

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

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

**JUNE 30, 2021 AND 2020**

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

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2511 Garden Road  
Suite A180  
Monterey, CA 93940  
831-373-3337  
Fax 831-373-3437

379 West Market Street  
Salinas, CA 93901  
831-424-2737  
Fax 831-424-7936

## 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, 2021 and 2020, 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 Ray, CPA | Patricia Kaufman, CPA, CGMA | Smriti Shrestha, CPA

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Daniel McGilloway Jr, CPA | Sarita Shannon, CPA | Sukhdev Singh, CPA | Whitney Ernest, 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, 2021 and 2020, 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 that reads "McGilloway, Ray, Brown & Kaufman" followed by a horizontal flourish.

McGilloway, Ray, Brown & Kaufman  
Salinas, California  
November 15, 2021

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,952,107	\$ 2,653,288
Accounts receivable	33,980	35,558
Estates receivable	152,048	331,048
Pledges receivable, current	333,600	205,000
Grant receivable	-	63,000
Inventory	110,280	138,038
Benefit shop inventory	58,072	40,100
Short term investments	145,275	203,310
Prepaid expenses	136,161	93,535
Total current assets	<u>6,921,523</u>	<u>3,762,877</u>
Property and equipment, net	<u>14,827,905</u>	<u>15,514,468</u>
Other assets		
Pledges receivable, net, less current portion	757,143	473,028
Charitable remainder trusts receivable, net	979,698	799,663
Long-term investments	14,171,344	10,990,190
Beneficial interest in assets held by Community Foundation	953,894	781,260
Total other assets	<u>16,862,079</u>	<u>13,044,141</u>
Total assets	<u><u>\$38,611,507</u></u>	<u><u>\$32,321,486</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, 2021 AND 2020  
(continued)

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 126,874	\$ 122,487
Accrued liabilities	140,566	127,278
Accrued compensated absences	222,073	225,655
Deferred revenue - conditional grant	61,797	486,724
Deferred revenue - program income	<u>24,760</u>	<u>22,610</u>
Total current liabilities	576,070	984,754
Deferred compensation plan payable	<u>98,031</u>	<u>58,413</u>
Total liabilities	<u>674,101</u>	<u>1,043,167</u>
Net assets		
Without donor restrictions		
Undesignated	18,697,068	17,556,239
Board-designated earnings in Community Foundation	296,779	124,145
Board-designated quasi-endowment	<u>9,319,115</u>	<u>7,320,009</u>
Total without donor restrictions	<u>28,312,962</u>	<u>25,000,393</u>
With donor restrictions		
Purpose and time restrictions	5,550,143	2,213,625
Perpetual in nature	<u>4,074,301</u>	<u>4,064,301</u>
Total with donor restrictions	<u>9,624,444</u>	<u>6,277,926</u>
Total net assets	<u>37,937,406</u>	<u>31,278,319</u>
Total liabilities and net assets	<u><u>\$38,611,507</u></u>	<u><u>\$32,321,486</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other income			
Contributions	\$ 2,308,607	\$ 2,710,317	\$ 5,018,924
Bequests	2,773,153	10,000	2,783,153
Special events	844,145	-	844,145
In-kind revenue	729,864	-	729,864
Grants	103,428	160,000	263,428
Paycheck Protection Program grant	424,927	-	424,927
Shelter and clinic fees	821,899	-	821,899
Benefit shop sales	696,859	-	696,859
Contract revenue	206,846	-	206,846
Behavior training and education	62,871	-	62,871
Investment return, net of fees	2,196,722	1,253,507	3,450,229
Change in value of charitable remainder trusts	-	180,035	180,035
Other income	59,003	-	59,003
Net assets released from restrictions	967,341	(967,341)	-
Total revenue, support, and other income	<u>12,195,665</u>	<u>3,346,518</u>	<u>15,542,183</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, 2021  
(continued)

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

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			
Contributions	\$ 1,593,229	\$ 1,216,032	\$ 2,809,261
Bequests	2,231,989	19,460	2,251,449
Special events	1,132,478	-	1,132,478
In-kind revenue	518,804	-	518,804
Grants	103,536	129,900	233,436
Paycheck protection program grant	-	700,576	700,576
Shelter and clinic fees	831,168	-	831,168
Contract revenue	290,262	-	290,262
Behavior training and education	114,119	-	114,119
Benefit shop sales	481,197	-	481,197
Investment return, net of fees	(118,902)	(95,189)	(214,091)
Change in value of charitable remainder trusts	-	44,003	44,003
Other income	89,523	-	89,523
Net assets released from restrictions	1,366,089	(1,366,089)	-
Total revenue, support, and other income	8,633,492	648,693	9,282,185

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, 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	6,429,730	-	6,429,730
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	2,366,735	-	2,366,735
Total expenses	8,796,465	-	8,796,465
Loss on sale of assets	(1,898)	-	(1,898)
Change in net assets	(164,871)	648,693	483,822
Net assets, beginning of year	25,165,264	5,629,233	30,794,497
Net assets, end of year	\$ 25,000,393	\$ 6,277,926	\$ 31,278,319

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF 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		
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	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	-	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	-	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	-	-	-	-	-	-	-	-	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  
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STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 6,659,087	\$ 483,822
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	868,613	896,936
Loss on sale of assets	4,447	1,898
Net realized/unrealized (gain) loss on investments	(3,072,659)	632,639
Change in value of beneficial interest in Community Foundation	(216,649)	(12,655)
Change in value of charitable remainder trusts	(180,035)	(44,003)
Change in discount of pledges receivable	14,385	21,972
(Increase) decrease in operating assets		
Accounts receivable	1,578	30,686
Estates receivable	179,000	313,321
Pledges receivable	(427,100)	(700,000)
Grants receivable	63,000	(63,000)
Inventory	27,758	(34,253)
Benefit shop inventory	(17,972)	12,074
Prepaid expenses	(42,626)	37,397
Increase (decrease) in liabilities		
Accounts payable	4,387	(67,323)
Accrued liabilities	13,288	32,580
Accrued compensated absences	(3,582)	61,685
Deferred compensation plan payable	39,618	9,129
Deferred revenue - conditional grant	(424,927)	486,724
Deferred revenue - program income	2,150	(42,193)
Net cash provided by operating activities	<u>3,491,761</u>	<u>2,057,436</u>
Cash Flows from Investing Activities		
Purchases of investments	(2,686,711)	(458,513)
Purchase of property and equipment	(186,497)	(228,852)
Proceeds from sale of investments	2,680,266	467,098
Proceeds from sale of assets	<u>-</u>	<u>26,495</u>
Net cash used by investing activities	<u>(192,942)</u>	<u>(193,772)</u>
Net increase in cash and cash equivalents	3,298,819	1,863,664
Cash and cash equivalents, beginning of year	<u>2,653,288</u>	<u>789,624</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,952,107</u></u>	<u><u>\$ 2,653,288</u></u>

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

**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.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

***Cash and Cash Equivalents***

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

***Investments***

Marketable debt and equity securities, which are listed on national securities exchanges, are stated at fair value. Prana investments are valued at the amounts reported to SPCA by Prana and SPCA's investment advisors. These amounts are generally reported at 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, 2021 and 2020, the total bank balances exceeded the FDIC limit by \$5,468,408 and \$2,248,782, respectively.

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

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***Accounts Receivable***

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

***Estates Receivable***

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

***Pledges Receivable***

Pledges receivable represent amounts to be received from pledges. Pledges are recorded when SPCA has obtained a signed pledge form which details payment terms and imposes no restrictions considered other than "remote" as to the likelihood of occurrence. Pledges are assessed periodically, and an allowance is provided when, in the opinion of management, amounts recorded may not be collectible. As of June 30, 2021 and 2020, 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 and is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method (FIFO). Benefit shop inventory consists of donated items to be sold in SPCA's benefit shop. Benefit shop inventory value is determined using the fair market value of the item.

***Property and Equipment***

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

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

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

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

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

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

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

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

***Accrued Compensated Absences***

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

***Deferred Revenue***

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

SPCA 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.

***Net Assets***

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

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

*Net Assets with Donor Restrictions* – Net assets subject to donor or grantor-imposed restrictions and for which the applicable restriction was not met as of the year end of the current reporting period. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity.



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***Revenue Recognition***

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

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

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

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

*Contracts with Customers* – In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The SPCA adopted the standard, as amended, on July 1, 2019, to all contracts at the date of implementation using the full retrospective method. Management has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and have concluded that no significant changes are necessary to conform with the new standard.

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

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

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***Contributions In-Kind***

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

SPCA received donations of clothing and household goods for their benefit shop valued at \$696,859 and \$481,197 for the years ended June 30, 2021 and 2020, respectively, which were recorded as in-kind revenue. In addition, the SPCA received additional goods for special events and animal care in the amount of \$33,005 and \$37,607 for the years ended June 30, 2021 and 2020, respectively and are also included in in-kind revenue. These amounts have also been charged to expense in the statement of activities. No contributions of services were recognized for the years ended June 30, 2021 and 2020.

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

***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. The SPCA was previously subject to unrelated business income from their boarding services that were discontinued in 2019, and never incurred unrelated business income tax due to net operating losses. At June 30, 2021, the SPCA had federal net operating loss carryforwards of approximately \$222,068, available to offset 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 2018 and beyond remain subject to possible examination by the Internal Revenue Service. SPCA's California returns for the tax years 2017 and beyond remain subject to possible examination by the Franchise Tax Board.

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***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, 2021 and 2020, total advertising expense was \$3,461 and \$8,400, respectively.

***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.

***Upcoming Accounting Standards Updates (ASU)***

**ASU 2016-02**

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

**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. 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 statement of net position date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 5,952,107	\$ 2,653,288
Investments	14,316,619	11,193,500
Accounts receivable	33,980	35,558
Estates receivable	152,048	331,048
Current portion of pledges receivable	333,600	205,000
Grants receivable	-	63,000
Total financial assets available at year end	20,788,354	14,481,394
Less those unavailable for general expenditures within one year due to:		
Contractual or donor imposed restrictions:		
Restricted by donor with purpose restrictions	(3,126,471)	(1,025,850)
Subject to appropriation and satisfaction of donor restrictions	(5,518,275)	(4,452,413)
Board-designated quasi-endowment	(9,319,115)	(7,320,009)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,824,493	\$ 1,683,122

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).

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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:

	2021	2020
Money market	\$ 153,275	\$ 71,722
Fixed income	3,233,896	2,942,721
Equity funds	9,208,186	6,622,394
Alternative strategy mutual funds	1,109,437	948,539
Beneficial interest in assets held by Community Foundation	953,894	781,260
Prana investment funds	611,825	608,124
Investment portfolio total	<u>\$ 15,270,513</u>	<u>\$ 11,974,760</u>

***Fair Value Measurements***

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

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

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

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

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

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

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

	2020			
	Level 1	Level 2	Level 3	Total
Money market	\$ 71,722	\$ -	\$ -	\$ 71,722
Fixed income	2,942,721	-	-	2,942,721
Equity funds	6,622,394	-	-	6,622,394
Alternative strategy mutual funds	948,539	-	-	948,539
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>

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

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

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

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

SPCA has a beneficial interest in assets held at Community Foundation for Monterey County (CFMC) in the amount of \$953,894 and \$781,260 at June 30, 2021 and 2020, 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

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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:

	2021	2020
Beginning balance	\$ 781,260	\$ 814,150
Investment return (dividends and interest)	26,599	26,164
Unrealized gain	190,050	5,251
Realized (loss)	-	(18,760)
Distributions	(34,676)	(36,577)
Investment fees	(9,339)	(8,968)
Total	<u>\$ 953,894</u>	<u>\$ 781,260</u>
Beneficial interest corpus	\$ 657,115	\$ 657,115
Beneficial interest earnings	<u>296,779</u>	<u>124,145</u>
	<u>\$ 953,894</u>	<u>\$ 781,260</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 1.48% at June 30, 2021 and 1.47% at June 30, 2020 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

	2021	2020
Balance, beginning of year	\$ 799,663	\$ 755,660
Change in value of split-interest agreements	<u>180,035</u>	<u>44,003</u>
Balance, end of year	<u>\$ 979,698</u>	<u>\$ 799,663</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, 2021 and 2020, the Company has valued each share at \$101,028 and \$100,417 per share, respectively.

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

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	\$ 611,825	\$ -	Semi-annually	95 days advance notice required

  

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	\$ 608,124	\$ -	Semi-annually	95 days advance notice required

**5. Contracts with Customers**

The SPCA recognized revenue from contracts with customers for the years ended June 30, 2021 and 2020 as follows:

	2021	2020
Shelter and clinic sales	\$ 821,899	\$ 831,168
Benefit shop sales	696,859	481,197
Contract sales	206,846	290,262
Behavior training and education fees	62,871	114,119
	<u>\$ 1,788,475</u>	<u>\$ 1,716,746</u>

The beginning and ending contract balances for the years ended June 30, 2021 and 2020 as follows:

	2021	2020	2019
Accounts receivable	\$ 33,980	\$ 27,659	\$ 44,012
Deferred revenue	\$ 24,760	\$ 22,610	\$ 64,803

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



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**6. Estates Receivable**

SPCA had been named as a beneficiary in several wills and trusts at June 30, 2021 and 2020. At June 30, 2021 and 2020, it is estimated SPCA will receive \$152,048 and \$331,048, respectively, within the following year from wills and trust estates.

**7. Pledges Receivable, net**

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

	2021	2020
Receivable in less than one year	\$ 333,600	\$ 205,000
Receivable in one to five years	793,500	495,000
Total	1,127,100	700,000
Less discount to net present value at 1.48% and 1.47%	(36,357)	(21,972)
Total pledges receivable - net	<u>\$ 1,090,743</u>	<u>\$ 678,028</u>

At June 30, 2021, pledges receivable included \$1,077,100 (present value of promised cash flows \$1,042,358) from members of SPCA's Board of Directors.

**8. Grant Receivable**

Grant receivable consists of the following at June 30:

	2021	2020
Monterey Peninsula Foundation	<u>\$ -</u>	<u>\$ 63,000</u>

The grant receivable is restricted for humane investigations and is expected to be collected within the following year.

**9. 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 \$663,902 and \$533,925 as of June 30, 2021 and 2020, 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 \$151,132 and \$125,325 as of June 30, 2021 and 2020, 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 \$86,705 and \$72,667 as of June 30, 2021 and 2020, respectively.

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

SPCA is a 16.67% remainderman beneficiary under the terms of the Penelope G. Bridge Conderman Living Trust. The trust assets are held in trust by Mechanics Bank, as Trustee. SPCA does not control the assets of the trust. The net present value of the trust assets was approximately \$77,959 and \$67,746 as of June 30, 2021 and 2020, respectively.

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

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

	2021	2020
Balance, beginning of year	\$ 799,663	\$ 755,660
Change in value of split-interest agreements	180,035	44,003
Balance, end of year	<u>\$ 979,698</u>	<u>\$ 799,663</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 1.49% and 1.47% at June 30, 2021 and 2020, respectively.
- Life expectancies of life beneficiaries are assumed to be those in IRS Publication 590.

**10. Property and Equipment, net**

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

	2021	2020
Land	\$ 765,452	\$ 765,452
Land improvements	5,382,588	5,376,954
Building and improvements	16,049,638	16,038,435
Equipment	1,579,015	1,533,389
Vehicles	756,377	756,375
Leashold improvements	10,100	70
Computer software	3,835	3,835
Construction in progress	202,696	147,273
Total	<u>24,749,701</u>	<u>24,621,783</u>
Less accumulated depreciation	<u>9,921,796</u>	<u>9,107,315</u>
Property and equipment - net	<u>\$ 14,827,905</u>	<u>\$ 15,514,468</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$868,613 and \$896,936, respectively.

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

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

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

The SPCA 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 SPCA had qualifying expenses for the years ended June 30, 2021 and 2020 in the amount of \$424,927 and \$700,576, respectively, and recognized that amount as grant income in the statement of activities. The remaining balance of the loan in the amount of \$61,767 and \$486,724 at June 30, 2021 and 2020, respectively, have been reflected as deferred revenue in the accompanying financial statements.

## 12. Rental Obligation

SPCA has entered into a non-cancelable operating lease with fixed terms for their Benefit Shop. Rental expenses under this lease were \$104,532 and \$95,171 for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021, SPCA’s future minimum obligation under the existing operating lease is as follows:

<u>Year ending June 30,</u>	
2021	\$ 97,200
2022	99,000
2023	99,000
2024	99,000
2025	99,000
2026	99,000
Total	<u>\$ 592,200</u>

## 13. 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.

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***Interpretation of Relevant Law***

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

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

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

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

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

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.

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***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, 2021 and 2020.

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

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 3,417,185	\$ 3,417,185
Purpose-restricted funds and accumulated investment gains	-	1,443,975	1,443,975
Beneficial interest in Community Foundation	-	657,115	657,115
Board-designated quasi-endowment funds	9,319,115	-	9,319,115
	<u>\$ 9,319,115</u>	<u>\$ 5,518,275</u>	<u>\$ 14,837,390</u>
	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>

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,320,009	\$ 4,452,413	\$ 11,772,422
Contributions	-	10,000	10,000
Investment return, net	1,999,106	1,235,862	3,234,968
Amounts appropriated for expenditure	-	(180,000)	(180,000)
Endowment net assets, end of year	<u>\$ 9,319,115</u>	<u>\$ 5,518,275</u>	<u>\$ 14,837,390</u>
	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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**14. Net Assets with Donor Restrictions**

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

	2021	2020
Subject to expenditure for specified purpose:		
Capital campaign	\$ 3,009,434	\$ 820,622
Community outreach	-	25,349
Disaster emergency fund	32,715	-
Hug-a-pet program	5,395	5,571
Humane investigations	-	93,900
Mobile clinic	18,280	-
Paws for recycling	427	-
Pet meals	51,258	71,446
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	86,705	72,667
Auvil/Hall trust	663,902	533,925
Conderman trust	77,959	67,746
Sivertsen trust	151,132	125,325
Total	4,106,169	1,825,513
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	4,074,300	4,064,301
Subject to appropriation and expenditure when a specified event occurs:		
Income on perpetual endowments and purpose- restricted endowment gifts by donors for the care of animals	1,443,975	388,112
Total net assets with donor restrictions	<u>\$ 9,624,444</u>	<u>\$ 6,277,926</u>

**15. Retirement Plan**

SPCA established a salary deferral retirement plan designated to qualify under Section 403(b) of the Internal Revenue Code as of July 1, 1998. The plan covers all employees who are at least 18 years of age. Employees may begin contributing to the plan upon hire and become eligible for discretionary employer contributions after one year of service. SPCA's contribution is discretionary as determined annually by the Board of Directors. In the years ended June 30, 2021 and 2020, SPCA made discretionary contributions totaling \$94,195 and \$89,042, respectively.

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**16. Deferred Compensation Plan**

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

The 457(b) plan enables participants to defer income on a pre-tax basis and calls for discretionary nonelective deferred compensation to be contributed by SPCA for any calendar year. Total nonelective deferred compensation contributed by SPCA under this plan for the years ended June 30, 2021 and 2020 was \$7,500 and \$15,000, 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, 2021 and 2020 was \$98,031 and \$58,413, respectively.

**17. Uncertainties**

***COVID-19***

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

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

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

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

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

**18. Subsequent Events**

SPCA has performed an evaluation of subsequent events through November 15, 2021, 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.