment expenses	68,908
Net realized and unrealized gains	4,565,426
Total investment returns	4,634,334
Investment returns appropriated	(1,920,308)
Endowment assets, end of year	$ 45,253,423

11. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets Reconciliation

As reported in the statement of financial position, net assets with donor restrictions consisted of the following at December 31, 2023:

Restriction	
Purpose restrictions	$ 14,528,467
Restricted in perpetuity	35,199,691
Beneficial interest in perpetual trusts	14,998,578
Net assets with donor restrictions	$ 64,726,736

11. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2022	New Gifts	Investment Returns, net of Amounts Appropriated	Releases from Restrictions	2023
Program services	$ 3,626,265	$ 1,829,450	$ 783,457	$ (2,139,513)	$ 4,099,659
Acquisition of property and equipment	493,445	434,314	5,015	(557,698)	375,076
Accumulated investment earnings appreciation of donor restricted assets	7,835,218	-	2,218,514	-	10,053,732
	$ 11,954,928	$ 2,263,764	$ 3,006,986	$ (2,697,211)	$ 14,528,467

Certain net assets have been restricted by the donors to be maintained by the Society in perpetuity. The income from such is expendable to support program services of the Society. Net assets donor restricted in perpetuity consisted of the following at December 31:

Fund Name	Restriction	
Beneficial Interest in Perpetual Trusts	Total return for various programs and distributions are at the discretion of third-party trustees	$ 14,998,578
Frances Rust O'Mara Fund	1/2 of the total return is to be used to prevent cruelty to animals and improve their quality of life	8,512,161
MSPCA General Fund	Total return used for general operations	6,127,716
Angell Memorial Hospital General Fund	Total return to support the Angell operations	5,111,228
Cape Cod Shelter Fund	Total return to be used in the Cape Cod District	717,471
Edward Cox Animal Hall of Fame	Total return to fund expenses of Edward H. Cox Award and remainder for general purposes of the Society	500,000
Everett S. Jodrey Endowment Fund	Total return to support the Law Enforcement operations	1,026,903
Pet Care Assistance Fund	Total return to be used for the pet care assistance program	5,385,116
Other	Total return supports various programs and locations of the Society	7,819,096
		$ 50,198,269

11. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The Society holds approximately three million dollars in an endowment that the donor has stipulated can be released if absolutely necessary for the preservation of Angell, which the Society currently believes is remote. Accordingly, such amounts have been presented as donor-restricted endowment.

12. ALLOCATION OF JOINT COSTS

The Society incurred joint costs of $1,084,462 for the year ended December 31, 2023, for informational materials and activities that included fundraising appeals. Joint costs were allocated as follows at December 31, 2023:

Publications, communications and public program expenses	$ 491,510
Development, membership, annual and planned giving expenses	592,952
Total joint costs	$ 1,084,462

13. RELATED PARTY TRANSACTIONS

Fiscal Agency Agreement

The Society provides certain accounting, fundraising, management, and investment services to the American Fondouk Maintenance Committee, Inc. (The Fondouk), a not-for-profit organization that provides services to working animals in Morocco where proper treatment is not otherwise readily available, and charges The Fondouk fees for these services. The Society acts as a fiscal agent on behalf of The Fondouk for certain fundraising and administrative activities. The Fondouk is considered a related party as The Fondouk shares certain Board members with the Society. The Society had the following transactions on behalf of The Fondouk during the year ended December 31, 2023:

Contributions and grants received	$ 583,288
Fundraising and administrative costs paid	$ 413,759
Fees charged	$ 122,744

The amounts due to The Fondouk are included in due to Fondouk in the accompanying statement of financial position. Amounts due at December 31, 2023, were $152,479, and do not include interest.

14. OPERATING LEASES

The Society leases certain buildings and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis.

14. OPERATING LEASES (Continued)

Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since most of the Society's leases do not provide an implicit rate, to determine the present value of lease payments, management has elected to use the risk-free rate of return based on the information available at the later of January 1, 2022, or the lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Society's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise the option. None of the Society's lease agreements contain any material residual value guarantees.

The Society has elected not to record leases with an initial term of twelve months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Facilities

The Society conducts a portion of its operations and programs in a leased facility under an amended and extended operating lease expiring on December 31, 2027. Effective January 1, 2018, the amended lease agreement calls for a base annual rent of $300,000, with subsequent annual adjustments for the Consumer Price Index in the Boston, Brockton, and Nashua area as published in the U.S. Department of Labor Statistics commencing in 2019. Included in occupancy expenses for the year ended December 31, 2023, was rental expense of $436,142, which includes real estate taxes of $83,735 under the terms of the original lease agreement.

Equipment Rental

The Society leases various copiers, computer equipment, and other medical equipment under operating leases expiring at various dates through 2025. Equipment and other rental expense for the year ended December 31, 2023, totaled $310,710.

Operating Leases

Weighted-average remaining lease term (years)	3.57 years
Weighted-average discount rate	1.5%

The maturities of lease liabilities as of December 31, 2023, were as follows:

	Facility	Equipment	Total
2024	$ 316,102	$ 178,467	$ 494,569
2025	316,102	8,331	324,433
2026	316,102	-	316,102
2027	316,102	-	316,102
Total future lease payments	1,264,408	186,798	1,451,206
Less - current portion	(299,230)	(177,491)	(476,721)
Less - present value discount/interest	(39,166)	(988)	(40,154)
Present value of long-term lease liabilities	$ 926,012	$ 8,319	$ 934,331

Facilities and equipment expenses for the year ended December 31, 2023, totaled $746,852.

15. LIQUIDITY AND AVAILABILITY

The Society's financial assets available within one year from the statement of financial position date for general expenses are as follows as of December 31, 2023:

Cash and cash equivalents	$ 6,579,702
Accounts receivable from hospital operations, net	460,991
Contributions receivable	460,177
Prepaid expenses and other assets	723,400
Investments	42,724,278
	$ 50,948,548

The Society has a policy to maintain financial assets on hand equal to thirty days of operating expenses, which totaled approximately $9,376,000 for the year ended December 31, 2023. In addition to the Society's liquidity policy, the Society's bond agreements, as fully described in Note 8, contain a requirement that the Society maintain a liquidity ratio (total funded debt to cash and investments without donor restrictions) equal to, or greater than one to one. At December 31, 2023, the liquidity ratio required the Society to maintain cash and investments without donor restrictions of $19,733,337. The Society was in compliance with this liquidity requirement at December 31, 2023.