

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

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

**YEARS ENDED JUNE 30, 2020 AND 2019**

**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

We have audited the accompanying financial statements of The Society for the Prevention of Cruelty to Animals for Monterey County (SPCA), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA | Jesus Montemayor, CPA | Smriti Shrestha, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MacBeth, CPA | Sukhdev Singh, CPA |  
Laura Armbruster, CPA | Rose Maxwell, CPA

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPCA as of June 30, 2020 and 2019, 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.

A handwritten signature in black ink, reading "McGilloway, Ray, Brown & Kaufman" with a stylized flourish at the end.

McGilloway, Ray, Brown & Kaufman  
Salinas, California  
December 28, 2020

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,653,288	\$ 789,624
Accounts receivable	35,558	66,244
Estates receivable	331,048	644,369
Pledges receivable, current	205,000	-
Grants receivable	63,000	-
Inventory	138,038	103,785
Benefit shop inventory	40,100	52,174
Short term investments	203,310	254,274
Prepaid expenses	93,535	130,932
Total current assets	<u>3,762,877</u>	<u>2,041,402</u>
Property and equipment, net	<u>15,514,468</u>	<u>16,210,945</u>
Other assets		
Pledges receivable, net	473,028	-
Charitable remainder trusts receivable, net	799,663	755,660
Long-term investments	10,990,190	11,534,905
Beneficial interest in assets held by Community Foundation	781,260	814,150
Total other assets	<u>13,044,141</u>	<u>13,104,715</u>
Total assets	<u><u>\$32,321,486</u></u>	<u><u>\$31,357,062</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, 2020 AND 2019  
(continued)

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 122,487	\$ 189,810
Accrued liabilities	127,278	94,698
Accrued compensated absences	225,655	163,970
Deferred revenue - conditional grant	486,724	-
Deferred revenue - program income	<u>22,610</u>	<u>64,803</u>
Total current liabilities	984,754	513,281
Deferred compensation plan payable	<u>58,413</u>	<u>49,284</u>
Total liabilities	<u>1,043,167</u>	<u>562,565</u>
Net assets		
Without donor restrictions		
Undesignated	17,556,239	17,381,400
Board-designated earnings in Community Foundation	124,145	157,035
Board-designated quasi-endowment	<u>7,320,009</u>	<u>7,626,829</u>
Total without donor restrictions	<u>25,000,393</u>	<u>25,165,264</u>
With donor restrictions		
Purpose and time restrictions	2,213,625	1,565,208
Perpetual in nature	<u>4,064,301</u>	<u>4,064,025</u>
Total with donor restrictions	<u>6,277,926</u>	<u>5,629,233</u>
Total net assets	<u>31,278,319</u>	<u>30,794,497</u>
Total liabilities and net assets	<u>\$32,321,486</u>	<u>\$31,357,062</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other income			
Shelter and clinic fees	\$ 831,168	\$ -	\$ 831,168
Contract revenue	290,262	-	290,262
Behavior training and education	114,119	-	114,119
Bequests	2,231,989	19,460	2,251,449
Contributions	1,593,229	1,216,032	2,809,261
Grants	103,536	129,900	233,436
Paycheck Protection Program grant	-	700,576	700,576
In-kind revenue	518,804	-	518,804
Benefit shop sales	481,197	-	481,197
Special events	1,132,478	-	1,132,478
Investment income, net of fees	(118,902)	(95,189)	(214,091)
Change in value of charitable remainder trusts	-	44,003	44,003
Loss on sale of assets	(1,898)	-	(1,898)
Other income	89,523	-	89,523
Net assets released from restrictions	1,366,089	(1,366,089)	-
Total revenue, support, and other income	8,631,594	648,693	9,280,287

See accompanying notes to financial statements.

CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020  
(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Program expenses			
Animal care	1,625,037	-	1,625,037
Clinic operations	1,250,299	-	1,250,299
Wildlife	897,182	-	897,182
Adoption and intake	717,948	-	717,948
Humane investigations	331,346	-	331,346
Behavior training	456,431	-	456,431
Volunteers	159,656	-	159,656
Barn	451,497	-	451,497
Community outreach	459,453	-	459,453
Ruff Start	80,881	-	80,881
Total program expenses	<u>6,429,730</u>	<u>-</u>	<u>6,429,730</u>
Support services			
Administration	455,911	-	455,911
Development	832,447	-	832,447
Special events	251,378	-	251,378
Benefit shop	826,999	-	826,999
Total support services	<u>2,366,735</u>	<u>-</u>	<u>2,366,735</u>
Total expenses	<u>8,796,465</u>	<u>-</u>	<u>8,796,465</u>
Change in net assets	<u>(164,871)</u>	648,693	<u>483,822</u>
Net assets, beginning of year	<u>25,165,264</u>	<u>5,629,233</u>	<u>30,794,497</u>
Net assets, end of year	<u><u>\$25,000,393</u></u>	<u><u>\$ 6,277,926</u></u>	<u><u>\$31,278,319</u></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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other income			
Shelter and clinic fees	\$ 1,099,440	\$ -	\$ 1,099,440
Contract revenue	356,919	-	356,919
SPCA stables at Indian Springs	187,304	-	187,304
Behavior training and education	173,600	-	173,600
Bequests	1,015,912	43,042	1,058,954
Contributions	1,327,999	427,508	1,755,507
Grants	72,052	95,000	167,052
In-kind revenue	688,071	-	688,071
Benefit shop sales	626,082	-	626,082
Special events	1,191,011	-	1,191,011
Investment income, net of fees	246,354	129,630	375,984
Change in value of charitable remainder trusts	-	20,921	20,921
Gain on sale of assets	1,892	-	1,892
Other income	96,448	-	96,448
Net assets released from restrictions	1,810,004	(1,810,004)	-
Total revenue, support, and other income	8,893,088	(1,093,903)	7,799,185

See accompanying notes to financial statements.

CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019  
(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Program expenses			
Animal care	1,616,410	-	1,616,410
Clinic operations	1,444,649	-	1,444,649
Wildlife	872,929	-	872,929
Adoption and intake	870,101	-	870,101
Humane investigations	386,508	-	386,508
Behavior training	405,559	-	405,559
Volunteers	146,300	-	146,300
Barn	459,138	-	459,138
Community outreach	520,407	-	520,407
Ruff Start	107,662	-	107,662
SPCA Stables at Indian Springs	237,966	-	237,966
Total program expenses	7,067,629	-	7,067,629
Support services			
Administration	394,545	-	394,545
Development	711,677	-	711,677
Special events	260,270	-	260,270
Benefit shop	973,344	-	973,344
Total support services	2,339,836	-	2,339,836
Total expenses	9,407,465	-	9,407,465
Change in net assets	(514,377)	(1,093,903)	(1,608,280)
Net assets, beginning of year	25,679,641	6,723,136	32,402,777
Net assets, end of year	\$25,165,264	\$ 5,629,233	\$30,794,497

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, 2020

	PROGRAM EXPENSES										SUPPORT SERVICES EXPENSES								Total Expenses
	Animal Care	Clinic Operations	Wildlife	Adoption and Intake	Humane Investigations	Behavior Training	Volunteers	Barn	Community Outreach	Ruff Start	Total Program Expenses	Admin-istration	Development	Maintenance	Human Resources	Special Events	Benefit Shop	Total Support Services	
Expenses:																			
Salaries and wages	\$ 530,897	\$ 660,911	\$ 369,192	\$ 258,568	\$ 158,546	\$ 236,417	\$ 94,048	\$ 186,904	\$ 254,967	\$ 35,408	\$ 2,785,858	\$ 553,671	\$ 382,864	\$ 131,234	\$ 164,347	\$ 57,840	\$ 136,889	\$ 1,426,845	\$ 4,212,703
Payroll taxes and benefits	115,434	100,545	94,363	74,000	43,067	66,520	19,683	43,091	60,987	13,921	631,611	145,784	91,691	34,235	32,466	4,076	51,462	359,714	991,325
Product cost of sales	-	17,186	-	1,976	-	-	-	-	-	-	19,162	-	-	-	-	-	493,293	493,293	512,455
Depreciation	284,546	58,709	124,357	5,078	26,963	21,888	-	18,897	7,295	-	547,733	12,695	1,137	332,957	-	-	2,414	349,203	896,936
Operating and medical supplies	123,318	110,309	22,909	12,714	1,342	5,095	4,794	15,051	497	3,919	299,948	118	171	16,323	869	26	2,422	19,929	319,877
Rent	-	-	-	-	-	4,962	-	-	-	-	4,962	-	-	-	-	-	95,171	95,171	100,133
Repairs and maintenance	8,448	12,500	12,885	13,008	3,304	30,017	2,299	1,787	943	943	86,134	14,108	13,743	21,844	21,312	943	3,266	75,216	161,350
In-kind	16,488	1,302	515	-	-	400	-	3,200	11,871	1,000	34,776	844	1,174	-	-	813	-	2,831	37,607
Utilities	57,428	15,061	25,283	31,106	5,695	4,378	1,043	7,198	1,847	1,932	150,971	4,053	1,674	83,647	928	721	5,586	96,609	247,580
Events and programs	-	-	-	-	-	-	-	-	4,026	-	4,026	-	21,674	-	-	178,140	155	199,969	203,995
Direct mail	-	-	-	-	-	-	-	-	-	-	-	-	159,195	-	-	-	-	159,195	159,195
Outside services	4,408	1,211	484	870	662	1,989	-	3,109	3,682	-	16,415	22,136	13,304	30,309	-	-	820	66,569	82,984
Veterinarian expense	11,860	13,093	7,113	-	1,903	-	-	24,415	-	-	58,384	-	-	-	-	-	-	-	58,384
Animal food	35,737	-	41,080	-	25	-	-	28,586	18,267	-	123,695	-	-	-	-	-	-	-	123,695
Collaborations	-	-	-	-	-	-	-	-	18,528	-	18,528	-	-	-	-	-	-	-	18,528
Insurance	6,996	5,855	4,160	4,935	4,304	2,999	278	3,199	1,632	887	35,245	14,012	1,358	5,172	479	165	1,859	23,045	58,290
Vehicle expense	-	671	20,001	1,956	9,286	1,332	-	9,048	1,641	2,217	46,152	-	-	9,098	-	-	1,582	10,680	56,832
Office supplies and postage	1,121	2,916	1,184	8,793	851	1,061	1,312	855	2,202	721	21,016	6,852	12,733	231	492	811	947	22,066	43,082
Animal disposal	17,333	-	2,635	30,736	-	-	-	2,130	-	-	52,834	-	-	-	-	-	-	-	52,834
Bank charges	-	8,123	229	9,093	-	3,010	75	-	1,127	-	21,657	-	19,290	-	-	-	10,640	29,930	51,587
Printing and photography	224	537	188	1,877	72	820	972	57	710	441	5,898	301	13,913	8	237	233	301	14,993	20,891
Microchip expense	-	8,144	-	11,101	-	-	-	124	-	-	19,369	-	-	-	-	-	-	-	19,369
Training, travel and conferences	76	535	5,544	-	6,673	1,313	-	3,541	1,267	351	19,300	3,688	6,215	-	30	1,008	-	10,941	30,241
Accounting and legal	-	-	-	-	-	-	-	-	-	-	-	30,634	32,891	-	-	-	-	63,525	63,525
Landscaping fees	-	-	-	-	-	2,400	-	-	-	-	2,400	-	-	22,100	-	-	-	22,100	24,500
Donor development	-	-	-	-	-	-	-	-	-	-	-	-	17,422	-	-	-	-	17,422	17,422
Communications	4,934	4,396	16,614	6,026	5,169	3,972	2,287	2,317	4,460	1,165	51,340	7,455	3,275	6,642	2,133	677	2,001	22,183	73,523
Advertising	138	1,371	-	3,542	-	30	250	-	975	-	6,306	-	-	-	-	-	2,094	2,094	8,400
Planned giving	-	-	-	-	-	-	-	-	-	-	-	-	11,800	-	-	-	-	11,800	11,800
Dues and subscriptions	-	2,040	359	-	489	240	-	-	1,411	-	4,539	1,814	580	150	4,645	-	-	7,189	11,728
Uniforms	441	1,668	-	-	1,057	28	5,458	339	5,711	-	14,702	-	-	-	8,810	-	-	8,810	23,512
Contribution to others	-	36,000	-	-	-	-	-	-	-	-	36,000	-	-	-	-	-	-	-	36,000
Miscellaneous	163	773	591	89	258	-	-	69	-	-	1,943	30	-	-	497	-	176	703	2,646
Farrier and trailering fees	-	-	-	-	-	-	-	3,655	-	-	3,655	-	-	-	-	-	-	-	3,655
Equipment rental	3,181	-	-	-	-	-	-	-	-	-	3,181	-	-	-	-	-	-	-	3,181
Service charges	-	-	-	-	-	-	-	-	-	-	-	2,746	2,458	-	-	-	-	5,204	5,204
Human resource services	644	1,376	390	246	1,280	288	3,869	215	-	-	8,308	-	175	-	854	-	88	1,117	9,425
Promotions	-	-	-	-	-	-	-	-	3,852	-	3,852	-	-	-	-	-	-	-	3,852
Permits	-	512	116	-	-	-	-	-	-	-	628	599	475	4,148	-	-	-	5,222	5,850
Internet services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,108	2,108	2,108
Disaster response	-	-	-	-	928	-	-	-	798	-	1,726	-	-	-	-	-	-	-	1,726
Volunteer incentives	56	-	241	-	-	-	5,243	14	-	-	5,554	-	-	-	-	-	398	398	5,952
Recruitment	20	2,646	-	-	45	-	33	20	-	-	2,764	-	420	40	180	-	25	665	3,429
Animal training fees	-	-	-	-	-	-	-	7,862	-	-	7,862	-	-	-	-	-	-	-	7,862
Taxes and licenses	-	1,782	-	-	-	-	-	-	-	-	1,782	4,888	-	-	-	-	286	5,174	6,956
Website expenses	-	-	-	-	-	-	-	-	4,336	-	4,336	-	-	-	-	-	-	-	4,336
Total	1,223,891	1,070,172	750,433	475,714	271,919	389,159	141,644	365,683	413,032	62,905	5,164,552	826,428	809,632	698,138	238,279	245,453	813,983	3,631,913	8,796,465
Allocation of support service expense	401,146	180,127	146,749	242,234	59,427	67,272	18,012	85,814	46,421	17,976	1,265,178	(370,517)	22,815	(698,138)	(238,279)	5,925	13,016	(1,265,178)	-
Total program expenses after overhead allocation	\$ 1,625,037	\$ 1,250,299	\$ 897,182	\$ 717,948	\$ 331,346	\$ 456,431	\$ 159,656	\$ 451,497	\$ 459,453	\$ 80,881	\$ 6,429,730	\$ 455,911	\$ 832,447	\$ -	\$ -	\$ 251,378	\$ 826,999	\$ 2,366,735	\$ 8,796,465

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, 2019

	PROGRAM EXPENSES											SUPPORT SERVICES EXPENSES								Total Expenses
	Animal Care	Clinic Operations	Wildlife	Adoption and Intake	Humane Investigations	Behavior Training	Volunteers	Barn	Community Outreach	Ruff Start	SPCA Stables at Indian Springs	Total Program Expenses	Admin-istration	Development	Maintenance	Human Resources	Special Events	Benefit Shop	Total Support Services	
Expenses:																				
Salaries and wages	\$ 472,584	\$ 717,871	\$ 358,431	\$ 339,372	\$ 191,947	\$ 216,583	\$ 86,960	\$ 167,908	\$ 230,379	\$ 50,010	\$ 94,596	\$ 2,926,641	\$ 475,452	\$ 355,988	\$ 168,248	\$ 144,687	\$ 55,373	\$ 143,531	\$ 1,343,279	\$ 4,269,920
Payroll taxes and benefits	126,509	123,967	81,032	106,227	59,686	57,126	19,633	47,215	51,483	19,271	48,325	740,474	148,341	95,193	36,300	31,463	6,016	58,775	376,088	1,116,562
Product cost of sales	-	22,657	-	4,562	-	-	-	-	-	-	-	27,219	-	-	-	-	-	625,308	625,308	652,527
Depreciation	293,121	59,613	123,736	9,676	19,095	23,922	303	27,957	7,632	-	-	565,055	16,124	2,136	335,921	-	-	2,414	356,595	921,650
Operating and medical supplies	116,092	172,053	30,404	21,625	1,495	6,377	1,926	18,852	3,001	3,675	906	376,406	485	193	18,010	608	586	996	20,878	397,284
Rent	-	-	-	-	-	4,309	-	-	-	-	9,365	13,674	-	-	-	-	316	100,871	101,187	114,861
Newsletter and annual report	-	-	-	-	-	-	-	-	100,116	-	-	100,116	-	-	-	-	-	-	-	100,116
Repairs and maintenance	20,904	14,834	12,647	15,419	2,957	7,588	2,410	3,814	1,143	796	2,460	84,972	16,893	13,943	31,015	21,094	1,233	1,222	85,400	170,372
In-kind	25,211	-	2,522	150	-	-	-	4,739	170	-	44	32,836	2,871	1,295	793	-	1,659	-	6,618	39,454
Utilities	54,581	15,551	21,090	30,138	5,236	4,160	914	8,888	1,650	1,724	5,968	149,900	3,870	1,540	120,824	860	655	6,282	134,031	283,931
Events and programs	-	-	-	-	-	-	-	-	7,375	-	-	7,375	-	21,484	-	-	185,699	243	207,426	214,801
Direct mail	-	-	-	-	-	-	-	-	-	-	-	-	-	77,389	-	-	-	-	77,389	77,389
Outside services	8,737	740	-	176	1,004	1,930	-	981	8,932	-	1,155	23,655	25,163	12,118	26,533	-	-	717	64,531	88,186
Veterinarian expense	13,069	39,869	9,839	-	4,591	-	-	31,350	-	2,167	-	100,885	-	-	-	-	-	-	-	100,885
Animal food	33,618	-	38,486	-	-	-	-	25,944	466	6	34,720	133,240	-	-	-	-	-	-	-	133,240
Collaborations	-	-	-	-	-	-	-	-	19,728	-	-	19,728	-	-	-	-	-	-	-	19,728
Insurance	6,355	5,064	4,751	5,378	4,913	2,876	268	3,435	1,922	1,007	5,162	41,131	13,429	1,316	5,665	459	195	2,264	23,328	64,459
Vehicle expense	-	-	22,201	2,730	13,519	1,012	-	4,558	2,288	3,093	2,231	51,632	-	-	7,875	-	-	1,941	9,816	61,448
Office supplies and postage	3,351	5,262	1,722	10,921	1,888	1,693	932	885	1,262	77	-	27,993	6,811	10,320	333	1,586	754	1,509	21,313	49,306
Animal disposal	17,333	-	2,635	36,607	-	-	-	3,787	-	-	-	60,362	-	-	-	-	-	-	-	60,362
Bank charges	7	9,824	248	9,209	-	3,322	14	-	4,797	-	1,274	28,695	-	19,027	-	-	-	11,400	30,427	59,122
Printing and photography	274	574	157	1,643	46	1,290	935	70	907	163	-	6,059	495	7,062	164	284	147	-	8,152	14,211
Microchip expense	-	9,149	-	-	-	-	-	124	-	-	-	9,273	-	-	-	-	-	-	-	9,273
Training, travel and conferences	134	5,145	3,396	851	2,589	4,243	-	1,454	902	2,155	35	20,904	5,773	2,691	-	-	1,066	-	9,530	30,434
Accounting and legal	-	-	-	-	-	-	-	-	-	-	-	-	27,709	13,283	-	-	-	-	40,992	40,992
Landscaping fees	-	-	-	-	-	2,400	-	-	-	-	-	2,400	-	-	18,700	-	-	-	18,700	21,100
Donor development	-	-	-	-	-	-	-	-	-	-	-	-	-	31,972	-	-	-	-	31,972	31,972
Communications	4,766	3,510	13,612	5,794	4,750	3,361	1,901	1,900	3,451	976	786	44,807	5,773	2,820	5,669	1,900	691	2,013	18,866	63,673
Advertising	-	4,246	-	3,094	-	252	-	-	3,117	-	-	10,709	-	-	-	-	-	2,475	2,475	13,184
Planned giving	-	-	-	-	-	-	-	-	-	-	-	-	-	16,934	-	-	-	-	16,934	16,934
Dues and subscriptions	-	2,015	509	-	339	420	-	-	2,686	-	-	5,969	1,704	1,325	188	4,325	-	-	7,542	13,511
Uniforms	-	811	98	-	1,734	150	6,187	-	-	-	21	9,001	-	-	-	-	-	-	-	9,001
Contribution to others	-	47,500	-	-	-	-	-	-	-	-	-	47,500	-	-	-	-	-	-	-	47,500
Miscellaneous	61	1,606	730	218	140	129	-	61	-	-	5,980	8,925	491	-	-	1,911	-	(33)	2,369	11,294
Farrier and trailering fees	-	-	-	-	-	-	-	4,140	-	-	-	4,140	-	-	-	-	-	-	-	4,140
Equipment rental	2,403	-	-	-	-	-	-	1,465	-	-	-	3,868	-	-	464	-	-	-	464	4,332
Interest expense	770	197	194	511	75	62	9	144	18	29	-	2,009	57	20	233	11	8	-	329	2,338
Service charges	-	19	-	-	-	1,600	-	8	-	-	-	1,627	288	2,947	-	-	-	-	3,235	4,862
Human resource services	1,166	1,493	677	770	230	233	5,726	40	133	-	183	10,651	-	128	-	250	48	-	426	11,077
Promotions	-	-	-	-	-	-	-	-	5,006	-	-	5,006	-	-	-	-	-	-	-	5,006
Permits	-	425	50	-	-	611	-	-	-	-	-	1,086	-	450	5,419	-	-	-	5,869	6,955
Internet services	-	-	-	-	-	-	-	-	-	-	400	400	-	-	-	-	-	2,070	2,070	2,470
Disaster response	-	-	-	-	8,584	-	-	-	-	-	-	8,584	-	-	-	-	-	-	-	8,584
Volunteer incentives	81	-	118	-	-	-	2,245	142	-	-	7	2,593	-	-	-	-	-	650	650	3,243
Recruitment	-	2,436	-	-	-	-	-	-	-	-	-	2,436	-	-	-	180	-	-	180	2,616
Animal training fees	-	-	-	-	-	-	-	8,984	-	-	-	8,984	-	-	-	-	-	-	-	8,984
Taxes and licenses	-	2,280	-	-	-	-	-	-	-	-	-	2,280	5,863	-	-	-	-	201	6,064	8,344
Website expenses	-	-	-	-	-	-	-	-	15,799	-	-	15,799	-	28	-	-	-	-	28	15,827
Total	1,201,127	1,268,711	729,285	605,071	324,818	345,649	130,363	368,845	474,363	85,149	213,618	5,746,999	757,592	691,602	782,354	209,618	254,446	964,849	3,660,461	9,407,460
Allocation of support service expense	415,283	175,938	143,644	265,030	61,690	59,910	15,937	90,293	46,044	22,513	24,348	1,320,630	(363,047)	20,075	(782,354)	(209,618)	5,824	8,495	(1,320,625)	5
Total program expenses after overhead allocation	\$ 1,616,410	\$ 1,444,649	\$ 872,929	\$ 870,101	\$ 386,508	\$ 405,559	\$ 146,300	\$ 459,138	\$ 520,407	\$ 107,662	\$ 237,966	\$ 7,067,629	\$ 394,545	\$ 711,677	\$ -	\$ -	\$ 260,270	\$ 973,344	\$ 2,339,836	\$ 9,407,465

See accompanying notes to financial statements.

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STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 483,822	\$ (1,608,280)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	896,936	921,650
(Gain)/loss on sale of assets	1,898	(1,892)
Realized/unrealized loss on investments	632,639	366,439
Change in value of beneficial interest in Community Foundation	(12,655)	(34,721)
Change in value of charitable remainder trusts	(44,003)	(20,921)
Change in discount of pledges receivable	21,972	-
(Increase) decrease in operating assets		
Accounts receivable	30,686	5,572
Estates receivable	313,321	477,939
Pledges receivable	(700,000)	5,000
Charitable remainder trusts receivable	-	185
Grants receivable	(63,000)	-
Inventory	(34,253)	18,008
Benefit shop inventory	12,074	(774)
Prepaid expenses	37,397	7,630
Distribution of beneficial interest in Community Foundation	45,545	45,487
Increase (decrease) in liabilities		
Accounts payable	(67,323)	63,229
Accrued liabilities	32,580	5,577
Accrued compensated absences	61,685	(5,942)
Deferred compensation plan payable	9,129	24,892
Deferred revenue - conditional grant	486,724	-
Deferred revenue - program income	(42,193)	991
Net cash provided by operating activities	<u>2,102,981</u>	<u>270,069</u>
Cash Flows from Investing Activities		
Cash paid for purchase of property and equipment	(228,852)	(293,056)
Cash proceeds from sale of investments	421,553	234,394
Cash proceeds from sale of assets	26,495	40,883
Cash paid for purchases of investments	(458,513)	(762,268)
Net cash used by investing activities	<u>(239,317)</u>	<u>(780,047)</u>
Cash Flows from Financing Activities		
Principal payments on long-term debt	-	(127,220)
Net cash used by financing activities	<u>-</u>	<u>(127,220)</u>
Net increase (decrease) in cash and cash equivalents	1,863,664	(637,198)
Cash and cash equivalents, beginning of year	789,624	1,426,822
Cash and cash equivalents, end of year	<u>\$ 2,653,288</u>	<u>\$ 789,624</u>
Supplemental disclosures		
Interest paid	<u>\$ -</u>	<u>\$ 22,036</u>

See accompanying notes to financial statements.

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**1. Description of the Organization**

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

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

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

***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 face value, which SPCA believes is a reasonable approximation of fair value.

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

***Concentrations of Credit Risk***

Cash and cash equivalents include accounts insured by the Federal Depository Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). As of June 30, 2020 and 2019, the total bank balances exceeded the FDIC limit by \$2,248,782 and \$377,634, respectively.

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

***Accounts Receivable***

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

***Estates Receivable***

SPCA records estates receivable when notification has been received that SPCA has been named as a beneficiary in a will or a trust and the amount to be received is known as the value can be reasonably estimated and measurable or an estimate has been provided by the trustee or

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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 entries 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, 2020 and 2019, 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. Management believes that all grants receivable are fully collectible; therefore, no allowance for doubtful accounts is recorded.

***Inventory***

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

***Property and Equipment***

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

It is SPCA's policy to capitalize assets with a useful life greater than one year and cost over \$1,000.

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

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

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

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

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***Depreciation***

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

***Deferred Revenue***

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

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

***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.

***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 that resources be maintained in perpetuity.

***Revenue Recognition***

Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the services are provided. Contract and program service revenue, including adoption fees and veterinary services, is recognized as services are rendered and recorded when earned.

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



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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.

***Contributions In-Kind***

SPCA received donations of clothing and household goods for their benefit shop valued at \$481,197 and \$626,082 for the years ended June 30, 2020 and 2019, respectively, which were recorded as in-kind revenue – benefit shop.

Donations of: a) services that create or enhance nonfinancial assets, or b) essential services that require and are donated by persons with specialized skills, are measured at their fair value and reported as in-kind revenue in the amount of \$37,607 and \$61,989 for the years ended June 30, 2020 and 2019, respectively. These amounts have also been charged to expense in the statement of activities. For the years ended June 30, 2020 and 2019, \$34,776 and \$32,836 of the donated services are related to program services and \$2,831 and \$6,618 are related to support services.

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 presentation.

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

***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, 2020 and 2019, total advertising expense was \$8,400 and \$13,184, respectively.

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***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. SPCA was subject to unrelated business income from their boarding services, but has paid no unrelated business income tax for years ended June 30, 2020 and 2019. As of March 2019, SPCA discontinued their boarding services, which had previously generated operating losses. At June 30, 2020, SPCA had federal net operating loss carryforwards of approximately \$222,068, available to offset any future taxable income through 2039. 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.

SPCA files information returns in the U.S. federal jurisdiction and state of California. SPCA's federal returns for the tax years 2017 and beyond remain subject to possible examination by the Internal Revenue Service. SPCA's California returns for the tax years 2016 and beyond remain subject to possible examination by the Franchise Tax Board.

***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.

***Reclassification***

Certain amounts in the prior year's financial statements have been reclassified to conform to current year presentation. These reclassifications did not have an effect on the net assets.

***Recently Adopted Accounting Pronouncement***

**ASU 2018-08**

In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The amendments provide for additional clarifying guidance resulting in greater consistency in application and make the accounting for contributions more operable. The guidance is effective for periods beginning after December 15, 2018. The amendments in this Update should be applied on a modified prospective basis. Retrospective application is permitted. This ASU has been applied to the years presented with no material changes to the financial statements.

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***Upcoming Accounting Pronouncements***

**ASU 2014-09**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which amended revenue recognition guidance to clarify the principles for recognizing revenues from contracts with customers. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, disclosures are required about customer contracts, significant judgement and changes in judgements, and assets recognized from the costs to obtain or fulfill a contract. ASU No. 2014-09 is effective for annual reporting in fiscal years beginning after December 15, 2018. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) to delay the effective date for annual reporting to fiscal years beginning after December 15, 2019, for Topic 606. SPCA is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

**ASU 2016-02**

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

**ASU 2020-07**

In September 2020, the FASB issued ASU No. 2020-07 (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The guidance is effective for periods beginning after June 15, 2021. The amendments in this Update should be applied on a retrospective basis. Retrospective application is permitted. SPCA is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

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**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 balance sheet date, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 2,653,288	\$ 789,624
Investments	11,193,500	11,789,179
Accounts receivable	35,558	66,244
Estates receivable	331,048	644,369
Current portion of pledges receivable	205,000	-
Grants receivable	63,000	-
Total financial assets available at year end	14,481,394	13,289,416
Less those unavailable for general expenditures within one year due to:		
Contractual or donor imposed restrictions:		
Restricted by donor with purpose restrictions	(1,025,850)	(111,411)
Subject to appropriation and satisfaction of donor restrictions	(4,452,413)	(4,762,162)
Board-designated quasi-endowment	(7,320,009)	(7,626,829)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,683,122</u>	<u>\$ 789,014</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 \$1,200,000). Subsequent to year end, the Board of Directors is in the process of formalizing a liquidity reserve to meet the requirements of ASU No 2016-14.

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**4. Investments**

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

	2020	2019
Money market funds	\$ 203,812	\$ 254,274
Bond funds	2,434,940	2,714,556
Equity funds	6,401,978	7,440,921
Exchange traded funds	1,544,646	618,106
Beneficial interest in assets		
held by Community Foundation	781,260	814,150
Prana investment funds	608,124	761,322
Investment portfolio total	<u>\$ 11,974,760</u>	<u>\$ 12,603,329</u>

***Fair Value Measurements***

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

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

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

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

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

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

	2020			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 203,812	\$ -	\$ -	\$ 203,812
Bond funds	2,434,940	-	-	2,434,940
Equity funds	6,401,978	-	-	6,401,978
Exchange traded funds	1,544,646	-	-	1,544,646
Beneficial interest in assets				
held by Community Foundation	-	-	781,260	781,260
Trusts receivable	-	-	799,663	799,663
Total recurring fair value measurements	<u>\$ 10,585,376</u>	<u>\$ -</u>	<u>\$ 1,580,923</u>	12,166,299
Prana investment funds measured at NAV				<u>608,124</u>
Investment portfolio total				<u>\$ 12,774,423</u>

  

	2019			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 254,274	\$ -	\$ -	\$ 254,274
Bond funds	2,714,556	-	-	2,714,556
Equity funds	7,440,921	-	-	7,440,921
Exchange traded funds	618,106	-	-	618,106
Beneficial interest in assets				
held by Community Foundation	-	-	814,150	814,150
Trusts receivable	-	-	755,660	755,660
Total recurring fair value measurements	<u>\$ 11,027,857</u>	<u>\$ -</u>	<u>\$ 1,569,810</u>	12,597,667
Prana investment funds measured at NAV				<u>761,322</u>
Investment portfolio total				<u>\$ 13,358,989</u>

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

***Money Market, Bond, Equity, and Other (Exchange Traded) 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 \$781,260 and \$814,150 at June 30, 2020 and 2019, 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:

	2020	2019
Beginning balance	\$ 814,150	\$ 824,916
Contributions	-	1,080
Investment income (dividends and interest)	26,164	28,169
Unrealized gain (loss)	5,251	6,912
Realized gain (loss)	(18,760)	(1,440)
Distributions	(36,577)	(36,059)
Investment fees	(8,968)	(9,428)
Total	<u>\$ 781,260</u>	<u>\$ 814,150</u>
Beneficial interest corpus	\$ 657,115	\$ 657,115
Beneficial interest earnings	<u>124,145</u>	<u>157,035</u>
	<u>\$ 781,260</u>	<u>\$ 814,150</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 1.47% at June 30, 2020 and 2.90% at June 30, 2019 and developed measurement criteria based on the best information possible. The net present value of the split-interest agreements in which SPCA does not serve as trustee utilizes significant unobservable inputs in estimating fair value.

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

Trusts Receivable, net

	2020	2019
Balance, beginning of year	\$ 755,660	\$ 734,924
Change in value of split-interest agreements	44,003	20,921
Distribution of split-interest agreements	-	(185)
Balance, end of year	<u>\$ 799,663</u>	<u>\$ 755,660</u>

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

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

The periodic valuation of the Company's total portfolio serves as the basis for determining the Company's net asset value, which the Company uses in determining the market value per share for purposes of issuing additional shares or buying back outstanding shares. The market value per share is determined by dividing the Company's net asset value by the number of shares outstanding. At June 30, 2020 and 2019, the Company has valued each share at \$100,417 and \$125,714 per share, respectively.

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

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	<u>\$ 608,124</u>	<u>\$ -</u>	Semi-annually	95 days advance notice required
	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	<u>\$ 761,322</u>	<u>\$ -</u>	Semi-annually	95 days advance notice required

**5. Estates Receivable**

SPCA had been named as a beneficiary in several wills and trusts at June 30, 2020 and 2019. At June 30, 2020 and 2019, it is estimated SPCA will receive \$331,048 and \$644,369, respectively, within the following year from wills and trust estates.

**6. Pledges Receivable, net**

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

	2020	2019
Receivable in less than one year	\$ 205,000	\$ -
Receivable in one to five years	495,000	-
Total	700,000	-
Less discount to net present value at 1.47%	(21,972)	-
Total pledges receivable - net	<u>\$ 678,028</u>	<u>\$ -</u>

At June 30, 2020, pledges receivable included \$650,000 (present value of promised cash flows \$630,511) from members of SPCA's Board of Directors.



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**7. Grants Receivable**

Grants receivable consists of the following at June 30:

	2020	2019
Monterey Peninsula Foundation	\$ 63,000	\$ -

Grants receivable are restricted for humane investigations and are expected to be collected within the following year.

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

SPCA is a remainder beneficiary of several charitable remainder trusts:

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

SPCA is the remainderman beneficiary under the terms of the Auvil/Hall Charitable Remainder Unitrust. The trust assets are held in trust by Wells Fargo Bank, National Association, as Trustee. SPCA does not control the assets of the trust. The net present value of the trust assets was approximately \$533,925 and \$520,522 as of June 30, 2020 and 2019, respectively.

***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 \$125,325 and \$107,637 as of June 30, 2020 and 2019, 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 \$72,667 and \$67,107 as of June 30, 2020 and 2019, respectively.

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

SPCA is a 16.67% remainderman beneficiary under the terms of the Penelope G. Bridge Conderman Living Trust. The trust assets are held in trust by Rabobank, National Association, as Trustee. SPCA does not control the assets of the trust. The net present value of the trust assets was approximately \$67,746 and \$60,394 as of June 30, 2020 and 2019, 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.

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

Trusts Receivable, net

	2020	2019
Balance, beginning of year	\$ 755,660	\$ 734,924
Change in value of split-interest agreements	44,003	20,921
Distribution of split-interest agreements	-	(185)
Balance, end of year	<u>\$ 799,663</u>	<u>\$ 755,660</u>

The primary assumptions used in these calculations are as follows:

- The discount interest rate used (the cost of the time value of money to SPCA) is 1.47% and 2.90% at June 30, 2020 and 2019, respectively.
- Life expectancies of life beneficiaries are assumed to be those in IRS Publication 590.

## 9. Property and Equipment, net

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

	2020	2019
Land	\$ 765,452	\$ 765,452
Land improvements	5,376,954	5,401,954
Building and improvements	16,038,505	15,963,634
Construction in progress	147,273	35,678
Computer software	3,835	3,835
Equipment	1,533,389	1,547,871
Vehicles	756,375	726,244
Total	24,621,783	24,444,668
Less accumulated depreciation	9,107,315	8,233,723
Property and equipment - net	<u>\$ 15,514,468</u>	<u>\$ 16,210,945</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$896,936 and \$921,650, respectively.

## 10. Payroll Protection Program – Conditional Grant

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

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

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

SPCA has released \$700,576 as of June 30, 2020, and recognized that amount as grant revenue in the statement of activities for the year ended June 30, 2020. The remaining balance of the loan in the amount of \$486,724 at June 30, 2020 has been reflected as deferred revenue in the accompanying financial statements. SPCA expects to meet the qualifying expenses to release the remaining balance of the conditional grant in the following year.

## **11. Endowments**

SPCA’s endowment consists of two funds established for general operating purposes. The donor-restricted endowment fund was established in 2012. The endowment also includes certain net 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. It originally was designated to function as an endowment, however, upon the commencement of the Capital Campaign, \$2.5 million was undesignated for the renovation project. An additional \$1 million was undesignated in the 2013/2014 fiscal year. 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, 2020 and 2019.

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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:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 3,407,186	\$ 3,407,186
Purpose-restricted funds and accumulated investment gains	-	388,112	388,112
Beneficial interest in Community Foundation	-	657,115	657,115
Board-designated quasi-endowment funds	7,320,009	-	7,320,009
	<u>\$ 7,320,009</u>	<u>\$ 4,452,413</u>	<u>\$ 11,772,422</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 3,406,910	\$ 3,406,910
Purpose-restricted funds and accumulated investment gains	-	698,137	698,137
Beneficial interest in Community Foundation	-	657,115	657,115
Board-designated quasi-endowment funds	7,626,829	-	7,626,829
	<u>\$ 7,626,829</u>	<u>\$ 4,762,162</u>	<u>\$ 12,388,991</u>

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,626,829	\$ 4,762,162	\$ 12,388,991
Contributions	-	277	277
Investment return, net	(306,820)	(95,189)	(402,009)
Amounts appropriated for expenditure	-	(214,837)	(214,837)
Endowment net assets, end of year	<u>\$ 7,320,009</u>	<u>\$ 4,452,413</u>	<u>\$ 11,772,422</u>

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	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,388,803	\$ 4,861,154	\$12,249,957
Contributions	-	1,080	1,080
Investment return, net	238,026	129,630	367,656
Amounts appropriated for expenditure	-	(229,702)	(229,702)
Endowment net assets, end of year	<u>\$ 7,626,829</u>	<u>\$ 4,762,162</u>	<u>\$12,388,991</u>

## 12. Net Assets with Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purpose:		
Barn	\$ -	\$ 8,841
Behavior training	820,622	-
Community outreach	25,349	-
Hug-a-pet program	5,571	5,610
Humane investigations	93,900	-
Pet food bank	-	474
Pet meals	71,446	87,524
Pets for the elderly	1,600	1,600
Rewards humane investigation	7,362	7,362
Subject to expenditure after passage of time:		
Present value of remainder trusts:		
Armstrong trust	72,667	67,107
Auvil/Hall trust	533,925	520,522
Conderman trust	67,746	60,394
Sivertsen trust	125,325	107,637
Total	<u>1,825,513</u>	<u>867,071</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	4,064,301	4,064,025
Subject to appropriation and expenditure when a specified event occurs:		
Income earned on perpetual endowments and purpose-restricted endowment gifts by donors for care of animals	<u>388,112</u>	<u>698,137</u>
Total net assets with donor restrictions	<u>\$ 6,277,926</u>	<u>\$ 5,629,233</u>

## 13. Retirement Plan

SPCA established a salary deferral retirement plan designated to qualify under Section 403(b) of the Internal Revenue Code as of July 1, 1998. The plan covers all employees who are at least 18 years of age. Employees may begin contributing to the plan upon hire and become eligible for discretionary employer contributions after one year of service. SPCA's contribution is discretionary as determined annually by the Board of Directors. In the years ended June 30, 2020 and 2019, SPCA made discretionary contributions totaling \$89,042 and \$77,894, respectively.

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**14. 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. The amounts payable to the participants under this plan are strictly from the general assets of SPCA and 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, 2020 and 2019 was \$15,000 and \$22,500, respectively.

The total market value of the 457(b) plan's investments and related deferred compensation plan payable to employees included in the Statement of Financial Position at June 30, 2020 and 2019 was \$58,413 and \$49,284, respectively.

**15. Rental Obligations**

SPCA has entered into a non-cancelable operating lease with fixed terms for their Benefit Shop. Rental expenses under this lease were \$95,171 and \$100,871 for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020, SPCA's future minimum obligation under the existing operating lease is as follows:

Year ending June 30, 2021	<u>\$ 93,600</u>
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**16. Commitments and Contingencies**

***COVID-19***

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

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

SPCA closed its physical locations to the general public on March 17, 2020 and required all employees to work remotely as much as possible. Adoptions and Intake moved to an appointment-based system to reduce the number of staff and public on-site. SPCA has since been able to open the Benefit Shop at limited capacity and resume operations at the Clinic. Kids' Camps and Behavior Training have been operating remotely. Staff who are able to continue to work remotely are being encouraged to do so. The future effects of these issues are unknown.

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

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

**17. Subsequent Events**

SPCA has performed an evaluation of subsequent events through December 28, 2020, 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.