

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

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

**JUNE 30, 2024 AND 2023**

**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, 2024 and 2023, 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, 2024 and 2023, 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.

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

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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.

### **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 03, 2024

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,875,238	\$ 1,148,820
Contracts receivable	53,124	43,828
Estates receivable, current	2,845,656	3,122,326
Pledges receivable, current	678,293	773,161
Grant receivable	-	4,784
Inventory	114,956	140,804
Benefit shop inventory	73,911	67,265
Short term investments	10,580,209	17,276,870
Prepaid expenses	398,092	310,823
Total current assets	<u>18,619,479</u>	<u>22,888,681</u>
Property and equipment, net	<u>27,594,245</u>	<u>17,377,882</u>
Other assets		
Pledges receivable, net, less current portion	228,019	877,850
Charitable remainder trusts receivable, net	122,001	182,909
Estates receivable, less current portion	8,235	1,528,369
Operating lease right-of-use asset	676,088	768,122
Long-term investments	36,584,016	31,972,160
Restricted investments - deferred compensation plan	343,515	112,734
Beneficial interest in assets held by Community Foundation	857,930	817,916
Total other assets	<u>38,819,804</u>	<u>36,260,060</u>
Total assets	<u><u>\$85,033,528</u></u>	<u><u>\$76,526,623</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, 2024 AND 2023  
(continued)

	2024	2023
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,150,316	\$ 1,123,114
Accrued liabilities	262,008	213,526
Accrued compensated absences	308,916	246,634
Deferred revenue	77,236	60,822
Operating lease liability, current portion	89,451	99,000
Total current liabilities	<u>1,887,927</u>	<u>1,743,096</u>
Long-term liabilities		
Operating lease liability, less current portion	598,277	675,122
Deferred compensation plan payable	343,515	112,734
Total long-term liabilities	<u>941,792</u>	<u>787,856</u>
Total liabilities	<u>2,829,719</u>	<u>2,530,952</u>
Net assets		
Without donor restrictions		
Undesignated	39,961,786	30,741,047
Board-designated earnings in Community Foundation	200,815	160,801
Board-designated quasi-endowment	9,361,139	8,683,019
Total without donor restrictions	<u>49,523,740</u>	<u>39,584,867</u>
With donor restrictions		
Purpose and time restrictions	10,359,407	12,727,122
Perpetual in nature	22,320,662	21,683,682
Total with donor restrictions	<u>32,680,069</u>	<u>34,410,804</u>
Total net assets	<u>82,203,809</u>	<u>73,995,671</u>
Total liabilities and net assets	<u>\$85,033,528</u>	<u>\$76,526,623</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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other income			
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
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
Net assets released from restrictions	7,317,712	(7,317,712)	-
Total revenue, support, and other income	22,749,967	(1,730,735)	21,019,232

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, 2024  
(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Program expenses			
Animal care	2,409,946	-	2,409,946
Clinic operations	2,194,273	-	2,194,273
Wildlife	1,123,320	-	1,123,320
Adoption and intake	1,105,752	-	1,105,752
Humane investigations	498,543	-	498,543
Disaster response	6,079	-	6,079
Behavior training	601,031	-	601,031
Volunteers	196,377	-	196,377
Barn	642,665	-	642,665
Community outreach	680,637	-	680,637
Ruff Start	130,314	-	130,314
Total program expenses	9,588,937	-	9,588,937
Support services			
Administration	583,307	-	583,307
Development	979,082	-	979,082
Special events	323,713	-	323,713
Benefit shop	1,324,276	-	1,324,276
Total support services	3,210,378	-	3,210,378
Total expenses	12,799,315	-	12,799,315
Loss on sale of assets	(11,779)	-	(11,779)
Change in net assets	9,938,873	(1,730,735)	8,208,138
Net assets, beginning of year	39,584,867	34,410,804	73,995,671
Net assets, end of year	\$49,523,740	\$32,680,069	\$82,203,809

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other income			
Contributions of cash and other financial assets	\$ 2,375,897	\$ 2,890,462	\$ 5,266,359
Bequests	5,838,636	56,165	5,894,801
Special events	1,262,007	-	1,262,007
Contributions of nonfinancial assets	830,107	-	830,107
Grants	138,355	104,331	242,686
Shelter and clinic fees	1,141,587	-	1,141,587
Benefit shop sales	807,227	-	807,227
Contract revenue	331,779	-	331,779
Behavior training and education fees	133,840	-	133,840
Investment return, net of fees	938,887	2,774,506	3,713,393
Change in value of charitable remainder trusts	-	(34,743)	(34,743)
Other income	57,908	-	57,908
Net assets released from restrictions	4,033,887	(4,033,887)	-
Total revenue, support, and other income	17,890,117	1,756,834	19,646,951

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, 2023  
(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Program expenses			
Animal care	2,019,401	-	2,019,401
Clinic operations	1,566,116	-	1,566,116
Wildlife	1,006,887	-	1,006,887
Adoption and intake	989,253	-	989,253
Humane investigations	492,909	-	492,909
Disaster response	22,499	-	22,499
Behavior training	450,473	-	450,473
Volunteers	189,690	-	189,690
Barn	613,408	-	613,408
Community outreach	596,623	-	596,623
Ruff Start	119,093	-	119,093
Total program expenses	8,066,352	-	8,066,352
Support services			
Administration	541,985	-	541,985
Development	855,014	-	855,014
Special events	284,529	-	284,529
Benefit shop	1,215,855	-	1,215,855
Total support services	2,897,383	-	2,897,383
Total expenses	10,963,735	-	10,963,735
Loss on sale of assets	(130,399)	-	(130,399)
Change in net assets	6,795,983	1,756,834	8,552,817
Net assets, beginning of year, as restated	32,788,884	32,653,970	65,442,854
Net assets, end of year	\$39,584,867	\$34,410,804	\$73,995,671

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, 2024

	PROGRAM EXPENSES											SUPPORT SERVICES EXPENSES								Total
	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	
Salaries and wages	\$ 922,180	\$ 1,183,301	\$ 470,269	\$ 430,159	\$ 235,068	\$ -	\$ 343,268	\$ 111,624	\$ 242,905	\$ 314,870	\$ 59,961	\$ 4,313,605	\$ 684,677	\$ 438,178	\$ 205,701	\$ 244,062	\$ 38,082	\$ 206,837	\$ 1,817,537	\$ 6,131,142
Payroll taxes and benefits	240,103	230,193	125,535	112,389	69,740	300	102,388	28,276	68,054	98,579	21,367	1,096,924	193,240	120,019	69,829	97,055	11,004	55,830	546,977	1,643,901
Product cost of sales	-	28,433	-	5,031	-	-	-	-	-	-	-	33,464	-	-	-	-	-	880,285	880,285	913,749
Depreciation	281,463	97,130	117,875	6,547	38,126	-	8,021	-	24,080	1,014	-	574,256	14,923	207	306,802	-	-	3,408	325,340	899,596
Operating and medical supplies	184,915	198,920	28,466	14,556	1,930	561	4,304	170	26,888	7,679	4,376	472,765	765	206	42,253	744	10	1,803	45,781	518,546
Lease costs and rent	-	-	-	-	-	4,320	8,057	-	-	-	-	12,377	-	-	7,560	-	-	111,911	119,471	131,848
Repairs and maintenance	28,350	32,232	23,098	21,124	7,026	-	4,827	6,391	10,939	4,788	4,694	143,469	23,732	36,197	78,977	26,191	4,538	7,623	177,258	320,727
In-kind	8,985	1,271	2,310	-	-	-	-	-	507	12,985	-	26,058	7,779	2,375	4,000	-	9,316	-	23,470	49,528
Utilities	84,349	27,083	61,019	46,985	11,702	-	10,640	3,564	15,641	5,976	3,480	270,439	13,132	5,838	91,801	3,129	2,587	8,014	124,501	394,940
Events and programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250,054	-	250,054	250,054
Direct mail	-	-	-	-	-	-	-	-	-	-	-	-	-	173,218	-	-	-	-	173,218	173,218
Outside services	7,292	3,877	1,210	1,897	2,011	-	3,575	576	2,336	6,034	144	28,952	10,108	13,229	55,424	576	576	2,705	82,618	111,570
Veterinarian	10,641	3,936	9,440	1,065	-	-	-	-	25,165	-	-	50,247	-	-	-	-	-	-	-	50,247
Animal food	40,838	-	56,706	-	41	-	-	-	39,592	108,474	80	245,731	-	-	-	-	-	-	-	245,731
Collaborations	-	42,000	-	-	-	-	-	-	-	27,646	-	69,646	-	-	-	-	-	-	-	69,646
Insurance	18,051	13,656	7,460	13,065	2,262	15	5,489	924	7,711	3,920	1,740	74,293	21,799	2,393	10,210	809	635	2,827	38,673	112,966
Vehicle	-	2,685	17,398	3,048	27,766	70	101	-	36,226	1,891	5,995	95,180	-	-	13,237	-	-	2,127	15,364	110,544
Office supplies and postage	2,747	3,399	1,113	8,084	1,399	4	3,299	2,046	977	1,645	379	25,092	9,698	11,428	107	2,048	86	1,440	24,807	49,899
Animal disposal	18,878	38	2,635	64,765	-	-	-	-	4,220	-	-	90,536	-	-	-	-	-	-	-	90,536
Bank charges	70	25,834	102	27,477	-	-	2,983	343	251	1,633	-	58,693	47	25,305	-	-	-	13,578	38,930	97,623
Printing and photography	647	1,322	410	2,170	59	-	147	924	40	1,618	7	7,344	372	9,273	3	239	23	351	10,261	17,605
Microchip	-	15,386	161	7,991	-	-	-	-	140	-	-	23,678	-	-	-	-	-	-	-	23,678
Training, travel and conferences	2,705	394	3,753	1,540	12,350	-	635	-	515	3,141	-	25,033	7,868	5,897	-	2,208	515	-	16,488	41,521
Accounting and legal	-	-	-	-	-	-	-	-	-	-	-	-	51,358	23,168	-	-	-	-	74,526	74,526
Landscaping fees	-	-	-	-	-	-	2,500	-	-	-	-	2,500	-	-	39,575	-	-	-	39,575	42,075
Donor development	-	-	-	-	-	-	-	-	-	-	-	-	-	46,152	-	-	-	-	46,152	46,152
Capital campaign	-	-	-	-	-	-	-	-	-	-	-	-	-	11,101	-	-	-	-	11,101	11,101
Communications	1,191	1,571	4,796	987	5,565	-	2,881	1,200	1,838	2,109	888	23,026	1,530	2,680	2,156	1,246	127	1,200	8,939	31,965
Advertising	-	-	-	3,837	-	-	191	676	-	646	-	5,350	-	400	-	-	-	3,106	3,506	8,856
Planned giving	-	-	-	-	-	-	-	-	-	-	-	-	-	13,831	-	-	-	-	13,831	13,831
Dues and subscriptions	-	1,816	340	-	245	50	1,123	-	-	675	43	4,292	3,565	734	300	4,993	-	55	9,647	13,939
Uniforms	-	1,267	93	-	1,992	431	-	5,764	148	608	-	10,303	-	-	209	1,582	-	-	1,791	12,094
Miscellaneous	-	1,146	603	(142)	168	-	(1)	-	65	-	-	1,839	200	-	-	453	-	901	1,554	3,393
Farrier and trailering fees	-	-	-	-	-	-	-	-	3,030	-	-	3,030	-	-	-	-	-	-	-	3,030
Equipment rental	3,695	3,861	2,311	1,212	263	-	263	263	263	263	263	12,657	263	263	288	263	262	-	1,339	13,996
Service charges	28	51	3	251	-	-	-	-	-	-	-	333	3,220	3,019	15	-	-	-	6,254	6,587
Human resource services	715	863	550	1,022	881	-	421	6,949	187	332	-	11,920	94	328	98	4,262	-	136	4,918	16,838
Promotions	-	-	-	-	-	-	-	-	-	9,951	-	9,951	-	-	-	-	-	144	144	10,095
Permits	-	512	309	-	-	-	-	-	-	-	-	821	-	630	4,740	-	-	-	5,370	6,191
Internet services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,925	4,925	4,925
Volunteer incentives	-	-	175	-	-	-	-	4,973	-	-	-	5,148	195	-	-	-	-	888	1,083	6,231
Recruitment	25	3,237	-	-	75	-	-	-	25	25	-	3,387	25	50	25	-	-	25	125	3,512
Animal training fees	-	-	-	-	-	-	-	-	10,570	-	-	10,570	-	-	-	-	-	-	-	10,570
Taxes and licenses	-	1,955	-	-	100	-	-	-	-	-	-	2,055	5,447	-	-	-	-	183	5,630	7,685
Website	-	-	-	-	-	-	-	-	-	2,908	-	2,908	-	-	-	-	-	-	-	2,908
Total	1,857,868	1,927,369	938,140	775,060	418,769	5,751	505,112	174,663	522,313	619,410	103,417	7,847,872	1,054,037	946,119	933,310	389,860	317,815	1,310,302	4,951,443	12,799,315
Allocation of support service expense	552,078	266,904	185,180	330,692	79,774	328	95,919	21,714	120,352	61,227	26,897	1,741,065	(470,730)	32,963	(933,310)	(389,860)	5,898	13,974	(1,741,065)	-
Total program expenses after overhead allocation	\$ 2,409,946	\$ 2,194,273	\$ 1,123,320	\$ 1,105,752	\$ 498,543	\$ 6,079	\$ 601,031	\$ 196,377	\$ 642,665	\$ 680,637	\$ 130,314	\$ 9,588,937	\$ 583,307	\$ 979,082	\$ -	\$ -	\$ 323,713	\$ 1,324,276	\$ 3,210,378	\$ 12,799,315

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, 2023

	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	\$ 684,679	\$ 749,759	\$ 421,093	\$ 386,922	\$ 256,107	\$ -	\$ 256,329	\$ 108,482	\$ 222,204	\$ 287,153	\$ 58,161	\$ 3,430,889	\$ 631,450	\$ 374,036	\$ 190,905	\$ 189,389	\$ 36,566	\$ 181,738	\$ 1,604,084	\$ 5,034,973
Payroll taxes and benefits	155,991	118,133	99,802	83,677	60,375	425	58,561	30,341	46,070	100,801	19,130	773,306	201,707	101,237	60,180	98,155	8,784	47,940	518,003	1,291,309
Product cost of sales	-	18,887	-	11,302	-	-	-	-	-	-	-	30,189	-	-	-	-	-	807,544	807,544	837,733
Depreciation	280,612	96,826	116,965	5,715	21,569	-	9,418	-	24,170	9,659	-	564,934	4,950	207	311,231	-	-	3,307	319,695	884,629
Operating and medical supplies	167,689	176,372	37,586	22,465	2,532	1,506	5,509	414	32,258	3,330	1,314	450,975	1,095	809	32,996	3,386	16	1,616	39,918	490,893
Lease costs and rent	-	-	-	-	-	3,511	7,142	-	-	-	-	10,653	-	-	2,708	-	-	109,572	112,280	122,933
Repairs and maintenance	37,690	18,304	20,192	24,112	6,448	-	5,690	5,451	5,132	4,100	3,975	131,094	20,322	29,473	57,722	25,816	3,975	5,362	142,670	273,764
In-kind	11,395	-	300	-	-	-	-	-	247	3,755	-	15,697	1,263	1,260	-	-	4,707	-	7,230	22,927
Utilities	83,667	25,499	52,814	47,404	10,493	-	9,787	3,302	16,805	5,593	3,233	258,597	12,357	5,512	126,556	2,965	2,483	7,857	157,730	416,327
Events and programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	219,388	-	219,388	219,388
Direct mail	-	-	-	-	-	-	-	-	-	-	-	-	-	163,694	-	-	-	-	163,694	163,694
Outside services	4,482	2,132	2,230	1,568	3,831	-	3,167	424	4,998	5,718	106	28,656	33,115	10,222	45,353	1,054	331	1,302	91,377	120,033
Veterinarian	9,870	12,742	4,922	-	8,687	-	-	-	33,257	-	-	69,478	-	-	-	-	-	-	-	69,478
Animal food	39,032	-	36,636	-	-	2,845	-	-	57,939	60,907	-	197,359	-	-	-	-	-	-	-	197,359
Collaborations	-	50,000	-	-	-	-	-	-	-	28,100	-	78,100	-	-	-	-	-	-	-	78,100
Insurance	11,225	10,170	4,181	6,581	4,798	1	3,763	1,013	4,497	2,274	3,279	51,782	16,141	1,226	5,136	518	222	2,550	25,793	77,575
Vehicle	-	1,630	17,745	1,101	23,330	-	-	-	15,786	1,921	2,900	64,413	-	-	6,389	-	-	1,769	8,158	72,571
Office supplies and postage	2,740	6,772	1,066	9,084	701	1	1,202	1,419	497	7,126	101	30,709	14,689	14,688	339	4,479	88	3,027	37,310	68,019
Animal disposal	17,333	-	2,635	58,301	-	-	-	-	10,193	-	-	88,462	-	-	-	-	-	-	-	88,462
Bank charges	-	18,107	89	15,968	-	-	2,355	261	332	3,573	-	40,685	-	19,407	-	-	-	17,009	36,416	77,101
Printing and photography	438	340	1,326	875	79	2,588	690	575	336	1,176	21	8,444	86	5,294	602	230	82	824	7,118	15,562
Training, travel and conferences	200	8,264	4,021	25	3,631	138	1,684	-	321	1,526	174	19,984	1,046	485	-	-	-	-	1,531	21,515
Accounting and legal	-	8,000	-	-	-	-	-	-	240	625	-	8,865	31,726	16,418	-	-	-	-	48,144	57,009
Landscaping fees	-	-	-	-	-	-	2,250	-	-	-	-	2,250	-	-	29,575	-	-	-	29,575	31,825
Donor development	-	-	-	-	-	-	-	-	-	-	-	-	-	53,116	-	-	-	-	53,116	53,116
Capital campaign	-	-	-	-	-	-	-	-	-	-	-	-	-	2,707	-	-	-	-	2,707	2,707
Communications	1,210	1,595	5,224	1,009	7,954	-	1,957	1,288	2,047	1,845	1,122	25,251	1,913	1,861	2,633	1,219	250	1,011	8,887	34,138
Advertising	-	265	-	2,506	-	-	276	442	-	250	-	3,739	50	558	-	-	-	2,058	2,666	6,405
Planned giving	-	-	-	-	-	-	-	-	-	-	-	-	-	17,800	-	-	-	-	17,800	17,800
Dues and subscriptions	30	1,961	320	-	702	-	180	-	200	1,266	85	4,744	2,005	455	300	5,063	-	60	7,883	12,627
Uniforms	-	553	811	-	2,889	10,143	-	5,545	168	85	-	20,194	-	-	138	1,435	-	-	1,573	21,767
Miscellaneous	-	1,180	245	(194)	44	-	-	-	29	-	-	1,304	327	-	-	479	-	339	1,145	2,449
Farrier and trailering fees	-	-	-	-	-	-	-	-	5,225	-	-	5,225	-	-	-	-	-	-	-	5,225
Equipment rental	3,737	533	2,185	785	284	-	284	284	284	284	284	8,944	284	284	871	284	284	-	2,007	10,951
Service charges	190	140	-	105	9	-	-	-	-	-	-	444	6	3,259	10	-	-	1	3,276	3,720
Human resource services	1,257	1,069	40	1,496	799	-	569	6,012	40	51	-	11,333	91	311	131	1,913	-	131	2,577	13,910
Promotions	-	-	-	-	-	-	-	-	-	5,684	-	5,684	-	-	-	-	-	-	-	5,684
Permits	-	525	159	-	-	-	-	-	-	-	-	684	47	565	4,468	-	-	-	5,080	5,764
Internet services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,820	3,820	3,820
Volunteer incentives	401	-	260	22	-	-	56	3,077	5	-	-	3,821	-	-	-	104	-	851	955	4,776
Recruitment	75	3,934	-	50	-	-	-	177	-	-	-	4,236	25	1,933	25	144	-	-	2,127	6,363
Animal training fees	-	-	-	-	-	-	-	-	8,350	-	-	8,350	-	-	-	-	-	-	-	8,350
Taxes and licenses	-	2,208	-	-	150	-	-	-	-	-	-	2,358	5,863	-	-	-	-	194	6,057	8,415
Website	-	-	-	-	-	-	-	-	-	2,569	-	2,569	-	-	-	-	-	-	-	2,569
Total	1,513,943	1,335,900	832,847	680,879	415,412	21,158	370,869	168,507	491,630	539,371	93,885	6,464,401	980,558	826,817	878,268	336,633	277,176	1,199,882	4,499,334	10,963,735
Allocation of support service expense	505,458	230,216	174,040	308,374	77,497	1,341	79,604	21,183	121,778	57,252	25,208	1,601,951	(438,573)	28,197	(878,268)	(336,633)	7,353	15,973	(1,601,951)	-
Total program expenses after overhead allocation	\$ 2,019,401	\$ 1,566,116	\$ 1,006,887	\$ 989,253	\$ 492,909	\$ 22,499	\$ 450,473	\$ 189,690	\$ 613,408	\$ 596,623	\$ 119,093	\$ 8,066,352	\$ 541,985	\$ 855,014	\$ -	\$ -	\$ 284,529	\$ 1,215,855	\$ 2,897,383	\$ 10,963,735

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 8,208,138	\$ 8,552,817
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	776,763	884,629
Non-cash portion of operating lease expense	92,034	89,846
Loss on sale of assets	11,779	130,399
Net realized/unrealized gain on investments	(673,051)	(2,250,840)
Change in value of beneficial interest in Community Foundation	(85,740)	(69,271)
Change in value of deferred compensation plan	(230,781)	-
Change in value of charitable remainder trusts	60,908	34,743
Change in discount of pledges receivable	(70,669)	45,127
Change in operating assets and liabilities		
Contracts receivable	(9,296)	11,616
Estates receivable	1,796,804	(2,706,114)
Pledges receivable	815,368	(590,960)
Grant receivable	4,784	(4,784)
Inventory	25,848	(4,312)
Benefit shop inventory	(6,646)	365
Prepaid expenses	(87,269)	(141,209)
Accounts payable	27,202	962,564
Accrued liabilities	48,482	(11,974)
Accrued compensated absences	62,282	10,971
Deferred compensation plan payable	230,781	10,827
Deferred revenue - program income	16,414	(13,594)
Operating lease liability	(86,394)	(86,846)
Net cash provided by operating activities	<u>10,927,741</u>	<u>4,854,000</u>
Cash Flows from Investing Activities		
Purchases of investments	(4,484,970)	(35,828,314)
Purchase of property and equipment	(11,115,959)	(3,769,184)
Proceeds from sale of investments	7,288,552	32,220,122
Disposal of property and equipment	122,833	-
Loss (proceeds) from sale of assets	(11,779)	544
Net cash used by investing activities	<u>(8,201,323)</u>	<u>(7,376,832)</u>
Net increase (decrease) in cash and cash equivalents	2,726,418	(2,522,832)
Cash and cash equivalents, beginning of year	1,148,820	3,671,652
Cash and cash equivalents, end of year	<u>\$ 3,875,238</u>	<u>\$ 1,148,820</u>
Supplemental Cash Flow Information		
Cash paid for amounts included in measurement of lease liability:		
Operating cash flows from operating lease liability	<u>\$ (86,394)</u>	<u>\$ (86,846)</u>

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

**1. Description of the Organization**

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. Effective September 5, 2008, the entity changed its name to the Society for the Prevention of Cruelty to Animals 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 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, 2024 and 2023, 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 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 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.



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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***

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.

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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 Revenue and Taxation Code Section 23701(d) but is subject to taxes on unrelated business income when earned. At June 30, 2024 and 2023, 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, 2024 and 2023.

SPCA files information returns in the U.S. federal jurisdiction and state of California. SPCA's federal returns for the tax years 2021 and beyond remain subject to possible examination by the Internal Revenue Service. SPCA's California returns for the tax years 2020 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, 2024 and 2023, total advertising expense was \$8,856 and \$6,405, respectively.

THE SOCIETY FOR THE PREVENTION OF  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

**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:

	2024	2023
Cash and cash equivalents	\$ 3,875,238	\$ 1,148,820
Investments	47,164,225	49,249,030
Contracts receivable	53,124	43,828
Estates receivable	2,845,656	3,122,326
Current portion of pledges receivable	678,293	773,161
Grant receivable	<u>-</u>	<u>4,784</u>
Total financial assets available at year end	54,616,536	54,341,949
Less those unavailable for general expenditures within one year due to:		
Contractual or donor imposed restrictions:		
Restricted by donor with purpose restrictions	(3,219,996)	(8,673,177)
Subject to appropriation and satisfaction of donor restrictions	(29,303,391)	(25,554,718)
Board-designated quasi-endowment	<u>(9,361,139)</u>	<u>(8,683,019)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,732,010</u>	<u>\$ 11,431,035</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 \$1,500,000).

**4. 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:

	2024	2023
Money market	\$ 8,512,441	\$ 12,077,824
Fixed income	7,511,425	11,490,637
Equity funds	26,539,420	21,595,949
Alternative strategy mutual funds	4,619,529	3,667,854
Beneficial interest in assets held by		
Community Foundation	857,929	817,916
Prana investment funds	<u>324,926</u>	<u>529,500</u>
Investment portfolio total	<u>\$ 48,365,670</u>	<u>\$ 50,179,680</u>

THE SOCIETY FOR THE PREVENTION OF  
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NOTES TO FINANCIAL STATEMENTS  
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***Fair Value Measurements***

SPCA measures its investments and trusts receivable at fair value in accordance with the Fair Value Measurements Topic 820 of the FASB Accounting Standards Codification (ASC). 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.

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:

	2024			
	Level 1	Level 2	Level 3	Total
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	<u>\$ 47,182,815</u>	<u>\$ -</u>	<u>\$ 979,931</u>	48,162,746
Prana investment funds measured at NAV				<u>324,926</u>
Investment portfolio total				<u>\$ 48,487,672</u>

	2023			
	Level 1	Level 2	Level 3	Total
Money market	\$ 12,077,824	\$ -	\$ -	\$ 12,077,824
Fixed income	11,490,637	-	-	11,490,637
Equity funds	21,595,949	-	-	21,595,949
Alternative strategy mutual funds	3,667,854	-	-	3,667,854
Beneficial interest in assets				
held by Community Foundation	-	-	817,916	817,916
Trusts receivable	-	-	182,909	182,909
Total recurring fair value measurements	<u>\$ 48,832,264</u>	<u>\$ -</u>	<u>\$ 1,000,825</u>	49,833,089
Prana investment funds measured at NAV				<u>529,500</u>
Investment portfolio total				<u>\$ 50,362,589</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 \$857,930 and \$817,916 at June 30, 2024 and 2023, 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

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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:

	2024	2023
Beginning balance	\$ 817,916	\$ 791,498
Investment return (dividends and interest)	26,240	25,247
Net realized and unrealized gain	59,500	44,024
Distributions	(37,440)	(34,227)
Investment fees	(8,286)	(8,626)
Total	<u>\$ 857,930</u>	<u>\$ 817,916</u>
Beneficial interest corpus	\$ 657,115	\$ 657,115
Beneficial interest earnings	<u>200,815</u>	<u>160,801</u>
	<u>\$ 857,930</u>	<u>\$ 817,916</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 4.58% at June 30, 2024 and 4.49% at June 30, 2023 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:

	2024	2023
Balance, beginning of year	\$ 182,909	\$ 217,652
Change in value of split-interest agreements	21,314	(34,743)
Distributions to split-interest agreements	(82,222)	-
Balance, end of year	<u>\$ 122,001</u>	<u>\$ 182,909</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.

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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, 2024 and 2023, the Company has valued each share at \$53,654 and \$87,434 per share, respectively.

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

2024				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	<u>\$ 324,926</u>	<u>\$ -</u>	Semi-annually	95 days advance notice required
2023				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	<u>\$ 529,500</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:

	2024	2023
Shelter and clinic sales	\$ 1,344,661	\$ 1,141,587
Benefit shop sales	886,956	807,227
Contract sales	357,063	331,779
Behavior training and education fees	121,099	133,840
	<u>\$ 2,709,779</u>	<u>\$ 2,414,433</u>

The beginning and ending contract balances for the years ended June 30, 2024 and 2023 as follows:

	2024	2023	2022
Contracts receivable	\$ 53,124	\$ 43,828	\$ 55,444
Deferred revenue	\$ 46,736	\$ 15,572	\$ 44,416

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.

## 6. Estates Receivable

SPCA had been named as a beneficiary in several wills and trusts. At June 30, 2024 and 2023, it is estimated SPCA will receive \$2,845,656 and \$3,122,326, respectively, within the following year from wills and trust estates. As of June 30, 2024, two bequests constitute approximately 76% of total estates receivable. As of June 30, 2023, three bequests constitute approximately 97% of total estates receivable.

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**7. Pledges Receivable, net**

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

	2024	2023
Receivable in less than one year	\$ 678,293	\$ 773,161
Receivable in one to five years	255,000	975,500
Total	933,293	1,748,661
Less discount to net present value at 4.49% and 2.99%	(26,981)	(97,650)
Total pledges receivable, net	<u>\$ 906,312</u>	<u>\$ 1,651,011</u>

At June 30, 2024, pledges receivable included \$575,395 (the present value of promised cash flows of \$590,793) from members of SPCA's Board of Directors. As of June 30, 2024, three donors constitute approximately 42% of total pledges receivable. As of June 30, 2023, three donors constitute approximately 17% of total pledges receivable.

**8. 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 \$69,343 and \$74,406 as of June 30, 2024 and 2023, 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 \$59,314 as of June 30, 2023.

***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 \$52,658 and \$49,189 as of June 30, 2024 and 2023, 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:

	2024	2023
Balance, beginning of year	\$ 182,909	\$ 217,652
Change in value of split-interest agreements	21,314	(34,743)
Distributions to split-interest agreements	(82,222)	-
Balance, end of year	<u>\$ 122,001</u>	<u>\$ 182,909</u>



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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 4.58% and 4.49% at June 30, 2024 and 2023, 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:

	2024	2023
Land	\$ 765,452	\$ 765,452
Land improvements	5,958,638	5,348,817
Building and improvements	15,785,999	15,770,532
Equipment	1,704,413	1,593,532
Vehicles	866,309	797,696
Leashold improvements	10,100	10,100
Computer software	42,279	42,279
Construction in progress	13,590,813	4,058,160
Total	38,724,003	28,386,568
Less accumulated depreciation	11,785,446	11,008,686
Property and equipment, net	<u>\$ 26,938,557</u>	<u>\$ 17,377,882</u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$899,596 and \$884,629, respectively.

**10. Contributed Nonfinancial Assets**

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

	2024	2023
Benefit Shop donated inventory	\$ 886,931	\$ 807,179
Supplies	42,589	21,504
Professional services	6,939	1,423
	<u>\$ 936,459</u>	<u>\$ 830,106</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 \$886,931 and \$807,179 for the years ended June 30, 2024 and 2023, 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 \$49,528 and \$22,927 for the years ended June 30, 2024 and 2023, 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 \$6,939 and \$1,423 for the years ended June 30, 2024 and 2023, 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.

## 11. Leases

The SPCA follows the FASB Accounting Standards Codification (ASC) 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 SPCA has made an accounting policy election to use a risk-free rate as the discount rate in measuring its lease obligations. Under this election, the risk-free rate used is the rate for a United States Treasury investment with a term consistent with the remaining lease term of applicable lease. The following summarizes the remaining operating lease term and discount rate as of June 30:

	2024	2023
Remaining lease term	7 years	8 years
Discount rate	1.48%	1.48%

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 \$111,911 and \$109,572 for the years ended June 30, 2024 and 2023, respectively and is included in support service expense as leases costs for their Benefit Shop.

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

	2024	2023
Right-of-use asset	\$ 676,088	\$ 768,122
Lease liability	\$ 89,451	\$ 99,000
Noncurrent lease liability	598,277	675,122
Total lease liability	\$ 687,728	\$ 774,122

Future minimum lease payments as of June 30, 2024 are as follows:

Year ending June 30:	
2025	\$ 99,000
2026	99,000
2027	104,760
2028	104,760
2029	104,760
Thereafter	209,520
Total lease payments	721,800
Less present value discount	(34,072)
Present value of lease liabilities	\$ 687,728

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The SPCA has made a policy election not to capitalize short-term leases with a lease term of 12 months or less.

## **12. 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 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

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***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, 2024 and 2023.

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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:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 21,663,547	\$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>
	2023		
	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	-	3,871,036	3,871,036
Beneficial interest in Community Foundation	-	657,116	657,116
Board-designated quasi-endowment funds	8,683,019	-	8,683,019
	<u>\$ 8,683,019</u>	<u>\$ 25,554,718</u>	<u>\$34,237,737</u>

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
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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	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,970,095	\$23,036,157	\$31,006,252
Investment return, net	712,924	2,606,519	3,319,443
Amounts appropriated for expenditure	-	(87,958)	(87,958)
Endowment net assets, end of year	<u>\$ 8,683,019</u>	<u>\$25,554,718</u>	<u>\$34,237,737</u>

### 13. Net Assets with Donor Restrictions

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

	2024	2023
Subject to expenditure for specified purpose:		
Capital campaign	\$ -	\$ 3,423,457
Disaster emergency fund	-	2,384
Hug-a-pet program	5,395	5,395
Jacobson capital improvement fund	3,131,863	5,167,986
Mobile clinic	45,874	49,496
Pet meals	27,902	15,497
Pets for the elderly	1,600	1,600
Rewards humane investigation	7,362	7,362
Ruff start	24,681	-
Rushfelt bequest	10,000	-
Subject to expenditure after passage of time:		
Present value of remainder trusts:		
Armstrong trust	-	59,314
Conderman trust	52,658	49,189
Sivertsen trust	69,343	74,406
Total	<u>3,376,678</u>	<u>8,856,086</u>
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	21,683,682
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	<u>6,982,728</u>	<u>3,871,036</u>
Total net assets with donor restrictions	<u>\$ 32,680,069</u>	<u>\$ 34,410,804</u>

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**14. Retirement Plan**

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, 2024 and 2023, SPCA made discretionary contributions totaling \$147,304 and \$140,665, respectively.

**15. 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. In 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, 2024 and 2023 was \$2,704 and \$17,214, 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, 2024 and 2023 was \$343,515 and \$112,734, respectively.

**16. 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 as of the year ended 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.

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**17. Subsequent Events**

SPCA has performed an evaluation of subsequent events through December 03, 2024, 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.