

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

**FINANCIAL STATEMENTS  
December 31, 2018 and 2017**

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, 2018 and 2017, 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.

9261 Sierra College Boulevard  
Roseville, California 95661

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 Placer County Society for the Prevention of Cruelty to Animals, as of December 31, 2018 and 2017, 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 11, 2019  
Roseville, California

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 4,179,969	\$ 6,604,818
Accounts receivable	94,548	181,398
Investments in marketable securities	2,541,930	1,585,082
Pledges receivable, current portion	208,357	280,381
Other current assets	<u>18,956</u>	<u>25,648</u>
Total current assets	<u>7,043,760</u>	<u>8,677,327</u>
Pledges receivable, net of current portion	71,146	182,047
Property and equipment, net	<u>5,944,602</u>	<u>4,331,592</u>
Total assets	<u>\$ 13,059,508</u>	<u>\$ 13,190,966</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 71,946	\$ 1,338,552
Accrued expenses	<u>86,133</u>	<u>77,428</u>
Total current liabilities	<u>158,079</u>	<u>1,415,980</u>
Net assets:		
Without donor restrictions	12,868,957	11,750,442
With donor restrictions	<u>32,472</u>	<u>24,544</u>
Total net assets	<u>12,901,429</u>	<u>11,774,986</u>
Total liabilities and net assets	<u>\$ 13,059,508</u>	<u>\$ 13,190,966</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, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Support and revenue:			
Public support	\$ 2,271,326	\$ -	\$ 2,271,326
Restricted contributions and grants	-	364,480	364,480
Fundraising events, net of direct fundraising costs of \$118,201	492,657	-	492,657
Shelter operation revenue	1,067,455	-	1,067,455
In-kind revenue	62,911	-	62,911
Net return on investments	(130,405)	-	(130,405)
Net assets released from restriction	356,552	(356,552)	-
<b>Total support and revenue</b>	<b>4,120,496</b>	<b>7,928</b>	<b>4,128,424</b>
Expenses:			
Program services:			
Animal care and shelter operations	1,369,136	-	1,369,136
Adoption services	555,971	-	555,971
PetMobile	31,050	-	31,050
Behavior program	113,844	-	113,844
Shelter transfer	20,818	-	20,818
Animal lost and found	6,434	-	6,434
Humane education	227,587	-	227,587
Spay/neuter services and subsidies	255,250	-	255,250
<b>Total program services</b>	<b>2,580,090</b>	<b>-</b>	<b>2,580,090</b>
Support services:			
Management, general and administrative	171,747	-	171,747
Fundraising	250,144	-	250,144
<b>Total support services</b>	<b>421,891</b>	<b>-</b>	<b>421,891</b>
<b>Total expenses</b>	<b>3,001,981</b>	<b>-</b>	<b>3,001,981</b>
Change in net assets	1,118,515	7,928	1,126,443
Net assets, beginning of year	11,750,442	24,544	11,774,986
Net assets, end of year	<u>\$12,868,957</u>	<u>\$ 32,472</u>	<u>\$12,901,429</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, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	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
Net return on investments	592,438	-	592,438
Net assets released from restriction	1,228,138	(1,228,138)	-
Total support and revenue	<u>5,211,485</u>	<u>(802,590)</u>	<u>4,408,895</u>
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	<u>2,222,183</u>	<u>-</u>	<u>2,222,183</u>
Support services:			
Management, general and administrative	153,554	-	153,554
Fundraising	317,605	-	317,605
Total support services	<u>471,159</u>	<u>-</u>	<u>471,159</u>
Total expenses	<u>2,693,342</u>	<u>-</u>	<u>2,693,342</u>
Change in net assets	2,518,143	(802,590)	1,715,553
Net assets, beginning of year	<u>9,232,299</u>	<u>827,134</u>	<u>10,059,433</u>
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 FUNCTIONAL EXPENSES  
For the Years Ended December 31, 2018 and 2017

	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	2018 Total Program Services	Management, General and Administrative	Fundraising	2018 Total Support Services
Advertising	\$ 8,683	\$ 4,782	\$ 271	\$ 1,021	\$ 187	\$ 58	\$ 1,943	\$ 2,275	\$ 19,220	\$ 1,540	\$ 2,243	\$ 3,783
Automotive expenses	4,046	2,228	126	476	87	27	905	1,060	8,955	718	1,045	1,763
Consulting/outside services	122,579	19,924	1,130	4,253	778	240	8,095	9,479	166,478	6,416	9,345	15,761
Depreciation	48,066	26,471	1,501	5,651	1,033	319	10,755	12,593	106,389	8,524	12,416	20,940
Education expenses	-	-	-	-	-	-	1,634	-	1,634	-	-	-
Fundraising events	-	-	-	-	-	-	-	-	-	-	118,201	118,201
Insurance	15,420	8,492	482	1,813	331	102	3,450	4,040	34,130	2,735	3,983	6,718
Occupancy	85,818	47,262	2,681	10,089	1,845	570	19,203	22,484	189,952	15,220	22,167	37,387
Payroll taxes	45,613	25,120	1,425	5,362	981	303	10,206	11,950	100,960	8,089	11,782	19,871
Postage and shipping	12,925	7,118	404	1,519	278	86	2,892	3,386	28,608	2,292	3,339	5,631
Printing and office	25,795	14,206	806	3,032	555	171	5,772	6,758	57,095	4,575	6,663	11,238
Salaries and wages	636,338	350,443	19,878	74,807	13,679	4,229	142,387	166,718	1,408,479	112,855	164,370	277,225
Supplies	27,104	14,927	847	3,186	583	180	6,065	7,101	59,993	4,808	7,001	11,809
Telephone	6,910	3,805	216	812	148	46	1,546	1,810	15,293	1,225	1,785	3,010
Veterinary spay/neuter	15,505	8,539	484	1,823	333	103	3,469	4,062	34,318	2,750	4,005	6,755
Veterinary/animal care	314,334	22,654	799	-	-	-	9,265	1,534	348,586	-	-	-
<b>Total expenses</b>	<b>1,369,136</b>	<b>555,971</b>	<b>31,050</b>	<b>113,844</b>	<b>20,818</b>	<b>6,434</b>	<b>227,587</b>	<b>255,250</b>	<b>2,580,090</b>	<b>171,747</b>	<b>368,345</b>	<b>540,092</b>
Less expenses included with fundraising events on the statement of activities	-	-	-	-	-	-	-	-	-	-	(118,201)	(118,201)
<b>Total expenses included in the expenses section of the statement of activities</b>	<b>\$ 1,369,136</b>	<b>\$ 555,971</b>	<b>\$ 31,050</b>	<b>\$ 113,844</b>	<b>\$ 20,818</b>	<b>\$ 6,434</b>	<b>\$ 227,587</b>	<b>\$ 255,250</b>	<b>\$ 2,580,090</b>	<b>\$ 171,747</b>	<b>\$ 250,144</b>	<b>\$ 421,891</b>

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, 2018 and 2017

	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	Management, General and Administrative	Fundraising	2017
									Total Program Services			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	-	-	-
Fundraising events	-	-	-	-	-	-	-	-	-	-	97,692	97,692
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	-	-	-
<b>Total expenses</b>	<b>1,256,903</b>	<b>383,282</b>	<b>33,199</b>	<b>79,754</b>	<b>15,765</b>	<b>2,638</b>	<b>201,801</b>	<b>248,841</b>	<b>2,222,183</b>	<b>153,554</b>	<b>415,297</b>	<b>568,851</b>
Less expenses included with fundraising events on the statement of activities	-	-	-	-	-	-	-	-	-	-	(97,692)	(97,692)
<b>Total expenses included in the expenses section of the statement of activities</b>	<b>\$ 1,256,903</b>	<b>\$ 383,282</b>	<b>\$ 33,199</b>	<b>\$ 79,754</b>	<b>\$ 15,765</b>	<b>\$ 2,638</b>	<b>\$ 201,801</b>	<b>\$ 248,841</b>	<b>\$ 2,222,183</b>	<b>\$ 153,554</b>	<b>\$ 317,605</b>	<b>\$ 471,159</b>

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, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 1,126,443	\$ 1,715,553
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pledges restricted for long-term purposes	209,737	267,011
Realized and unrealized gain (loss) on investments	(202,373)	512,200
Depreciation	127,330	55,154
Changes in operating assets and liabilities:		
Accounts receivable	86,850	(89,954)
Other current assets	6,692	129
Accounts payable	(18,990)	23,256
Accrued expenses	8,705	19,117
	1,344,394	2,502,466
Cash flows from investing activities:		
Purchase of investments	(2,206,703)	(996,602)
Proceeds from sale of investments	1,452,228	2,410,356
Rehabilitation costs for Phase 1 project	(4,091,042)	(5,408,116)
Reimbursements from City for Phase 1 project	1,197,941	3,666,888
Purchase of property and equipment	(94,855)	(109,314)
	(3,742,431)	(436,788)
Cash flows from financing activities:		
Pledges restricted for long-term purposes	(26,812)	(71,552)
	(26,812)	(71,552)
Net change in cash	(2,424,849)	1,994,126
Cash, beginning of year	6,604,818	4,610,692
Cash, end of year	\$ 4,179,969	\$ 6,604,818
<u>Supplemental schedule of non-cash investing activities:</u>		
Rehabilitation costs for Phase 1 project financed with accounts payable	\$ 3,250	\$ 1,250,866

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, 2018 and 2017

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*

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 Not-for-Profit Entities Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the presentation of 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 Placer SPCA has adopted the provision as of December 31, 2018.

The Placer SPCA presents its financial statements in accordance with FASB ASC Topic 958, Subtopic 210 (FASB ASC 958-210), Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC 958-210, the Placer SPCA is required to report information regarding its financial position and activities according to the following two classes of net assets:

*Net assets without donor restrictions* - Net assets that are not subject to stipulations.

*Net assets with donor restrictions* - Net assets that are subject to stipulations that will be met by actions or the passage of time.

Revenues and gains and losses on investments are reported as changes in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as changes in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Basis of Presentation (Continued)*

Donor-restricted contributions are reported as revenues which increase net assets with donor restrictions. Expirations of donor restrictions on contributions whose restrictions are met in the same reporting period have been reported as reclassifications between the applicable classes of net assets.

*Revenue Recognition*

In accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 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 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.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

*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* – The Placer SPCA completed and moved into their new adoption and education center in June of 2018. This beautiful 20,000 square foot best in animal welfare practices hospital quality facility is designed to maintain animal health and well-being. The home-like atmosphere contributes to how calm and content the animals are in their cozy habitats. Through innovative programs and services, the Placer SPCA focuses on finding every adoptable animal in its care a loving forever home. In addition to their new adoption and education center, the Placer SPCA provides adoption services at 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 and promotions are used to bring attention to long-term or harder to adopt animals. Senior citizens (over age 55) can adopt an animal five 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.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

*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, 2018 and 2017 totaled \$299,068 and \$367,467, respectively. 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.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services (Continued)

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 68,035 and 88,054 hours of service, during 2018 and 2017, 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, 2018 and 2017, the uninsured portion was \$1,400,167 and \$1,022,856, 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.

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.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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, 2018 and 2017, was \$23,003 and \$21,333, 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).

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.



THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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 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.

Program and Functional Expenses

The costs of providing program services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Costs specifically identified with programs or fundraising are directly allocated to those functions. All costs not identifiable with a specific program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Placer SPCA's existence, are included as management and general expenses. Expenses that benefit more than one function of the Placer SPCA are allocated among the functions based generally on the amount of time and effort spent by personnel on each function.

Upcoming Accounting Pronouncements

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.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified, with no effect to change in net assets, to conform to the 2018 financial statement presentation.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through November 11, 2019, the date that the financial statements were available to be issued.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Placer SPCA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Placer SPCA's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 4,179,969	\$ 6,604,818
Accounts receivable	94,548	181,398
Investments in marketable securities	2,541,930	1,585,082
Pledges receivable, current portion	208,357	280,381
Other current assets	<u>18,956</u>	<u>25,648</u>
Financial assets	7,043,760	8,677,327
Less those unavailable for general expenditures within one year, due to purpose restrictions stipulated by donors	<u>32,472</u>	<u>24,544</u>
Financial assets available to meet cash need for expenditures within one year	<u>\$ 7,011,288</u>	<u>\$ 8,652,783</u>

NOTE 4: 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, 2018 and 2017

NOTE 4: INVESTMENTS IN MARKETABLE SECURITIES (CONTINUED)

At December 31, 2018 and 2017, investments in marketable securities consist of the following:

	2018		2017	
	Cost	Market Value	Cost	Market Value
Stocks	\$ -	\$ -	\$ 9,373	\$ 14,382
ETFs:				
Foreign large blend	139,839	133,572	131,363	160,206
Intermediate core bond	201,523	206,317	234,877	231,182
Large blend	329,952	338,036	334,363	417,125
Large growth	49,712	43,582	32,757	44,807
Large value	311,987	289,724	169,321	186,584
Mid-cap blend	107,785	93,578	106,753	127,461
Small blend	112,822	95,055	39,455	44,005
World bond	107,774	110,293	85,969	88,671
Intermediate core-plus	237,991	238,937	-	-
Short government	308,339	311,039	-	-
Global real estate	106,664	101,871	-	-
Preferred stock	92,474	86,543	-	-
World large stock	71,326	65,469	-	-
Bonds:				
High yield	212,857	200,066	89,892	90,735
Multi sector	245,895	227,848	181,683	179,924
Total investments	<u>\$ 2,636,940</u>	<u>\$ 2,541,930</u>	<u>\$ 1,415,806</u>	<u>\$ 1,585,082</u>

The following is a summary of net return on investments as of December 31, 2018 and 2017:

	2018	2017
Interest income	\$ 71,968	\$ 80,238
Realized	97,703	566,699
Unrealized	(284,023)	(54,499)
Investment fees	(16,053)	-
Net return on investments	<u>\$ (130,405)</u>	<u>\$ 592,438</u>

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5: 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:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 208,357	\$ 280,381
Receivable in one to five years	<u>122,651</u>	<u>260,364</u>
Total unconditional promises to give	331,008	540,745
Less discounts to net present value	(25,549)	(53,978)
Less allowance for uncollectible pledges	<u>(25,956)</u>	<u>(24,339)</u>
Net unconditional promises to give	<u>\$ 279,503</u>	<u>\$ 462,428</u>

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

NOTE 6: PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 494,778	\$ 399,923
Leasehold improvements	893,081	893,081
Building in progress	<u>5,793,183</u>	<u>4,147,698</u>
Total	7,181,042	5,440,702
Less accumulated depreciation	<u>1,236,440</u>	<u>1,109,110</u>
Property and equipment, net	<u>\$ 5,944,602</u>	<u>\$ 4,331,592</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, 2018 and 2017, \$7,600,000 and \$6,402,059, 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.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 7: 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.

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.

The lease was renewed commencing November 1, 2018 and expiring October 31, 2021, at an allocated monthly rent of \$1,912 with a 4% increase beginning November 1, 2020.

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, 2018 and 2017, were \$107,725 and \$98,356, respectively.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 7: OPERATING LEASE OBLIGATION (CONTINUED)

Future minimum lease payments at December 31, 2018, under agreements classified as operating leases with noncancelable terms, are as follows:

<u>Year Ending December 31:</u>	
2019	\$ 66,460
2020	24,054
2021	<u>18,618</u>
Total	<u>\$ 109,132</u>

NOTE 8: 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, 2018 and 2017:

Assets at Fair Value as of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ETFs:				
Foreign large blend	\$ 133,572	\$ -	\$ -	\$ 133,572
Intermediate core bond	206,317			206,317
Large blend	338,036	-	-	338,036
Large growth	43,582	-	-	43,582
Large value	289,724	-	-	289,724
Mid-cap blend	93,578	-	-	93,578
Small blend	95,055	-	-	95,055
World bond	110,293	-	-	110,293
Intermediate core-plus	238,937	-	-	238,937
Short government	311,039	-	-	311,039
Global real estate	101,871	-	-	101,871
Preferred stock	86,543	-	-	86,543
World large stock	65,469	-	-	65,469
Bonds:				
High yield	200,066	-	-	200,066
Multi sector	<u>227,848</u>	<u>-</u>	<u>-</u>	<u>227,848</u>
Total assets at fair value	<u>\$ 2,541,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,541,930</u>

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 8: FAIR VALUE MEASUREMENTS (CONTINUED)

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>

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2018</u>	<u>2017</u>
SOS Fund	\$ 22,472	\$ 24,544
Other	<u>10,000</u>	<u>-</u>
Total	<u>\$ 32,472</u>	<u>\$ 24,544</u>

Net assets released from restrictions due to payments satisfying the purpose restrictions totaled \$356,552 and \$1,228,138, for the years ended December 31, 2018 and 2017, respectively.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 10: 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, 2018 and 2017, was \$2,606,084 and \$4,446,979, respectively.

Pledges receivable from the board, management, and affiliated parties amounted to \$14,482 and \$64,497 at December 31, 2018 and 2017, respectively.

The Placer SPCA contracts for legal services with law firms that are owned by current board members. There were no legal fees paid to these law firms during the year ended December 31, 2018. 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.

NOTE 11: CONCENTRATIONS

For the years ended December 31, 2018 and 2017, approximately 20% and 19%, 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 12: 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, 2018 and 2017, the Placer SPCA made contributions to the plan of \$27,230 and \$21,516, respectively.

NOTE 13: 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.



THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 13: BUILDING CONTRACT WITH CITY OF ROSEVILLE (CONTINUED)

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.