FINANCIAL STATEMENTS December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Placer County Society for the
Prevention of Cruelty to Animals
Roseville, California

We have audited the accompanying financial statements of Placer County Society for the Prevention of Cruelty to Animals ("Placer SPCA"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2013 and 2012, 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 Organization'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 Organization'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.



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916.751.2900 916.751.2979 FAX pccllp.com We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Placer SPCA, as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

January 8, 2014

Roseville, California

Brogo Britane Seniglie LLP

STATEMENTS OF FINANCIAL POSITION December 31, 2013 and 2012

ASSETS

	2013	2012						
Current assets:								
Cash and cash equivalents	\$ 935,327	\$ 669,179						
Accounts receivable	42,496	105,100						
Investments in marketable securities	3,035,742	2,402,035						
Other investments	258,268	562,641						
Pledges receivable, current portion	63,273	-						
Other current assets	3,233	442,083						
Total current assets	4,338,339	4,181,038						
Pledges receivable, net of current portion	157,193	-						
Property and equipment, net	2,383,010	2,372,966						
Total assets	\$ 6,878,542	\$ 6,554,004						
LIABILITIES AND NET ASSETS								
Current liabilities:								
Accounts payable	\$ 61,709	\$ 127,387						
Accrued expenses	58,298	70,581						
Note payable, current portion		500,000						
Total current liabilities	120,007	697,968						
Note payable, net of current portion		500,000						
Total liabilities	120,007	1,197,968						
Net assets:								
Unrestricted	6,428,812	4,291,193						
Unrestricted, board designated building fund	-	1,000,000						
Temporarily restricted	329,723	64,843						
Total net assets	6,758,535	5,356,036						
Total liabilities and net assets	\$ 6,878,542	\$ 6,554,004						

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2013 and 2012

	Unrestricted	Temporarily Restricted	2013 Total
Support and revenue:			
Public support	\$1,438,947	\$ -	\$1,438,947
Restricted contributions and grants	-	403,373	403,373
Fundraising events, net of direct fundraising			
costs of \$215,743	238,815	-	238,815
Shelter operation revenue	801,718	-	801,718
In-kind revenue	50,379	-	50,379
Interest	23,045	-	23,045
Net realized gains and losses on investments	141,022	-	141,022
Net unrealized gains and losses on investments	472,871	-	472,871
Net assets released from restriction	138,493	(138,493)	
Total support and revenue	3,305,290	264,880	3,570,170
Expenses:			
Program services:			
Animal care and shelter operations	923,584	-	923,584
Adoption services	294,966	-	294,966
PetMobile	45,820	-	45,820
Behavior program	81,164	-	81,164
Shelter transfer	15,314	-	15,314
Animal lost and found	40,822	-	40,822
Humane education	190,205	-	190,205
Spay/neuter services and subsidies	248,072		248,072
Total program services	1,839,947		1,839,947
Support services:			
Management, general and administrative	115,248	-	115,248
Fundraising	212,476		212,476
Total support services	327,724		327,724
Total expenses	2,167,671		2,167,671
Change in net assets	1,137,619	264,880	1,402,499
Net assets, beginning of year	5,291,193	64,843	5,356,036
Net assets, end of year	\$6,428,812	\$ 329,723	\$6,758,535

STATEMENTS OF ACTIVITIES (CONTINUED) For the Years Ended December 31, 2013 and 2012

	Unrestricted	Temporarily Restricted	2012 Total
Support and revenue:			
Public support	\$1,199,871	\$ -	\$1,199,871
Restricted contributions and grants	-	141,562	141,562
Fundraising events, net of direct fundraising			
costs of \$80,051	380,887	-	380,887
Shelter operation revenue	998,553	-	998,553
In-kind revenue	45,100	-	45,100
Interest	60,696	-	60,696
Net realized gains and losses on investments	36,759	-	36,759
Net unrealized gains and losses on investments	124,411	-	124,411
Net assets released from restriction	187,624	(187,624)	
Total support and revenue	3,033,901	(46,062)	2,987,839
Expenses:			
Program services:			
Animal care and shelter operations	937,694	-	937,694
Adoption services	278,267	-	278,267
PetMobile	53,929	-	53,929
Behavior program	88,471	-	88,471
Shelter transfer	25,315	-	25,315
Animal lost and found	23,250	-	23,250
Humane education	192,120	-	192,120
Spay/neuter services and subsidies	267,835		267,835
Total program services	1,866,881		1,866,881
Support services:			
Management, general and administrative	111,929	-	111,929
Fundraising	231,422		231,422
Total support services	343,351		343,351
Total expenses	2,210,232		2,210,232
Change in net assets	823,669	(46,062)	777,607
Net assets, beginning of year	4,467,524	110,905	4,578,429
Net assets, end of year	\$5,291,193	\$ 64,843	\$5,356,036

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2013 and 2012

	Program Services									Support Services		
									2013			2013
	Animal Care							Spay/Neuter	Total	Management,		Total
	and Shelter	Adoption		Behavior	Shelter	Animal Lost	Humane	Services and	Program	General and		Support
	Operations	Services	PetMobile	Program	Transfer	and Found	Education	Subsidies	Services	Administrative	Fundraising	Services
Advertising	\$ -	\$ 683	\$ 57	\$ 57	\$ -	\$ -	\$ 114	\$ 171	\$ 1,082	\$ -	\$ 57	\$ 57
Automotive expenses	4,046	2,455	3,597	148	719	288	3,174	719	15,146	1,178	1,030	2,208
Compensation, director	19,887	19,887	6,628	6,628	-	6,628	19,886	6,628	86,172	19,886	26,514	46,400
Consulting/outside services	21,722	11,159	1,618	3,256	381	935	5,909	4,832	49,812	3,424	5,591	9,015
Depreciation	42,823	17,311	3,645	9,111	911	911	8,200	4,556	87,468	1,822	1,822	3,644
Education expenses	-	-	-	-	-	-	2,558	=	2,558	-	=	=
Insurance	885	884	885	884	885	884	885	884	7,076	885	884	1,769
Interest expense	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	33,600	4,200	4,200	8,400
Occupancy	64,648	39,070	5,288	11,178	2,344	2,344	17,438	12,939	155,249	3,992	3,992	7,984
Other salaries and wages	456,712	155,749	13,351	37,777	3,587	2,245	82,798	91,487	843,706	64,807	116,878	181,685
Payroll taxes	36,562	13,474	1,533	3,406	275	681	7,877	7,527	71,335	6,497	11,000	17,497
Postage and shipping	1,438	1,438	863	863	575	575	10,069	2,877	18,698	1,438	8,630	10,068
Printing and office	2,188	2,676	888	1,775	357	534	21,991	1,906	32,315	982	14,662	15,644
Supplies	5,555	7,906	530	782	530	530	3,833	530	20,196	5,582	14,604	20,186
Telephone	1,900	3,577	550	1,099	550	550	1,127	1,099	10,452	555	550	1,105
Veterinary spay/neuter	9,113	-	-	_	-	-	-	107,717	116,830	-	-	-
Veterinary/animal care	251,905	14,497	2,187			19,517	146		288,252		2,062	2,062
Total functional expenses	\$ 923,584	\$ 294,966	\$ 45,820	\$ 81,164	\$ 15,314	\$ 40,822	\$ 190,205	\$ 248,072	\$ 1,839,947	\$ 115,248	\$ 212,476	\$ 327,724

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Years Ended December 31, 2013 and 2012

	Program Services								Support Services			
									2012			2012
	Animal Care							Spay/Neuter	Total	Management,		Total
	and Shelter	Adoption		Behavior	Shelter	Animal Lost	Humane	Services and	Program	General and		Support
	Operations	Services	PetMobile	Program	Transfer	and Found	Education	Subsidies	Services	Administrative	Fundraising	Services
Advertising	\$ 976	\$ 2,440	\$ 244	\$ 244	\$ -	\$ -	\$ 488	\$ 244	\$ 4,636	\$ -	\$ 244	\$ 244
Automotive expenses	2,934	1,770	2,504	134	501	201	2,271	501	10,816	1,004	870	1,874
Compensation, director	5,278	5,277	5,277	5,278	5,278	5,278	15,833	5,278	52,777	26,388	26,388	52,776
Consulting/outside services	21,192	7,584	1,315	2,350	434	436	5,070	4,884	43,265	3,558	26,308	29,866
Depreciation	41,980	16,971	3,573	8,932	893	893	8,039	4,466	85,747	1,786	1,786	3,572
Education expenses	-	-	-	=	-	=	2,206	-	2,206	=	-	-
Insurance	1,472	1,476	1,476	1,476	1,476	1,476	1,476	1,476	11,804	1,476	1,476	2,952
Interest expense	8,929	8,927	8,927	8,927	8,927	8,927	8,927	8,927	71,418	8,927	8,927	17,854
Occupancy	62,038	38,721	4,621	11,553	1,157	1,157	18,038	13,714	150,999	3,103	3,103	6,206
Other salaries and wages	453,969	149,914	18,826	41,380	3,869	2,070	85,192	98,332	853,552	51,153	113,923	165,076
Payroll taxes	36,062	12,188	1,894	3,664	718	578	7,934	8,138	71,176	6,090	11,019	17,109
Postage and shipping	1,816	1,816	1,090	1,090	727	727	12,715	3,633	23,614	1,816	10,898	12,714
Printing and office	2,505	2,594	862	1,725	346	518	18,867	1,980	29,397	1,004	8,081	9,085
Supplies	5,369	8,118	520	780	520	520	3,924	1,138	20,889	5,155	13,620	18,775
Telephone	2,953	1,644	469	938	469	469	958	938	8,838	469	469	938
Veterinary spay/neuter	9,027	-	-	-	-	-	-	113,128	122,155	-	-	-
Veterinary/animal care	281,194	18,827	2,331	_			182	1,058	303,592	-	4,310	4,310
Total functional expenses	\$ 937,694	\$ 278,267	\$ 53,929	\$ 88,471	\$ 25,315	\$ 23,250	\$ 192,120	\$ 267,835	\$ 1,866,881	\$ 111,929	\$ 231,422	\$ 343,351

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 1,402,499	\$ 777,607
Adjustments to reconcile change in net assets to net cash		
provided by operating activities:		
Realized and unrealized gain on investments	(613,893)	(161,170)
Depreciation	91,113	89,319
Changes in operating assets and liabilities:		
Accounts receivable	62,604	(29,750)
Other current assets	438,850	(146,129)
Accounts payable	(65,678)	44,746
Accrued expenses	(12,283)	15,560
Net cash provided by operating activities	1,303,212	590,183
Cash flows from investing activities:		
Purchase of investments	(354,853)	(129,472)
Proceeds from sale of investments	639,412	56,309
Purchase of property and equipment	(101,157)	(87,338)
Net cash provided by (used in) investing activities	183,402	(160,501)
Cash flows from financing activities:		
Pledges restricted for long-term purposes	(220,466)	-
Principal payments on note payable	(1,000,000)	(500,000)
Net cash used in financing activities	(1,220,466)	(500,000)
Net change in cash	266,148	(70,318)
Cash, beginning of year	669,179	739,497
Cash, end of year	\$ 935,327	\$ 669,179
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 42,000	\$ 89,272

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 1: ORGANIZATION

The Placer County Society for the Prevention of Cruelty to Animals (the "Placer SPCA") was established in 1973 and opened the shelter in Roseville, California in 1995. The mission of the Placer SPCA is to enhance the lives of companion animals and support the human animal bond.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Placer SPCA have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Placer SPCA presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 205, *Not-for-Profit Entities – Presentation of Financial Statements* (FASB ASC 958-205). Under FASB ASC 958-205, the Placer SPCA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Placer SPCA is required to present a statement of cash flows. Accordingly, the net assets of the Placer SPCA and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Placer SPCA and/or the passage of time

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Placer SPCA.

Revenues and gains and losses on investments are reported as changes in unrestricted net assets unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. There were no permanently restricted net assets as of December 31, 2013 and 2012. In 2012, the Placer SPCA board of directors designated \$1,000,000 of unrestricted net assets to be set aside to pay down the loan on the building.

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

In accordance with the provisions of FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition* (FASB ASC 958-605), unconditional contributions are generally recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give (pledges) are recognized as revenues once a valid pledge has been received. The receivable and the corresponding revenue are recognized concurrently. Conditional contributions and pledges are recorded when the conditions have been met.

Unrestricted grants are recognized as support in the statement of activities upon receipt or accrual. The Placer SPCA reports certain grants as restricted support if they are received with grantor stipulations that limit their use.

The Placer SPCA solicits pledges and promises to give. Revenue from contributions is recognized when the donor makes a promise to give that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Placer SPCA also receives revenue through fundraising activities and shelter operations.

Measure of Operations

In its statement of activities, the Placer SPCA includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting services.

Program Services

The following is a description of the Placer SPCA's programs:

Animal Care and Shelter Operations - The Placer SPCA provides shelter, specialized care, and medical treatment to thousands of homeless and abandoned animals each year at its Companion Animal Care Center in Roseville and the Pet Resource and Adoption Center in Auburn. For companion animals owned by residents of Placer County, the Placer SPCA offers free emergency pet food and financial assistance to make it possible for loved pets to stay with their owners. The Placer SPCA also offers monthly low-cost rabies vaccination clinics to the public to help pets stay healthy.

PetMobile - The Pet Mobile is a state-of-the-art, 20 foot custom trailer that travels to areas throughout the county to showcase some of the wonderful animals available for adoption and the programs and services the Placer SPCA has available to the public.

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

Adoption Services - Through innovative programs and services, the Placer SPCA focuses on finding every adoptable animal in its care a loving forever home. The Placer SPCA provides adoption services at their main Center in Roseville and their Pet Resource and Adoption Center in Roseville. The Placer SPCA also has a satellite cat adoption center in Pet Food Express at Fountains, Roseville. Creative strategies are used to bring special attention to long-term or hard to-adopt animals. Senior citizens (over age 55) can adopt an animal four years and older with no fee.

Behavior Program - Through independent evaluations, the Placer SPCA's Behavior Department strives to understand an animal's behavior and then take the necessary steps to modify unsatisfactory behavior. Offering free consultations as a resource to all dog and cat owners in Placer County, the Behavior Department helps to promote happy, healthy human-animal relationships. Long-term canine residents of the Placer SPCA receive positive training to keep them occupied and engaged, and to prepare them for life with their permanent families.

Shelter Transfer - The Placer SPCA envisions a day when every adoptable companion animal in Placer County has a home. The Placer SPCA therefore supports other local animal welfare and sheltering entities by transferring animals from their facilities into its Companion Animal Care Center for medical care and to facilitate adoptions.

Animal Lost and Found - The Placer SPCA strives to reunite every lost companion animal in Placer County with the original owner. All dogs and cats adopted from the Placer SPCA are microchipped to facilitate them being found if ever lost. The Placer SPCA offers low-cost microchipping services to the public during all business hours. When owners redeem lost animals, they are offered microchipping at no additional cost. When a stray animal arrives at the Placer SPCA, staff and volunteers perform research to match lost animal reports or track down a new address for an existing microchip.

Humane Education - The Placer SPCA seeks a day when every animal is treated with kindness and respect, offering a variety of educational programs for youth and adults. Through the Humane Education Department, school-age youth and others can perform service projects that benefit the animals and provide lifelong lessons about compassion. The Placer SPCA also offers summer camps and after school programs for youth.

Thrift Store - The Placer SPCA operates a very successful thrift store, the revenue from which supports their many programs and services. The thrift store employs two part-time staff and is otherwise operated through the efforts of volunteers.

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

Spay/Neuter Services and Subsidies - The Placer SPCA envisions every Placer County resident having access to affordable spay and neuter services. The Placer SPCA partners with local veterinarians to offer a subsidized spay and neuter program. The United Auburn Indian Community Spay and Neuter Clinic, operated within the Placer SPCA's Companion Animal Care Center, allows the organization to perform on-site spay and neuter surgeries for adoptable animals in addition to owned pets and community cats.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Placer SPCA.

Volunteers, businesses and others contribute goods and a substantial amount of services toward the fulfillment of projects initiated by the Placer SPCA. Services donated include assistance with animal care, shelter operations and fundraising events. Contributed materials consist mainly of supplies used in the shelter. Volunteers donated approximately 96,696 and 84,739 hours of service, during 2013 and 2012, respectively. These items are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958-605 are not met

Cash and Cash Equivalents

Cash equivalents consist of all highly liquid investments with original maturities of three months or less.

Concentration of Credit Risk

The Placer SPCA maintains its cash and cash equivalents in multiple bank deposit accounts which, at times, exceed the \$250,000 per depositor Federal Deposit Insurance Corporation insured limits. For those accounts where bank deposits exceed federally insured limits, the Placer SPCA has required the banking institution to provide an insurance policy to cover the excess deposit amounts. The Placer SPCA also has cash and cash equivalent funds invested with an investment company that is protected up to \$500,000 against institution failure by the Securities Investor Protection Corporation. As of December 31, 2013 and 2012, the uninsured portion was \$181,174 and \$2,953, respectively.

Credit risk for accounts receivable is concentrated because substantially all of the balance is receivable from one entity.

Accounts Receivable

Accounts receivable are believed to be fully collectible by management; therefore, no allowance for uncollectible accounts has been established.

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Placer SPCA's policy is to expense advertising costs when the advertising first takes place. Advertising expense for the years ended December 31, 2013 and 2012, was \$1,422 and \$4,880, respectively.

Property and Equipment

Property and equipment, carried at cost if purchased or estimated fair market value if donated, is depreciated over the estimated useful life of the asset. The Placer SPCA's policy is to capitalize all assets valued at \$500 or more. Depreciation is computed on the straight-line method. Estimated useful lives are as follows:

	Life in Years
Furniture and equipment	3 to 6
Leasehold improvements	3 to 24
Buildings	39

Fair Value Measurements

The Placer SPCA has adopted the provisions of FASB ASC 820-10, *Fair Value Measurements and Disclosures* (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Placer SPCA determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Placer SPCA has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Placer SPCA's own suppositions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Placer SPCA's own data.

The fair values of investments are based on unadjusted quoted market prices within active markets.

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Income Taxes

The Placer County SPCA is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Accordingly, no provision is made for federal or state income taxes. After they are filed, the Placer SPCA's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Functional Expense Reporting

The costs of providing program and supporting services have been summarized by function, based on estimates developed by management. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through January 8, 2014, the date that the financial statements were available to be issued.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified, with no effect to change in net assets, to conform to the 2013 financial statement presentation.

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 3: INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities consist of cash on deposit with an investment company, equities and bond funds. These investments are intended to provide investment income to be used for the Placer SPCA's programs and operations. All investments are unrestricted and presented at fair market value.

At December 31, 2013 and 2012, investments in marketable securities consisted of the following:

_	2013			2012			
	 Cost		Market Value		Cost		Market Value
Money market	\$ 50,813	\$	50,813	\$	355,937	\$	355,937
Equities	-		-		19,985		15,777
Mutual funds:							
Large blend	292,801		330,473		197,016		233,400
Large growth	729,626		912,502		499,510		609,503
Large value	389,944		465,993		206,942		280,941
Mid-cap blend	154,277		210,691		140,932		151,423
Mid-cap growth	199,699		252,361		172,290		198,737
Moderate allocation	542,448		565,907		422,924		430,438
Natural resources	68,261		71,326		51,379		71,845
Specialty Building							
Materials	74,391		70,714		44,495		54,034
Bonds:					-		-
High yield	50,000		52,459		-		-
Various	 50,000		52,503		-		-
Total investments	\$ 2,602,260	\$	3,035,742	\$	2,111,410	\$	2,402,035

NOTE 4: OTHER INVESTMENTS

Other investments consist of certificates of deposit with original maturities of more than 90 days. These certificates of deposit are valued at their cost basis plus any accrued interest.

NOTE 5: OTHER CURRENT ASSETS

At December 31, 2012, \$425,504 in other current assets consists of amounts due from the City of Roseville (the "City") to be used as a land purchase credit as outlined in contracts with the City. The remainder of the balance in other current assets is made up of prepaid expenses. In 2013, the balance was collected.

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 6: PLEDGES RECEIVABLE

In 2013, the Placer SPCA began a capital campaign designed to raise funds for renovation of a new facility. Unconditional promises to give at December 31, 2013 consisted of the following:

Receivable in less than one year Receivable in one to five years	\$ 63,273 230,531
Receivable in one to rive years	 230,331
Total unconditional promises to give	293,804
Less discounts to net present value	(61,735)
Less allowance for uncollectible pledges	(11,603)
Net unconditional promises to give	\$ 220,466

Pledges receivable in more than one year are discounted at 10%.

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	2013	2012
Furniture and equipment Leasehold improvements Building	\$ 242,026 892,356 2,080,343	\$ 231,092 879,764 2,002,712
Total	3,214,725	3,113,568
Less accumulated depreciation	831,715	740,602
Property and equipment, net	\$ 2,383,010	\$ 2,372,966

NOTE 8: NOTE PAYABLE

In December 2011, the Placer SPCA signed a promissory note with the seller, SureWest Communications, for a parcel of land and the improvements thereon located at 99 Yosemite Street, Roseville, California. The note is for \$1,500,000 with an annual interest rate of 6.00%, interest payable in monthly installments of \$7,500. At December 31, 2012, \$1,000,000 was outstanding on the promissory note. In 2013, the note was paid in full.

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 9: OPERATING LEASE OBLIGATION

The Placer SPCA is obligated under the following operating leases:

Land and improvements thereon from the City of Roseville. This lease has a term commencing July 10, 2002 and expiring June 30, 2020. The lease, as amended in June 2003, calls for initial monthly rental payments of \$1,915. Either party may terminate the lease, without cause, upon 120 days notice. The lease contains a provision for leasehold improvement reimbursement if the City of Roseville terminates without cause.

Space for the operations of the Placer SPCA Thrift Store. This lease has a term commencing May 5, 2010 and expiring July 31, 2013, at an allocated monthly rent of \$2,660. This lease carries one three-year renewal option. On July 31, 2013, this lease was extended for a period of three years at an allocated monthly rent of \$3,040 with annual 3% increases.

Space for the operations of the Placer SPCA Pet Adoption and Resource Center in Auburn. This lease has a term commencing July 1, 2010 and expiring October 31, 2015, at an allocated monthly rent of \$1,410. This lease contains one five-year renewal option.

Office equipment with leases expiring through December 2013. The monthly rental obligation on these leases totals \$99 and allows for the option to purchase the leased equipment at fair market value at the end of the term.

Operating lease expenses for the years ended December 31, 2013 and 2012, were \$75,588 and \$74,248, respectively.

Future minimum lease payments at December 31, 2013, under agreements classified as operating leases with noncancelable terms, are as follows:

Year Ending December 31:	
2014	\$ 53,445
2015	50,753
2016	28,982
	_
Total	\$ 133,180

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 10: FAIR VALUE MEASUREMENTS

The following tables set forth by level, within the fair value hierarchy, the Placer SPCA's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2013 and 2012:

Assets at Fair Value as of December 31, 2013

	Level 1	Level 2	Level 3	Total
Money market	\$ 50,813	\$ -	\$ -	\$ 50,813
Mutual funds:				
Large blend	330,473	-	-	330,473
Large growth	912,502	-	-	912,502
Large value	465,993	-	-	465,993
Mid-cap blend	210,691	-	-	210,691
Mid-cap growth	252,361	-	-	252,361
Moderate allocation	565,907	-	-	565,907
Natural resources	71,326	-	-	71,326
Specialty building material	70,714	-	-	70,714
Bonds:				
High yield	52,459	-	-	52,459
Various	52,503			52,503
Total assets at fair value	\$ 3,035,742	\$ -	\$ -	\$ 3,035,742

Assets at Fair Value as of December 31, 2012

	Level 1	Level 2	Level 3	Total
Money market	\$ 355,937	\$ -	\$ -	\$ 355,937
Equities	15,777	-	-	15,777
Mutual funds:				
Large blend	287,434	-	-	287,434
Large growth	609,503	-	-	609,503
Large value	280,941	-	-	280,941
Mid-cap blend	151,423	-	-	151,423
Mid-cap growth	198,737	-	-	198,737
Moderate allocation	430,438	-	-	430,438
Natural resources	71,845			71,845
Total assets at fair value	\$ 2,402,035	\$ -	\$ -	\$ 2,402,035

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 11: TEMPORARILY RESTRICTED NET ASSETS

Net assets temporarily restricted for the following purposes consist of the following as of December 31:

	2013		2012	
SOS Fund	\$	32,195	\$	44,885
Food Assistance		2,827		1,095
Education		4,745		5,224
Building Fund		289,956		-
Cat Adoption		_		4,232
Guardian Angel		-		8,893
Auburn Shelter				514
Total	\$	329,723	\$	64,843

Net assets released from restrictions due to payments satisfying the purpose restrictions totaled \$138,493 and \$187,624, for the years ended December 31, 2013 and 2012, respectively.

NOTE 12: RELATED PARTY TRANSACTIONS

The Placer SPCA contracts for veterinary services with an animal hospital that is owned by a board member. The total veterinary care expenses paid to this board member were \$10,066 and \$29,148, during the years ended December 31, 2013 and 2012, respectively. Of these amounts \$497 and \$1,836 were included in accounts payable as of December 31, 2013 and 2012, respectively.

During 2010, the Placer SPCA contracted design and fit-out services for the Placer SPCA Pet Adoption and Resource Center in Auburn with a board member who is the president of the construction company awarded the work. The amount paid for these services during the year ended December 31, 2013 were \$15,494. No expenses were incurred for the year ended December 31, 2012.

The Placer SPCA contracted for general legal services with an attorney who works for a firm of a board member. During the year ended December 31, 2013, the total paid to this firm was \$4,548. There were no legal fees in 2012.

NOTES TO FINANCIAL STATEMENTS December 31, 2013 and 2012

NOTE 12: RELATED PARTY TRANSACTIONS (CONTINUED)

The Placer SPCA contracted with a former board member for insurance services for the 99 Yosemite building. The amount paid for insurance during the year ending the December 31, 2012 was \$13,680. There were no expense incurred in 2013.

Two current and former board members of the Placer SPCA hold presidential positions within banks and financial services companies with which the Placer SPCA has relationships. The total value of assets on deposit, managed by or at these institutions as of December 31, 2013 and 2012, was \$3,463,488 and \$2,849,984, respectively.

NOTE 13: CONCENTRATIONS

For the years ended December 31, 2013 and 2012, approximately 16% and 26%, respectively, of the Placer SPCA's revenue, excluding in-kind contributions, was earned under a contract with the City of Roseville, California. The Placer SPCA's market is concentrated in the Placer County, California geographical area.

NOTE 14: EMPLOYEE RETIREMENT PLAN

The Placer SPCA established a Simple IRA plan for its employees effective January 1, 2006. Employees are eligible to enroll one year after their date of hire provided that they have earned \$5,000 in gross wages during the preceding year. The Placer SPCA matches employee contributions up to 3% of their salary. During the years ended December 31, 2013 and 2012, the Placer SPCA made contributions to the plan of \$20,071 and \$21,262, respectively.