



## **FLORIDA KEYS SPCA**

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

REPORT ON AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(With Independent Auditors' Report Thereon)

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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, 2020, 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, 2020 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 1, 2021

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2020

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,477,121
Accounts receivable-Monroe County (\$217,496); other (\$31,175)	248,671
Inventory	63,837
Prepaid expenses and other assets	80,205
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 1,869,834</b>

**NON CURRENT ASSETS**

Investments, beneficial interest-endowment	\$ 92,212
Property and Equipment	9,025,383
Accumulated Depreciation	(703,175)
<b>TOTAL NON CURRENT ASSETS</b>	<b>\$ 8,414,420</b>

**TOTAL ASSETS**

**\$ 10,284,254**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 16,208
Accrued expenses	95,509
Paycheck Protection Program Loan	171,871
Unearned Revenues	24,685
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 308,273</b>

**NET ASSETS**

Without donor restrictions	\$ 9,716,899
With donor restrictions	259,082

**TOTAL NET ASSETS**

**\$ 9,975,981**

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 10,284,254**

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Monroe County contract	\$ 1,185,755	\$ -	\$ 1,185,755
In-kind donations	45,930	-	45,930
Donations and grants	780,902	112,084	892,986
Adoption fees	7,794	-	7,794
Special events revenues of \$80,340 less event expenses of \$14,896	65,444	-	65,444
Other income	1,073		1,073
Medical fees and ID chips	58,254	-	58,254
Sales of merchandise of \$2,811 less cost of goods of \$2,036	775	-	775
Interest	10,142	-	10,142
Gain on endowment	8,204		8,204
Released from restrictions	82,297	(82,297)	-
	<u>2,246,570</u>	<u>29,787</u>	<u>2,276,357</u>
Total revenue			
Expenses:			
Shelter operations	2,075,200	-	2,075,200
Management and general	32,625	-	32,625
Fundraising	169,449	-	169,449
	<u>2,277,274</u>	<u>-</u>	<u>2,277,274</u>
Total expenses			
Increase/(Decrease) in net assets	(30,704)	29,787	(917)
Net assets, beginning of year	<u>9,747,603</u>	<u>229,295</u>	<u>9,976,898</u>
Net assets, end of year	<u>\$ 9,716,899</u>	<u>\$ 259,082</u>	<u>\$ 9,975,981</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, 2020

	<u>Shelter Operations</u>	<u>Management and General</u>	<u>Direct Fundraising</u>	<u>Totals</u>
Personnel expenses:				
Salaries and wages	\$ 922,287	\$ 18,468	\$ 76,035	\$1,016,790
Health Insurance	97,076	1,997	9,194	108,267
Payroll taxes	75,214	1,453	6,123	82,790
Total Salaries and related expenses	1,094,577	21,918	91,352	1,207,847
Expenses:				
Advertising	1,794	-	-	1,794
Depreciation	339,437	-	-	339,437
Dog Park	120	-	-	120
Dues and subscriptions	1,736	-	-	1,736
Entertainment	1,467	550	309	2,326
Fundraising Expenses	-	-	71,956	71,956
ID chips	2,065	-	-	2,065
Insurance, other	102,075	1,974	-	104,049
License and taxes	4,126	-	-	4,126
Loss on disposal of assets	1,653	-	-	1,653
Medicines and medical supplies	118,908	-	-	118,908
Office expense, credit card and bank fees	5,673	78	637	6,388
Office expense, other	25,685	3,425	5,137	34,247
Payroll processing	34,837	-	-	34,837
Professional services	22,620	3,200	-	25,820
Repairs and maintenance	79,307	-	-	79,307
Supplies	68,850	-	-	68,850
Training with related travel	184	1,480	58	1,722
Utilities and telephone	92,691	-	-	92,691
Vehicles	1,541	-	-	1,541
Veternarian fees	59,504	-	-	59,504
Waste disposal	16,350	-	-	16,350
Total expenses	<u>\$ 2,075,200</u>	<u>\$ 32,625</u>	<u>\$ 169,449</u>	<u>\$2,277,274</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, 2020

Cash flows from operating activities:		
Change in net assets		\$ (917)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 339,437	
Loss on disposal of assets	\$ 1,653	
Decrease in certificate of deposit	228,314	
Increase in investments	(8,204)	
Increase in accounts receivable-Monroe County	7,590	
Decrease in unconditional promises to give (pledges)	1,500	
Increase in inventory	2,576	
Decrease in prepaid expenses and other	(44,206)	
Decrease in accounts payable	(14,821)	
Increase in unearned revenue	24,685	
Increase in accrued payroll and related liabilities	<u>22,264</u>	<u>560,788</u>
Net cash provided by operating activities		559,871
Cash flows from investing activities:		
Purchase of equipment and building	<u>(49,743)</u>	
Net cash used in investing activities		<u>(49,743)</u>
Cash flows from financing activities:		
Proceeds from Payroll Protection Program Loan	<u>171,871</u>	
Net cash provided by financing activities		<u>171,871</u>
Net increase in cash and cash equivalents		681,999
Cash and cash equivalents at beginning of year		<u>795,122</u>
Cash and cash equivalents at end of year		<u>\$ 1,477,121</u>
Cash paid for interest (none capitalized)		<u>\$ -</u>
Cash paid for income taxes		<u>\$ -</u>
Non cash activity - loss on disposal of assets		<u>\$ 1,653</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, 2020

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 ending June 30, 2020 with an option to renew for one additional five year period. On June 17, 2020 the five year renewal period was exercised and the contract is extended thru June 30, 2025.

The accounting policies of FKSPCA conform to accounting principles generally accepted in the United States of America. The following is a summary of the more significant policies:

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 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. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Support, Revenue and Expenses - Contributions, including unconditional promises to give, are measured at their fair values and are reported as increases in new assets. 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.

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.  
NOTES TO FINANCIAL STATEMENTS  
for the year ended December 31, 2020

1. Summary of Significant Accounting Policies, Continued:

FKSPCA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a donor or time 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 activity as net assets released from restrictions.

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 unearned revenue. Unconditional grants and contributions are recorded as revenue in the period received.

Expenses are recorded when incurred in accordance with the accrual basis of accounting

Functional Allocation of Expenses - 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.

Paycheck Protection Program (PPP) – Proceeds from PPP loan are shown as a liability in these financial statements. The liability will remain on the books until the loan has been forgiven and the liability has been paid in full to the creditor.

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, 2020, cash balances totaled \$1,477,121. During 2020, FKSPCA established an Insured Cash Sweep (ICS) account. The ICS funds are spread among financial institutions in the ICS Network in amounts less than \$250,000 in order to maintain Federal Deposit Insurance Corporation (FDIC) coverage; however, due to timing of deposits and disbursements, at times during the year and at year end, the balance exceeded \$250,000 of FDIC insurance at the financial institution that holds daily operating funds. As of December 31, 2020, FKSPCA's uninsured cash accounts totaled \$33,928.

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. All gains and losses and expenses affect the total in the account and are recorded as unrealized gains and losses and are charged or credited to the statement of activities.

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 for the year ended December 31, 2020

1. Summary of Significant Accounting Policies, Continued:

Receivables – Accounts receivable 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, 2020, FKSPCA considers all accounts receivable 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.

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.

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 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.

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, 2020. Tax periods 2017-2019 are subject to review by the IRS.

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.  
NOTES TO FINANCIAL STATEMENTS  
for the year ended December 31, 2020

1. Summary of Significant Accounting Policies, Continued:

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.

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, 2020. General expenditures include administrative and general expenses, fundraising expenses and cost of programs.

Fair Values of Financial Instruments - FKSPCA's financial instruments include cash, and receivables. Due to the relatively short maturities of these instruments, the carrying amounts reported in the statement of financial position approximate their fair value.

2. Accrued Expenses:

Balances at December 31, 2020 are as follows:

Accrued paid time off – compensated leave	\$ 58,084
Accrued wages, taxes and benefits	33,162
Other expenses	<u>4,263</u>
	<u>\$ 95,509</u>

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.  
NOTES TO FINANCIAL STATEMENTS  
for the year ended December 31, 2020

3. Net Assets:

The net assets of FKSPCA are summarized as follows as of December 31, 2020:

Net assets without donor restrictions and non-designated	\$9,396,556
Net assets without donor restrictions but Board designated	<u>320,343</u>
Total without donor restrictions	<u>9,716,899</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	48,422
Dog Park Fund to cover expenses of Key West dog park	15,483
Adoption fee fund	4,895
Spay Neuter clinic	<u>190,282</u>
Total with donor restrictions	<u>259,082</u>

Total net assets	\$ <u>9,975,981</u>
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During the year, net assets released from donor restrictions resulted from the satisfying of the following donor restrictions:

Medical needs, regular and extensive	\$ 10,530
Dog park expenses	120
Adoption fee fund	894
Spay Neuter clinic	<u>70,753</u>
Total released	<u>\$ 82,297</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, 2020:

Cash and cash equivalents	\$ 1,477,121
Accounts receivable	<u>248,671</u>
Total	1,725,792

Less amounts unavailable for general expenditures with one year due to:

Purpose restricted	259,082
Board designated	<u>228,131</u>
Total financial assets available	<u>\$ 1,238,579</u>

FLORIDA KEYS SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 for the year ended December 31, 2020

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, 2020, 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, 2020, were:

Endowment net assets without donor restrictions, \$	84,008
beginning of the year	
Contributions	-
Net gain on endowment	8,204
Endowment fund December 31, 2020	<u>\$ 92,212</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 \$19,410. 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 \$26,521 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, 2020

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, 2020, FKSPCA's receivable from Monroe County under these contracts was a total of \$217,496.

8. Paycheck Protection Program Loan:

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 five years and the interest rate is 1% on the unpaid principal. Monthly payments on any unforgiven balance were to begin October 14, 2020 however, monthly payments are now deferred for borrowers who apply for forgiveness until SBA remits forgiveness amount to the lender. The FKSPCA has until July 29, 2021 to apply for forgiveness which represents 10 months after the end of the 24 week covered period. There is no penalty for prepayment of the loan.

During the 24 week covered period April 14, 2020 thru September 29, 2020 the full amount of proceeds were used exclusively for wages and employee health insurance premiums. The FKSPCA plans to apply for forgiveness of the full amount of the loan as all proceeds were used for eligible expenses related to payroll.

9. COVID-19

In early March 2020, the World Health Organization declared the outbreak of the Covid-19 virus a pandemic. Normal business continuity/operations could continue to 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.

10. Subsequent Event:

In preparing these financial statements, FKSPCA has evaluated events and transactions for potential recognition or disclosure through April 1, 2021, the date the financial statements were issued.