

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

**FINANCIAL STATEMENTS
December 31, 2017 and 2016**

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

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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, 2017 and 2016, 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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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 Placer County Society for the Prevention of Cruelty to Animals, as of December 31, 2017 and 2016, 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.

Proff Britton Coniglio LLP

November 26, 2018
Roseville, California

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 6,604,818	\$ 4,610,692
Accounts receivable	181,398	91,444
Investments in marketable securities	1,585,082	3,511,036
Pledges receivable, current portion	280,381	283,590
Other current assets	<u>25,648</u>	<u>25,777</u>
Total current assets	<u>8,677,327</u>	<u>8,522,539</u>
Pledges receivable, net of current portion	182,047	374,297
Property and equipment, net	<u>4,331,592</u>	<u>1,553,581</u>
Total assets	<u><u>\$ 13,190,966</u></u>	<u><u>\$ 10,450,417</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 1,338,552	\$ 332,673
Accrued expenses	<u>77,428</u>	<u>58,311</u>
Total current liabilities	<u>1,415,980</u>	<u>390,984</u>
Net assets:		
Unrestricted	11,750,442	9,232,299
Temporarily restricted	<u>24,544</u>	<u>827,134</u>
Total net assets	<u>11,774,986</u>	<u>10,059,433</u>
Total liabilities and net assets	<u><u>\$ 13,190,966</u></u>	<u><u>\$ 10,450,417</u></u>

The accompanying notes are an integral part
of these financial statements.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016

	Unrestricted	Temporarily Restricted	2017 Total
Support and revenue:			
Public support	\$ 1,660,069	\$ -	\$ 1,660,069
Restricted contributions and grants	-	425,548	425,548
Fundraising events, net of direct fundraising costs of \$97,692	572,331	-	572,331
Shelter operation revenue	1,077,886	-	1,077,886
In-kind revenue	80,623	-	80,623
Interest	80,238	-	80,238
Net realized gains on investments	566,699	-	566,699
Net unrealized losses on investments	(54,499)	-	(54,499)
Net assets released from restriction	1,228,138	(1,228,138)	-
Total support and revenue	5,211,485	(802,590)	4,408,895
Expenses:			
Program services:			
Animal care and shelter operations	1,256,903	-	1,256,903
Adoption services	383,282	-	383,282
PetMobile	33,199	-	33,199
Behavior program	79,754	-	79,754
Shelter transfer	15,765	-	15,765
Animal lost and found	2,638	-	2,638
Humane education	201,801	-	201,801
Spay/neuter services and subsidies	248,841	-	248,841
Total program services	2,222,183	-	2,222,183
Support services:			
Management, general and administrative	153,554	-	153,554
Fundraising	317,605	-	317,605
Total support services	471,159	-	471,159
Total expenses	2,693,342	-	2,693,342
Change in net assets	2,518,143	(802,590)	1,715,553
Net assets, beginning of year	9,232,299	827,134	10,059,433
Net assets, end of year	<u>\$11,750,442</u>	<u>\$ 24,544</u>	<u>\$11,774,986</u>

The accompanying notes are an integral part of these financial statements.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended December 31, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>
Support and revenue:			
Public support	\$ 1,245,810	\$ -	\$ 1,245,810
Restricted contributions and grants	-	837,429	837,429
Fundraising events, net of direct fundraising costs of \$158,414	522,719	-	522,719
Shelter operation revenue	1,085,748	-	1,085,748
In-kind revenue	85,850	-	85,850
Interest	90,746	-	90,746
Net realized losses on investments	(82,652)	-	(82,652)
Net unrealized gains on investments	176,173	-	176,173
Net assets released from restriction	778,161	(778,161)	-
	<u>3,902,555</u>	<u>59,268</u>	<u>3,961,823</u>
Total support and revenue			
Expenses:			
Program services:			
Animal care and shelter operations	1,219,427	-	1,219,427
Adoption services	346,436	-	346,436
PetMobile	34,538	-	34,538
Behavior program	80,307	-	80,307
Shelter transfer	6,343	-	6,343
Animal lost and found	1,567	-	1,567
Humane education	179,269	-	179,269
Spay/neuter services and subsidies	260,108	-	260,108
	<u>2,127,995</u>	<u>-</u>	<u>2,127,995</u>
Total program services			
Support services:			
Management, general and administrative	160,502	-	160,502
Fundraising	271,007	-	271,007
	<u>431,509</u>	<u>-</u>	<u>431,509</u>
Total support services			
Total expenses	<u>2,559,504</u>	<u>-</u>	<u>2,559,504</u>
Change in net assets	1,343,051	59,268	1,402,319
Net assets, beginning of year	<u>7,889,248</u>	<u>767,866</u>	<u>8,657,114</u>
Net assets, end of year	<u>\$ 9,232,299</u>	<u>\$ 827,134</u>	<u>\$10,059,433</u>

The accompanying notes are an integral part of these financial statements.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2017 and 2016

	Program Services								Support Services			
	Animal Care and Shelter Operations	Adoption Services	PetMobile	Behavior Program	Shelter Transfer	Animal Lost and Found	Humane Education	Spay/Neuter Services and Subsidies	2017 Total Program Services	Management, General and Administrative	Fundraising	2017 Total Support Services
Advertising	\$ 8,250	\$ 3,503	\$ 315	\$ 772	\$ 153	\$ 26	\$ 1,862	\$ 1,893	\$ 16,774	\$ 1,486	\$ 3,073	\$ 4,559
Automotive expenses	4,871	2,069	186	456	90	15	1,100	1,118	9,905	877	1,815	2,692
Consulting/outside services	104,016	16,566	1,489	3,649	721	121	8,806	8,956	144,324	7,026	14,532	21,558
Depreciation	21,329	9,057	814	1,995	394	66	4,814	4,899	43,368	3,841	7,945	11,786
Education expenses	-	-	-	-	-	-	2,252	-	2,252	-	-	-
Insurance	14,520	6,166	554	1,358	268	45	3,277	3,334	29,522	2,615	5,409	8,024
Occupancy	60,725	25,787	2,317	5,680	1,123	188	13,707	13,942	123,469	10,936	22,620	33,556
Payroll taxes	42,184	17,913	1,610	3,946	780	131	9,522	9,683	85,769	7,597	15,713	23,310
Postage and shipping	12,856	5,459	491	1,203	238	40	2,902	2,951	26,140	2,315	4,789	7,104
Printing and office	28,110	11,937	1,073	2,629	520	87	6,345	6,453	57,154	5,062	10,471	15,533
Salaries and wages	597,145	253,575	22,787	55,855	11,041	1,848	134,785	137,093	1,214,129	107,542	222,432	329,974
Supplies	18,243	7,746	696	1,706	337	54	4,118	4,185	37,085	3,285	6,795	10,080
Telephone	5,400	2,293	206	505	100	17	1,219	1,240	10,980	972	2,011	2,983
Veterinary spay/neuter	-	-	-	-	-	-	-	53,094	53,094	-	-	-
Veterinary/animal care	339,254	21,211	661	-	-	-	7,092	-	368,218	-	-	-
Total functional expenses	<u>\$ 1,256,903</u>	<u>\$ 383,282</u>	<u>\$ 33,199</u>	<u>\$ 79,754</u>	<u>\$ 15,765</u>	<u>\$ 2,638</u>	<u>\$ 201,801</u>	<u>\$ 248,841</u>	<u>\$ 2,222,183</u>	<u>\$ 153,554</u>	<u>\$ 317,605</u>	<u>\$ 471,159</u>

The accompanying notes are an integral part
of these financial statements.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Years Ended December 31, 2017 and 2016

	Program Services								Support Services			
	Animal Care and Shelter Operations	Adoption Services	PetMobile	Behavior Program	Shelter Transfer	Animal Lost and Found	Humane Education	Spay/Neuter Services and Subsidies	2016 Total Program Services	Management, General and Administrative	Fundraising	2016 Total Support Services
Advertising	\$ 3,269	\$ 1,298	\$ 134	\$ 318	\$ 25	\$ 6	\$ 671	\$ 798	\$ 6,519	\$ 635	\$ 1,073	\$ 1,708
Automotive expenses	4,037	1,603	166	393	31	8	829	985	8,052	785	1,325	2,110
Consulting/outside services	74,653	14,790	1,530	3,623	286	71	7,650	9,092	111,695	7,240	12,225	19,465
Depreciation	19,777	7,852	812	1,923	152	38	4,061	4,827	39,442	3,844	6,490	10,334
Education expenses	-	-	-	-	-	-	3,995	-	3,995	-	-	-
Insurance	13,330	5,292	547	1,296	102	25	2,737	3,253	26,582	2,591	4,374	6,965
Occupancy	58,716	23,312	2,411	5,710	451	111	12,057	14,331	117,099	11,412	19,269	30,681
Payroll taxes	43,530	17,282	1,788	4,233	334	83	8,939	10,624	86,813	8,460	14,285	22,745
Postage and shipping	14,373	5,707	590	1,398	110	27	2,951	3,508	28,664	2,793	4,717	7,510
Printing and office	23,419	9,298	962	2,277	180	44	4,809	5,716	46,705	4,551	7,685	12,236
Salaries and wages	578,113	229,527	23,743	56,217	4,441	1,097	118,713	141,098	1,152,949	112,358	189,716	302,074
Supplies	26,137	10,377	1,073	2,542	201	50	5,367	6,379	52,126	5,080	8,577	13,657
Telephone	3,872	1,537	159	377	30	7	795	945	7,722	753	1,271	2,024
Veterinary spay/neuter	-	-	-	-	-	-	-	58,552	58,552	-	-	-
Veterinary/animal care	356,201	18,561	623	-	-	-	5,695	-	381,080	-	-	-
Total functional expenses	<u>\$ 1,219,427</u>	<u>\$ 346,436</u>	<u>\$ 34,538</u>	<u>\$ 80,307</u>	<u>\$ 6,343</u>	<u>\$ 1,567</u>	<u>\$ 179,269</u>	<u>\$ 260,108</u>	<u>\$ 2,127,995</u>	<u>\$ 160,502</u>	<u>\$ 271,007</u>	<u>\$ 431,509</u>

The accompanying notes are an integral part of these financial statements.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,715,553	\$ 1,402,319
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pledges restricted for long-term purposes	267,011	(87,128)
Realized and unrealized gain (loss) on investments	512,200	(93,521)
Depreciation	55,154	49,776
Changes in operating assets and liabilities:		
Accounts receivable	(89,954)	77,397
Other current assets	129	(6,600)
Accounts payable	23,256	(4,007)
Accrued expenses	19,117	(89)
Net cash provided by operating activities	<u>2,502,466</u>	<u>1,338,147</u>
Cash flows from investing activities:		
Purchase of investments	(996,602)	(3,682,734)
Proceeds from sale of investments	2,410,356	3,474,460
Rehabilitation costs for Phase 1 project	(5,408,116)	(1,675,690)
Reimbursements from City for Phase 1 project	3,666,888	1,133,474
Purchase of property and equipment	<u>(109,314)</u>	<u>(23,670)</u>
Net cash used in investing activities	<u>(436,788)</u>	<u>(774,160)</u>
Cash flows from financing activities:		
Pledges restricted for long-term purposes	<u>(71,552)</u>	<u>(20,046)</u>
Net change in cash	1,994,126	543,941
Cash, beginning of year	<u>4,610,692</u>	<u>4,066,751</u>
Cash, end of year	<u>\$ 6,604,818</u>	<u>\$ 4,610,692</u>
<u>Supplemental schedule of non-cash investing activities:</u>		
Rehabilitation costs for Phase 1 project financed with accounts payable	<u>\$ 1,250,866</u>	<u>\$ 268,243</u>

The accompanying notes are an integral part of these financial statements.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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, 2017 and 2016.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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.

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.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

PetMobile - The PetMobile 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.

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 Companion and Animal Care Center in Roseville and their Pet Resource and Adoption Center in Auburn. 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.

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 one full-time and one part-time staff and is otherwise operated through the efforts of volunteers. Revenues from the thrift store for the years ended December 31, 2017 and 2016 totaled \$367,467 and \$339,981, respectively.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

Thrift Store (Continued) - Inventory at any point in time is valued at negligible amounts and not recorded on the statement of financial position.

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 88,054 and 84,478 hours of service, during 2017 and 2016, 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. 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, 2017 and 2016, the uninsured portion was \$1,022,856 and \$800,144, respectively. The Placer SPCA has not experienced any losses on these accounts and management believes the Placer SPCA is not exposed to any significant risk on cash accounts.

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

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

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

Pledges Receivable

Pledges receivable consists of unconditional promises to give for the capital campaign. Pledges that are receivable in more than one year, net of an allowance for uncollectible amounts, are initially reported at fair value, estimated by discounting them to their present value at a risk-adjusted rate. Thereafter, amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible pledges is provided based upon management's judgment, considering such factors as prior collection history, type of contribution, relationship with donor, and other relevant factors.

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, 2017 and 2016, was \$21,333 and \$8,227, 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 \$5,000 or more. Depreciation is computed on the straight-line method. Estimated useful lives are as follows:

	<u>Life in Years</u>
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).

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

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 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.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14 *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Placer SPCA is currently evaluating the impact the amendments in this ASU will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new standard will supersede much of the existing authoritative literature for leases. Under ASU 2016-02, a lessee will be required to recognize right-to-use assets and liabilities on their statement of financial position for all leases with lease terms of more than twelve months. The amendments in the update are effective for annual reporting periods beginning after December 15, 2019. Early application is permitted. The Placer SPCA is currently evaluating the impact the adoption of this ASU will have on its financial statements.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through November 26, 2018, the date that the financial statements were available to be issued.

NOTE 3: INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities consist of cash on deposit with an investment company, equities, exchange-traded funds (ETFs) 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.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 3: INVESTMENTS IN MARKETABLE SECURITIES (CONTINUED)

At December 31, 2017 and 2016, investments in marketable securities consist of the following:

	2017		2016	
	Cost	Market Value	Cost	Market Value
Stocks	\$ 9,373	\$ 14,382	\$ -	\$ -
ETFs:				
Foreign large blend	131,363	160,206	458,546	460,217
Intermediate-term bond	234,877	231,182	158,688	154,302
Large blend	334,363	417,125	1,088,049	1,168,739
Large growth	32,757	44,807	363,756	383,229
Large value	169,321	186,584	467,840	488,144
Mid-cap blend	106,753	127,461	276,614	303,570
Small blend	39,455	44,005	104,675	127,847
World bond	85,969	88,671	209,575	217,317
Mutual funds:				
Large blend	-	-	108,329	104,469
Bonds:				
High yield	89,892	90,735	-	-
Multi sector	181,683	179,924	-	-
Non-traditional	-	-	100,552	103,202
Total investments	<u>\$ 1,415,806</u>	<u>\$ 1,585,082</u>	<u>\$ 3,336,624</u>	<u>\$ 3,511,036</u>

NOTE 4: 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 consist of the following at December 31:

	2017	2016
Receivable in less than one year	\$ 280,381	\$ 283,590
Receivable in one to five years	<u>260,364</u>	<u>524,166</u>
Total unconditional promises to give	540,745	807,756
Less discounts to net present value	(53,978)	(115,243)
Less allowance for uncollectible pledges	<u>(24,339)</u>	<u>(34,626)</u>
Net unconditional promises to give	<u>\$ 462,428</u>	<u>\$ 657,887</u>

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

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5: PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 399,923	\$ 290,610
Leasehold improvements	893,081	893,081
Building in progress	<u>4,147,698</u>	<u>1,423,847</u>
Total	5,440,702	2,607,538
Less accumulated depreciation	<u>1,109,110</u>	<u>1,053,957</u>
Property and equipment, net	<u>\$ 4,331,592</u>	<u>\$ 1,553,581</u>

Building in progress consists of costs to acquire and rehabilitate a new adoption and education center. Phase 1 of this project is estimated to cost \$12.1 million. The building was placed in service in 2018. On July 1, 2015, the Placer SPCA entered into an agreement with the City of Roseville to transfer a 68% interest in the building and rehabilitation. As costs are incurred by the Placer SPCA, 68% will be reimbursed by the City up to a maximum of \$7.6 million. As of December 31, 2017 and 2016, \$6,402,059 and \$2,735,171, respectively, of cumulative costs had been reimbursed by the City under the terms of the agreement and, therefore, are not reflected on the statements of financial position. See Note 12 for further discussion of this agreement.

NOTE 6: 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 carries one three-year renewal option. On November 1, 2016, this lease was extended for a period of three years at an allocated monthly rent of \$3,300 with annual 3% increases.

Additional space for the operations of the Placer SPCA Thrift Store

This lease has a term commencing October 5, 2017 and expiring October 31, 2019, at an allocated monthly rent of \$840. Terms of the lease do not provide a renewal option.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 6: OPERATING LEASE OBLIGATION (CONTINUED)

Space for the operations of the Placer SPCA Pet Adoption and Resource Center in Auburn

This lease has a term commencing November 1, 2015 and expiring October 31, 2018, at an allocated monthly rent of \$1,760 with annual 3% increases.

Portable office building for the Placer SPCA operations

This lease has a term commencing February 1, 2015 and expiring February 1, 2017, at an allocated monthly rent of \$345. After February 1, 2017 the lease converted to a month-to-month lease.

Office Equipment

This lease has a term commencing January 3, 2018 and expiring April 3, 2021, at an allocated monthly rent of \$239. Terms of the lease do not provide a renewal option.

Operating lease expenses for the years ended December 31, 2017 and 2016, were \$98,356 and \$92,838, respectively.

Future minimum lease payments at December 31, 2017, under agreements classified as operating leases with noncancelable terms, are as follows:

<u>Year Ending December 31:</u>	
2018	\$ 61,601
2019	37,868
2020	2,868
2021	717
	<hr/>
Total	<u>\$ 103,054</u>

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 7: FAIR VALUE MEASUREMENTS

The following tables set forth by level, within the fair value hierarchy, the Placer SPCA's assets that are measured at fair value on a recurring basis as of December 31, 2017 and 2016:

Assets at Fair Value as of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 14,382	\$ -	\$ -	\$ 14,382
ETFs:				
Foreign large blend	160,206	-	-	160,206
Intermediate-term bond	231,182	-	-	231,182
Large blend	417,125	-	-	417,125
Large growth	44,807	-	-	44,807
Large value	186,584	-	-	186,584
Mid-cap blend	127,461	-	-	127,461
Small blend	44,005	-	-	44,005
World bond	88,671	-	-	88,671
Bonds:				
High yield	90,735	-	-	90,735
Multi sector	<u>179,924</u>	<u>-</u>	<u>-</u>	<u>179,924</u>
Total assets at fair value	<u>\$ 1,585,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,585,082</u>

Assets at Fair Value as of December 31, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ETFs:				
Foreign large blend	\$ 460,217	\$ -	\$ -	\$ 460,217
Intermediate-term bond	154,302	-	-	154,302
Large blend	1,168,739	-	-	1,168,739
Large growth	383,229	-	-	383,229
Large value	488,144	-	-	488,144
Mid-cap blend	303,570	-	-	303,570
Small blend	127,847	-	-	127,847
World bond	217,317	-	-	217,317
Mutual funds:				
Large blend	104,469	-	-	104,469
Bonds:				
Non-traditional	<u>103,202</u>	<u>-</u>	<u>-</u>	<u>103,202</u>
Total assets at fair value	<u>\$ 3,511,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,511,036</u>

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
SOS Fund	\$ 24,544	\$ 28,986
Building Fund	-	786,169
Other	<u>-</u>	<u>11,979</u>
Total	<u>\$ 24,544</u>	<u>\$ 827,134</u>

Net assets released from restrictions due to payments satisfying the purpose restrictions totaled \$1,228,138 and \$778,161, for the years ended December 31, 2017 and 2016, respectively.

NOTE 9: RELATED PARTY TRANSACTIONS

The spouse of a current board member of the Placer SPCA is the owner of a financial services company with which the Placer SPCA has a relationship. A current board member is employed by a financial services company with which the Placer SPCA has a relationship. The total value of assets on deposit, managed by or at these institutions as of December 31, 2017 and 2016, was \$4,446,979 and \$3,586,809, respectively.

Pledges receivable from the board, management, and affiliated parties amounted to \$64,497 and \$138,598 at December 31, 2017 and 2016, respectively.

The Placer SPCA contracts for legal services with law firms that are owned by current board members. The total legal fees paid to these board members and law firms were \$4,094 and \$49,700, respectively, during the year ended December 31, 2017. There were no legal fees paid to these law firms during the year ended December 31, 2016.

NOTE 10: CONCENTRATIONS

For the years ended December 31, 2017 and 2016, approximately 19% and 21%, 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.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 11: 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, 2017 and 2016, the Placer SPCA made contributions to the plan of \$21,516 and \$21,942, respectively.

NOTE 12: BUILDING CONTRACT WITH CITY OF ROSEVILLE

In July 2015, Placer SPCA entered into a contract with the City of Roseville to transfer 68% of the ownership in real property located at 99 Yosemite Street from Placer SPCA to the City of Roseville. In exchange for this share of ownership, the City of Roseville will pay an amount not to exceed \$7,600,000 to help the Placer SPCA construct Phase 1 of its new facility. Within sixty (60) days of completion of Phase I of the new facility, Placer SPCA shall provide to the City of Roseville the total actual costs, including construction costs, land, and all soft costs, of Phase 1 of the new facility, to determine whether 68% of the actual costs of Phase 1 of the new facility is less than the \$7,600,000 City of Roseville share of Phase 1 of the new facility. If said actual costs are less than the amount of the City of Roseville's share, Placer SPCA shall refund the difference to the City of Roseville. Under no circumstances will the City of Roseville's share of the costs of Phase 1 of the new facility be greater than \$7,600,000.

Beginning July 1, 2027, the start of year 13 of the agreement term, both the City of Roseville and the Placer SPCA shall have the right to exercise an option to purchase the other party's ownership interest in the new facility, subject to terms and conditions.