

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

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

**JUNE 30, 2023 AND 2022**

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

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McGilloway | Ray  
Brown | Kaufman  
ACCOUNTANTS AND CONSULTANTS

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

### **Opinion**

We have audited the accompanying financial statements of The Society for the Prevention of Cruelty to Animals for Monterey County (SPCA) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SPCA as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SPCA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Adoption of New Accounting Standard**

As discussed in Note 11 to the financial statements, as of July 1, 2021, the SPCA adopted Financial Accounting Standards Board ASU 2016-02, *Leases* (Topic 842), which supersedes existing accounting standards for leases. Accordingly, the accounting change has been retrospectively applied to prior periods presented. Our opinion is not modified with respect to that matter.

### **Responsibilities of Management for the Financial Statements**

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

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

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Daniel McGilloway Jr, CPA | Sarita Shannon, CPA | Whitney Ernest, CPA  
Laura Armbruster, CPA | Rose Maxwell, CPA | Eleonora Garra, CPA | Lisette Craft, CPA

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the SPCA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SPCA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SPCA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



McGilloway, Ray, Brown & Kaufman  
Salinas, California  
January 31, 2024

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>Restated 2022</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,148,820	\$ 3,671,652
Contracts receivable	43,828	55,444
Estates receivable, current	3,122,326	416,212
Pledges receivable, current	773,161	465,336
Grant receivable	4,784	-
Inventory	140,804	136,492
Benefit shop inventory	67,265	67,630
Short term investments	17,276,870	9,258,321
Prepaid expenses	310,823	169,614
Total current assets	<u>22,888,681</u>	<u>14,240,701</u>
Property and equipment, net	<u>17,377,882</u>	<u>14,624,270</u>
Other assets		
Pledges receivable, net, less current portion	877,850	639,842
Charitable remainder trusts receivable, net	182,909	217,652
Estates receivable, less current portion	1,528,369	1,528,369
Operating lease right-of-use asset	768,122	857,968
Long-term investments	31,972,160	34,099,651
Restricted investments - deferred compensation plan	112,734	101,907
Beneficial interest in assets held by Community Foundation	817,916	791,498
Total other assets	<u>36,260,060</u>	<u>38,236,887</u>
Total assets	<u><u>\$ 76,526,623</u></u>	<u><u>\$ 67,101,858</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, 2023 AND 2022  
(continued)

	2023	Restated 2022
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 1,123,114	\$ 160,550
Accrued liabilities	213,526	225,500
Accrued compensated absences	246,634	235,663
Deferred revenue	60,822	74,416
Operating lease liability, current portion	99,000	99,000
Total current liabilities	1,743,096	795,129
Long-term liabilities		
Operating lease liability, less current portion	675,122	761,968
Deferred compensation plan payable	112,734	101,907
Total long-term liabilities	787,856	863,875
Total liabilities	2,530,952	1,659,004
Net assets		
Without donor restrictions		
Undesignated	30,741,047	24,684,406
Board-designated earnings in Community Foundation	160,801	134,383
Board-designated quasi-endowment	8,683,019	7,970,095
Total without donor restrictions	39,584,867	32,788,884
With donor restrictions		
Purpose and time restrictions	12,727,122	10,970,289
Perpetual in nature	21,683,682	21,683,681
Total with donor restrictions	34,410,804	32,653,970
Total net assets	73,995,671	65,442,854
Total liabilities and net assets	\$ 76,526,623	\$ 67,101,858

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other income			
Contributions of cash and other financial assets	\$ 2,375,897	\$ 2,890,462	\$ 5,266,359
Bequests	5,838,636	56,165	5,894,801
Special events	1,262,007	-	1,262,007
Contributions of nonfinancial assets	830,107	-	830,107
Grants	138,355	104,331	242,686
Shelter and clinic fees	1,141,587	-	1,141,587
Benefit shop sales	807,227	-	807,227
Contract revenue	331,779	-	331,779
Behavior training and education	133,840	-	133,840
Investment return, net of fees	938,887	2,774,506	3,713,393
Change in value of charitable remainder trusts	-	(34,743)	(34,743)
Other income	57,908	-	57,908
Net assets released from restrictions	4,033,887	(4,033,887)	-
Total revenue, support, and other income	<u>17,890,117</u>	<u>1,756,834</u>	<u>19,646,951</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, 2023  
(continued)

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

See accompanying notes to financial statements.



THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF ACTIVITIES (RESTATED)  
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and other income			
Contributions of cash and other financial assets	\$ 2,628,486	\$ 1,743,608	\$ 4,372,094
Bequests	7,900,553	22,609,380	30,509,933
Special events	596,014	-	596,014
Contributions of nonfinancial assets	833,653	-	833,653
Grants	71,615	35,011	106,626
Shelter and clinic fees	1,086,241	-	1,086,241
Benefit shop sales	811,525	-	811,525
Contract revenue	265,477	-	265,477
SPCA stables at Indian Springs	335	-	335
Behavior training and education	155,483	-	155,483
Investment return, net of fees	(1,480,331)	(72,377)	(1,552,708)
Change in value of charitable remainder trusts	-	(103,395)	(103,395)
Other income	65,019	-	65,019
Net assets released from restrictions	1,182,701	(1,182,701)	-
Total revenue, support, and other income	14,116,771	23,029,526	37,146,297

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF ACTIVITIES (RESTATED)  
FOR THE YEAR ENDED JUNE 30, 2022  
(continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Program expenses			
Animal care	1,724,526	-	1,724,526
Clinic operations	1,462,159	-	1,462,159
Wildlife	915,064	-	915,064
Adoption and intake	827,640	-	827,640
Humane investigations	456,829	-	456,829
Disaster response	9,752	-	9,752
Behavior training	371,773	-	371,773
Volunteers	170,406	-	170,406
Barn	467,749	-	467,749
Community outreach	531,959	-	531,959
Ruff Start	103,737	-	103,737
Total program expenses	<u>7,041,594</u>	<u>-</u>	<u>7,041,594</u>
Support services			
Administration	515,980	-	515,980
Development	713,992	-	713,992
Special events	177,315	-	177,315
Benefit shop	1,191,968	-	1,191,968
Total support services	<u>2,599,255</u>	<u>-</u>	<u>2,599,255</u>
Total expenses	<u>9,640,849</u>	<u>-</u>	<u>9,640,849</u>
Change in net assets, as restated	<u>4,475,922</u>	<u>23,029,526</u>	<u>27,505,448</u>
Net assets, beginning of year	<u>28,312,962</u>	<u>9,624,444</u>	<u>37,937,406</u>
Net assets, end of year as restated	<u>\$ 32,788,884</u>	<u>\$ 32,653,970</u>	<u>\$ 65,442,854</u>

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023

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

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES (RESTATED)  
FOR THE YEAR ENDED JUNE 30, 2022

	PROGRAM EXPENSES											SUPPORT SERVICES EXPENSES							Total Expenses	
	Animal Care	Clinic Operations	Wildlife	Adoption and Intake	Humane Investigations	Disaster Response	Behavior Training	Volunteers	Barn	Community Outreach	Ruff Start	Total Program Expenses	Admin-istration	Development	Maintenance	Human Resources	Special Events	Benefit Shop		Total Support Services
Salaries and wages	\$ 541,888	\$ 705,368	\$ 354,061	\$ 313,356	\$ 230,082	\$ -	\$ 197,906	\$ 105,583	\$ 186,929	\$ 264,852	\$ 47,563	\$ 2,947,588	\$ 608,368	\$ 323,714	\$ 146,368	\$ 183,050	\$ 28,986	\$ 166,502	\$ 1,456,988	\$ 4,404,576
Payroll taxes and benefits	155,507	117,947	89,007	76,187	52,295	-	43,386	22,568	43,475	84,081	14,620	699,073	177,901	88,048	40,870	79,371	7,801	46,832	440,823	1,139,896
Product cost of sales	-	20,204	-	(3,470)	-	-	-	-	-	-	-	16,734	-	-	-	-	-	801,999	801,999	818,733
Depreciation	276,268	74,889	112,902	1,857	18,533	-	21,160	-	28,662	10,693	-	544,964	17,015	(671)	317,631	-	-	3,650	337,625	882,589
Operating and medical supplies	113,313	170,306	31,515	22,444	1,533	2,016	4,957	217	16,684	7,784	2,439	373,208	282	143	27,635	758	28	1,781	30,627	403,835
Rent	-	700	-	-	-	3,360	6,251	-	-	-	-	10,311	-	-	-	-	-	109,271	109,271	119,582
Repairs and maintenance	20,386	19,714	21,134	8,711	4,307	-	3,544	3,267	6,452	1,899	1,847	91,261	18,476	29,710	46,601	21,247	1,846	3,651	121,531	212,792
In-kind	3,921	2,079	71	-	-	-	-	-	816	8,657	-	15,544	2,005	-	-	-	4,546	-	6,551	22,095
Utilities	77,273	22,389	48,342	43,726	10,199	-	8,652	2,954	9,541	5,190	2,995	231,261	11,201	5,140	123,824	2,621	2,164	8,604	153,554	384,815
Events and programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	123,322	-	123,322	123,322
Direct mail	-	-	-	-	-	-	-	-	-	-	-	-	-	147,582	-	-	-	-	147,582	147,582
Outside services	10,843	5,206	1,293	1,849	4,794	-	2,612	313	4,328	5,393	356	36,987	26,779	14,023	50,101	313	313	1,208	92,737	129,724
Veterinarian	918	760	7,159	-	-	-	-	-	26,427	-	-	35,264	-	-	-	-	-	-	-	35,264
Animal food	30,511	-	47,224	-	-	-	-	-	16,046	27,222	-	121,003	-	-	-	-	-	-	-	121,003
Collaborations	-	55,500	-	-	-	-	-	-	-	27,305	-	82,805	-	-	-	-	-	-	-	82,805
Insurance	9,336	7,334	4,404	6,661	4,053	12	3,436	390	3,590	1,787	2,807	43,810	14,610	1,359	5,721	557	118	2,762	25,127	68,937
Vehicle	-	3,215	20,349	692	22,260	450	242	-	8,613	4,786	4,743	65,350	-	-	9,837	-	-	4,120	13,957	79,307
Office supplies and postage	2,330	2,569	1,426	8,604	3,126	121	1,371	1,042	1,858	2,614	91	25,152	12,855	12,361	2,428	446	100	3,185	31,375	56,527
Animal disposal	17,333	-	2,635	46,469	-	-	-	-	4,699	-	-	71,136	-	-	-	-	-	-	-	71,136
Bank charges	60	16,899	269	12,538	-	-	2,611	149	87	7,015	-	39,628	-	19,440	-	-	-	18,557	37,997	77,625
Printing and photography	228	232	187	1,350	107	862	309	1,068	154	3,633	474	8,604	574	11,539	287	332	56	43	12,831	21,435
Training, travel and conferences	398	4,433	40	-	15,737	2,241	150	-	702	-	150	23,851	761	-	-	1,689	-	-	2,450	26,301
Accounting and legal	-	-	-	-	840	-	-	-	-	165	-	1,005	27,770	4,945	-	-	-	-	32,715	33,720
Landscaping fees	-	-	-	-	-	-	3,000	-	-	-	-	3,000	-	-	23,000	-	-	-	23,000	26,000
Donor development	-	-	-	-	-	-	-	-	-	-	-	-	-	6,013	-	-	-	-	6,013	6,013
Capital Campaign	-	-	-	-	-	-	-	-	-	-	-	-	-	1,696	-	-	-	-	1,696	1,696
Communications	1,399	1,435	5,384	1,317	3,689	-	1,915	1,150	1,881	1,990	986	21,146	2,418	1,657	1,829	1,127	250	342	7,623	28,769
Advertising	-	-	-	-	-	-	225	417	-	1,374	-	2,016	-	-	-	-	-	1,851	1,851	3,867
Planned giving	-	-	-	-	-	-	-	-	-	-	-	-	-	15,296	-	-	-	-	15,296	15,296
Dues and subscriptions	-	1,860	648	-	576	50	780	-	200	1,320	-	5,434	1,824	120	-	5,025	-	15	6,984	12,418
Uniforms	-	3,519	299	-	7,189	-	-	4,451	959	-	-	16,417	-	-	264	3,056	-	72	3,392	19,809
Miscellaneous	-	566	467	157	207	6	(2)	-	50	-	-	1,451	260	-	645	-	(35)	870	2,321	
Farrier and trailering fees	-	-	-	-	-	-	-	-	570	-	-	570	-	-	-	-	-	-	-	570
Equipment rental	3,609	462	2,102	458	201	-	201	201	201	201	201	7,837	201	201	406	201	201	-	1,210	9,047
Interest	-	-	-	-	-	-	-	-	-	-	-	-	1,808	-	-	-	-	-	1,808	1,808
Service charges	111	148	1	-	-	-	-	-	-	22	-	282	110	2,662	2	-	-	23	2,797	3,079
Human resource services	216	1,617	670	699	80	-	1,083	3,858	40	198	-	8,461	-	175	88	3,779	-	48	4,090	12,551
Promotions	-	-	-	-	-	-	-	-	-	6,062	-	6,062	-	-	-	-	-	-	-	6,062
Permits	-	1,245	-	-	-	-	-	-	-	-	-	1,245	-	530	4,304	-	-	-	4,834	6,079
Internet services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,565	3,565	3,565
Volunteer incentives	10	-	70	-	-	-	-	1,489	126	-	-	1,695	-	-	-	-	-	350	350	2,045
Recruitment	100	1,161	-	75	-	-	100	-	-	-	-	1,436	-	801	25	210	75	25	1,136	2,572
Animal training fees	-	-	-	-	-	-	-	-	876	-	-	876	-	-	-	-	-	-	-	876
Taxes and licenses	444	2,950	-	-	65	-	-	-	-	-	-	3,459	6,365	-	-	-	-	214	6,579	10,038
Website	-	-	-	-	-	-	-	-	-	2,767	-	2,767	-	-	-	-	-	-	-	2,767
<b>Total</b>	<b>1,266,402</b>	<b>1,244,707</b>	<b>751,659</b>	<b>543,680</b>	<b>379,873</b>	<b>9,118</b>	<b>303,889</b>	<b>149,117</b>	<b>363,966</b>	<b>477,010</b>	<b>79,272</b>	<b>5,568,693</b>	<b>931,583</b>	<b>686,484</b>	<b>801,221</b>	<b>304,427</b>	<b>169,806</b>	<b>1,178,635</b>	<b>4,072,156</b>	<b>9,640,849</b>
Allocation of support service expense	458,124	217,452	163,405	283,960	76,956	634	67,884	21,289	103,783	54,949	24,465	1,472,901	(415,603)	27,508	(801,221)	(304,427)	7,509	13,333	(1,472,901)	-
<b>Total program expenses after overhead allocation</b>	<b>\$ 1,724,526</b>	<b>\$ 1,462,159</b>	<b>\$ 915,064</b>	<b>\$ 827,640</b>	<b>\$ 456,829</b>	<b>\$ 9,752</b>	<b>\$ 371,773</b>	<b>\$ 170,406</b>	<b>\$ 467,749</b>	<b>\$ 531,959</b>	<b>\$ 103,737</b>	<b>\$ 7,041,594</b>	<b>\$ 515,980</b>	<b>\$ 713,992</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 177,315</b>	<b>\$ 1,191,968</b>	<b>\$ 2,599,255</b>	<b>\$ 9,640,849</b>

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS FOR MONTEREY COUNTY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	Restated 2022
Cash Flows from Operating Activities		
Change in net assets	\$ 8,552,817	\$ 27,505,448
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	884,629	882,589
Non-cash portion of operating lease expense	89,846	94,669
Loss (gain) on sale of assets	130,399	(19,128)
Net realized/unrealized (gain) loss on investments	(2,250,840)	818,110
Change in value of beneficial interest in Community Foundation	(69,271)	117,374
Change in value of charitable remainder trusts	34,743	103,395
Change in discount of pledges receivable	45,127	16,166
Change in operating assets and liabilities		
Contracts receivable	11,616	(21,464)
Estates receivable	(2,706,114)	(1,792,533)
Pledges receivable	(590,960)	(30,601)
Charitable remainder trusts receivable	-	658,651
Grant receivable	(4,784)	-
Inventory	(4,312)	(26,212)
Benefit shop inventory	365	(9,558)
Prepaid expenses	(141,209)	(33,453)
Accounts payable	962,564	33,676
Accrued liabilities	(11,974)	84,934
Accrued compensated absences	10,971	13,590
Deferred compensation plan payable	10,827	3,876
Deferred revenue - conditional grant	-	(61,797)
Deferred revenue - program income	(13,594)	49,656
Operating lease liability	(86,846)	(91,669)
Net cash provided by operating activities	4,854,000	28,295,719
Cash Flows from Investing Activities		
Purchases of investments	(35,828,314)	(32,158,268)
Purchase of property and equipment	(3,769,184)	(659,826)
Proceeds from sale of investments	32,220,122	2,241,920
Proceeds from sale of assets	544	-
Net cash used by investing activities	(7,376,832)	(30,576,174)
Net decrease in cash and cash equivalents	(2,522,832)	(2,280,455)
Cash and cash equivalents, beginning of year	3,671,652	5,952,107
Cash and cash equivalents, end of year	\$ 1,148,820	\$ 3,671,652
Supplemental Cash Flow Information		
Cash paid for amounts included in measurement of lease liability:		
Operating cash flows from operating lease liability	\$ 99,000	\$ 99,000
Lease asset obtained in exchange for lease liability		
Operating lease	\$ -	\$ 947,705

See accompanying notes to financial statements.

THE SOCIETY FOR THE PREVENTION OF  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

**1. Description of the Organization**

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

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

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

***Use of Estimates***

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

***Cash and Cash Equivalentents***

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

***Investments***

Marketable debt and equity securities, which are listed on national securities exchanges, are stated at fair value. Prana investments are valued at the amounts reported to SPCA by Prana and SPCA's investment advisors. These amounts are generally reported at net asset value, which SPCA believes is a reasonable approximation of fair value.

Net investment returns are reported in the statement of activities and 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 equivalentents include accounts insured by the Federal Depository Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The SPCA places its cash and cash equivalentents in what management believes to be credit worthy financial institutions. However, cash balances may exceed the FDIC and SIPC insured levels at various times during the year.

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

THE SOCIETY FOR THE PREVENTION OF  
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***Contracts Receivable***

The majority of contracts receivable derive from agreements with local agencies to provide sheltering services. Contracts receivable are stated at amounts due from these agencies. Management has determined that all contracts receivable are fully collectible; accordingly, there is no allowance for 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, 2023 and 2022, no allowance has been recorded. Multi-year pledges receivable are discounted to their net present value using a discount rate assessed by management.

***Grants Receivable***

Grants receivable consist of amounts received from other organizations. The amounts are recorded when the grant is awarded.

***Inventory***

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

***Property and Equipment***

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

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

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

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

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

SPCA has transferred assets to a community foundation which holds funds for its benefit. When a nonprofit transfers 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.

***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.



THE SOCIETY FOR THE PREVENTION OF  
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***Revenue Recognition***

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

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

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

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

*Contracts with Customers* – The SPCA recognizes revenue from contracts for sheltering services and program service revenue, including adoption fees, veterinary services, and merchandise sales in accordance with FASB's ASC Topic 606, *Revenue from Contracts with Customers*.

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

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

***Contributions of Nonfinancial Assets***

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

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

***Income Taxes***

As a tax-exempt not-for-profit organization, SPCA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under California Revenue and Taxation Code Section 23701(d) but is subject to taxes on unrelated business income when earned. At June 30, 2023 and 2022, the SPCA had federal net operating loss carryforwards from discontinued boarding services that were previously subject to unrelated business income tax of approximately \$222,068, available to offset future taxable income. A valuation allowance in the amount of has been recorded for the full amount of the benefit of net operating losses because of the discontinuance of their boarding services.

***Accounting for Uncertainty in Income Taxes***

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by SPCA in its federal and state exempt organization tax returns are more-likely-than-not to be sustained upon examination and have concluded that there are no uncertain tax positions at June 30, 2023 and 2022.

SPCA files information returns in the U.S. federal jurisdiction and state of California. SPCA's federal returns for the tax years 2020 and beyond remain subject to possible examination by the Internal Revenue Service. SPCA's California returns for the tax years 2019 and beyond remain subject to possible examination by the Franchise Tax Board.

***Expense Allocation***

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service, such as human resource expenses and maintenance expenses, are allocated based on the number of full-time employees per department throughout the year and on the square footage occupied by each department, respectively.

***Advertising***

SPCA expenses advertising costs as they are incurred. For the years ended June 30, 2023 and 2022, total advertising expense was \$6,405 and \$3,867, respectively.

THE SOCIETY FOR THE PREVENTION OF  
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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 financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,148,820	\$ 3,671,652
Investments	49,249,030	43,459,879
Contracts receivable	43,828	55,444
Estates receivable	3,122,326	416,212
Current portion of pledges receivable	773,161	465,336
Grant receivable	<u>4,784</u>	<u>-</u>
Total financial assets available at year end	54,341,949	48,068,523
Less those unavailable for general expenditures within one year due to:		
Contractual or donor imposed restrictions:		
Restricted by donor with purpose restrictions	(8,673,177)	(9,400,161)
Subject to appropriation and satisfaction of donor restrictions	(25,554,718)	(23,036,157)
Board-designated quasi-endowment	<u>(8,683,019)</u>	<u>(7,970,095)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,431,035</u>	<u>\$ 7,662,110</u>

SPCA's cash flows have seasonable variation during the year attributable to timing of contributions, events and animal population. SPCA receives significant contributions restricted by donors to be used in accordance with the associated time or purpose restrictions.

SPCA considers contributions without donor restrictions and contributions with donor restrictions due to time, payable in the next year, to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and program expenses to be paid in the following year. SPCA manages its cash available to meet general expenditures by forecasting future needs and activities and proactively anticipates future funds needed.

To help manage unanticipated liquidity needs, SPCA's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$1,500,000).

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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:

	2023	2022
Money market	\$ 12,077,824	\$ 13,890,334
Fixed income	11,490,637	5,055,996
Equity funds	21,595,949	20,740,185
Alternative strategy mutual funds	3,667,854	3,159,469
Beneficial interest in assets held by		
Community Foundation	817,916	791,498
Prana investment funds	529,500	613,895
Investment portfolio total	\$ 50,179,680	\$ 44,251,377

***Fair Value Measurements***

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

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

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

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

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

	2022			Total
	Level 1	Level 2	Level 3	
Money market	\$ 13,890,334	\$ -	\$ -	\$ 13,890,334
Fixed income	5,055,996	-	-	5,055,996
Equity funds	20,740,185	-	-	20,740,185
Alternative strategy mutual funds	3,159,469	-	-	3,159,469
Beneficial interest in assets				
held by Community Foundation	-	-	791,498	791,498
Trusts receivable	-	-	217,652	217,652
Total recurring fair value measurements	\$ 42,845,984	\$ -	\$ 1,009,150	43,855,134
Prana investment funds measured at NAV				613,895
Investment portfolio total				\$ 44,469,029

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 \$817,916 and \$791,498 at June 30, 2023 and 2022, respectively, which consists of funds contributed by SPCA and includes earnings thereon, net of distributions received. Distributions of income earned from beneficial interests are received at various times throughout the year based on the spending policy adopted by the board of CFMC. SPCA has granted variance power to CFMC. In the event of the dissolution of SPCA or in the event it shall no longer be an organization described in Section 501(c)(3) of the

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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:

	2023	2022
Beginning balance	\$ 791,498	\$ 953,894
Investment return (dividends and interest)	25,247	31,331
Net realized and unrealized gain (loss)	44,024	(148,705)
Distributions	(34,227)	(34,801)
Investment fees	(8,626)	(10,221)
	<u>\$ 817,916</u>	<u>\$ 791,498</u>
Total	<u>\$ 817,916</u>	<u>\$ 791,498</u>
Beneficial interest corpus	\$ 657,115	\$ 657,115
Beneficial interest earnings	160,801	134,383
	<u>\$ 817,916</u>	<u>\$ 791,498</u>

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

***Trusts Receivable – Charitable Remainder Trusts***

Fair value for level 3 trusts receivable utilizes the key input of a discount rate to convert the expected future cash flows from the trusts to a single present amount. SPCA utilized a discount rate of 4.49% at June 30, 2023 and 2.99% at June 30, 2022 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:

	2023	2022
Balance, beginning of year	\$ 217,652	\$ 979,698
Change in value of split-interest agreements	(34,743)	(103,395)
Distribution of split-interest agreements	-	(658,651)
	<u>\$ 182,909</u>	<u>\$ 217,652</u>
Balance, end of year	<u>\$ 182,909</u>	<u>\$ 217,652</u>

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

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

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The periodic valuation of the Company's total portfolio serves as the basis for determining the Company's net asset value, which the Company uses in determining the market value per share for purposes of issuing additional shares or buying back outstanding shares. The market value per share is determined by dividing the Company's net asset value by the number of shares outstanding. At June 30, 2023 and 2022, the Company has valued each share at \$87,434 and \$101,370 per share, respectively.

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

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	\$ 529,500	\$ -	Semi-annually	95 days advance notice required

  

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Prana Investments	\$ 613,895	\$ -	Semi-annually	95 days advance notice required

## 5. Contracts with Customers

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

	2023	2022
Shelter and clinic sales	\$ 1,141,587	\$ 1,086,241
Benefit shop sales	807,227	811,525
Contract sales	331,779	265,477
Behavior training and education fees	133,840	155,483
	<u>\$ 2,414,433</u>	<u>\$ 2,318,726</u>

The beginning and ending contract balances for the years ended June 30, 2023 and 2022 as follows:

	2023	2022	2021
Contracts receivable	\$ 43,828	\$ 55,444	\$ 33,980
Deferred revenue	\$ 15,572	\$ 44,416	\$ 24,760

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

## 6. Estates Receivable

SPCA had been named as a beneficiary in several wills and trusts at June 30, 2023 and 2022. At June 30, 2023 and 2022, it is estimated SPCA will receive \$3,122,326 and \$416,212, respectively, within the following year from wills and trust estates.

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**7. Pledges Receivable, net**

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

	2023	2022
Receivable in less than one year	\$ 773,161	\$ 465,336
Receivable in one to five years	975,500	692,365
Total	1,748,661	1,157,701
Less discount to net present value at 4.49% and 2.99%	(97,650)	(52,523)
Total pledges receivable - net	\$ 1,651,011	\$ 1,105,178

At June 30, 2023, pledges receivable included \$1,012,019 (present value of promised cash flows \$1,070,424) from members of SPCA's Board of Directors.

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

SPCA is a remainder beneficiary of several charitable remainder trusts:

***Remainder Interest in Sivertsen Estate - Assets Held in Trust***

SPCA is a five percent remainderman beneficiary under the terms of the Vail Benz Sivertsen Trust. The trust assets are held in trust by Clarence L. Finger, as Trustee. SPCA does not control the assets of the trust. The net present value of the trust assets SPCA is a beneficiary of was approximately \$74,406 and \$96,159 as of June 30, 2023 and 2022, respectively.

***Remainder Interest in Armstrong Trust - Assets Held in Trust***

SPCA is a twenty-five percent remainderman beneficiary under the terms of the Elizabeth S. Armstrong Charitable Remainder Unitrust. The trust assets are held in trust by Morgan Stanley Private Bank, as Trustee. SPCA does not control the assets of the trust. The net present value of the trust assets SPCA is a beneficiary of was approximately \$59,314 and \$64,490 as of June 30, 2023 and 2022, respectively.

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

SPCA is a 16.67% remainderman beneficiary under the terms of the Penelope G. Bridge Conderman Living Trust. The trust assets are held in trust by Mechanics Bank, as Trustee. SPCA does not control the assets of the trust. The net present value of the trust assets was approximately \$49,189 and \$57,003 as of June 30, 2023 and 2022, 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:

	2023	2022
Balance, beginning of year	\$ 217,652	\$ 979,698
Change in value of split-interest agreements	(34,743)	(103,395)
Distribution of split-interest agreements	-	(658,651)
Balance, end of year	\$ 182,909	\$ 217,652



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The primary assumptions used in these calculations are as follows:

- The discount interest rate used (the cost of the time value of money to SPCA) is 4.49% and 2.99% at June 30, 2023 and 2022, respectively.
- Life expectancies of life beneficiaries are assumed to be those in IRS Publication 590.

**9. Property and Equipment, net**

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

	2023	2022
Land	\$ 765,452	\$ 765,452
Land improvements	5,348,817	5,413,651
Building and improvements	15,770,532	16,203,868
Equipment	1,593,532	1,609,849
Vehicles	797,696	722,833
Leashold improvements	10,100	10,100
Computer software	42,279	44,754
Construction in progress	4,058,160	497,941
	28,386,568	25,268,448
Total	28,386,568	25,268,448
Less accumulated depreciation	11,008,686	10,644,178
Property and equipment - net	\$17,377,882	\$14,624,270

Depreciation expense for the years ended June 30, 2023 and 2022 was \$884,629 and \$882,589, respectively.

**10. Contributed Nonfinancial Assets**

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

	2023	2022
Benefit Shop Donated Inventory	\$ 807,179	\$ 811,558
Supplies	22,928	22,095
	\$ 830,107	\$ 833,653

The SPCA's policy related to contributed nonfinancial assets is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the SPCA to utilize it in its normal course of business, the asset will be sold at its fair market value.

The SPCA received donations of clothing and household goods for their benefit shop inventory with an estimated fair market value of \$807,179 and \$811,558 for the years ended June 30, 2023 and 2022, respectively.

Contributed supplies were used in the following programs: Animal Care, Clinic Operations, Humane Investigations, Barn, Community Outreach, Wild Life, Administration and Special Events in the amount of \$22,928 and \$22,095 for the years ended June 30, 2023 and 2022, respectively. These amounts have also been charged to expense in the statement of activities. In valuing the supplies, the SPCA estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products.

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No contributions of professional services were recognized for the years ended June 30, 2023 and 2022.

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

## 11. Leasing Arrangements

### *Adoption of New Accounting Standard*

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-02, which amends the FASB Accounting Standards Codification (ASC) and creates Topic 842, *Leases*, requiring organizations to recognize lease assets and lease liabilities on the statement of financial position and requiring disclosure of key information about leasing arrangements.

The SPCA adopted ASC Topic 842 as of July 1, 2021 using the modified retrospective method. The SPCA has elected the practical expedients permitted in ASC Topic 842. Accordingly, the SPCA accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustment would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. This standard did not have a material impact on the SPCA's cash flows from operations or operating results. The most significant impact was the recognition of a right-of-use asset and lease obligation for operating leases.

As a result of adopting the new standard effective July 1, 2021, the SPCA recorded an operating lease right-of-use asset and operating lease liability of \$947,705 and restated the 2022 statement of financial position, statement of activity, statement of functional expenses, and cash flows as follows:

	2022 As previously reported	2022 Restated
Assets		
Operating right-of-use assets	\$ -	\$ 857,968
Liabilities and net assets		
Current liabilities		
Operating lease liability, current portion	\$ -	\$ 99,000
Long-term Liabilities		
Operating lease liability, less current portion	\$ -	\$ 761,968
Net assets without donor restrictions		
Undesignated	\$ 24,687,406	\$ 24,684,406
Change in net assets without donor restriction:		
Supporting services		
Benefit shop		
Rent	\$ 1,188,968	\$ 1,191,968

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The SPCA has an operating lease for their Benefit Shop with terms through June 2031 including extensions that management reasonably expects to take. Rental expense is recognized for the lease on a straight-line basis over the lease term. Total rental expense under this lease was \$109,572 and \$106,271 for the years ended June 30, 2023 and 2022, respectively and is included in support service expense as rent for their Benefit Shop.

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

	<u>2023</u>	<u>2022</u>
Operating lease right-of-use asset	\$ 768,122	\$ 857,968
Current operating lease liability	\$ 99,000	\$ 99,000
Noncurrent operating lease liability	675,122	761,968
Total lease liability	<u>\$ 774,122</u>	<u>\$ 860,968</u>

The SPCA has made an accounting policy election to use a risk-free rate as the discount rate in measuring its lease obligations. Under this election, the risk-free rate used is the rate for a United States Treasury investment with a term consistent with the remaining lease term of applicable lease. This election is made for all equipment and real state leases. The following summarizes the remaining lease term and discount rate as of June 30:

	<u>2023</u>	<u>2022</u>
Operating lease remaining lease term	8 years	9 years
Operating lease discount rate	1.48%	1.48%

Maturities of lease liabilities as of June 30, 2023 were as follows:

Year ending June 30:		
2024		\$ 99,000
2025		99,000
2026		99,000
2027		105,000
2028		105,000
Thereafter		<u>315,000</u>
Total lease payments		822,000
Less present value discount		(47,878)
Present value of lease liabilities		<u>\$ 774,122</u>

## 12. Endowments

SPCA's endowment consists of three funds established for general operating purposes. The first donor-restricted endowment fund was established in 2012. The second donor-restricted endowment fund was established in 2022 with a gift from the estate of Claire R. Jacobson. The endowment also includes certain assets without donor restrictions that have been designated for endowment by the Board of Directors. This quasi-endowment fund was established in 2007 as the Toookie Benning Fund. The Board of Directors has undesignated funds at its discretion for various purposes since its establishment. Going forward, the intention of the Board of Directors is to preserve the amount invested.

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As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

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

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

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

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

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

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

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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, 2023 and 2022.

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

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

	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 21,026,566	\$ 21,026,566
Purpose-restricted funds and accumulated investment gains	-	3,871,036	3,871,036
Beneficial interest in Community Foundation	-	657,116	657,116
Board-designated quasi-endowment funds	8,683,019	-	8,683,019
	<u>\$ 8,683,019</u>	<u>\$ 25,554,718</u>	<u>\$ 34,237,737</u>

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	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 21,026,566	\$ 21,026,566
Purpose-restricted funds and accumulated investment gains	-	1,352,476	1,352,476
Beneficial interest in Community Foundation	-	657,115	657,115
Board-designated quasi-endowment funds	7,970,095	-	7,970,095
	<u>\$ 7,970,095</u>	<u>\$ 23,036,157</u>	<u>\$ 31,006,252</u>

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

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

  

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 9,319,115	\$ 5,518,275	\$14,837,390
Contributions	-	17,609,380	17,609,380
Investment return, net	(1,349,020)	(72,377)	(1,421,397)
Amounts appropriated for expenditure	-	(19,121)	(19,121)
Endowment net assets, end of year	<u>\$ 7,970,095</u>	<u>\$23,036,157</u>	<u>\$31,006,252</u>

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**13. Net Assets with Donor Restrictions**

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

	2023	2022
Subject to expenditure for specified purpose:		
Capital campaign	\$ 3,423,457	\$ 4,250,561
Disaster emergency fund	2,384	32,735
Hug-a-pet program	5,395	5,395
Jacobson capital improvement fund	5,167,986	5,000,000
Mobile clinic	49,496	71,562
Pet meals	15,497	30,946
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	59,314	64,490
Conderman trust	49,189	57,003
Sivertsen trust	74,406	96,159
Total	8,856,086	9,617,813
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	21,683,682	21,683,681
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	3,871,036	1,352,476
Total net assets with donor restrictions	\$ 34,410,804	\$ 32,653,970

**14. Retirement Plan**

SPCA established a salary deferral retirement plan designated to qualify under Section 403(b) of the Internal Revenue Code. The plan covers all employees who are at least 18 years of age. Employees may begin contributing to the plan upon hire and become eligible for discretionary employer contributions after one year of service. SPCA's contribution is discretionary as determined annually by the Board of Directors. In the years ended June 30, 2023 and 2022, SPCA made discretionary contributions totaling \$140,665 and \$102,955, respectively.

**15. Deferred Compensation Plan**

On July 11, 2016, SPCA established an eligible deferred compensation plan under Section 457(b) which provides deferred compensation benefits for SPCA's Executive Director, in accordance with sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. In 2022, The SPCA's Board of Director's authorized the expansion of the plan to include Vice-President level employees. The amounts payable to the participants under this plan are strictly from the general assets of SPCA and are available to general creditors of SPCA and are included in the statement of financial position.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

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, 2023 and 2022 was \$17,214 and \$53,750, respectively.

The total market value of the 457(b) plan's restricted investments and related deferred compensation plan payable to employees included in the statement of financial position at June 30, 2023 and 2022 was \$112,734 and \$101,907, respectively.

**16. Subsequent Events**

SPCA has performed an evaluation of subsequent events through January 31, 2024, which is the date the financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.