

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

**FINANCIAL STATEMENTS
December 31, 2019 and 2018**

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 23

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, 2019 and 2018, 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, 2019 and 2018, 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.

Propp Christensen Caniglia LLP

March 8, 2021
Roseville, California

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 2,801,383	\$ 4,179,969
Accounts receivable	154,119	94,548
Investments in marketable securities	5,205,127	2,541,930
Pledges receivable, current portion	69,043	208,357
Other current assets	<u>27,892</u>	<u>18,956</u>
Total current assets	<u>8,257,564</u>	<u>7,043,760</u>
Pledges receivable, net of current portion	6,418	71,146
Property and equipment, net	<u>5,835,709</u>	<u>5,944,602</u>
Total assets	<u><u>\$ 14,099,691</u></u>	<u><u>\$ 13,059,508</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 120,747	\$ 71,946
Accrued expenses	<u>90,271</u>	<u>86,133</u>
Total current liabilities	<u>211,018</u>	<u>158,079</u>
Net assets:		
Without donor restrictions	13,628,360	12,868,957
With donor restrictions	<u>260,313</u>	<u>32,472</u>
Total net assets	<u>13,888,673</u>	<u>12,901,429</u>
Total liabilities and net assets	<u><u>\$ 14,099,691</u></u>	<u><u>\$ 13,059,508</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, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Support and revenue:			
Public support	\$ 1,379,771	\$ -	\$ 1,379,771
Restricted contributions and grants	-	449,188	449,188
Fundraising events, net of direct fundraising costs of \$117,226	619,689	-	619,689
Shelter operation revenue	1,178,701	-	1,178,701
In-kind revenue	50,711	-	50,711
Net return on investments	491,461	-	491,461
Net assets released from restriction	221,347	(221,347)	-
Total support and revenue	3,941,680	227,841	4,169,521
Expenses:			
Program services:			
Animal care and shelter operations	1,349,288	-	1,349,288
Adoption services	576,698	-	576,698
PetMobile	35,426	-	35,426
Behavior program	159,358	-	159,358
Shelter transfer	43,071	-	43,071
Animal lost and found	17,892	-	17,892
Humane education	216,271	-	216,271
Spay/neuter services and subsidies	297,386	-	297,386
Total program services	2,695,390	-	2,695,390
Support services:			
Management, general and administrative	246,968	-	246,968
Fundraising	239,919	-	239,919
Total support services	486,887	-	486,887
Total expenses	3,182,277	-	3,182,277
Change in net assets	759,403	227,841	987,244
Net assets, beginning of year	12,868,957	32,472	12,901,429
Net assets, end of year	<u>\$13,628,360</u>	<u>\$ 260,313</u>	<u>\$13,888,673</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, 2019 and 2018

	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)	-
Total support and revenue	4,120,496	7,928	4,128,424
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
Total program services	2,580,090	-	2,580,090
Support services:			
Management, general and administrative	171,747	-	171,747
Fundraising	250,144	-	250,144
Total support services	421,891	-	421,891
Total expenses	3,001,981	-	3,001,981
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 FUNCTIONAL EXPENSES
For the Years Ended December 31, 2019 and 2018

	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	2019 Total Program Services	Management, General and Administrative	Fundraising	2019 Total Support Services
Advertising	\$ 3,924	\$ 2,099	\$ 130	\$ 599	\$ 162	\$ 67	\$ 776	\$ 943	\$ 8,700	\$ 601	\$ 902	\$ 1,503
Automotive expenses	4,232	2,264	141	646	175	72	837	1,017	9,384	648	973	1,621
Consulting/outside services	9,179	4,911	305	1,402	379	157	1,815	2,206	20,354	88,620	2,110	90,730
Depreciation	77,859	41,656	2,588	11,888	3,213	1,335	15,395	18,710	172,644	11,917	17,897	29,814
Education expenses	-	-	-	-	-	-	2,140	-	2,140	-	-	-
Fundraising events	-	-	-	-	-	-	-	-	-	-	117,226	117,226
Insurance	14,584	7,803	485	2,227	602	250	2,884	3,505	32,340	2,232	3,352	5,584
Occupancy	85,443	45,714	2,840	13,046	3,526	1,465	16,895	20,533	189,462	13,078	19,641	32,719
Payroll taxes	51,845	27,738	1,724	7,916	2,139	889	10,252	12,459	114,962	7,935	11,918	19,853
Postage and shipping	10,856	5,808	361	1,657	448	186	2,146	2,609	24,071	1,662	2,495	4,157
Printing and office	29,348	15,702	976	4,481	1,211	503	5,803	7,052	65,076	4,492	6,746	11,238
Salaries and wages	723,111	386,876	24,039	110,407	29,841	12,396	142,983	173,770	1,603,423	110,681	166,223	276,904
Supplies	27,692	14,816	921	4,228	1,143	475	5,476	6,655	61,406	4,239	6,366	10,605
Telephone	5,637	3,016	187	861	232	97	1,115	1,354	12,499	863	1,296	2,159
Veterinary spay/neuter	-	-	-	-	-	-	-	44,780	44,780	-	-	-
Veterinary/animal care	305,578	18,295	729	-	-	-	7,754	1,793	334,149	-	-	-
Total expenses	1,349,288	576,698	35,426	159,358	43,071	17,892	216,271	297,386	2,695,390	246,968	357,145	604,113
Less expenses included with fundraising events on the statement of activities	-	-	-	-	-	-	-	-	-	-	(117,226)	(117,226)
Total expenses included in the expenses section of the statement of activities	\$ 1,349,288	\$ 576,698	\$ 35,426	\$ 159,358	\$ 43,071	\$ 17,892	\$ 216,271	\$ 297,386	\$ 2,695,390	\$ 246,968	\$ 239,919	\$ 486,887

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, 2019 and 2018

	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	-	-	-
Total expenses	1,369,136	555,971	31,050	113,844	20,818	6,434	227,587	255,250	2,580,090	171,747	368,345	540,092
Less expenses included with fundraising events on the statement of activities	-	-	-	-	-	-	-	-	-	-	(118,201)	(118,201)
Total expenses included in the expenses section of the statement of activities	\$ 1,369,136	\$ 555,971	\$ 31,050	\$ 113,844	\$ 20,818	\$ 6,434	\$ 227,587	\$ 255,250	\$ 2,580,090	\$ 171,747	\$ 250,144	\$ 421,891

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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 987,244	\$ 1,126,443
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pledges restricted for long-term purposes	(11,821)	(26,812)
Realized and unrealized gain (loss) on investments	373,015	(202,373)
Depreciation	202,459	127,330
Changes in operating assets and liabilities:		
Accounts receivable	(59,571)	86,850
Other current assets	(8,936)	6,692
Accounts payable	50,813	(18,990)
Accrued expenses	4,138	8,705
	1,537,341	1,107,845
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(5,714,425)	(2,206,703)
Proceeds from sale of investments	2,678,213	1,452,228
Rehabilitation costs for Phase 1 project	-	(4,091,042)
Reimbursements from City for Phase 1 project	-	1,197,941
Rehabilitation costs for Phase 2 project	(28,138)	-
Purchase of property and equipment	(67,440)	(94,855)
	(3,131,790)	(3,742,431)
Net cash used in investing activities		
Cash flows from financing activities:		
Pledges restricted for long-term purposes	215,863	209,737
	(1,378,586)	(2,424,849)
Net change in cash		
Cash, beginning of year	4,179,969	6,604,818
	\$ 2,801,383	\$ 4,179,969
Cash, end of year		
<u>Supplemental schedule of non-cash investing activities:</u>		
Rehabilitation costs for Phase 1 project financed with accounts payable	\$ -	\$ 3,250
Rehabilitation costs for Phase 2 project financed with accounts payable	\$ 1,238	\$ -

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, 2019 and 2018

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, 2019 and 2018

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 net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions 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, 2019 and 2018

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, 2019 and 2018

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, 2019 and 2018 totaled \$348,007 and \$299,068, 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, 2019 and 2018

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 79,150 and 68,035 hours of service, during 2019 and 2018, 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, 2019 and 2018, the uninsured portion was \$1,045,638 and \$1,400,167, 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, 2019 and 2018

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, 2019 and 2018, was \$10,203 and \$23,003, 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, 2019 and 2018

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 2018 financial statements have been reclassified, with no effect to change in net assets, to conform to the 2019 financial statement presentation.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through March 8, 2021, 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, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events (Continued)

The COVID-19 coronavirus outbreak in the United States has caused business disruption through mandated and voluntary closings of all businesses that are non-essential per the government's definitions. While the Organization's sheltering service is considered essential, all other programs and services are considered non-essential and thus impacted by the closings. The disruption is currently expected to be temporary, although there is considerable uncertainty around the duration of the closings.

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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,801,383	\$ 4,179,969
Accounts receivable	154,119	94,548
Investments in marketable securities	5,205,127	2,541,930
Pledges receivable, current portion	69,043	208,357
Other current assets	<u>27,892</u>	<u>18,956</u>
Financial assets	8,257,564	7,043,760
Less those unavailable for general expenditures within one year, due to purpose restrictions stipulated by donors	<u>260,313</u>	<u>32,472</u>
Financial assets available to meet cash need for expenditures within one year	<u>\$ 7,997,251</u>	<u>\$ 7,011,288</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, 2019 and 2018

NOTE 4: INVESTMENTS IN MARKETABLE SECURITIES (CONTINUED)

At December 31, 2019 and 2018, investments in marketable securities consist of the following:

	2019		2018	
	Cost	Market Value	Cost	Market Value
Certificates of deposit	\$ 1,000,016	\$ 1,004,225	\$ -	\$ -
ETFs:				
Foreign large blend	316,838	338,671	139,839	133,572
Intermediate core bond	140,758	142,768	201,523	206,317
Large blend	657,925	756,429	329,952	338,036
Large growth	210,666	234,381	49,712	43,582
Large value	551,487	577,444	311,987	289,724
Mid-cap blend	237,151	256,832	107,785	93,578
Small blend	215,943	232,280	112,822	95,055
World bond	-	-	107,774	110,293
Intermediate core-plus	265,317	279,141	237,991	238,937
Short government	-	-	308,339	311,039
Global real estate	-	-	106,664	101,871
Preferred stock	67,161	68,360	92,474	86,543
World large stock	98,627	104,380	71,326	65,469
Medium growth	183,829	198,453	-	-
Medium value	121,439	122,472	-	-
Bonds:				
High yield	99,062	97,473	212,857	200,066
Multi sector	790,885	791,818	245,895	227,848
Total investments	<u>\$ 4,957,104</u>	<u>\$ 5,205,127</u>	<u>\$ 2,636,940</u>	<u>\$ 2,541,930</u>

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 4: INVESTMENTS IN MARKETABLE SECURITIES (CONTINUED)

The following is a summary of net return on investments as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest income	\$ 118,446	\$ 71,968
Realized	78,767	97,703
Unrealized	319,065	(284,023)
Investment fees	<u>(24,817)</u>	<u>(16,053)</u>
Net return on investments	<u>\$ 491,461</u>	<u>\$ (130,405)</u>

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>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 69,043	\$ 208,357
Receivable in one to five years	<u>46,102</u>	<u>122,651</u>
Total unconditional promises to give	115,145	331,008
Less discounts to net present value	(10,430)	(25,549)
Less allowance for uncollectible pledges	<u>(29,254)</u>	<u>(25,956)</u>
Net unconditional promises to give	<u>\$ 75,461</u>	<u>\$ 279,503</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, 2019 and 2018

NOTE 6: PROPERTY AND EQUIPMENT

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

	2019	2018
Furniture and equipment	\$ 562,219	\$ 494,778
Leasehold improvements	893,081	893,081
Building	5,791,170	5,793,183
Building in progress	28,138	-
Total	7,274,608	7,181,042
Less accumulated depreciation	1,438,899	1,236,440
Property and equipment, net	\$ 5,835,709	\$ 5,944,602

Building in progress consists of costs to acquire and rehabilitate a new adoption and education center. Phase 1 of this project was 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, \$7,600,000 of cumulative costs was reimbursed by the City under the terms of the agreement and, therefore, are not reflected on the statements of financial position. In 2019, the Placer SPCA began the planning stage of Phase 2. In Phase 2, additional construction will take place at the location of Phase 1 and will include facilities for animal intake, veterinary and other administrative services. See Note 13 for further discussion of this agreement.

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 expiring on October 31, 2019 at an allocated monthly rent of \$3,300 with annual 3% increases.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 7: OPERATING LEASE OBLIGATION (CONTINUED)

Space for the operations of the Placer SPCA Thrift Store (Continued)

A new lease was signed on October 11, 2019 with a lease term commencing on November 1, 2019 and expiring on October 31, 2020, at an allocated monthly rent of \$3,500.

A new lease was signed on October 30, 2020 with a lease term commencing on November 1, 2020 and expiring on October 31, 2022, at an allocated monthly rent of \$3,500.

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 lease do not provide a renewal.

A new lease was signed on October 11, 2019 with a lease term commencing November 1, 2019 and expiring on October 31, 2020, at an allocated monthly rent of \$980.

A new lease was signed on October 30, 2020 with a lease term commencing on November 1, 2020 and expiring on October 31, 2022, at an allocated monthly rent of \$980.

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.

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, 2019 and 2018, were \$98,400, and \$107,725, respectively.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 7: OPERATING LEASE OBLIGATION (CONTINUED)

Future minimum lease payments at December 31, 2019, under agreements classified as operating leases with noncancelable terms, are as follows:

<u>Year Ending December 31:</u>	
2020	\$ 77,814
2021	72,378
2022	<u>44,800</u>
Total	<u>\$ 194,992</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, 2019 and 2018:

Assets at Fair Value as of December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 1,004,225	\$ -	\$ -	\$ 1,004,225
EFTs:				
Foreign large blend	338,671	-	-	338,671
Intermediate core bond	142,768	-	-	142,768
Large blend	756,429	-	-	756,429
Large growth	234,381	-	-	234,381
Large value	577,444	-	-	577,444
Mid-cap blend	256,832	-	-	256,832
Small blend	232,280	-	-	232,280
Intermediate core-plus	279,141	-	-	279,141
Preferred stock	68,360	-	-	68,360
World large stock	104,380	-	-	104,380
Medium growth	198,453	-	-	198,453
Medium value	122,472	-	-	122,472
Bonds:				
High yield	97,473	-	-	97,473
Multi sector	<u>791,818</u>	<u>-</u>	<u>-</u>	<u>791,818</u>
Total assets at fair value	<u>\$ 5,205,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,205,127</u>

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 8: FAIR VALUE MEASUREMENTS (CONTINUED)

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	227,848	-	-	227,848
Total assets at fair value	<u>\$ 2,541,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,541,930</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>2019</u>	<u>2018</u>
Cat Spay and Neuter Program	\$ 155,220	\$ -
Phase 2 Building Fund Grant	100,000	-
Treadmill Grant	22,481	-
Cat Suites Grant	25,000	-
SOS Fund	22,481	22,472
Other	182,612	10,000
Total	<u>\$ 360,313</u>	<u>\$ 32,472</u>

Net assets released from restrictions due to payments satisfying the purpose restrictions totaled \$221,347 and \$356,552, for the years ended December 31, 2019 and 2018, respectively.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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. The total value of assets on deposit, managed by this institution as of December 31, 2019 and 2018, was \$5,293,763 and \$2,606,084, respectively.

There were no pledges receivable from the board, management, and affiliated parties at December 31, 2019. Pledges receivable from the board, management, and affiliated parties amounted to \$14,482 at December 31, 2018.

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 years ended December 31, 2019 and 2018.

NOTE 11: CONCENTRATIONS

For the years ended December 31, 2019 and 2018, approximately 20%, 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, 2019 and 2018, the Placer SPCA made contributions to the plan of \$29,617 and \$27,230, 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 paid \$7,600,000 to help the Placer SPCA construct Phase 1 of its new facility. As of 2018, Phase 1 has been completed and Phase 2 began in 2019. 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.