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

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2019

McGILLOWAY, RAY, BROWN & KAUFMAN
ACCOUNTANTS & CONSULTANTS

CONTENTS

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INDEPENDENT AUDITORS' 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 statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in the year ended June 30, 2019, SPCA Accounting Standards Update (ASU) No. 2016-14, Not-For-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

McGilloway, Ray, Brown & Kaufman

McGilloway, Ray, Brown & Kaufman
Salinas, California
December 20, 2019

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

ASSETS	
Current assets	
Cash and cash equivalents	$ 789,898
Accounts receivable	66,244
Estates receivable	644,369
Inventory	103,785
Benefit shop inventory	52,174
Short term investments	254,000
Prepaid expenses	130,932
Total current assets	2,041,402
Property and equipment, net	16,210,945
Other assets	
Charitable remainder trusts receivable, net	755,660
Long-term investments	11,534,905
Beneficial interest in assets held by Community Foundation	814,150
Total other assets	13,104,715
Total assets	$ 31,357,062

See accompanying notes to financial statements.

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

LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$	189,810
Accrued liabilities		94,698
Accrued compensated absences		163,970
Deferred revenue		64,803
Total current liabilities		513,281
Deferred compensation plan payable		49,284
Total liabilities		562,565
Net assets		
Without donor restrictions		
Undesignated		17,381,400
Board-designated earnings in Community Foundation		157,035
Board-designated quasi-endowment		7,626,829
Total without donor restrictions		25,165,264
With donor restrictions		
Purpose and time restrictions		1,565,208
Perpetual in nature		4,064,025
Total with donor restrictions		5,629,233
Total net assets		30,794,497
Total liabilities and net assets	$	31,357,062

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	100,032	-	100,032
Education programs	73,568	-	73,568
Bequests	1,015,912	43,042	1,058,954
Contributions	1,313,550	427,508	1,741,058
Grants	72,052	95,000	167,052
In-kind revenue	702,520	-	702,520
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 - charitable remainder in trust	-	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.

THE SOCIETY FOR THE PREVENTION OF
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, 2019

	PROGRAM EXPENSES												SUPPORT SERVICES 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	Total Expenses
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

THE SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS FOR MONTEREY COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash Flows from Operating Activities	
Change in net assets	$ (1,608,280)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization expense	921,650
Gain on sale of assets	(1,892)
Realized/unrealized loss on investments	366,439
Change in value of beneficial interest in Community Foundation	(34,721)
Change in value of split-interest agreements	(20,921)
(Increase) decrease in operating assets	
Accounts receivable	5,572
Estates receivable	477,939
Pledges receivable	5,000
Trusts receivable	185
Supply inventory	18,008
Benefit shop inventory	(774)
Prepaid expenses	7,630
Distribution on beneficial interest in Community Foundation	45,487
Increase (decrease) in liabilities	
Accounts payable	63,229
Accrued liabilities	5,577
Accrued compensated absences	(5,942)
Deferred compensation plan payable	24,892
Deferred revenue	991
Net cash provided by operating activities	270,069
Cash Flows from Investing Activities	
Cash paid for purchase of property and equipment	(293,056)
Cash proceeds from sale of investments	228,882
Cash proceeds from sale of assets	40,883
Cash paid for purchases of investments	(762,268)
Net cash used by investing activities	(785,559)
Cash Flows from Financing Activities	
Principal payments on long-term debt	(127,220)
Net cash used by financing activities	(127,220)
Net decrease in cash and cash equivalents	(642,710)
Cash and cash equivalents, beginning of year	1,432,608
Cash and cash equivalents, end of year	$ 789,898
Supplemental disclosures	
Interest paid	$ 2,338

See accompanying notes to financial statements.

1. Nature of Business

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. Effective September 5, 2008, the entity changed its name to the SPCA for Monterey County.

2. Summary of Significant Accounting Polices

Basis of Accounting

The financial statements of SPCA have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 (Topic 958) dated August 2016, and the provisions of the American Institute of Certified Public Accountants "Audit and Accounting Guide for Not-for-Profit Organizations."

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, 2019, the total bank balances exceeded the FDIC limit by $377,634.

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 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.

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.

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 a children's camp and future special events.

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 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 $626,082 for the year ended June 30, 2019, which were recorded as in-kind revenue – benefit shop.

SPCA received donations of vehicles valued at $14,449 for the year ended June 30, 2019, which were recorded as in-kind revenue – vehicles.

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 $61,989 for the year ended June 30, 2019. These amounts have also been charged to expense in the statement of activities. For the year ended June 30, 2019, $32,836 of the donated services are related to program services 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 year ended June 30, 2019, total advertising expense was $13,184.

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 is subject to unrelated business income from their boarding services, but has paid no unrelated business income tax for year ended June 30, 2019 due to losses from this service. At June 30, 2019, SPCA had federal net operating loss carryforwards of approximately $204,028, 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 uncertainty about generating future taxable income.

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 2016 and beyond remain subject to possible examination by the Internal Revenue Service. SPCA's California returns for the tax years 2015 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.

Recently Adopted Accounting Pronouncement

ASU 2016-14

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. The amendment applies to all not-for-profit entities, and reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations or restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds.

The adoption of the new accounting standard improves the net asset classification requirements and the information in the financial statements and notes about SPCA's liquidity, financial performance, and cash flows presented to provide more useful information to donors, grantors, creditors, and other users of these financial statements. SPCA has adopted the requirements of ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. The unrestricted net assets class has been renamed net assets without donor restrictions. The ASU has been applied retrospectively to all periods presented. The implementation has no impact on previously reported net assets.

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. SPCA is assessing the impact that ASU 2014-09 will have on its financial statements and related disclosures.

ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), the result of FASB and IASB to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments require a lessee to recognize a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term initially measured at the present value of the lease payments. The lessee should also include payments to be made on an optional lease extension if the company is reasonably certain that the extension will be exercised when measuring the asset and liability. Organizations will be permitted to make an accounting policy election to not recognize leases with a term of 12 months or less. In January 2018, the FASB issued ASU 2018-01, which provides for additional practical expedient of land easement for transition purposes in connection with ASU 2016-02. Additional in July 2018, the FASB issued ASU 2018-11 *Leases* (Topic 842): *Targeted Improvements*, which provides for an additional option transition method, allowing the initial application of the guidance with recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. This ASU is effect for annual reporting periods beginning after December 15, 2020, with early application permitted. SPCA is assessing the impact that ASU 2016-02 will have on its financial statements and related disclosures.

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. SPCA is assessing the impact that ASU 2018-08 will have on its financial statements and related disclosures.

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:

Cash and cash equivalents	$ 789,898
Investments	11,788,905
Accounts receivable	66,244
Estates receivable	644,369
Total financial assets available at year end	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	(111,411)
Subject to appropriation and satisfaction of donor restrictions	(4,762,162)
Board-designated quasi-endowment	(7,626,829)
Financial assets available to meet cash needs for general expenditures within one year	$ 789,014

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, the SPCA's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately $1,300,000). 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.

4. Investments

Investments consist of funds that are with donor restriction and without donor restriction funds. The fair values of the SPCA's investments as of June 30, 2019 consisted of the following:

Money market funds	$ 254,000
Bond funds	2,714,556
Equity funds	7,440,921
Exchange traded funds	618,106
Beneficial interest in assets	
Held by Community Foundation	814,150
Prana investment funds	761,322
Investment portfolio total	$ 12,603,055

Fair Value Measurements

SPCA measures its investments and trust receivables 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 statement. Most debt securities, preferred stocks, certain equity securities, short-term investments, and derivatives are 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 liability, 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets measured at fair value on a recurring basis have been categorized into a hierarchy based on the observable and unobservable inputs used to determine fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 254,000	$ -	$ -	$ 254,000
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	$11,027,583	$ -	$1,569,810	12,597,393
Prana investment funds measured at NAV				761,322
Investment portfolio total				$13,358,715

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 funded are traded.

Community Foundation of Monterey County – Endowment Fund
SPCA has a beneficial interest in assets held at Community Foundation for Monterey County (CFMC) in the amount of $814,150 at June 30, 2019, which consists of funds contributed by SPCA and includes earnings thereon, net of distributions received. Distributions of income earned from beneficial interests are received at various times throughout the year based on the spending policy adopted by the board of CFMC. SPCA has granted variance power to CFMC. In the event of the dissolution of SPCA or in the event it shall no longer be an organization described in Section 501(c)(3) of the Internal Revenue Code, as amended, CFMC shall continue to hold the funds and shall distribute the income therefrom to such organizations as in

their opinion most nearly serve the purposes and objectives of SPCA. All funds held are subject to the power of CFMC and to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations, if in their sole judgment such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by them.

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

Beginning balance	$	824,916
Contributions		1,080
Investment income (dividends and interest)		28,169
Unrealized gain (loss)		6,912
Realized gain (loss)		(1,440)
Distributions		(36,059)
Investment fees		(9,428)
Total	$	814,150
Beneficial interest corpus	$	657,115
Beneficial interest earnings		157,035
	$	814,150

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

Trusts Receivable – Charitable Remainder Trusts

Fair value for level 3 trusts receivable utilizes the key input of a discount rate to convert the expected future cash flows from the trusts to a single present amount. SPCA utilized a discount rate of 2.90% 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 year ended June 30, 2019:

Trusts Receivable, net

Balance, beginning of year	$	734,924
Change in value of split-interest agreements		20,921
Distribution of split-interest agreement		(185)
Balance, end of year	$	755,660

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 Reality 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, 2019, the Company has valued each share at $125,714 per share. SPCA uses net asset value to determine fair value of the investment in the Company as follows as of June 30, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	$761,322	$ -	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, 2019. At June 30, 2019, it is estimated SPCA will receive $644,369 within the following year from wills and trust estates.

6. 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. The assets of the trust are in no way subject to the control of SPCA at this time. The net present value of the trust assets was approximately $520,522 as of June 30, 2019.

Remainder Trust 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. The assets of the trust are in no way subject to the control of SPCA at this time. The net present value of the trust assets SPCA is a beneficiary of was approximately $107,637 as of June 30, 2019.

Remainder Trust 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. The assets of the trust are in no way subject to the control of SPCA at this time. The net present value of the trust assets SPCA is a beneficiary of was approximately $67,107 as of June 30, 2019.

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. The assets of the trust are in no way subject to the control of SPCA at this time. The net present value of the trust assets was approximately $60,394 as of June 30, 2019.

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 balance of trusts receivable for the year ended June 30, 2019 is as follows:

Trusts Receivable, net	
Balance, beginning of year	$ 734,924
Change in value of split-interest agreements	20,921
Distribution of split-interest agreement	(185)
Balance, end of year	$ 755,660

The primary assumptions used in these calculations are as follows:

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

7. Property and Equipment, net

Property and equipment was composed of the following at June 30, 2019:

Land	$ 765,452
Land improvements	5,401,954
Building and improvements	15,963,634
Construction in progress	35,678
Computer software	3,835
Equipment	1,547,871
Vehicles	726,244
Total	24,444,668
Less accumulated depreciation	8,233,723
Property and equipment - net	$ 16,210,945

Depreciation expense for the year ended June 30, 2019 was $921,650.

8. 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 the organization 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 the SPCA and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effects of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of SPCA
(7) The investment policies of SPCA

Investment Return Objectives, Risk Parameters and Strategies

<u>Investment Objective</u>: 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.

<u>Asset Allocation Limitations</u>: Equity 75%; and Fixed Income Assets 25%.

<u>Risk Tolerance</u>: 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, 2019.

Endowment Net Asset Composition and Changes

Endowment net asset composition by type of fund consisted of the following as of June 30, 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	7,626,828	-	7,626,828
	$ 7,626,828	$ 4,762,162	$ 12,388,990

Changes in endowment net assets for the year ended June 30, 2019 were as follows:

	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	238,025	129,630	367,655
Amounts appropriated for expenditure	-	(229,702)	(229,702)
Endowment net assets, end of year	$ 7,626,828	$ 4,762,162	$ 12,388,990

9. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purpose at June 30, 2019:

Subject to expenditure for specified purpose:	
Barn	$ 8,841
Hug-a-pet program	5,610
Pet food bank	474
Pet meals	87,524
Pets for the elderly	1,600
Rewards Humane Investigation	7,362
Subject to expenditure after passage of time:	
Present value of remainder trusts:	
Armstrong trust	67,107
Auvil/Hall trust	520,522
Conderman trust	60,394
Sivertsen trust	107,637
Total	867,071
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	4,064,025
Beneficial interest in Community Foundation	-
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	698,137
Total net assets with donor restrictions	$ 5,629,233

10. 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 year ended June 30, 2019, SPCA made discretionary contributions totaling $77,894.

11. 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 year ended June 30, 2019 was $22,500.

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, 2019 was $49,284.

12. Rental Obligations

SPCA has entered into a non-cancelable operating lease with fixed terms for their Benefit Shop. Rental expenses under this lease were $100,871 for the year ended June 30, 2019. As of June 30, 2019, SPCA's future minimum obligations under the existing operating lease are as follows:

2020	$	93,600
2021		97,200
Total future minimum lease payments	$	190,800

13. Subsequent Events

SPCA has performed an evaluation of subsequent events through December 20, 2019, 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.