

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

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

JUNE 30, 2025 AND 2024

**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, 2025 and 2024, 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, 2025 and 2024, 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.

Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA | Jacinto Acosta Bernal, 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 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
December 12, 2025

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS FOR MONTEREY COUNTY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,869,661	\$ 3,875,238
Contracts receivable	44,214	53,124
Estates receivable, current	477,424	2,845,656
Pledges receivable, current	296,645	678,293
Inventory	113,416	114,956
Benefit shop inventory	72,064	73,911
Short term investments	9,023,267	10,580,209
Prepaid expenses	375,060	398,092
Total current assets	14,271,751	18,619,479
Property and equipment, net	27,556,125	27,594,245
Other assets		
Long-term investments	39,942,120	36,584,016
Beneficial interest in assets held by Community Foundation	943,516	857,930
Operating lease right-of-use asset	583,757	676,088
Restricted investments - deferred compensation plan	454,613	343,515
Charitable remainder trusts receivable, net	152,240	122,001
Pledges receivable, net, less current portion	59,972	228,019
Estates receivable, less current portion	8,700	8,235
Total other assets	42,144,918	38,819,804
Total assets	\$83,972,794	\$85,033,528

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS FOR MONTEREY COUNTY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024
(continued)

	2025	2024
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 213,500	\$ 1,150,316
Accrued liabilities	310,854	262,008
Accrued compensated absences	333,710	308,916
Deferred revenue	83,931	77,236
Operating lease liability, current portion	99,000	89,451
Total current liabilities	1,040,995	1,887,927
Long-term liabilities		
Operating lease liability, less current portion	496,277	598,277
Deferred compensation plan payable	454,613	343,515
Total long-term liabilities	950,890	941,792
Total liabilities	1,991,885	2,829,719
Net assets		
Without donor restrictions		
Undesignated	37,260,261	39,961,786
Board-designated earnings in Community Foundation	286,401	200,815
Board-designated quasi-endowment	10,296,318	9,361,139
Total without donor restrictions	47,842,980	49,523,740
With donor restrictions		
Purpose and time restrictions	11,817,266	10,359,406
Perpetual in nature	22,320,663	22,320,663
Total with donor restrictions	34,137,929	32,680,069
Total net assets	81,980,909	82,203,809
Total liabilities and net assets	\$83,972,794	\$85,033,528

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS FOR MONTEREY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions of cash and other financial assets	\$ 2,588,310	\$ 236,289	\$ 2,824,599
Bequests	1,078,923	150,000	1,228,923
Special events	1,370,510	-	1,370,510
Contributions of nonfinancial assets	952,784	-	952,784
Grants	110,402	61,500	171,902
Program Services			
Shelter and clinic fees	1,436,825	-	1,436,825
Benefit shop sales	864,737	-	864,737
Contract revenue	375,081	-	375,081
Behavior training and education fees	219,624	-	219,624
Investment return, net of fees	1,391,944	3,301,659	4,693,603
Change in value of charitable remainder trusts	-	30,534	30,534
Other income	74,001	-	74,001
Total revenues, gains and other support	<u>10,463,141</u>	<u>3,779,982</u>	<u>14,243,123</u>
Net assets released from restrictions	<u>2,322,122</u>	<u>(2,322,122)</u>	<u>-</u>
Total revenue, support, and other income	<u>12,785,263</u>	<u>1,457,860</u>	<u>14,243,123</u>

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS FOR MONTEREY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Program expenses			
Shelter services	3,924,203	-	3,924,203
Clinic services	2,339,141	-	2,339,141
Barn and wildlife	1,812,012	-	1,812,012
Humane investigations and disaster response	576,898	-	576,898
Behavior training	1,149,363	-	1,149,363
Outreach and volunteers	1,149,011	-	1,149,011
Total program expenses	<u>10,950,628</u>	<u>-</u>	<u>10,950,628</u>
Support services			
Administration	712,634	-	712,634
Benefit shop	1,409,882	-	1,409,882
Development and special events	1,360,075	-	1,360,075
Total support services	<u>3,482,591</u>	<u>-</u>	<u>3,482,591</u>
Total expenses	<u>14,433,219</u>	<u>-</u>	<u>14,433,219</u>
Loss on sale of assets	<u>(32,804)</u>	<u>-</u>	<u>(32,804)</u>
Change in net assets	<u>(1,680,760)</u>	<u>1,457,860</u>	<u>(222,900)</u>
Net assets, beginning of year	<u>49,523,740</u>	<u>32,680,069</u>	<u>82,203,809</u>
Net assets, end of year	<u>\$47,842,980</u>	<u>\$34,137,929</u>	<u>\$81,980,909</u>

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS FOR MONTEREY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions of cash and other financial assets	\$ 3,098,336	\$ 1,406,770	\$ 4,505,106
Bequests	6,064,776	1,283,962	7,348,738
Special events	1,277,049	-	1,277,049
Contributions of nonfinancial assets	936,459	-	936,459
Grants	120,280	69,216	189,496
Program service revenue			
Shelter and clinic fees	1,344,661	-	1,344,661
Benefit shop sales	886,956	-	886,956
Contract revenue	357,063	-	357,063
Behavior training and education fees	121,099	-	121,099
Investment return, net of fees	1,156,287	2,805,715	3,962,002
Change in value of charitable remainder trusts	-	21,314	21,314
Other income	69,289	-	69,289
Total revenues, gains and other support	<u>15,432,255</u>	<u>5,586,977</u>	<u>21,019,232</u>
Net assets released from restrictions	<u>7,317,712</u>	<u>(7,317,712)</u>	<u>-</u>
Total revenues, gains and other support	<u>22,749,967</u>	<u>(1,730,735)</u>	<u>21,019,232</u>

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS FOR MONTEREY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Program expenses			
Shelter services	3,515,698	-	3,515,698
Clinic services	2,194,273	-	2,194,273
Barn and wildlife	1,765,985	-	1,765,985
Humane investigations and disaster response	504,623	-	504,623
Behavior training	731,346	-	731,346
Outreach and volunteers	877,012	-	877,012
Total program expenses	<u>9,588,937</u>	<u>-</u>	<u>9,588,937</u>
Support services			
Administration	593,376	-	593,376
Benefit shop	1,314,206	-	1,314,206
Development and special events	1,302,796	-	1,302,796
Total support services	<u>3,210,378</u>	<u>-</u>	<u>3,210,378</u>
Total expenses	<u>12,799,315</u>	<u>-</u>	<u>12,799,315</u>
Loss on sale of assets	<u>(11,779)</u>	<u>-</u>	<u>(11,779)</u>
Change in net assets	<u>9,938,873</u>	<u>(1,730,735)</u>	<u>8,208,138</u>
Net assets, beginning of year	<u>39,584,867</u>	<u>34,410,804</u>	<u>73,995,671</u>
Net assets, end of year	<u>\$49,523,740</u>	<u>\$32,680,069</u>	<u>\$82,203,809</u>

THE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS FOR MONTEREY COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	PROGRAM EXPENSES						SUPPORT SERVICES EXPENSES					
	Shelter Services	Clinic Services	Barn and Wildlife	Humane Investigations and Disaster Response	Behavior Training	Outreach and Volunteers	Total Program Expenses	Administration	Benefit Shop	Development and Special Events	Total Support Services	Total Expenses
Salaries and wages	\$ 1,814,437	\$ 1,442,838	\$ 877,320	\$ 311,919	\$ 531,824	\$ 520,856	\$ 5,499,194	\$ 433,827	\$ 267,821	\$ 444,871	\$ 1,146,519	\$ 6,645,713
Payroll taxes and benefits	529,301	278,812	253,896	82,700	156,200	157,096	1,458,005	114,570	76,156	146,257	336,983	1,794,988
Advertising	2,400	290	-	-	2,847	782	6,319	-	4,220	1,367	5,587	11,906
Animal food	42,497	-	93,939	-	-	144,088	280,524	-	-	-	-	280,524
Banking and merchant fees	35,345	18,849	972	162	4,600	8,763	68,691	4,500	23,239	29,307	57,046	125,737
Collaborations and donations to others	-	-	-	-	-	26,200	26,200	-	-	-	-	26,200
Communications	31,199	9,614	32,032	11,477	13,043	12,558	109,923	5,551	10,675	8,769	24,995	134,918
Computer and software expenses	47,573	24,628	25,130	10,746	20,529	25,805	154,411	11,295	12,051	76,811	100,157	254,568
Cost of goods sold	-	32,115	-	-	-	-	32,115	-	866,617	-	866,617	898,732
Depreciation	542,388	123,014	189,502	62,684	269,999	130,475	1,318,062	16,432	7,412	9,451	33,295	1,351,357
Fundraising and donor development	-	-	-	-	-	-	-	-	-	249,302	249,302	249,302
In-kind expense	57,370	534	7,171	8	15	4,162	69,260	211	21	18,522	18,754	88,014
Insurance	66,854	24,109	28,557	14,808	21,509	24,824	180,661	8,536	4,070	15,045	27,651	208,312
Lease costs and rent	9,316	3,832	2,821	1,111	4,307	1,543	22,930	7,908	101,880	2,439	112,227	135,157
Maintenance	106,314	44,119	28,668	1,580	42,272	8,181	231,134	11,125	6,804	3,034	20,963	252,097
Miscellaneous	977	2,349	1,303	166	471	241	5,507	-	1,908	287	2,195	7,702
Outside services	151,067	31,206	33,795	8,141	11,952	21,604	257,765	75,723	9,677	28,039	113,439	371,204
Postage	290	246	159	48	237	1,192	2,172	925	94	10,870	11,889	14,061
Printing	5,242	2,351	454	4,810	932	3,270	17,059	34	428	10,964	11,426	28,485
Special events	-	-	-	-	-	-	-	-	-	278,365	278,365	278,365
Staff training and travel	2,432	6,948	7,197	14,680	6,307	781	38,345	5,001	521	12,133	17,655	56,000
Supplies	220,162	243,563	66,167	5,892	22,271	37,499	595,554	7,773	5,237	5,551	18,561	614,115
Taxes, licenses, and permits	5,576	4,698	1,200	357	986	747	13,564	3,458	614	471	4,543	18,107
Uniforms	499	5,326	1,094	4,834	5,965	159	17,877	38	46	80	164	18,041
Utilities	225,007	32,453	69,552	13,185	24,383	12,971	377,551	5,520	7,189	7,876	20,585	398,136
Vehicles	11,537	7,247	34,381	27,525	8,714	5,214	94,618	207	3,202	264	3,673	98,291
Veterinarian expense	16,420	-	56,702	65	-	-	73,187	-	-	-	-	73,187
Total	\$ 3,924,203	\$ 2,339,141	\$ 1,812,012	\$ 576,898	\$ 1,149,363	\$ 1,149,011	\$ 10,950,628	\$ 712,634	\$ 1,409,882	\$ 1,360,075	\$ 3,482,591	\$ 14,433,219

THE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS FOR MONTEREY COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	PROGRAM EXPENSES						SUPPORT SERVICES EXPENSES					
	Shelter Services	Clinic Services	Barn and Wildlife	Humane Investigations and Disaster Response	Behavior Training	Outreach and Volunteers	Total Program Expenses	Administration	Benefit Shop	Development and Special Events	Total Support Services	Total Expenses
Salaries and wages	\$ 1,632,325	\$ 1,307,177	\$ 836,545	\$ 269,158	\$ 456,677	\$ 472,181	\$ 4,974,063	\$ 373,115	\$ 206,837	\$ 577,127	\$ 1,157,079	\$ 6,131,142
Payroll taxes and benefits	467,098	271,514	232,393	81,682	146,166	140,576	1,339,429	107,613	55,742	141,117	304,472	1,643,901
Advertising	3,837	-	-	-	190	1,321	5,348	-	3,105	400	3,505	8,853
Animal food	40,838	-	96,298	41	80	108,474	245,731	-	-	-	-	245,731
Collaborations and donations to others	-	42,000	-	-	-	27,646	69,646	-	-	-	-	69,646
Communications	19,412	9,553	33,543	10,259	9,607	9,423	91,797	5,000	8,827	6,340	20,167	111,964
Computer and software expenses	38,657	22,472	21,775	9,948	18,534	19,775	131,161	10,494	11,082	43,970	65,546	196,707
Cost of goods sold	5,030	28,434	-	-	-	-	33,464	-	880,285	-	880,285	913,749
Depreciation	478,040	126,011	190,936	48,665	29,171	5,779	878,602	11,487	4,688	4,818	20,993	899,595
Fundraising and donor development	-	-	-	-	-	-	-	-	-	57,253	57,253	57,253
In-kind expense	12,363	2,306	3,955	283	484	13,319	32,710	4,169	466	12,183	16,818	49,528
Insurance	40,210	17,663	18,331	9,276	5,483	5,822	96,785	10,569	4,164	1,448	16,181	112,966
Lease costs and rent	3,831	2,639	2,860	3,865	5,151	661	19,007	10,308	101,880	653	112,841	131,848
Investment, banking, and merchant fees	28,214	26,165	568	62	3,072	2,090	60,171	1,694	13,578	28,506	43,778	103,949
Maintenance	147,400	46,151	53,487	9,361	8,703	5,882	270,984	4,241	1,370	44,132	49,743	320,727
Miscellaneous	295	298	518	305	292	125	1,833	1,298	901	593	2,792	4,625
Outside services	161,713	22,826	44,456	7,607	12,976	16,276	265,854	25,907	5,514	31,736	63,157	329,011
Postage	521	335	375	137	281	991	2,640	1,040	198	9,194	10,432	13,072
Printing	2,934	1,400	512	80	186	2,572	7,684	205	383	9,333	9,921	17,605
Special events	-	-	-	-	-	-	-	-	-	250,054	250,054	250,054
Staff training and travel	5,781	1,454	5,101	12,583	1,038	3,563	29,520	4,002	535	6,946	11,483	41,003
Supplies	225,376	224,513	66,002	5,661	10,206	26,159	557,917	5,953	4,423	4,141	14,517	572,434
Taxes, licenses, and permits	3,555	3,366	1,409	363	470	260	9,423	2,942	-	999	3,941	13,364
Uniforms	598	1,583	521	2,521	157	6,487	11,867	53	70	104	227	12,094
Utilities	174,793	29,645	66,100	10,681	15,431	5,557	302,207	13,132	8,014	71,587	92,733	394,940
Vehicles	11,171	2,832	55,695	22,085	6,991	2,073	100,847	154	2,144	162	2,460	103,307
Veterinarian expense	11,706	3,936	34,605	-	-	-	50,247	-	-	-	-	50,247
Total	\$ 3,515,698	\$ 2,194,273	\$ 1,765,985	\$ 504,623	\$ 731,346	\$ 877,012	\$ 9,588,937	\$ 593,376	\$ 1,314,206	\$ 1,302,796	\$ 3,210,378	\$ 12,799,315

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS FOR MONTEREY COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (222,900)	\$ 8,208,138
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,182,921	776,763
Non-cash portion of operating lease expense	92,331	92,034
Loss on sale of assets	32,804	11,779
Net realized/unrealized gain on investments	(468,226)	(673,051)
Change in value of beneficial interest in Community Foundation	(132,162)	(85,740)
Change in value of deferred compensation plan	(111,098)	(230,781)
Change in value of charitable remainder trusts	(30,239)	60,908
Change in discount of pledges receivable	(21,953)	(70,669)
Change in operating assets and liabilities		
Contracts receivable	8,910	(9,296)
Estates receivable	2,367,767	1,796,804
Pledges receivable	571,648	815,368
Grant receivable	-	4,784
Inventory	1,540	25,848
Benefit shop inventory	1,847	(6,646)
Prepaid expenses	23,032	(87,269)
Accounts payable	(936,816)	27,202
Accrued liabilities	48,846	48,482
Accrued compensated absences	24,794	62,282
Deferred compensation plan payable	111,098	230,781
Deferred revenue - program income	6,695	16,414
Operating lease liability	(92,451)	(86,394)
Net cash provided by operating activities	<u>2,458,388</u>	<u>10,927,741</u>
Cash Flows from Investing Activities		
Purchases of investments	(1,490,384)	(4,484,970)
Purchase of property and equipment	(1,352,790)	(11,115,959)
Proceeds from sale of investments	204,024	7,288,552
Disposal of property and equipment	207,989	122,833
Proceeds from sale of assets	(32,804)	(11,779)
Net cash used by investing activities	<u>(2,463,965)</u>	<u>(8,201,323)</u>
Net increase (decrease) in cash and cash equivalents	(5,577)	2,726,418
Cash and cash equivalents, beginning of year	<u>3,875,238</u>	<u>1,148,820</u>
Cash and cash equivalents, end of year	<u>\$ 3,869,661</u>	<u>\$ 3,875,238</u>
Supplemental Cash Flow Information		
Cash paid for amounts included in measurement of lease liability:		
Operating cash flows from operating lease liability	<u>\$ (92,451)</u>	<u>\$ (86,394)</u>

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS FOR MONTEREY COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

1. Summary of Significant Accounting Policies

Nature of Activities

The Society for the Prevention of Cruelty to Animals of 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.

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 certain reported amounts and disclosures. 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 consist 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). The SPCA places its cash and cash equivalents in what management believes to be creditworthy financial institutions. However, cash balances may exceed the FDIC and SIPC insured levels at various times during the year.

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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Contracts Receivable

The majority of contracts receivable derive from agreements with local agencies to provide sheltering services. Contracts receivable are stated at amounts due from these agencies. Management has determined that all contracts receivable are fully collectible; accordingly, there is no allowance for credit losses.

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, 2025 and 2024, 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 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 exceeding \$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 an 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, future special events, and the conditional grants.

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.

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

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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 an 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*.

Program Service Revenue – 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*. Program service 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.

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

The SPCA recognizes donated equipment and other donated goods at their 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 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

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Revenue and Taxation Code Section 23701(d) but is subject to taxes on unrelated business income when earned. At June 30, 2025 and 2024, 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 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, 2025 and 2024.

SPCA files information returns in the U.S. federal jurisdiction and state of California. SPCA's federal returns for the tax years 2022 and beyond remain subject to possible examination by the Internal Revenue Service. SPCA's California returns for the tax years 2021 and beyond remain subject to possible examination by the Franchise Tax Board.

Functional Allocation of Expenses

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, 2025 and 2024, total advertising expense was \$11,906 and \$8,856, respectively.

Leases

The Organization follows FASB Accounting Standards Codification (ASC) Topic 842, *Leases*, requiring organizations to recognize right-of-use lease assets and lease liabilities on the statement of financial position and requiring disclosures of key information about leasing arrangements. The right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease terms at the commencement date.

As the implicit rate for the lease is not readily determinable, the SPCA has made an accounting policy election to use a risk-free rate as the discount rate for the lease, based on a nine-year treasury bill of 1.48% as of the lease commencement date, in determining the present value of future payments. The SPCA has made a policy election not to capitalize short-term leases with a lease term of 12 months or less.

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2. 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:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 3,869,661	\$ 3,875,238
Investments	48,965,387	47,164,225
Contracts receivable	44,214	53,124
Estates receivable	477,424	2,845,656
Current portion of pledges receivable	<u>296,645</u>	<u>678,293</u>
Total financial assets available at year end	53,653,331	54,616,536
Less those unavailable for general expenditures within one year due to:		
Contractual or donor imposed restrictions:		
Restricted by donor with purpose restrictions	(2,853,844)	(3,219,996)
Subject to appropriation and satisfaction of donor restrictions	(31,113,026)	(29,303,391)
Board-designated quasi-endowment	<u>(10,296,318)</u>	<u>(9,361,139)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,390,143</u>	<u>\$ 12,732,010</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 \$2,200,000).

3. Investments

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

	<u>2025</u>	<u>2024</u>
Money market	\$ 6,999,922	\$ 8,512,441
Fixed income	9,735,798	7,511,425
Equity funds	29,389,608	26,539,420
Alternative strategy mutual funds	2,969,251	4,619,529
Beneficial interest in assets held by		
Community Foundation	943,516	857,929
Prana investment funds	<u>325,421</u>	<u>324,926</u>
Investment portfolio total	<u>\$ 50,363,516</u>	<u>\$ 48,365,670</u>

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Fair Value Measurements

SPCA measures its investments and trusts receivable at fair value in accordance with FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*. 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 valuation hierarchy for fair value measurements based upon transparency of inputs to the valuation of an asset or liability as of the measurement date.

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 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 statement.
- *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 liquidity discounts.

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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:

	2025			
	Level 1	Level 2	Level 3	Total
Money market	\$ 6,999,922	\$ -	\$ -	\$ 6,999,922
Fixed income	9,735,798	-	-	9,735,798
Equity funds	29,389,608	-	-	29,389,608
Alternative strategy mutual funds	2,969,251	-	-	2,969,251
Beneficial interest in assets held by Community Foundation	-	-	943,516	943,516
Trusts receivable	-	-	152,240	152,240
Total recurring fair value measurements	<u>\$ 49,094,579</u>	<u>\$ -</u>	<u>\$ 1,095,756</u>	50,190,335
Prana investment funds measured at NAV				<u>325,421</u>
Investment portfolio total				<u>\$ 50,515,756</u>

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	2024			Total
	Level 1	Level 2	Level 3	
Money market	\$ 8,512,441	\$ -	\$ -	\$ 8,512,441
Fixed income	7,511,425	-	-	7,511,425
Equity funds	26,539,420	-	-	26,539,420
Alternative strategy mutual funds	4,619,529	-	-	4,619,529
Beneficial interest in assets				
held by Community Foundation	-	-	857,930	857,930
Trusts receivable	-	-	122,001	122,001
Total recurring fair value measurements	\$ 47,182,815	\$ -	\$ 979,931	48,162,746
Prana investment funds measured at NAV				324,926
Investment portfolio total				\$ 48,487,672

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 \$943,516 and \$857,930 at June 30, 2025 and 2024, 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 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.

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

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 857,930	\$ 817,916
Investment return (dividends and interest)	33,167	26,240
Net realized and unrealized gain	98,995	59,500
Distributions	(36,717)	(37,440)
Investment fees	<u>(9,859)</u>	<u>(8,286)</u>
Total	<u>\$ 943,516</u>	<u>\$ 857,930</u>
Beneficial interest corpus	\$ 657,115	\$ 657,115
Beneficial interest earnings	<u>286,401</u>	<u>200,815</u>
	<u>\$ 943,516</u>	<u>\$ 857,930</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 3.68% at June 30, 2025 and 4.58% at June 30, 2024 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 trusts receivable measured at fair value based on Level 3 inputs for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 122,001	\$ 182,909
Change in value of split-interest agreements	30,534	21,314
Distributions to split-interest agreements	<u>(295)</u>	<u>(82,222)</u>
Balance, end of year	<u>\$ 152,240</u>	<u>\$ 122,001</u>

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.

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The market value per share is determined by dividing the Company's net asset value by the number of shares outstanding. At June 30, 2025 and 2024, the Company has valued each share at \$53,735 and \$53,654 per share, respectively.

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

	2025			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	\$ 325,421	\$ -	Semi-annually	95 days advance notice required
	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	\$ 324,926	\$ -	Semi-annually	95 days advance notice required

4. Program Service Fees

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

	2025	2024
Shelter and clinic sales	\$ 1,436,825	\$ 1,344,661
Benefit shop sales	864,737	886,956
Contract sales	375,081	357,063
Behavior training and education fees	219,624	121,099
	\$ 2,896,267	\$ 2,709,779

The beginning and ending contract balances for the years ended June 30, 2025 and 2024 as follows:

	2025	2024	2023
Contracts receivable	\$ 44,214	\$ 53,124	\$ 43,828
Deferred revenue	\$ 83,931	\$ 46,736	\$ 15,572

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.

5. Estates Receivable

SPCA had been named as a beneficiary in several wills and trusts. At June 30, 2025 and 2024, it is estimated SPCA will receive \$477,424 and \$2,845,656, respectively, within the following year from wills and trust estates. As of June 30, 2025 and 2024, two bequests constitute approximately 92% and 76% of total estates receivable, respectively.

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6. Pledges Receivable, net

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

	2025	2024
Receivable in less than one year	\$ 296,645	\$ 678,293
Receivable in one to five years	65,000	255,000
Total	361,645	933,293
Less discount to net present value at 3.93% and 4.49%	(5,028)	(26,981)
Total pledges receivable, net	\$ 356,617	\$ 906,312

At June 30, 2025, pledges receivable included \$106,878 (the present value of promised cash flows of \$210,000) from members of SPCA's Board of Directors. As of June 30, 2025, five donors constitute approximately 84% of total pledges receivable. As of June 30, 2024, three donors constitute approximately 42% of total pledges receivable.

7. Trusts Receivable – Charitable Remainder Trusts, net

SPCA is a remainder beneficiary of several charitable remainder trusts:

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 \$91,125 and \$69,343 as of June 30, 2025 and 2024, 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 Condemn 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 \$61,114 and \$52,658 as of June 30, 2025 and 2024, respectively.

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:

	2025	2024
Balance, beginning of year	\$ 122,001	\$ 182,909
Change in value of split-interest agreements	30,534	21,314
Distributions to split-interest agreements	(295)	(82,222)
Balance, end of year	\$ 152,240	\$ 122,001

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 3.68% and 4.58% at June 30, 2025 and 2024, respectively.

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- Life expectancies of life beneficiaries are assumed to be those in IRS Publication 590.

8. Property and Equipment, net

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

	<u>2025</u>	<u>2024</u>
Land	\$ 765,452	\$ 765,452
Land improvements	5,889,446	5,958,638
Building and improvements	30,052,675	15,785,999
Equipment	1,791,259	1,704,413
Vehicles	981,087	866,309
Leashold improvements	10,100	10,100
Computer software	42,279	42,279
Construction in progress of buildings	<u>990,714</u>	<u>14,246,501</u>
Total	40,523,012	39,379,691
Less accumulated depreciation	<u>12,966,887</u>	<u>11,785,446</u>
Property and equipment, net	<u>\$ 27,556,125</u>	<u>\$ 27,594,245</u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$1,351,357 and \$899,596, respectively.

9. Contributed Nonfinancial Assets

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

	<u>2025</u>	<u>2024</u>
Benefit Shop donated inventory	864,770	\$ 886,931
Supplies	87,614	42,589
Professional services	<u>400</u>	<u>6,939</u>
	<u>\$ 952,784</u>	<u>\$ 936,459</u>

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 \$864,770 and \$886,931 for the years ended June 30, 2025 and 2024, respectively.

Contributed supplies were used in the following programs: Animal Care, Clinic Operations, Humane Investigations, Barn, Community Outreach, Wildlife, Administration and Special Events in the amount of \$87,614 and \$42,589 for the years ended June 30, 2025 and 2024, respectively. These amounts have also been charged to expenses 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.

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Contributions of professional services for photography, legal and consulting services were recognized in the amount of \$400 and \$6,939 for the years ended June 30, 2025 and 2024, respectively. These amounts have also been charged to expenses in the statement of activities.

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.

10. Leases

The SPCA has an operating lease for their Benefit Shop with terms through June 2031 including extensions that management reasonably expects to take. Rental expense is recognized for the lease on a straight-line basis over the lease term. Total rental expense under this lease was \$97,472 and \$111,911 for the years ended June 30, 2025 and 2024, respectively and is included in support service expense as leases costs for their Benefit Shop.

The following summarizes the remaining operating lease term and discount rate as of June 30:

	<u>2025</u>	<u>2024</u>
Remaining lease term	6 years	7 years
Discount rate	1.48%	1.48%

The following summarizes assets and liabilities included in the statements of financial position which include amounts for the operating lease as of June 30:

	<u>2025</u>	<u>2024</u>
Right-of-use asset	<u>\$ 583,757</u>	<u>\$ 676,088</u>
Lease liability	\$ 99,000	\$ 89,451
Noncurrent lease liability	<u>496,277</u>	<u>598,277</u>
Total lease liability	<u>\$ 595,277</u>	<u>\$ 687,728</u>

Future minimum lease payments as of June 30, 2025 are as follows:

Year ending June 30:	
2026	\$ 99,000
2027	104,760
2028	104,760
2029	104,760
2030	104,760
2031	<u>104,760</u>
Total lease payments	622,800
Less present value discount	<u>(27,523)</u>
Present value of lease liabilities	<u>\$ 595,277</u>

11. Endowments

SPCA's endowment consists of three funds established for general operating purposes. The first donor-restricted endowment fund was established in 2012 for general operating purposes. The second donor-restricted endowment fund was established in 2022 with a gift from the estate of Claire R. Jacobson for general operating purposes. The third donor-restricted

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endowment fund was established in 2024 with a gift from the estate of Jeanne Holmquist to support the operating expenses of the SPCA's Wildlife department.

In addition to the donor restricted endowment funds, the SPCA holds 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
- (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.

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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, 2025 and 2024.

Endowment Net Asset Composition and Changes

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

	2025		Total
	Without Donor Restrictions	With Donor Restrictions	
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 21,663,547	\$ 21,663,547
Purpose-restricted funds and accumulated investment gains	-	8,792,363	8,792,363
Beneficial interest in Community Foundation	-	657,116	657,116
Board-designated quasi-endowment funds	10,296,318	-	10,296,318
	<u>\$ 10,296,318</u>	<u>\$ 31,113,026</u>	<u>\$ 41,409,344</u>

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	2024		Total
	Without Donor Restrictions	With Donor Restrictions	
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 21,663,547	\$ 21,663,547
Purpose-restricted funds and accumulated investment gains	-	6,982,728	6,982,728
Beneficial interest in Community Foundation	-	657,116	657,116
Board-designated quasi-endowment funds	9,361,139	-	9,361,139
	<u>\$ 9,361,139</u>	<u>\$ 29,303,391</u>	<u>\$ 38,664,530</u>

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

	2025		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ 9,361,139	\$ 29,303,391	\$ 38,664,530
Investment return, net	935,179	3,159,677	4,094,856
Amounts appropriated for expenditure	-	(1,350,042)	(1,350,042)
Endowment net assets, end of year	<u>\$ 10,296,318</u>	<u>\$ 31,113,026</u>	<u>\$ 41,409,344</u>

	2024		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ 8,683,019	\$ 25,554,718	\$ 34,237,737
Contributions	-	636,981	636,981
Investment return, net	678,120	3,178,819	3,856,939
Amounts appropriated for expenditure	-	(67,127)	(67,127)
Endowment net assets, end of year	<u>\$ 9,361,139</u>	<u>\$ 29,303,391</u>	<u>\$ 38,664,530</u>

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12. Net Assets with Donor Restrictions

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

	2025	2024
Subject to expenditure for specified purpose:		
Community outreach	\$ 28,415	\$ -
Hug-a-pet program	5,395	5,395
Jacobson capital improvement fund	2,798,845	3,131,863
Mobile clinic	3,025	45,874
Pet meals	9,202	27,902
Pets for the elderly	1,600	1,600
Rewards humane investigation	7,362	7,362
Ruff start	8,820	24,681
Rushfelt bequest	10,000	10,000
Subject to expenditure after passage of time:		
Present value of remainder trusts:		
Conderman trust	61,114	52,658
Sivertsen trust	91,125	69,343
Total	3,024,903	3,376,678
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	22,320,663	22,320,663
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	8,792,363	6,982,728
Total net assets with donor restrictions	\$ 34,137,929	\$ 32,680,069

13. Retirement Plan

The SPCA established a salary deferral retirement plan designated to qualify under Section 403(b) of the Internal Revenue Code. 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, 2025 and 2024, SPCA made discretionary contributions totaling \$150,172 and \$147,304, respectively.

14. Deferred Compensation Plan

The 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. In 2022, The SPCA's Board of Director's

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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, 2025 and 2024 was \$200 and \$2,704, respectively.

The total market value of the 457(b) plan's restricted investments and related deferred compensation plan payable to employees included in the statement of financial position at June 30, 2025 and 2024 was \$454,613 and \$343,515, respectively.

15. New Facilities

On July 2, 2024, SPCA completed construction on three new buildings, opening the door to change even more lives thanks to compassionate donor support. Included in accounts payable at June 30, 2024 is \$655,688 withheld as a retainage for construction in progress.

The new Sally Lucas Treatment Learning and Compassion (TLC) Center is the lifesaving heart of the SPCA. The TLC Program mends broken bones and heals broken spirits, helping the animals most in need of our love and support. Certified TLC staff and volunteers work one-on-one with the dogs, providing compassion, gentle care, and specialized training to prepare them for life in new, loving homes.

The Training Center enables the SPCA to offer a full range of expanded dog training classes and private training sessions, aimed at keeping pets in loving homes. Classes benefit dogs of all ages, breeds, and training levels and private training helps with separation anxiety, fearfulness, reactivity, and more. The Training Center also serves as the home base for the Humane Investigations team, which responds to hundreds of animal cruelty and neglect reports every year.

The beautifully renovated Claire Jacobson Learning Center will continue to nurture, educate, and inspire children for years to come. Remodeling and modernizing the Learning Center extended its useful life for decades, allowing the SPCA to enhance and expand the education programs for future generations.

16. Subsequent Events

Subsequent to June 30, 2025, the SPCA entered into a contract for the construction of an aviary. The final cost of construction is estimated to be \$1,225,318, which will be paid for with cash reserves restricted for capital improvements and with a gift from a generous donor. As of the date of the financial statements, management does not anticipate incurring debt to cover construction costs.

The SPCA has performed an evaluation of subsequent events through December 12, 2025, 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.