

**THE SOCIETY FOR THE PREVENTION  
OF CRUELTY TO ANIMALS FOR  
MONTEREY COUNTY**

**FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2022 AND 2021**

**McGILLOWAY, RAY, BROWN & KAUFMAN  
ACCOUNTANTS & CONSULTANTS**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Society for the Prevention of Cruelty  
to Animals for Monterey County  
Monterey, California

### **Opinion**

We have audited the accompanying financial statements of The Society for the Prevention of Cruelty to Animals for Monterey County (SPCA) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SPCA as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 SPCA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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, that raise substantial doubt about the SPCA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Gerald Ray, CPA | Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA

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## **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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 SPCA'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, that raise substantial doubt about the SPCA's ability to continue as a going concern doubt 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.



McGilloway, Ray, Brown & Kaufman  
Salinas, California  
February 7, 2023

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,671,652	\$ 5,952,107
Contracts receivable	55,444	33,980
Estates receivable, current	416,212	152,048
Pledges receivable, current	465,336	333,600
Inventory	136,492	110,280
Benefit shop inventory	67,630	58,072
Short term investments	9,258,321	145,275
Prepaid expenses	169,614	136,161
Total current assets	<u>14,240,701</u>	<u>6,921,523</u>
Property and equipment, net	<u>14,624,270</u>	<u>14,827,905</u>
Other assets		
Pledges receivable, net, less current portion	639,842	757,143
Charitable remainder trusts receivable, net	217,652	979,698
Estates receivable	1,528,369	-
Long-term investments	34,201,558	14,171,344
Beneficial interest in assets held by Community Foundation	791,498	953,894
Total other assets	<u>37,378,919</u>	<u>16,862,079</u>
Total assets	<u><u>\$ 66,243,890</u></u>	<u><u>\$ 38,611,507</u></u>

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021  
(continued)

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 160,550	\$ 126,874
Accrued liabilities	225,500	140,566
Accrued compensated absences	235,663	222,073
Deferred conditional grant	-	61,797
Deferred revenue	<u>74,416</u>	<u>24,760</u>
Total current liabilities	696,129	576,070
Deferred compensation plan payable	<u>101,907</u>	<u>98,031</u>
Total liabilities	<u>798,036</u>	<u>674,101</u>
Net assets		
Without donor restrictions		
Undesignated	24,687,406	18,697,068
Board-designated earnings in Community Foundation	134,383	296,779
Board-designated quasi-endowment	<u>7,970,095</u>	<u>9,319,115</u>
Total without donor restrictions	<u>32,791,884</u>	<u>28,312,962</u>
With donor restrictions		
Purpose and time restrictions	10,970,289	5,550,143
Perpetual in nature	<u>21,683,681</u>	<u>4,074,301</u>
Total with donor restrictions	<u>32,653,970</u>	<u>9,624,444</u>
Total net assets	<u>65,445,854</u>	<u>37,937,406</u>
Total liabilities and net assets	<u>\$ 66,243,890</u>	<u>\$ 38,611,507</u>

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other income			
Contributions of cash and other financial asset	\$ 2,628,486	\$ 1,743,608	\$ 4,372,094
Bequests	7,900,553	22,609,380	30,509,933
Special events	596,014	-	596,014
Contributions of nonfinancial assets	833,653	-	833,653
Grants	71,615	35,011	106,626
Shelter and clinic fees	1,086,241	-	1,086,241
Benefit shop sales	811,525	-	811,525
Contract revenue	265,477	-	265,477
SPCA stables at Indian Springs	335	-	335
Behavior training and education	155,483	-	155,483
Investment return, net of fees	(1,480,331)	(72,377)	(1,552,708)
Change in value of charitable remainder trusts	-	(103,395)	(103,395)
Other income	65,019	-	65,019
Net assets released from restrictions	1,182,701	(1,182,701)	-
Total revenue, support, and other income	14,116,771	23,029,526	37,146,297

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022  
(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Program expenses			
Animal care	1,724,526	-	1,724,526
Clinic operations	1,462,159	-	1,462,159
Wildlife	915,064	-	915,064
Adoption and intake	827,640	-	827,640
Humane investigations	456,829	-	456,829
Disaster response	9,752	-	9,752
Behavior training	371,773	-	371,773
Volunteers	170,406	-	170,406
Barn	467,749	-	467,749
Community outreach	531,959	-	531,959
Ruff Start	103,737	-	103,737
Total program expenses	7,041,594	-	7,041,594
Support services			
Administration	515,980	-	515,980
Development	713,992	-	713,992
Special events	177,315	-	177,315
Benefit shop	1,188,968	-	1,188,968
Total support services	2,596,255	-	2,596,255
Total expenses	9,637,849	-	9,637,849
Change in net assets	4,478,922	23,029,526	27,508,448
Net assets, beginning of year	28,312,962	9,624,444	37,937,406
Net assets, end of year	\$ 32,791,884	\$ 32,653,970	\$ 65,445,854

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other income			
Contributions of cash and other financial asset	\$ 2,308,607	\$ 2,710,317	\$ 5,018,924
Bequests	2,773,153	10,000	2,783,153
Special events	844,145	-	844,145
Contributions of nonfinancial assets	729,864	-	729,864
Grants	103,428	160,000	263,428
Paycheck protection program grant	424,927	-	424,927
Shelter and clinic fees	821,899	-	821,899
Benefit shop sales	696,859	-	696,859
Contract revenue	206,846	-	206,846
Behavior training and education	62,871	-	62,871
Investment return, net of fees	2,196,722	1,253,507	3,450,229
Change in value of charitable remainder trusts	-	180,035	180,035
Other income	59,003	-	59,003
Net assets released from restrictions	967,341	(967,341)	-
Total revenue, support, and other income	12,195,665	3,346,518	15,542,183

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021  
(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Program expenses			
Animal care	1,675,760	-	1,675,760
Clinic operations	1,315,594	-	1,315,594
Wildlife	897,005	-	897,005
Adoption and intake	677,336	-	677,336
Humane investigations	352,373	-	352,373
Behavior training	409,241	-	409,241
Volunteers	146,959	-	146,959
Barn	459,267	-	459,267
Community outreach	545,878	-	545,878
Ruff Start	76,852	-	76,852
Total program expenses	<u>6,556,265</u>	<u>-</u>	<u>6,556,265</u>
Support services			
Administration	424,205	-	424,205
Development	700,006	-	700,006
Special events	137,729	-	137,729
Benefit shop	1,060,444	-	1,060,444
Total support services	<u>2,322,384</u>	<u>-</u>	<u>2,322,384</u>
Total expenses	<u>8,878,649</u>	<u>-</u>	<u>8,878,649</u>
Loss on sale of assets	<u>(4,447)</u>	<u>-</u>	<u>(4,447)</u>
Change in net assets	<u>3,312,569</u>	<u>3,346,518</u>	<u>6,659,087</u>
Net assets, beginning of year	<u>25,000,393</u>	<u>6,277,926</u>	<u>31,278,319</u>
Net assets, end of year	<u>\$ 28,312,962</u>	<u>\$ 9,624,444</u>	<u>\$ 37,937,406</u>

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

	PROGRAM EXPENSES												SUPPORT SERVICES EXPENSES							
	Animal Care	Clinic Operations	Wildlife	Adoption and Intake	Humane Investigations	Disaster Response	Behavior Training	Volunteers	Barn	Community Outreach	Ruff Start	Total Program Expenses	Admin-istration	Development	Maintenance	Human Resources	Special Events	Benefit Shop	Total Support Services	Total Expenses
Salaries and wages	\$ 541,888	\$ 705,368	\$ 354,061	\$ 313,356	\$ 230,082	\$ -	\$ 197,906	\$ 105,583	\$ 186,929	\$ 264,852	\$ 47,563	\$ 2,947,588	\$ 608,368	\$ 323,714	\$ 146,368	\$ 183,050	\$ 28,986	\$ 166,502	\$ 1,456,988	\$ 4,404,576
Payroll taxes and benefits	155,507	117,947	89,007	76,187	52,295	-	43,386	22,568	43,475	84,081	14,620	699,073	177,901	88,048	40,870	79,371	7,801	46,832	440,823	1,139,896
Product cost of sales	-	20,204	-	(3,470)	-	-	-	-	-	-	-	16,734	-	-	-	-	-	801,999	801,999	818,733
Depreciation	276,268	74,889	112,902	1,857	18,533	-	21,160	-	28,662	10,693	-	544,964	17,015	(671)	317,631	-	-	3,650	337,625	882,589
Operating and medical supplies	113,313	170,306	31,515	22,444	1,533	2,016	4,957	217	16,684	7,784	2,439	373,208	282	143	27,635	758	28	1,781	30,627	403,835
Rent	-	700	-	-	-	3,360	6,251	-	-	-	-	10,311	-	-	-	-	-	106,271	106,271	116,582
Repairs and maintenance	20,386	19,714	21,134	8,711	4,307	-	3,544	3,267	6,452	1,899	1,847	91,261	18,476	29,710	46,601	21,247	1,846	3,651	121,531	212,792
In-kind	3,921	2,079	71	-	-	-	-	-	816	8,657	-	15,544	2,005	-	-	-	4,546	-	6,551	22,095
Utilities	77,273	22,389	48,342	43,726	10,199	-	8,652	2,954	9,541	5,190	2,995	231,261	11,201	5,140	123,824	2,621	2,164	8,604	153,554	384,815
Events and programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	123,322	-	123,322	123,322
Direct mail	-	-	-	-	-	-	-	-	-	-	-	-	-	147,582	-	-	-	-	147,582	147,582
Outside services	10,843	5,206	1,293	1,849	4,794	-	2,612	313	4,328	5,393	356	36,987	26,779	14,023	50,101	313	313	1,208	92,737	129,724
Veterinarian	918	760	7,159	-	-	-	-	-	26,427	-	-	35,264	-	-	-	-	-	-	-	35,264
Animal food	30,511	-	47,224	-	-	-	-	-	16,046	27,222	-	121,003	-	-	-	-	-	-	-	121,003
Collaborations	-	55,500	-	-	-	-	-	-	-	27,305	-	82,805	-	-	-	-	-	-	-	82,805
Insurance	9,336	7,334	4,404	6,661	4,053	12	3,436	390	3,590	1,787	2,807	43,810	14,610	1,359	5,721	557	118	2,762	25,127	68,937
Vehicle	-	3,215	20,349	692	22,260	450	242	-	8,613	4,786	4,743	65,350	-	-	9,837	-	-	4,120	13,957	79,307
Office supplies and postage	2,330	2,569	1,426	8,604	3,126	121	1,371	1,042	1,858	2,614	91	25,152	12,855	12,361	2,428	446	100	3,185	31,375	56,527
Animal disposal	17,333	-	2,635	46,469	-	-	-	-	4,699	-	-	71,136	-	-	-	-	-	-	-	71,136
Bank charges	60	16,899	269	12,538	-	-	2,611	149	87	7,015	-	39,628	-	19,440	-	-	-	18,557	37,997	77,625
Printing and photography	228	232	187	1,350	107	862	309	1,068	154	3,633	474	8,604	574	11,539	287	332	56	43	12,831	21,435
Training, travel and conferences	398	4,433	40	-	15,737	2,241	150	-	702	-	150	23,851	761	-	-	1,689	-	-	2,450	26,301
Accounting and legal	-	-	-	-	840	-	-	-	-	165	-	1,005	27,770	4,945	-	-	-	-	32,715	33,720
Landscaping fees	-	-	-	-	-	-	3,000	-	-	-	-	3,000	-	-	23,000	-	-	-	23,000	26,000
Donor development	-	-	-	-	-	-	-	-	-	-	-	-	-	6,013	-	-	-	-	6,013	6,013
Capital Campaign	-	-	-	-	-	-	-	-	-	-	-	-	-	1,696	-	-	-	-	1,696	1,696
Communications	1,399	1,435	5,384	1,317	3,689	-	1,915	1,150	1,881	1,990	986	21,146	2,418	1,657	1,829	1,127	250	342	7,623	28,769
Advertising	-	-	-	-	-	-	225	417	-	1,374	-	2,016	-	-	-	-	-	1,851	1,851	3,867
Planned giving	-	-	-	-	-	-	-	-	-	-	-	-	-	15,296	-	-	-	-	15,296	15,296
Dues and subscriptions	-	1,860	648	-	576	50	780	-	200	1,320	-	5,434	1,824	120	-	5,025	-	15	6,984	12,418
Uniforms	-	3,519	299	-	7,189	-	-	4,451	959	-	-	16,417	-	-	264	3,056	-	72	3,392	19,809
Miscellaneous	-	566	467	157	207	6	(2)	-	50	-	-	1,451	260	-	-	645	-	(35)	870	2,321
Farrier and trailering fees	-	-	-	-	-	-	-	-	570	-	-	570	-	-	-	-	-	-	-	570
Equipment rental	3,609	462	2,102	458	201	-	201	201	201	201	201	7,837	201	201	406	201	201	-	1,210	9,047
Interest	-	-	-	-	-	-	-	-	-	-	-	-	1,808	-	-	-	-	-	1,808	1,808
Service charges	111	148	1	-	-	-	-	-	-	22	-	282	110	2,662	2	-	-	23	2,797	3,079
Human resource services	216	1,617	670	699	80	-	1,083	3,858	40	198	-	8,461	-	175	88	3,779	-	48	4,090	12,551
Promotions	-	-	-	-	-	-	-	-	-	6,062	-	6,062	-	-	-	-	-	-	-	6,062
Permits	-	1,245	-	-	-	-	-	-	-	-	-	1,245	-	530	4,304	-	-	-	4,834	6,079
Internet services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,565	3,565	3,565
Volunteer incentives	10	-	70	-	-	-	-	1,489	126	-	-	1,695	-	-	-	-	-	350	350	2,045
Recruitment	100	1,161	-	75	-	-	100	-	-	-	-	1,436	-	801	25	210	75	25	1,136	2,572
Animal training fees	-	-	-	-	-	-	-	-	876	-	-	876	-	-	-	-	-	-	-	876
Taxes and licenses	444	2,950	-	-	65	-	-	-	-	-	-	3,459	6,365	-	-	-	-	214	6,579	10,038
Website	-	-	-	-	-	-	-	-	-	2,767	-	2,767	-	-	-	-	-	-	-	2,767
Total	1,266,402	1,244,707	751,659	543,680	379,873	9,118	303,889	149,117	363,966	477,010	79,272	5,568,693	931,583	686,484	801,221	304,427	169,806	1,175,635	4,069,156	9,637,849
Allocation of support service expense	458,124	217,452	163,405	283,960	76,956	634	67,884	21,289	103,783	54,949	24,465	1,472,901	(415,603)	27,508	(801,221)	(304,427)	7,509	13,333	(1,472,901)	-
Total program expenses after overhead allocation	\$ 1,724,526	\$ 1,462,159	\$ 915,064	\$ 827,640	\$ 456,829	\$ 9,752	\$ 371,773	\$ 170,406	\$ 467,749	\$ 531,959	\$ 103,737	\$ 7,041,594	\$ 515,980	\$ 713,992	\$ -	\$ -	\$ 177,315	\$ 1,188,968	\$ 2,596,255	\$ 9,637,849

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAM EXPENSES										SUPPORT SERVICES EXPENSES								
	Animal Care	Clinic Operations	Wildlife	Adoption and Intake	Humane Investigations	Behavior Training	Volunteers	Barn	Community Outreach	Ruff Start	Total Program Expenses	Admin- istration	Development	Maintenance	Human Resources	Special Events	Benefit Shop	Total Support Services	Total Expenses
Salaries and wages	\$ 559,199	\$ 681,273	\$ 383,595	\$ 227,960	\$ 143,953	\$ 239,196	\$ 98,706	\$ 188,399	\$ 236,655	\$ 35,118	\$ 2,794,054	\$ 564,800	\$ 308,479	\$ 122,714	\$ 162,888	\$ 31,225	\$ 162,272	\$ 1,352,378	\$ 4,146,432
Payroll taxes and benefits	134,064	109,956	83,467	68,970	30,110	48,058	17,836	43,732	54,312	11,956	602,461	134,356	68,150	24,729	28,884	7,017	52,513	315,649	918,110
Product cost of sales	-	16,214	-	2,740	-	-	-	160	-	-	19,114	-	-	-	-	-	678,888	678,888	698,002
Depreciation	278,918	57,907	112,244	4,675	25,879	21,400	-	19,267	7,043	-	527,333	5,831	1,137	331,538	-	-	2,774	341,280	868,613
Operating and medical supplies	101,635	161,092	32,419	4,013	2,910	3,362	276	17,910	1,320	2,953	327,890	953	160	14,443	685	34	3,179	19,454	347,344
Rent	-	400	-	-	-	5,508	-	-	-	15	5,923	-	-	-	-	-	104,532	104,532	110,455
Repairs and maintenance	20,406	19,301	16,489	14,405	3,971	1,662	2,317	10,392	961	961	90,865	15,969	18,814	49,967	22,010	961	4,706	112,427	203,292
In-kind	16,681	-	586	-	6,555	-	-	1,903	3,174	-	28,899	1,184	648	-	-	2,274	-	4,106	33,005
Utilities	67,412	20,587	36,676	38,354	9,164	7,649	2,572	8,482	4,677	2,133	197,706	10,816	4,673	100,842	2,285	1,931	8,948	129,495	327,201
Events and programs	-	-	-	-	-	-	-	-	2,808	-	2,808	-	24,454	-	-	88,038	27	112,519	115,327
Direct mail	-	-	-	-	-	-	-	-	-	-	-	-	148,653	-	-	-	-	148,653	148,653
Outside services	8,941	3,687	173	1,031	1,151	1,989	-	2,265	3,767	-	23,004	25,761	19,371	46,321	-	-	348	91,801	114,805
Veterinarian	6,062	5,494	7,677	-	5,023	-	-	29,421	-	-	53,677	-	-	-	-	-	-	-	53,677
Animal food	16,446	24	31,473	-	-	-	-	19,266	124,207	-	191,416	-	-	-	-	-	-	-	191,416
Collaborations	-	-	-	-	-	-	-	-	21,109	-	21,109	-	-	-	-	-	-	-	21,109
Insurance	7,444	5,524	3,841	4,784	4,085	3,028	301	3,246	1,679	1,128	35,060	14,161	1,226	4,675	518	107	2,453	23,140	58,200
Vehicle	220	376	18,963	1,439	10,654	427	-	5,479	5,696	727	43,981	-	-	10,871	-	-	1,511	12,382	56,363
Office supplies and postage	2,115	5,330	1,152	4,709	3,122	2,697	2,704	1,013	2,978	130	25,950	12,114	12,248	862	926	139	3,491	29,780	55,730
Animal disposal	17,333	-	2,635	34,859	-	-	-	1,263	-	-	56,090	-	-	-	-	-	-	-	56,090
Bank charges	25	11,830	255	8,855	-	1,520	27	-	2,494	-	25,006	-	27,728	-	-	-	18,408	46,136	71,142
Printing and photography	189	863	275	1,460	304	456	1,106	327	4,393	396	9,769	259	8,623	98	450	168	252	9,850	19,619
Microchip	-	15,376	-	7,671	-	-	-	128	-	-	23,175	-	-	-	-	-	-	-	23,175
Training, travel and conferences	1,226	1,288	199	-	1,567	696	296	463	955	75	6,765	500	1,107	-	-	1,008	10	2,625	9,390
Accounting and legal	-	-	-	-	-	-	-	-	-	-	-	26,970	3,059	-	-	-	-	30,029	30,029
Landscaping fees	-	-	-	-	-	2,450	-	-	-	-	2,450	-	-	26,000	-	-	-	26,000	28,450
Donor development	-	-	-	-	-	-	-	-	-	-	-	-	6,275	-	-	-	-	6,275	6,275
Communications	1,150	1,500	10,815	1,284	2,923	2,459	1,091	2,005	1,513	1,183	25,923	1,432	907	1,340	1,093	250	296	5,318	31,241
Advertising	-	-	-	-	-	691	385	-	606	-	1,682	-	349	-	-	-	1,430	1,779	3,461
Planned giving	-	-	-	-	-	-	-	-	-	-	-	-	13,526	-	-	-	-	13,526	13,526
Dues and subscriptions	200	1,520	428	-	135	190	-	225	1,865	85	4,648	1,814	810	-	6,458	87	-	9,169	13,817
Uniforms	-	1,524	512	-	2,402	1,194	600	443	636	-	7,311	-	-	312	-	62	52	426	7,737
Contribution to others	-	-	-	-	-	-	-	-	800	-	800	-	-	-	-	-	-	-	800
Miscellaneous	32	254	535	359	296	60	26	64	-	6	1,632	511	-	-	655	26	(171)	1,021	2,653
Farrier and trailering fees	-	-	-	-	-	-	-	2,320	-	-	2,320	-	-	-	-	-	-	-	2,320
Equipment rental	3,406	-	437	-	-	-	-	-	-	-	3,843	30	15	-	-	-	-	45	3,888
Interest	-	3	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-	3
Service charges	-	50	7	-	-	-	-	-	-	-	57	-	3,290	15	-	-	1,815	5,120	5,177
Human resource services	135	542	88	319	1,905	-	846	-	-	-	3,835	-	-	-	5,402	-	-	5,402	9,237
Promotions	-	-	-	-	-	-	-	-	3,844	-	3,844	-	-	-	-	-	-	-	3,844
Permits	-	550	-	-	35	-	-	-	-	-	585	-	485	4,188	-	-	-	4,673	5,258
Internet services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,783	2,783	2,783
Disaster response	4,761	-	-	1,213	34,208	-	-	955	537	-	41,674	-	-	-	-	-	-	-	41,674
Volunteer incentives	196	-	256	-	-	-	212	50	-	-	714	-	-	-	-	-	261	261	975
Recruitment	75	75	-	75	-	-	-	25	-	-	250	-	50	-	260	-	-	310	560
Animal training fees	-	-	-	-	-	-	-	4,890	-	-	4,890	-	-	-	-	-	-	-	4,890
Taxes and licenses	-	2,792	-	-	-	-	-	-	-	-	2,792	5,482	-	-	-	-	251	5,733	8,525
Website	-	-	-	-	-	-	-	-	4,376	-	4,376	-	-	-	-	-	-	-	4,376
Total	1,248,271	1,125,332	745,197	429,175	290,352	344,692	129,301	364,093	492,405	56,866	5,225,684	822,943	674,237	738,915	232,514	133,327	1,051,029	3,652,965	8,878,649
Allocation of support service expense	427,489	190,262	151,808	248,161	62,021	64,549	17,658	95,174	53,473	19,986	1,330,581	(398,738)	25,769	(738,915)	(232,514)	4,402	9,415	(1,330,581)	-
Total program expenses after overhead allocation	\$ 1,675,760	\$ 1,315,594	\$ 897,005	\$ 677,336	\$ 352,373	\$ 409,241	\$ 146,959	\$ 459,267	\$ 545,878	\$ 76,852	\$ 6,556,265	\$ 424,205	\$ 700,006	\$ -	\$ -	\$ 137,729	\$1,060,444	\$ 2,322,384	\$ 8,878,649

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
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STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$27,508,448	\$ 6,659,087
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	882,589	868,613
Loss on sale of assets	(19,128)	4,447
Net realized/unrealized (gain) loss on investments	818,110	(3,072,659)
Change in value of beneficial interest in Community Foundation	117,374	(216,649)
Change in value of charitable remainder trusts	103,395	(180,035)
Change in discount of pledges receivable	16,166	14,385
(Increase) decrease in operating assets		
Accounts receivable	(21,464)	1,578
Estates receivable	(1,792,533)	179,000
Pledges receivable	(30,601)	(427,100)
Charitable remainder trusts receivable	658,651	-
Grants receivable	-	63,000
Inventory	(26,212)	27,758
Benefit shop inventory	(9,558)	(17,972)
Prepaid expenses	(33,453)	(42,626)
Increase (decrease) in liabilities		
Accounts payable	33,676	4,387
Accrued liabilities	84,934	13,288
Accrued compensated absences	13,590	(3,582)
Deferred compensation plan payable	3,876	39,618
Deferred revenue - conditional grant	(61,797)	(424,927)
Deferred revenue - program income	49,656	2,150
Net cash provided by operating activities	<u>28,295,719</u>	<u>3,491,761</u>
Cash Flows from Investing Activities		
Purchases of investments	(32,158,268)	(2,686,711)
Purchase of property and equipment	(659,826)	(186,497)
Proceeds from sale of investments	<u>2,241,920</u>	<u>2,680,266</u>
Net cash used by investing activities	<u>(30,576,174)</u>	<u>(192,942)</u>
Net increase (decrease) in cash and cash equivalents	(2,280,455)	3,298,819
Cash and cash equivalents, beginning of year	<u>5,952,107</u>	<u>2,653,288</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,671,652</u></u>	<u><u>\$ 5,952,107</u></u>

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

**1. Description of the Organization**

The Society for the Prevention of Cruelty to Animals for Monterey County (SPCA) was formed January 28, 1905 as a California non-profit organization. SPCA was formed to prevent cruelty to animals, to protect them from suffering and fear, and to promote their welfare in Monterey County California. Effective September 5, 2008, the entity changed its name to the SPCA for Monterey County.

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

The financial statements of SPCA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to not-for-profit entities.

***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 at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

***Cash and Cash Equivalents***

SPCA considers all highly liquid instruments with an initial maturity of three months or less to be cash or cash equivalents.

***Investments***

Marketable debt and equity securities, which are listed on national securities exchanges, are stated at fair value. Prana investments are valued at the amounts reported to SPCA by Prana and SPCA's investment advisors. These amounts are generally reported at net asset value, which SPCA believes is a reasonable approximation of fair value.

Net investment returns are reported in the statement of activities and consists of dividends and interest income, realized and unrealized capital gains and losses, less investment fees. Net investment returns are accrued as earned and recorded as revenue without donor restriction unless income is restricted by a donor. If the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized, net investment returns are reported as an increase in net assets without donor restrictions.

***Concentrations of Credit Risk***

Cash and cash equivalents include accounts insured by the Federal Depository Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). As of June 30, 2022 and 2021, the total bank balances exceeded the FDIC limit by \$3,423,653 and \$5,468,408, respectively.

Investments include accounts insured by SIPC. The SIPC insures securities and cash in the event of broker-dealer failure. The SIPC provides up to \$500,000 for protection for brokerage accounts held in each separate capacity, with a limit of \$250,000 for claims of un-invested cash balances. At times, such amounts may exceed SIPC limits.

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***Accounts Receivable***

The majority of accounts receivable derive from agreements with local agencies to provide animal services. Accounts receivable is stated at amounts due from these agencies. Management has determined that all accounts receivable are fully collectible; accordingly, there is no allowance for doubtful accounts.

***Estates Receivable***

SPCA records estates receivable when notification has been received that SPCA has been named as a beneficiary in a will or a trust and the amount to be received is known as the value can be reasonably estimated and measurable or an estimate has been provided by the trustee or the executor of the estate. If the will or trust provides that SPCA will receive a percentage, but the total realizable amounts are not presently determinable, no amounts are recorded.

***Pledges Receivable***

Pledges receivable represent amounts to be received from pledges. Pledges are recorded when SPCA has obtained a signed pledge form which details payment terms and imposes no restrictions considered other than "remote" as to the likelihood of occurrence. Pledges are assessed periodically, and an allowance is provided when, in the opinion of management, amounts recorded may not be collectible. As of June 30, 2022 and 2021, no allowance has been recorded. Multi-year pledges receivable are discounted to their net present value using a discount rate assessed by management.

***Grants Receivable***

Grants receivable consist of amounts received from other organizations. The amounts are recorded when the grant is awarded.

***Inventory***

Inventory consists of items used in the operation of SPCA and is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method (FIFO). Benefit shop inventory consists of donated items to be sold in SPCA's benefit shop. Benefit shop inventory value is determined using the fair market value of the item.

***Property and Equipment***

All property and equipment acquired by purchase is stated at cost. Donated property and equipment are stated at fair market value at the date of gift. Major improvements are charged to the property and equipment accounts, while maintenance and repairs which do not extend the life of the respective assets are expensed in the period incurred.

It is SPCA's policy to capitalize assets with a useful life greater than one year and cost over \$5,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	39 Years
Land and building improvements	15-50 Years
Equipment	5-7 Years
Computer software	3-5 Years
Vehicles	5 Years
Leasehold improvements	Lesser of useful life or lease term

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***Beneficial Interest in Assets Held by Community Foundation***

SPCA has transferred assets to a community foundation which holds funds for its benefit. When a nonprofit transfers asset to a charitable trust or community foundation in which the resource provider names itself as beneficiary, the economic benefit of the transferred asset remains with the resource provider. The asset received in exchange is a beneficial interest in assets held by others, measured at the fair value of the asset contributed. Changes in fair value are recognized in the statement of activities.

***Beneficial Interest in Charitable Remainder Trusts***

SPCA has been named as an irrevocable beneficiary of charitable trusts held and administered by independent trustees. These trusts were created independently by donors and administered by outside agents designated by the donors. Therefore, SPCA has neither possession nor control over the assets of the trusts. Once SPCA receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of activities, and a beneficial interest in charitable remainder trusts receivable is recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interest in the trusts are reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities.

***Accrued Compensated Absences***

All regular full-time and qualified temporary full-time employees accrue vacation and sick leave. The rate of accrual is based on seniority. Any unused vacation accrual is paid upon termination.

***Deferred Revenue***

Deferred revenue consists of payments received in advance for children's camp and future special events and the conditional grant under the Paycheck Protection Program (the "PPP").

SPCA recognized PPP funding as a conditional grant in accordance with ASC 958-605, Not-for-Profit Entities: *Revenue Recognition*. This standard indicates that the conditions of the grant should be "substantially met" by SPCA before the receipt of assets is recognized as revenue. The portion of grant that has not met this recognition requirement is recorded as deferred revenue in the statement of financial position.

***Net Assets***

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or grantor restrictions over which the Board of Directors have discretionary control in carrying out the operations of SPCA.

*Net Assets with Donor Restrictions* – Net assets subject to donor or grantor-imposed restrictions and for which the applicable restriction was not met as of the year end of the current reporting period. 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity.

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***Revenue Recognition***

The SPCA recognizes support and revenue on the accrual basis of accounting.

*Support* – Contributions and grants, whether or not restricted, are recognized as revenue at fair value when received by or unconditionally promised to SPCA. Unconditional promises to give, if any, less an allowance for uncollectible amounts, are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at discounted value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions are considered to be without donor restrictions, unless specifically restricted by the donor.

SPCA reports gifts of cash and other assets restricted by donors as increase in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue using the provisions of the FASB ASC Topic 606, *Revenue from Contracts with Customers*.

*Contracts with Customers* – The SPCA recognizes revenue from contracts for sheltering services and program service revenue, including adoption fees, veterinary services, and merchandise sales in accordance with FASB's ASC Topic 606, *Revenue from Contracts with Customers*.

Contract revenue and veterinary services are recognized over time using the output method as performance obligations are met. Contract revenue and veterinary services consist of one performance obligation to provide single services at specified rates and are recognized as services are simultaneously received and consumed by the customer. Adoption fees and merchandise sales are recognized at a point in time when sales occur, and customers consume the benefit of the SPCA's performance obligation simultaneously.

Contract revenue billings are issued on a monthly basis based on sheltering services rendered for the month with payment generally due within thirty days. Adoption fees, veterinary services, and merchandise sales are billed and due at the time of sale or upon completion of the service. Amounts paid in advance for services are deferred until performance obligations have been met.

***Contributions of Nonfinancial Assets***

In September 2020, the FASB issued ASU No. 2020-07 (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The SPCA adopted the standard retrospectively. Management concluded that no significant changes were necessary to conform with the new standard.

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Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation and are reported as increases to net assets without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The SPCA recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Gifts of land, buildings, and equipment are recorded at their estimated fair value as of the date of the donation and are reported as increases to net assets without donor restrictions unless explicit donor stipulations specify how donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

***Income Taxes***

As a tax-exempt not-for-profit organization, SPCA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under California Revenue and Taxation Code Section 23701(d), but is subject to taxes on unrelated business income when earned. At June 30, 2022 and 2021, the SPCA had federal net operating loss carryforwards from discontinued boarding services that were previously subject to unrelated business income tax of approximately \$222,068, available to offset future taxable income. A valuation allowance in the amount of has been recorded for the full amount of the benefit of net operating losses because of the discontinuance of their boarding services.

***Accounting for Uncertainty in Income Taxes***

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by SPCA in its federal and state exempt organization tax returns are more-likely-than-not to be sustained upon examination and have concluded that there are no uncertain tax positions at June 30, 2022 and 2021.

SPCA files information returns in the U.S. federal jurisdiction and state of California. SPCA's federal returns for the tax years 2019 and beyond remain subject to possible examination by the Internal Revenue Service. SPCA's California returns for the tax years 2018 and beyond remain subject to possible examination by the Franchise Tax Board.

***Expense Allocation***

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service, such as human resource expenses and maintenance expenses, are allocated based on the number of full-time employees per department throughout the year and on the square footage occupied by each department, respectively.

***Advertising***

SPCA expenses advertising costs as they are incurred. For the years ended June 30, 2022 and 2021, total advertising expense was \$3,867 and \$3,461, respectively.

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***Upcoming Accounting Standard Updates (ASU)***

**ASU 2016-02**

In February 2016, the FASB issued ASU No. 2016-02, which amends the FASB Accounting Standards Codification and creates Topic 842, *Leases*, requiring organizations to recognize lease assets and lease liabilities on the statement of financial position and requiring disclosure of key information about leasing arrangements. The guidance is effective for periods beginning after December 15, 2020. ASU No. 2016-02 mandates a modified retrospective transition approach. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) to delay the effective date for annual reporting to fiscal years beginning after December 15, 2021, for Topic 842. SPCA is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

**3. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 3,671,652	\$ 5,952,107
Investments	43,459,879	14,316,619
Accounts receivable	55,444	33,980
Estates receivable	416,212	152,048
Current portion of pledges receivable	465,336	333,600
Total financial assets available at year end	48,068,523	20,788,354
Less those unavailable for general expenditures within one year due to:		
Contractual or donor imposed restrictions:		
Restricted by donor with purpose restrictions	(9,400,161)	(3,126,471)
Subject to appropriation and satisfaction of donor restrictions	(23,036,157)	(5,518,275)
Board-designated quasi-endowment	(7,970,095)	(9,319,115)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,662,110</u>	<u>\$ 2,824,493</u>

SPCA's cash flows have seasonable variation during the year attributable to timing of contributions, events and animal population. SPCA receives significant contributions restricted by donors to be used in accordance with the associated time or purpose restrictions.

SPCA considers contributions without donor restrictions and contributions with donor restrictions due to time, payable in the next year, to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and program expenses to be paid in the following year. SPCA manages its cash available to meet general expenditures by forecasting future needs and activities and proactively anticipates future funds needed.

To help manage unanticipated liquidity needs, SPCA's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$1,300,000).

THE SOCIETY FOR THE PREVENTION OF  
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**4. Investments**

Investments consist of funds that are with donor restriction and without donor restriction funds. The fair values of SPCA's investments as of June 30 consisted of the following:

	2022	2021
Money market	\$ 13,890,334	\$ 153,275
Fixed income	5,055,996	3,233,896
Equity funds	20,740,185	9,208,186
Alternative strategy mutual funds	3,159,469	1,109,437
Beneficial interest in assets		
held by Community Foundation	791,498	953,894
Prana investment funds	613,895	611,825
Investment portfolio total	<u>\$ 44,251,377</u>	<u>\$ 15,270,513</u>

***Fair Value Measurements***

SPCA measures its investments and trusts receivable at fair value in accordance with the Fair Value Measurements Topic of the FASB Accounting Standards Codification (ASC) 820. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

The guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The guidance expands disclosures about instruments measured at fair value. The guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, the guidance does not require any new fair value measurements.

The guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements. The three levels are defined as follows:

- **Level 1** – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SPCA has the ability to access. Level 1 securities include highly liquid U.S. Treasury securities, certain common stocks and mutual funds.
- **Level 2** – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instruments. Most debt securities, preferred stocks, certain equity securities, short-term investments, and derivatives are valued using model pricing using observable inputs and are classified as Level 2.
- **Level 3** – inputs to the valuation methodology are unobservable and significant to the fair value measurements. These inputs reflect assumptions of management about pricing the assets or liabilities, including assumptions about risk such as bid/ask spreads and liquidity discounts. Example of Level 3 assets include investment in limited partnership.

A financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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Assets measured at fair value on a recurring basis have been categorized into a hierarchy based on the observable and unobservable inputs used to determine fair value as of June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Money market	\$ 13,890,334	\$ -	\$ -	\$ 13,890,334
Fixed income	5,055,996	-	-	5,055,996
Equity funds	20,740,185	-	-	20,740,185
Alternative strategy mutual funds	3,159,469	-	-	3,159,469
Beneficial interest in assets held by Community Foundation	-	-	791,498	791,498
Trusts receivable	-	-	217,652	217,652
Total recurring fair value measurements	<u>\$ 42,845,984</u>	<u>\$ -</u>	<u>\$ 1,009,150</u>	43,855,134
Prana investment funds measured at NAV				613,895
Investment portfolio total				<u>\$ 44,469,029</u>

  

	2021			
	Level 1	Level 2	Level 3	Total
Money market	\$ 153,275	\$ -	\$ -	\$ 153,275
Fixed income	3,233,896	-	-	3,233,896
Equity funds	9,208,186	-	-	9,208,186
Alternative strategy mutual funds	1,109,437	-	-	1,109,437
Beneficial interest in assets held by Community Foundation	-	-	953,894	953,894
Trusts receivable	-	-	979,698	979,698
Total recurring fair value measurements	<u>\$ 13,704,794</u>	<u>\$ -</u>	<u>\$ 1,933,592</u>	15,638,386
Prana investment funds measured at NAV				611,825
Investment portfolio total				<u>\$ 16,250,211</u>

The following is a description of SPCA's valuation methodologies for assets measured at fair value:

***Money Market, Fixed Income, Equity Funds, and Alternative Strategy Funds***

Valued at the closing price as reported on the active market on which the individual securities or funds are traded.

***Community Foundation for Monterey County – Endowment Fund***

SPCA has a beneficial interest in assets held at Community Foundation for Monterey County (CFMC) in the amount of \$791,498 and \$953,894 at June 30, 2022 and 2021, respectively, which consists of funds contributed by SPCA and includes earnings thereon, net of distributions received. Distributions of income earned from beneficial interests are received at various times throughout the year based on the spending policy adopted by the board of

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CFMC. SPCA has granted variance power to CFMC. In the event of the dissolution of SPCA or in the event it shall no longer be an organization described in Section 501(c)(3) of the Internal Revenue Code, as amended, CFMC shall continue to hold the funds and shall distribute the income therefrom to such organizations as in their opinion most nearly serve the purposes and objectives of SPCA. All funds held are subject to the power of CFMC and to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations, if in their sole judgment such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by them.

The following table presents a roll forward of activity for assets held by Community Foundation:

	2022	2021
Beginning balance	\$ 953,894	\$ 781,260
Investment return (dividends and interest)	31,331	26,599
Unrealized (loss) gain	(148,705)	190,050
Distributions	(34,801)	(34,676)
Investment fees	(10,221)	(9,339)
Total	<u>\$ 791,498</u>	<u>\$ 953,894</u>
Beneficial interest corpus	\$ 657,115	\$ 657,115
Beneficial interest earnings	134,383	296,779
	<u>\$ 791,498</u>	<u>\$ 953,894</u>

The unobservable inputs to the valuation are the underlying assets at the CFMC; therefore, these investments are classified as Level 3 assets within the fair value hierarchy.

***Trusts Receivable – Charitable Remainder Trusts***

Fair value for level 3 trusts receivable utilizes the key input of a discount rate to convert the expected future cash flows from the trusts to a single present amount. SPCA utilized a discount rate of 2.99% at June 30, 2022 and 1.48% at June 30, 2021 and developed measurement criteria based on the best information possible. The net present value of the split-interest agreements in which SPCA does not serve as trustee utilizes significant unobservable inputs in estimating fair value.

The following is a summary of activity of the assets measured at fair value based on Level 3 inputs for the years ended June 30:

	2022	2021
Balance, beginning of year	\$ 979,698	\$ 799,663
Change in value of split-interest agreements	(103,395)	180,035
Distribution of split-interest agreements	(658,651)	-
Balance, end of year	<u>\$ 217,652</u>	<u>\$ 979,698</u>

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***Prana Investment Funds Measured at NAV***

SPCA purchased the common stock of Prana Realty Company I, (the Company) during the fiscal year ended June 30, 2013 and purchased additional stock during the fiscal year ended June 30, 2016. The Company, through City Realty Partners I (the Partnership), is engaged in the acquisition, operation, and eventual sale of real properties.

The periodic valuation of the Company's total portfolio serves as the basis for determining the Company's net asset value, which the Company uses in determining the market value per share for purposes of issuing additional shares or buying back outstanding shares. The market value per share is determined by dividing the Company's net asset value by the number of shares outstanding. At June 30, 2022 and 2021, the Company has valued each share at \$101,370 and \$101,028 per share, respectively.

SPCA uses net asset value to determine fair value of the investment in the Company as follows as of June 30:

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	<u>\$ 613,895</u>	<u>\$ -</u>	Semi-annually	95 days advance notice required
	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	<u>\$ 611,825</u>	<u>\$ -</u>	Semi-annually	95 days advance notice required

**5. Contracts with Customers**

The SPCA recognized revenue from contracts with customers for the years ended June 30, as follows:

	2022	2021
Shelter and clinic sales	\$ 1,086,241	\$ 821,899
Benefit shop sales	811,525	696,859
Contract sales	265,477	206,846
Behavior training and education fees	155,483	62,871
	<u>\$ 2,318,726</u>	<u>\$ 1,788,475</u>

The beginning and ending contract balances for the years ended June 30, 2022 and 2021 as follows:

	2022	2021	2020
Contracts receivable	\$ 55,444	\$ 33,980	\$ 27,659
Deferred revenue	\$ 44,416	\$ 24,760	\$ 22,610

Various economic factors affect revenues and cash flows. Shelter services, adoptions, and merchandise sales are dependent on customer demand, and as a result, could vary year to year.

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**6. Estates Receivable**

SPCA had been named as a beneficiary in several wills and trusts at June 30, 2022 and 2021. At June 30, 2022 and 2021, it is estimated SPCA will receive \$1,944,581 and \$152,048, respectively, within the following year from wills and trust estates.

**7. Pledges Receivable, net**

Pledges receivable at June 30 consisted of amounts to be received during the years as follows:

	2022	2021
Receivable in less than one year	\$ 465,336	\$ 333,600
Receivable in one to five years	692,365	793,500
Total	1,157,701	1,127,100
Less discount to net present value at 2.99% and 1.48%	(52,523)	(36,357)
Total pledges receivable - net	<u>\$ 1,105,178</u>	<u>\$ 1,090,743</u>

At June 30, 2022, pledges receivable included \$720,619 (present value of promised cash flows \$756,086) from members of SPCA's Board of Directors.

**8. Trusts Receivable – Charitable Remainder Trusts, net**

SPCA is a remainder beneficiary of several charitable remainder trusts:

***Remainder Interest in Auvil/Hall Trusts - Assets Held in Trust***

SPCA was the remainderman beneficiary under the terms of the Auvil/Hall Charitable Remainder Unitrust. The trust assets were held in trust by Wells Fargo Bank, National Association, as Trustee. During 2022, the SPCA collected \$658,651 from the full distribution of this trust. The net present value of the trust assets as of June 30, 2021 was approximately \$663,902.

***Remainder Interest in Sivertsen Estate - Assets Held in Trust***

SPCA is a five percent remainderman beneficiary under the terms of the Vail Benz Sivertsen Trust. The trust assets are held in trust by Clarence L. Finger, as Trustee. SPCA does not control the assets of the trust. The net present value of the trust assets SPCA is a beneficiary of was approximately \$96,159 and \$151,132 as of June 30, 2022 and 2021, respectively.

***Remainder Interest in Armstrong Trust - Assets Held in Trust***

SPCA is a twenty-five percent remainderman beneficiary under the terms of the Elizabeth S. Armstrong Charitable Remainder Unitrust. The trust assets are held in trust by Morgan Stanley Private Bank, as Trustee. SPCA does not control the assets of the trust. The net present value of the trust assets SPCA is a beneficiary of was approximately \$64,490 and \$86,705 as of June 30, 2022 and 2021, respectively.

***Remainder Interest in Conderman Trust – Assets Held in Trust***

SPCA is a 16.67% remainderman beneficiary under the terms of the Penelope G. Bridge Conderman Living Trust. The trust assets are held in trust by Mechanics Bank, as Trustee. SPCA does not control the assets of the trust. The net present value of the trust assets was approximately \$57,003 and \$77,959 as of June 30, 2022 and 2021, respectively.

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The value of the assets to be received from these trusts is recorded at the estimated net present value of the assets to be received. The amount is calculated based on estimates of future earnings and payouts during the estimated remaining life expectancy of the beneficiaries and discounted back using discounted interest rates to determine the future amount expected to be received.

The balances of trusts receivable for the years ended June 30 are as follows:

	2022	2021
Balance, beginning of year	\$ 979,698	\$ 799,663
Change in value of split-interest agreements	(103,395)	180,035
Distribution of split-interest agreements	(658,651)	-
Balance, end of year	<u>\$ 217,652</u>	<u>\$ 979,698</u>

The primary assumptions used in these calculations are as follows:

- The discount interest rate used (the cost of the time value of money to SPCA) is 2.99% and 1.48% at June 30, 2022 and 2021, respectively.
- Life expectancies of life beneficiaries are assumed to be those in IRS Publication 590.

## 9. Property and Equipment, net

Property and equipment are composed of the following at June 30:

	2022	2021
Land	\$ 765,452	\$ 765,452
Land improvements	5,413,651	5,382,588
Building and improvements	16,203,868	16,049,638
Equipment	1,609,849	1,579,015
Vehicles	722,833	756,377
Leashold improvements	10,100	10,100
Computer software	44,754	3,835
Construction in progress	497,941	202,696
Total	25,268,448	24,749,701
Less accumulated depreciation	10,644,178	9,921,796
Property and equipment - net	<u>\$ 14,624,270</u>	<u>\$ 14,827,905</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$882,589 and \$868,613, respectively.

## 10. Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statement of activities included the following for the year ended June 30:

	2022	2021
Benefit Shop Inventory	\$ 811,558	\$ 696,859
Supplies	22,095	33,005
	<u>\$ 833,653</u>	<u>\$ 729,864</u>

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The SPCA's policy related to contributed nonfinancial assets is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the SPCA to utilize it in its normal course of business, the asset will be sold at its fair market value.

The SPCA received donations of clothing and household goods for their benefit shop inventory with an estimated fair market value of \$811,558 and \$696,859 for the years ended June 30, 2022 and 2021, respectively.

Contributed supplies were used in the following programs: Animal Care, Clinic Operations, Humane Investigations, Barn, Community Outreach, Wild Life, Administration and Special Events in the amount of \$22,095 and \$33,005 for the years ended June 30, 2022 and 2021, respectively. These amounts have also been charged to expense in the statement of activities. In valuing the supplies, the SPCA estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products.

No contributions of professional services were recognized for the years ended June 30, 2022 and 2021.

The SPCA receives services from a large number of volunteers who give significant amounts of their time to SPCA's programs, but which do not meet the criteria for financial statement recognition.

#### **11. Payroll Protection Program – Conditional Grant**

The SPCA was granted a loan (the "Loan") from CRF Small Business Loan Company, LLC in the aggregate amount of \$1,187,300 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a note dated April 21, 2020 issued by First Republic Bank, matures on April 21, 2022 and bears interest at a rate of 1.00% per annum. The note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. SPCA intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The SPCA recognized the PPP funding as a conditional grant in accordance with ASC 958-605, Not-for-Profit Entities: *Revenue Recognition*. This standard indicates that the conditions of the grant should be "substantially met" by SPCA before the receipt of assets is recognized as revenue.

The SPCA had qualifying expenses for the year ended June 30, 2021 in the amount of \$424,927 and recognized that amount as grant income in the statement of activities. The remaining balance of the loan in the amount of \$61,797 included in deferred revenue at June 30, 2021 was repaid in December 2021.

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**12. Rental Obligation**

SPCA has entered into a non-cancelable operating lease with fixed terms for their Benefit Shop. Rental expenses under this lease were \$106,271 and \$104,471 for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022, SPCA's future minimum obligation under the existing operating lease is as follows:

<u>Year ending June 30,</u>	
2023	\$ 99,000
2024	99,000
2025	99,000
2026	99,000
Total	<u>\$ 396,000</u>

**13. Endowments**

SPCA's endowment consists of three funds established for general operating purposes. The first donor-restricted endowment fund was established in 2012. The second donor-restricted endowment fund was established in 2022 with a gift from the estate of Claire R. Jacobson. The endowment also includes certain assets without donor restrictions that have been designated for endowment by the Board of Directors. This quasi-endowment fund was established in 2007 as the Tookie Benning Fund. The Board of Directors has undesignated funds at its discretion for various purposes since its establishment. Going forward, the intention of the Board of Directors is to preserve the amount invested.

As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

SPCA's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SPCA classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by SPCA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, SPCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of SPCA and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of SPCA

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(7) The investment policies of SPCA

***Investment Return Objectives, Risk Parameters and Strategies***

Investment Objective: The Fund is a balanced portfolio composed of equity, fixed income, and cash equivalent securities and, as such, is intended to be more aggressive than fixed income-oriented portfolios and less aggressive than equity-oriented portfolios. In this context, "aggressive" relates to such issues as investment vehicles, diversification among economic and industry sectors and individual securities, and expected long-term rates of return and return volatility. Within this framework, the investment objectives for the Fund are stated as follows in order of importance:

A. *Preservation of Purchasing Power* – Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve purchasing power of SPCA's assets.

B. *Growth of Capital* – Asset growth is expected to be consistent with the Investment Consultant's stated style characteristics over a complete market cycle (generally three to five years).

C. *Preservation of Capital* – Over the investment time horizon, capital gains are to be protected. A positive return must be experienced over the investment time horizon.

Asset Allocation Limitations: Equity 75%; and Fixed Income Assets 25%.

Risk Tolerance: The Board recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, as measured and evidenced by high volatility and/or low-quality rated securities, the assumption of risk is warranted and encouraged in order to allow the Investment Consultant the opportunity to achieve satisfactory long-term results consistent with the objectives and fiduciary character of SPCA.

***Spending Policy***

Each year, at least five percent (5%) of the adjusted market value of the endowment funds can be appropriated for expenditure. Annual returns in excess of 5% will become part of the investment base, unless the Board approves their use for operations. The payout requirements will be reviewed by the Board annually during the budget cycle and adjusted, if necessary.

***Underwater Endowments***

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of SPCA has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no deficiencies of this nature as of June 30, 2022 and 2021.

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***Endowment Net Asset Composition and Changes***

Endowment net asset composition by type of fund consisted of the following as of June 30:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 21,026,566	\$ 21,026,566
Purpose-restricted funds and accumulated investment gains	-	1,352,476	1,352,476
Beneficial interest in Community Foundation	-	657,115	657,115
Board-designated quasi-endowment funds	7,970,095	-	7,970,095
	<u>\$ 7,970,095</u>	<u>\$ 23,036,157</u>	<u>\$ 31,006,252</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 3,417,185	\$ 3,417,185
Purpose-restricted funds and accumulated investment gains	-	1,443,975	1,443,975
Beneficial interest in Community Foundation	-	657,115	657,115
Board-designated quasi-endowment funds	9,319,115	-	9,319,115
	<u>\$ 9,319,115</u>	<u>\$ 5,518,275</u>	<u>\$ 14,837,390</u>

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Changes in endowment net assets for the years ended June 30 were as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 9,319,115	\$ 5,518,275	\$ 14,837,390
Contributions	-	17,609,380	17,609,380
Investment return, net	(1,349,020)	(72,377)	(1,421,397)
Amounts appropriated for expenditure	-	(19,121)	(19,121)
Endowment net assets, end of year	<u>\$ 7,970,095</u>	<u>\$ 23,036,157</u>	<u>\$ 31,006,252</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,320,009	\$ 4,452,413	\$ 11,772,422
Contributions	-	10,000	10,000
Investment return, net	1,999,106	1,235,862	3,234,968
Amounts appropriated for expenditure	-	(180,000)	(180,000)
Endowment net assets, end of year	<u>\$ 9,319,115</u>	<u>\$ 5,518,275</u>	<u>\$ 14,837,390</u>

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**14. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purpose at June 30:

	2022	2021
Subject to expenditure for specified purpose:		
Capital campaign	\$ 4,250,561	\$ 3,009,434
Disaster emergency fund	32,735	32,715
Hug-a-pet program	5,395	5,395
Jacobson capital improvement fund	5,000,000	-
Mobile clinic	71,562	18,280
Paws for recycling	-	427
Pet meals	30,946	51,258
Pets for the elderly	1,600	1,600
Rewards humane investigation	7,362	7,362
Subject to expenditure after passage of time:		
Present value of remainder trusts:		
Armstrong trust	64,490	86,705
Auvil/Hall trust	-	663,902
Conderman trust	57,003	77,959
Sivertsen trust	96,159	151,132
Total	9,617,813	4,106,169
Endowments:		
Subject to spending policy and appropriation:		
Investment in perpetuity (including the original donor-restricted gift), which, once appropriated, is expendable to support care of animals	21,683,681	4,074,300
Subject to appropriation and expenditure when a specified event occurs:		
Income on perpetual endowments and purpose- restricted endowment gifts by donors for the care of animals	1,352,476	1,443,975
Total net assets with donor restrictions	<u>\$ 32,653,970</u>	<u>\$ 9,624,444</u>

**15. Retirement Plan**

SPCA established a salary deferral retirement plan designated to qualify under Section 403(b) of the Internal Revenue Code as of July 1, 1998. The plan covers all employees who are at least 18 years of age. Employees may begin contributing to the plan upon hire and become eligible for discretionary employer contributions after one year of service. SPCA's contribution is discretionary as determined annually by the Board of Directors. In the years ended June 30, 2022 and 2021, SPCA made discretionary contributions totaling \$102,955 and \$94,195, respectively.

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**16. Deferred Compensation Plan**

On July 11, 2016, SPCA established an eligible deferred compensation plan under Section 457(b) which provides deferred compensation benefits for SPCA's Executive Director, in accordance with sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. During 2022, The SPCA's Board of Director's authorized the expansion of the plan to include Vice-President level employees. The amounts payable to the participants under this plan are strictly from the general assets of SPCA and are available to general creditors of SPCA and are included in the Statement of Financial Position.

The 457(b) plan enables participants to defer income on a pre-tax basis and calls for discretionary nonelective deferred compensation to be contributed by SPCA for any calendar year. Total nonelective deferred compensation contributed by SPCA under this plan for the years ended June 30, 2022 and 2021 was \$53,750 and \$7,500, respectively.

The total market value of the 457(b) plan's investments and related deferred compensation plan payable to employees included in the Statement of Financial Position at June 30, 2022 and 2021 was \$101,907 and \$98,031, respectively.

**17. Uncertainties**

***COVID-19***

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where SPCA is headquartered, have declared a state of emergency.

Future potential impacts may include continued disruptions or restrictions on employees' ability to work and impairment of SPCA's ability to obtain contributions and volunteers. In addition, COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for SPCA's services and future grant and donor funding.

SPCA closed its physical locations to the general public on March 17, 2020 and required all employees to work remotely as much as possible. The SPCA has since been able to resume operations following state and local guidelines.

Any of the foregoing could harm SPCA and management cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact SPCA. Although management is continuing to monitor and assess the effects of the COVID-19 pandemic, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

No adjustments have been made to these financial statements as a result of this uncertainty.

**18. Subsequent Events**

SPCA has performed an evaluation of subsequent events through February 7, 2023, which is the date the financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.