



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

REPORT ON AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2019

(With Independent Auditors' Report Thereon)

CONTENTS

	<u>Pages</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Florida Keys Society for the Prevention
of Cruelty to Animals, Inc.
Key West, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Keys Society for the Prevention of Cruelty to Animals, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Keys Society for the Prevention of Cruelty to Animals, Inc., as of December 31, 2019 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Smith, Burgin & Associates, LLC.

April 15, 2020

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.
 STATEMENT OF FINANCIAL POSITION
 December 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	795,122
Certificates of deposit-maturing through September 25, 2020		228,314
Accounts receivable-Monroe County (\$230,926); other (\$25,335)		256,261
Unconditional promises to give		1,500
Inventory		66,413
Prepaid expenses and other assets		35,999
TOTAL CURRENT ASSETS	\$	<u>1,383,609</u>

NON CURRENT ASSETS

Investments, beneficial interest-endowment	\$	84,008
Property and Equipment		9,000,172
Accumulated Depreciation		(386,617)
TOTAL NON CURRENT ASSETS	\$	<u>8,697,563</u>

TOTAL ASSETS

\$ 10,081,172

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	31,029
Accrued expenses		73,245
TOTAL CURRENT LIABILITIES	\$	<u>104,274</u>

NET ASSETS

Without donor restrictions	\$	9,747,603
With donor restrictions		229,295

TOTAL NET ASSETS

\$ 9,976,898

TOTAL LIABILITIES AND NET ASSETS

\$ 10,081,172

See accompanying notes to financial statements

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.
STATEMENT OF ACTIVITIES
for the year ended December 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues:			
Monroe County contract	\$ 1,043,677	\$ -	\$ 1,043,677
In-kind donations	104,120	-	104,120
Donations and grants	815,878	208,576	1,024,454
Adoption fees	24,080	-	24,080
Special events revenues of \$274,977 less event expenses of \$44,835	230,142	-	230,142
Other income	3,973		3,973
Medical fees and ID chips	10,335	-	10,335
Sales of merchandise of \$6,314 less cost of goods of \$4,326	1,988	-	1,988
Interest	3,093	-	3,093
Gain on endowment	8,162		8,162
Released from restrictions	<u>44,095</u>	<u>(44,095)</u>	<u>-</u>
 Total revenue	 <u>2,289,543</u>	 <u>164,481</u>	 <u>2,454,024</u>
Expenses:			
Shelter operations	1,927,364	-	1,927,364
Management and general	29,244	-	29,244
Fundraising	<u>121,756</u>	<u>-</u>	<u>121,756</u>
 Total expenses	 <u>2,078,364</u>	 <u>-</u>	 <u>2,078,364</u>
 Increase in net assets	 211,179	 164,481	 375,660
 Net assets, beginning of year	 <u>9,536,424</u>	 <u>64,814</u>	 <u>9,601,238</u>
 Net assets, end of year	 <u>\$ 9,747,603</u>	 <u>\$ 229,295</u>	 <u>\$ 9,976,898</u>

See accompanying notes to financial statements

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2019

	<u>Shelter Operations</u>	<u>Management and General</u>	<u>Direct Fundraising</u>	<u>Totals</u>
Personnel expenses:				
Salaries and wages	\$ 757,212	\$ 17,519	\$ 26,685	\$ 801,416
Health Insurance	72,558	1,886	2,991	77,435
Payroll taxes	62,849	1,380	2,081	66,310
	<hr/>	<hr/>	<hr/>	<hr/>
Total Salaries and related expenses	892,619	20,785	31,757	945,161
Direct Expenses:				
Advertising	6,352	-	-	6,352
Depreciation	327,302	-	-	327,302
Dog Park	4,588	-	-	4,588
Dues and subscriptions	1,306	-	-	1,306
Entertainment	3,295	1,242	9,368	13,905
Fundraising Expenses	-	-	74,225	74,225
ID chips	7,422	-	-	7,422
Insurance, other	100,089	1,957	-	102,046
Interest	34	-	-	34
License and taxes	1,959	-	-	1,959
Medicines and medical supplies	107,320	-	-	107,320
Office expense, credit card and bank fees	6,980	241	1,340	8,561
Office expense, other	25,900	3,377	5,066	34,343
Payroll processing	26,641	-	-	26,641
Professional services	41,085	1,125	-	42,210
Rent, storage	217	217	-	434
Repairs and maintenance	41,795	-	-	41,795
Supplies	84,113	-	-	84,113
Training with related travel	1,918	300	-	2,218
Utilities and telephone	111,553	-	-	111,553
Vehicles	6,610	-	-	6,610
Veternarian fees	110,302	-	-	110,302
Waste disposal	17,964	-	-	17,964
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Total expenses	<u>\$ 1,927,364</u>	<u>\$ 29,244</u>	<u>\$ 121,756</u>	<u>\$2,078,364</u>

See accompanying notes to financial statements

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.
STATEMENT OF CASH FLOWS
for the year ended December 31, 2019

Cash flows from operating activities:		
Change in net assets without donor restrictions		\$ 211,179
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	\$ 327,302	
Decrease in certificate of deposit	12,393	
Increase in investments	(59,389)	
Increase in accounts receivable-Monroe County	(92,921)	
Decrease in unconditional promises to give (pledges)	6,000	
Increase in inventory	(1,939)	
Decrease in prepaid expenses and other	4,479	
Decrease in accounts payable	(32,924)	
Increase in accrued payroll and related liabilities	14,698	
Decrease in retainage payable	<u>(112,373)</u>	<u>65,326</u>
Net cash provided by operating activities		276,505
Cash flows from investing activities:		
Purchase of equipment and building	(189,837)	
Change in net assets with donor restrictions	<u>164,481</u>	
Net cash used in investing activities		<u>(25,356)</u>
Net increase in cash and cash equivalents		251,149
Cash and cash equivalents at beginning of year		<u>543,973</u>
Cash and cash equivalents at end of year		<u><u>\$ 795,122</u></u>
Cash paid for interest (none capitalized)		<u><u>\$ 34</u></u>
Cash paid for income taxes		<u><u>\$ -</u></u>
Non cash activity - Donated capital assets		<u><u>\$ 60,855</u></u>

See accompanying notes to financial statements

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2019

1. Summary of Significant Accounting Policies:

The Florida Keys Society for the Prevention of Cruelty to Animals, Inc. ("FKSPCA") was incorporated under the not-for-profit statutes of Florida on January 27, 1999. FKSPCA is a not-for-profit organization dedicated to the promotion of the humane treatment of all animals through compassionate care, adoption, education, population control and humane law enforcement. FKSPCA has a contract effective May 1, 2014, with the Board of County Commissioners of Monroe County, Florida for the purposes of operating the shelter located in Key West and to provide complete animal control and enforcement services from mile marker 0 through mile marker 16.7, including the City of Key West, for a term of 20 years including a 10 year extension thereafter. Effective November 15, 2017, the Board of Commissioners of Monroe County, Florida awarded a new animal control contract for the middle Keys (i.e. mile marker 16.7 to mile marker 70) for a term of 5 years including a 5 year extension thereafter.

The accounting policies of FKSPCA conform to accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - The accompanying financial statements include the accounts of the Florida Keys Society for the Prevention of Cruelty to Animals, Inc. only. The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of FKSPCA and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets are available for use in general operations and not subject to donor restrictions. The Board has designated, from net assets without donor restrictions, a Board designated endowment.

Net assets with donor restrictions - Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor (such as the construction of the building). Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The costs of providing the shelter operations program and administration have been detailed in the statement of functional expenses and summarized on a functional basis in the statement of activities. Salaries and other expenses which are associated with shelter operations or administration are charged directly to each. Salaries and other expenses which benefit both are allocated based on the relative benefit provided to each.

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.
 NOTES TO FINANCIAL STATEMENTS
 for the year ended December 31, 2019

1. Summary of Significant Accounting Policies, Continued:

Support and Revenue – Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises were received.

Grants and other contributions of cash and other assets are reported as net assets without donor restrictions unless specifically restricted by donor.

Cash and Cash Equivalents – All highly liquid investments with an original maturity of three months or less are deemed to be cash equivalents for the purposes of reporting cash flows.

FKSPCA maintains cash accounts with local and national financial institutions for donations received. All cash accounts are included in the statement of cash flows. At December 31, 2019, cash balances totaled \$795,122, which were in multiple checking and savings accounts in order to maintain Federal Deposit Insurance Corporation (FDIC) coverage; however, at times during the year and at year end, balances exceeded \$250,000 of FDIC insurance at one financial institution.

Investments – During 2012, FKSPCA entered into agreements with The Community Foundation of the Florida Keys, Inc. (Foundation) to create an Agency Fund primarily to establish an endowment for future operations (see Note 5). The Foundation's investments in mutual and money market funds are not backed by a bank nor are they insured by FDIC. This agreement may be terminated by either party giving thirty (30) days written notice.

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

	<u>Fair Value</u>	<u>Net Unrealized Gain</u>
Mutual and money market funds - Endowment	<u>\$84,008</u>	<u>\$8,162</u>

Receivables – Accounts receivables are presented on the statement of financial position net of an allowance for doubtful accounts based on FKSPCA's assessment of collectability. As of December 31, 2019, FKSPCA considers all accounts receivables to be collectible and an allowance has not been recorded. Unconditional promises to give have been recorded without an allowance based on collectability through the current issue date of these statements.

Inventory – Inventory consists of supplies on hand to operate two animal control shelters, the spay neuter clinic and some items held for resale. Inventory is stated at the lower of cost or net realizable value.

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.
 NOTES TO FINANCIAL STATEMENTS
 for the year ended December 31, 2019

1. Summary of Significant Accounting Policies, Continued:

Property and equipment – Purchased property and equipment are recorded at cost when the expenditure is in excess of \$2,500. Major renewals and betterments are capitalized while minor renewals and betterments are expensed as incurred. Depreciation expense is provided using the straight line method over the estimated useful lives of the respective assets. A summary of the estimated useful lives for the principal classifications of property and equipment is as follows:

<u>Classification</u>	<u>Useful Lives</u>
Building - Key West shelter	39 years
Building - KW shelter major components	15 - 25 years
Building - Improvements	5 - 15 years
Furniture & Equipment	5 - 8 years
Vehicles	5 years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Income tax status – FKSPCA has been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code. FKSPCA has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). FKSPCA had no excise or unrelated business income taxes for the year ended December 31, 2019. FKSPCA is subject to routine audits by taxing jurisdictions. However, there are currently no such audits in progress for any tax period. Tax periods 2016-2018 are subject to review by the IRS should they choose to do so.

Grants and contracts - Grants and contracts restricted for specific purposes are classified as revenue with donor restrictions. Amounts earned but not received are reported as receivable. Amounts received but not earned are recorded as deferred revenue. Unconditional grants and contributions are recorded as revenue in the period received.

Donated services, materials and facilities – Contributions of donated materials and supplies are recorded at their fair values in the period received. The criteria for recording donated services are those that (a) create or enhance nonfinancial assets or (b) require specialized skills, and would typically need to be purchased if not provided by donation and they are recorded in the period received. Donated facilities are recorded at their fair value when received if a market exists for such a facility.

Contingencies – Financial awards from local government entities in the form of grants or contracts are subject to audit by the respective governmental agencies. The possible disallowance by the governmental agencies of any item charged to the program or request for the return of any unexpended funds cannot be determined at this time. Accordingly, no provision for any liability that may result has been made in the financial statements.

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2019

1. Summary of Significant Accounting Policies, Continued:

Economic Dependence – FKSPCA provides its program services with funds primarily received from local government contracts and donations from the public. A significant reduction in the level of either of these funding sources, if it were to occur, may have an adverse effect on FKSPCA's programs and activities.

Liquidity and Availability– FKSPCA receives significant contributions and grant awards with donor restrictions to be used in accordance with the associated purpose restrictions.

The Board has established a long-term goal to cover the costs of general expenditures through: spending policy distributions from funds controlled by the Board, administrative fees allowed from grant sources, program service fees, and investment return on operating reserves.

These revenue sources provided 100% of applicable costs for the year ended December 31, 2019. General expenditures include administrative and general expenses, fundraising expenses and cost of programs.

Change in Accounting Principles – In 2018, FKSPCA adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position – The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restriction and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Statement of Activities and Functional Expenses – Expenses are reported by nature and function.

Notes to Financial Statements – Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position. This change has no impact on previously reported total change in net assets.

2. Compensated Leave:

Employees are entitled to paid compensated leave in varying amounts in accordance with administrative policies. The liability for leave is based upon the actual unused leave at the applicable rate of pay for each employee. Employees may carry over to the following calendar year the total of any annual leave time that they have earned during the current calendar year plus forty (40) hours of annual leave from the prior calendar year. Any annual leave in excess of that amount is forfeited. Accrued wages are employee wages earned but not yet paid.

Balances at December 31, 2019 are as follows:

Accrued Paid Time Off	\$ 40,987
Accrued Wages	22,304
	<u>\$ 63,291</u>

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2019

3. Net Assets:

The net assets of FKSPCA are summarized as follows as of December 31, 2019:

Net assets without donor restrictions and non-designated	\$9,467,083
Net assets without donor restrictions but Board designated	<u>280,520</u>
Total without donor restrictions	<u>\$9,747,603</u>

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose, passage of time or both	
Oscar Fund for extensive medical needs	50,176
Dog Park Fund to cover expenses of Key West dog park	15,603
Adoption fee fund	2,457
Spay Neuter clinic	<u>161,059</u>
Total with donor restrictions	<u>229,295</u>
 Total net assets	 <u><u>\$9,976,898</u></u>

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

Medical needs, regular and extensive	\$ 2,377
Dog park expenses	4,588
Spay Neuter clinic	<u>37,130</u>
Total released	<u>\$ 44,095</u>

4. Liquidity and Availability of Resources:

FKSPCA's financial assets available within one year of the consolidated statement of financial position sheet date, for general expenditure such as operating expenses, as follows as of December 31, 2019:

Cash and cash equivalents	\$ 795,122
Certificates of deposit	228,314
Accounts receivable	<u>256,261</u>
Total	1,279,697
 Less amounts unavailable for general expenditures with one year due to:	
Purpose restricted	229,295
Board designated	<u>196,512</u>
Total financial assets available	<u><u>\$ 853,890</u></u>

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.
 NOTES TO FINANCIAL STATEMENTS
 for the year ended December 31, 2019

4. Liquidity and Availability of Resources, Continued:

The financial assets in the table above have been reduced by amounts not available for general use because of donor restrictions for specific purposes or Board designation.

5. Endowments:

FKSPCA's endowment consists of an agency fund established in 2012 by the Board of Directors at The Community Foundation of the Florida Keys, Inc. (Foundation) with an initial transfer of \$5,000. The agency fund was created to function as a permanent but board-designated endowment fund for future operations. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board has designated the donations and earnings received since its inception to remain a part of the endowment fund. Because there are no specific donor restricted donations in the fund as of December 31, 2019, the entire balance of the endowment fund is a part of net assets without donor restrictions.

Changes in the endowment fund for the year ended December 31, 2019, were:

Endowment net assets without donor restrictions, \$	24,619
beginning of the year	
Contributions	51,227
Net gain on endowment	8,162
Endowment fund December 31, 2019	<u>\$ 84,008</u>

6. In-Kind Donations:

Donated materials – FKSPCA receives donations of supplies for use in its mission. These donations were recorded at their fair market value of \$68,762. Donations of items for fundraising events are not recorded as a matter of policy.

Donated services – FKSPCA receives donated services from a variety of unpaid volunteers assisting with fundraising, program services, and general activities that are not recorded, as they do not meet the criteria for recording. FKSPCA received \$35,358 of qualifying donated services that were recorded as revenue in the statement of activities during the year.

Donated facilities – FKSPCA receives use of land located at 5711 College Road on which the animal control shelter facilities were built under their contract to operate the Key West animal shelter. Since a market for the rental of such a facility does not exist, no amounts are recorded in the financial statements.

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
for the year ended December 31, 2019

7. Funding Concentration:

FKSPCA currently operates the Key West and Middle Keys animal control shelters under long-term contracts with the Board of County Commissioners of Monroe County, Florida. These contracts provide a significant amount of FKSPCA's support. As of December 31, 2019, FKSPCA's receivable from Monroe County under these contracts was a total of \$230,926.

8. Fair Values of Financial Instruments:

FKSPCA's financial instruments include cash, receivables and unconditional promises to give (pledges). Due to the relatively short maturities of these instruments, the carrying amounts reported in the statement of financial position approximate their fair value.

9. Subsequent Event:

In preparing these financial statements, FKSPCA has evaluated events and transactions for potential recognition or disclosure through April 15, 2020, the date the financial statements were issued.

In early March 2020, the World Health Organization declared the outbreak of the Covid-19 virus a pandemic. Normal business continuity/operations could be impacted for months as significant and unprecedented measures are taken to mitigate the consequences of the pandemic. Management is continually monitoring the situation and evaluating its options during this time. Resulting economic uncertainties have arisen which may negatively affect the results of operations or other impacts whose effect is unknown at this time. No adjustments have been made to these financial statements as a result of this uncertainty.

On April 14, 2020 the FKSPCA signed a US Small Business Administration Note and received \$171,871 in proceeds under the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security (CARES) Act. The Note will mature in two years and the interest rate is 1% on the unpaid principal. No interest or principal will be due during the first six months after receipt of the loan. The FKSPCA plans to seek the maximum forgiveness of the loan allowed per the terms of the program. Any unforgiven principal and accrued interest will be payable in substantially equal monthly installments on the first day of each month over the remaining 18 month term of the loan. There is no penalty for prepayment of the loan.