



**FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**December 31, 2020 and 2019**

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

### **The Board of Directors Sacramento Society for the Prevention of Cruelty to Animals**

We have audited the accompanying financial statements of the Sacramento Society for the Prevention of Cruelty to Animals (SSPCA) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 the 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 of 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 entity'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 entity'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.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sacramento Society for the Prevention of Cruelty to Animals as of December 31, 2020 and 2019, 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.

  
Sacramento, California  
August 10, 2021

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,497,028	\$ 4,486,047
Investments	11,702,372	8,810,151
Contributions receivable, net	948,844	385,355
Pledges receivable, net	101,473	161,697
Accounts receivable	138,995	124,621
Grants receivable	47,795	-
Prepaid expenses and other	76,397	72,660
Inventory	24,358	20,101
Land, buildings and equipment, less accumulated depreciation	8,432,659	6,292,395
Perpetual trust held by others	358,673	332,171
Beneficial interest in assets held by Sacramento Region Community Foundation	12,528	11,511
<b>TOTAL ASSETS</b>	<b>\$ 28,341,122</b>	<b>\$ 20,696,709</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 2,524,606	\$ 658,508
<b>TOTAL LIABILITIES</b>	<b>2,524,606</b>	<b>658,508</b>
<b>COMMITMENTS</b>		
	-	-
<b>NET ASSETS</b>		
Without donor restrictions	23,417,493	18,999,875
With donor restrictions	2,399,023	1,038,326
<b>TOTAL NET ASSETS</b>	<b>25,816,516</b>	<b>20,038,201</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 28,341,122</b>	<b>\$ 20,696,709</b>

See accompanying notes to the financial statements.

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**STATEMENTS OF ACTIVITIES**

For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>						
Contributions, bequests and grants	\$ 7,377,555	\$ 1,737,790	\$ 9,115,345	\$ 6,521,026	\$ 675,673	\$ 7,196,699
Program fees	1,810,377	-	1,810,377	2,314,936	-	2,314,936
Investment return, net	960,848	-	960,848	914,747	-	914,747
Special events, net of direct expenses of \$110,866 in 2020 and \$190,827 in 2019	168,873	-	168,873	308,367	-	308,367
Adoptable goods income, net of direct expenses of \$30,471 in 2019	-	-	-	268,339	-	268,339
Vehicle donation program, net of direct expenses of \$55,101 in 2020 and \$63,489 in 2019	183,660	-	183,660	118,889	-	118,889
Gifts in-kind	261,596	-	261,596	124,323	-	124,323
Miscellaneous	2,763	-	2,763	607	-	607
Net assets released from restrictions	377,093	(377,093)	-	77,476	(77,476)	-
<b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	<b>11,142,765</b>	<b>1,360,697</b>	<b>12,503,462</b>	<b>10,648,710</b>	<b>598,197</b>	<b>11,246,907</b>
<b>EXPENSES</b>						
Programs:						
Spay and neuter clinic	2,768,467	-	2,768,467	2,562,163	-	2,562,163
Animal services	2,248,817	-	2,248,817	2,140,259	-	2,140,259
Adoptions	659,215	-	659,215	637,196	-	637,196
Other	886,715	-	886,715	881,650	-	881,650
<b>TOTAL PROGRAM EXPENSES</b>	<b>6,563,214</b>	<b>-</b>	<b>6,563,214</b>	<b>6,221,268</b>	<b>-</b>	<b>6,221,268</b>
Supporting Services:						
General and administration	494,720	-	494,720	588,936	-	588,936
Fundraising	937,233	-	937,233	887,812	-	887,812
<b>TOTAL SUPPORTING SERVICES EXPENSES</b>	<b>1,431,953</b>	<b>-</b>	<b>1,431,953</b>	<b>1,476,748</b>	<b>-</b>	<b>1,476,748</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>7,995,167</b>	<b>-</b>	<b>7,995,167</b>	<b>7,698,016</b>	<b>-</b>	<b>7,698,016</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>3,147,598</b>	<b>1,360,697</b>	<b>4,508,295</b>	<b>2,950,694</b>	<b>598,197</b>	<b>3,548,891</b>
<b>NON-OPERATING ACTIVITIES:</b>						
Forgiveness of PPP loan	978,595	-	978,595	-	-	-
Gain on sale of thrift store	291,425	-	291,425	-	-	-
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<b>1,270,020</b>	<b>-</b>	<b>1,270,020</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>4,417,618</b>	<b>1,360,697</b>	<b>5,778,315</b>	<b>2,950,694</b>	<b>598,197</b>	<b>3,548,891</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>18,999,875</b>	<b>1,038,326</b>	<b>20,038,201</b>	<b>16,049,181</b>	<b>440,129</b>	<b>16,489,310</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 23,417,493</b>	<b>\$ 2,399,023</b>	<b>\$ 25,816,516</b>	<b>\$ 18,999,875</b>	<b>\$ 1,038,326</b>	<b>\$ 20,038,201</b>

See accompanying notes to the financial statements.

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For The Year Ended December 31, 2020**

	<u>Program Services</u>					<u>Supporting Services</u>		
	<u>Spay and Neuter Clinic</u>	<u>Animal Services</u>	<u>Adoptions</u>	<u>Other</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,600,596	\$ 1,056,536	\$ 336,040	\$ 617,904	\$ 3,611,076	\$ 223,189	\$ 470,685	\$ 4,304,950
Employee benefits and taxes	394,266	228,125	74,529	130,660	827,580	66,141	102,699	996,420
<b>Total employee compensation</b>	<u>1,994,862</u>	<u>1,284,661</u>	<u>410,569</u>	<u>748,564</u>	<u>4,438,656</u>	<u>289,330</u>	<u>573,384</u>	<u>5,301,370</u>
Direct support for animals	544,917	422,932	344	1,688	969,881	-	-	969,881
Depreciation	33,608	219,107	111,032	20,739	384,486	22,423	14,722	421,631
Printing, publications, postage	26,751	33,297	9,756	54,185	123,989	21,335	219,241	364,565
Occupancy	35,769	164,654	80,169	15,208	295,800	24,733	17,591	338,124
Professional fees	43,626	27,958	8,729	15,898	96,211	110,755	57,581	264,547
Office supplies and expense	50,873	22,048	6,125	2,186	81,232	1,234	4,081	86,547
Computer expense	16,298	14,457	3,164	10,720	44,639	6,907	24,199	75,745
Insurance	5,306	34,360	17,412	3,252	60,330	5,771	2,309	68,410
Communications	10,291	11,234	3,304	5,920	30,749	9,732	4,495	44,976
Facilities and equipment rental	1,540	7,820	6,543	430	16,333	465	305	17,103
Doubtful pledges expense	-	-	-	-	-	-	15,104	15,104
Dues and memberships	1,626	2,127	626	1,001	5,380	1,376	3,589	10,345
Travel and automobile	557	3,502	1,232	1,085	6,376	477	337	7,190
Miscellaneous	2,443	660	210	5,839	9,152	182	295	9,629
<b>TOTAL EXPENSES</b>	<u>\$ 2,768,467</u>	<u>\$ 2,248,817</u>	<u>\$ 659,215</u>	<u>\$ 886,715</u>	<u>\$ 6,563,214</u>	<u>\$ 494,720</u>	<u>\$ 937,233</u>	<u>\$ 7,995,167</u>
<b>PERCENT OF TOTAL</b>	<u>34.6%</u>	<u>28.1%</u>	<u>8.2%</u>	<u>11.1%</u>	<u>82.1%</u>	<u>6.2%</u>	<u>11.7%</u>	<u>100.0%</u>

See accompanying notes to the financial statements.

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For The Year Ended December 31, 2019**

	<b>Program Services</b>					<b>Supporting Services</b>		
	<b>Spay and Neuter Clinic</b>	<b>Animal Services</b>	<b>Adoptions</b>	<b>Other</b>	<b>Total</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 1,544,235	\$ 1,034,714	\$ 294,604	\$ 607,653	\$ 3,481,206	\$ 381,501	\$ 390,721	\$ 4,253,428
Employee benefits and taxes	346,638	217,271	64,225	135,995	764,129	77,962	83,561	925,652
<b>Total employee compensation</b>	<b>1,890,873</b>	<b>1,251,985</b>	<b>358,829</b>	<b>743,648</b>	<b>4,245,335</b>	<b>459,463</b>	<b>474,282</b>	<b>5,179,080</b>
Direct support for animals	485,653	284,419	996	2,935	774,003	-	-	774,003
Depreciation	34,871	243,132	116,530	17,110	411,643	14,799	11,042	437,484
Printing, publications, postage	9,630	14,685	5,751	29,076	59,142	10,945	263,214	333,301
Occupancy	36,550	216,174	100,768	25,179	378,671	12,946	14,988	406,605
Professional fees	57,410	41,844	11,354	23,093	133,701	66,548	81,188	281,437
Office supplies and expense	9,628	12,171	6,092	3,327	31,218	774	5,776	37,768
Computer expense	11,274	12,593	4,767	10,987	39,621	9,444	22,992	72,057
Insurance	5,233	34,579	17,486	4,473	61,771	2,221	1,657	65,649
Communications	8,369	8,795	3,622	4,759	25,545	7,243	2,797	35,585
Facilities and equipment rental	1,747	8,102	7,148	1,876	18,873	717	464	20,054
Dues and memberships	1,778	2,951	1,494	2,884	9,107	1,914	1,520	12,541
Travel and automobile	3,452	7,053	1,640	3,472	15,617	494	2,499	18,610
Miscellaneous	5,695	1,776	719	8,831	17,021	1,428	5,393	23,842
<b>TOTAL EXPENSES</b>	<b>\$ 2,562,163</b>	<b>\$ 2,140,259</b>	<b>\$ 637,196</b>	<b>\$ 881,650</b>	<b>\$ 6,221,268</b>	<b>\$ 588,936</b>	<b>\$ 887,812</b>	<b>\$ 7,698,016</b>
<b>PERCENT OF TOTAL</b>	<b>33.3%</b>	<b>27.8%</b>	<b>8.3%</b>	<b>11.5%</b>	<b>80.8%</b>	<b>7.7%</b>	<b>11.5%</b>	<b>100.0%</b>

See accompanying notes to the financial statements.



**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,778,315	\$ 3,548,891
<i>Adjustments to reconcile the change in net assets to net cash provided by operating activities:</i>		
Depreciation	421,631	437,484
Donated assets	(328,533)	(22,912)
Gain on sale of thrift store	(291,425)	-
Gain on disposal of fixed assets	(5,000)	-
Unrealized and realized gain on investments	(861,165)	(792,783)
PPP loan forgiven	(978,595)	-
<i>Changes in operating assets and liabilities:</i>		
Contributions receivable	(563,489)	(158,242)
Pledges receivable	60,224	(161,697)
Accounts receivable	(14,374)	113,006
Grants receivable	(47,795)	-
Prepaid expenses and other	(3,737)	23,501
Inventory	(4,257)	(3,714)
Perpetual trust held by others	(26,502)	(332,171)
Beneficial interest in community foundation	(1,017)	(1,267)
Accounts payable and accrued expenses	173,652	132,379
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,307,933</b>	<b>2,782,475</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for capital expenditures	(1,662,703)	(364,122)
Proceeds on sale of fixed assets	1,100,000	-
Proceeds from sale of investments	2,314,067	983,228
Purchases of investments	(4,026,911)	(2,117,921)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,275,547)</b>	<b>(1,498,815)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	978,595	-
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>978,595</b>	<b>-</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>2,010,981</b>	<b>1,283,660</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>4,486,047</b>	<b>3,202,387</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 6,497,028</b>	<b>\$ 4,486,047</b>

**SUPPLEMENTAL INFORMATION:**

No cash was paid for interest or income taxes during the years ended December 31, 2020 and 2019.

*Noncash investing transactions:*

During the years ended December 31, 2020 and 2019, the Society wrote off \$80,078 and \$131,752, respectively, of fully depreciated assets that were no longer in use.

During the year ended December 31, 2020, the Society capitalized construction in progress, of which \$1,692,446 is still outstanding and included in accounts payable and accrued expenses.

See accompanying notes to the financial statements.

# SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

### **NOTE A - ORGANIZATION**

The Sacramento Society for the Prevention of Cruelty to Animals (the Society) was founded in 1892 and incorporated as a non-profit organization in 1927. The Society serves the entire Sacramento region as a premier provider of low-cost spay/neuter services, collaborating with local rescue groups, feral cat caregivers, those in need, and the public to alter more than 13,000 animals in 2020. Additionally, 34,200 low-cost and no-cost vaccinations were provided to the community, animals received low-cost veterinary exams and more than 2,600 sick, injured and homeless animals found new homes through the shelter's adoption facility. An active humane education program operates for children each year and 219,000 meals were served to 31,200 animals during the twice-weekly pet food pantry. Reaching out to seniors, hundreds are visited under the pet-facilitated visitation program and thousands receive free vaccinations for their pets. Over 800 volunteers augment the care for the thousands of unwanted, abused and injured animals that seek shelter at the Society and help with special events.

### **NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation:** The financial statements of the Society have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Society to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Society's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Measure of Operations:** The Statements of Activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Society's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. The forgiveness of PPP loan (see Note F) and sale of thrift store (see Note I) during 2020 were nonoperating activities. There were no nonoperating activities during 2019.

**Cash and Cash Equivalents:** The Society considers all short-term investments, including certificates of deposit, with a maturity of three months or less from the date of purchase to be cash equivalents.

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued**

Receivables: The Society considers grants, pledges and other receivables to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

Contributions and Contributions Receivable: Contributions are recognized when cash, securities, or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Some grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Assets received with donor-imposed conditions are reported as "Refundable Advances" in the Statement of Financial Position until the conditions have been substantially met.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met. As of December 31, 2020 and 2019, contributions receivable are expected to be received within one year.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Revenue Recognition: Revenue is measured based on the amount of consideration specified in a contract with a customer. Revenue is recognized when earned and as our performance obligations under the terms of the contract are satisfied which generally occurs when the services are provided.

*Program fees* – Program fees are recognized when goods or services are provided. Included in program fees are revenues from government contracts which are recognized as performance obligations are satisfied and qualifying expenses are incurred, in accordance with the terms of applicable contracts. Contract costs include all direct costs and an allocation of indirect costs related to contract performance.

# SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

### **NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued**

Under the typical payment terms of contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., monthly, quarterly, or annually) or when services are provided.

*Contract Assets and Liabilities* - When billing occurs subsequent to revenue recognition, resulting in unbilled revenue, a contract asset ensues and is presented under the caption "Contract assets" in the Statements of Financial Position. This represents unbilled revenues which arise when revenue has been earned but the amount will not be billed until a later date. When advances or deposits from customers or funders are received, resulting in deferred revenue, a contract liability ensues and is presented under the caption "Contract Liabilities" in the Statements of Financial Position. This represents deferred revenue when the Society has billed a customer or funder in excess of revenue recognized to date or when payments are received in advance.

Inventory: Inventory consists of merchandise for sale at an on-site gift shop and is stated at cost, using the first-in, first-out (FIFO) method.

Fair Value Measurements: The Society applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a fair value hierarchy that prioritizes the information used in developing fair value estimates, and require disclosure of fair value measurements by level within the fair value hierarchy.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

- Level 1*: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2*: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3*: Unobservable inputs reflecting the reporting entity's own assumptions, which require the most judgment.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the valuation methods are appropriate and consistent within the industry, the use of different methodologies or assumption to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued**

Investments: The Society carries investments in marketable securities and debt securities at their fair values in the Statement of Financial Position. Purchases and sales of securities are reflected on a trade-date basis. Unrealized and realized gains and losses are included in the accompanying Statement of Activities. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date. Investment income and gains restricted by a donor are reported as increases or decreases in net assets with or without donor restrictions depending on the nature of the restrictions.

Perpetual Trust Held by Others: Perpetual trusts held by others are funds held by outside trustees for the benefit of the Society in accordance with the terms of the irrevocable trusts. These funds are neither in the possession, nor under the control, of the Society. Trust terms provide that the Society is to receive annually a portion of the income earned by the trust assets. The beneficial interests in the trusts are recognized as assets and gift income at the dates the trusts are established. Distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the estimates of future receipts.

Land, Building, and Equipment: The Society capitalizes all expenditures for property and equipment in excess of \$1,000. Land, buildings, and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is provided for using the straight-line method over the useful lives of the assets.

Gifts In-Kind: Contributions of gifts in-kind are recognized as public support and as a corresponding asset or expense at their estimated fair value on the date of the gift. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically be purchased if not provided by donation, are recorded at their fair values in the period received. Such contributions are not recognized if there is any uncertainty about the existence of value or stipulations about ownership of assets.

Gifts in-kind are comprised of the following at December 31:

	<u>2020</u>	<u>2019</u>
Kennel, food and medical supplies	\$ 149,928	\$ 47,802
Veterinary services	3,600	10,800
Advertising and design	86,789	20,277
Legal	6,638	7,704
Computer/software costs	-	13,900
Furniture and equipment	10,321	7,904
Construction in progress	-	11,616
Other	4,320	4,320
	<u>\$ 261,596</u>	<u>\$ 124,323</u>

In addition, gifts in-kind income and expense of \$6,050 and \$11,400 for the years ended December 31, 2020 and 2019, respectively, were included in net special events income in the Statements of Activities.

**SACRAMENTO SOCIETY FOR THE  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued**

The Society receives donated services from a variety of unpaid volunteers for both program and supporting services. No amounts have been recognized in the accompanying Statements of Activities because the criteria for recognition of such volunteer efforts have not been satisfied.

Income Taxes: The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code for revenue generated from its exempt purpose activities.

Uncertainty in Income Taxes: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Society to report information regarding its exposure to various tax positions taken. The Society has determined whether any tax positions have met the recognition threshold and have measured the exposure to those tax positions. Management believes that the Society has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Society are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Advertising: Advertising costs in the amount of \$364,565 and \$333,301 for the years ended December 31, 2020 and 2019, respectively, were expensed as incurred. These expenses are recorded in their respective functional categories. In addition, advertising costs in the amount of \$14,300 and \$15,600 for the years ended December 31, 2020 and 2019, respectively, were included in net vehicle donation program in the Statements of Activities.

Functional Allocation of Costs: The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Such allocations are determined by management on an equitable basis. Aside from depreciation expense which is 100% allocated, the remaining expenses below include both direct expenses and a portion of expense that is allocated.

**SACRAMENTO SOCIETY FOR THE  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued**

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Employee benefits and taxes	Time and effort
Depreciation	Square footage
Printing, publications, postage	Telephone count
Occupancy	Square footage
Professional fees	Time and effort and telephone count
Computer expense	Computer count
Communications	Telephone count
Office supplies and expense	Square footage and Telephone count
Facilities and equipment rental	Square footage
Travel and automobile	Square footage and telephone count
Dues and memberships	Telephone count
Miscellaneous	Time and effort

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement: In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), which provides guidance on revenue recognition and supersedes the revenue recognition requirements in Topic 605, Revenue Recognition and most industry-specific guidance. The standard’s core principle is that a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. These judgments may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The Society adopted ASU 2014-09 effective January 1, 2020 using the full retrospective transition method. This adoption did not have a significant impact on the financial statements. The Society analyzed the revenue streams and concluded there was no change to the timing and pattern of revenue recognition for these revenue streams under the new guidance. As such, adoption of the standard did not result in a change to the revenue recognition policies, require recognition of a cumulative adjustment or have a material impact on the financial statements.

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued**

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Society has implemented the provisions of ASU 2018-08 effective January 1, 2019 applicable to both contributions received and contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation.

**NOTE C - PLEDGES RECEIVABLE**

Pledges receivable consist of the following at December 31:

	<b>2020</b>	<b>2019</b>
Gross pledges	\$ 101,836	\$ 161,925
Less: allowance for doubtful pledges	-	-
Less: discount to present value	(363)	(228)
Pledges receivable, net	\$ 101,473	\$ 161,697

Pledges receivable are collectible as follows at December 31:

	<b>2020</b>	<b>2019</b>
Less than one year	\$ 44,579	\$ 102,922
One to five years	57,257	59,003
	\$ 101,836	\$ 161,925

The Society commenced a campaign during August 2019 to assist in financing facility renovations. The campaign was in the silent phase during 2019 and was announced publicly during 2020. The campaign has resulted in pledges that have been received or are expected to be received in cash over several years. These pledges are recorded as contributions with donor restrictions and are released from restrictions as costs of the project are incurred. Pledges are recognized at their estimated fair value.

The Society recognizes pledges receivable at their estimated fair value. Fair value is determined by calculating the present value of the estimated future cash flows. The discount rate used in determining the net present value of the pledges receivable ranges from 0.15% to 0.58% and .17% to 0.34% during 2020 and 2019, respectively.



**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no significant changes in the methodologies used during the years ended December 31, 2020 and 2019.

*Common stock and exchange-traded funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Registered investment companies:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Society are open-end mutual funds that are registered with the Securities Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Society are deemed to be actively traded.

*Certificates of deposit:* Estimated at cost plus accrued interest which approximates fair value.

*Perpetual trust held by others:* Fair values are based on information supplied by the trustee.

The following table summarizes the investments at December 31, 2020 based on the inputs used to value them:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 4,174,032	\$ -	\$ -	\$ 4,174,032
Registered investment companies	6,358,186	-	-	6,358,186
Exchange-traded funds	592,006	-	-	592,006
Certificates of deposit	<u>-</u>	<u>578,148</u>	<u>-</u>	<u>578,148</u>
Total investments	<u>\$ 11,124,224</u>	<u>\$ 578,148</u>	<u>\$ -</u>	<u>\$ 11,702,372</u>
Perpetual trust held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,673</u>	<u>\$ 358,673</u>
Beneficial Interest in Assets Held at the Sacramento Region Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,528</u>	<u>\$ 12,528</u>

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued**

The following table summarizes the investments at December 31, 2019 based on the inputs used to value them:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 3,076,639	\$ -	\$ -	\$ 3,076,639
Registered investment companies	4,504,407	-	-	4,504,407
Exchange-traded funds	592,950	-	-	592,950
Certificates of deposit	<u>-</u>	<u>636,155</u>	<u>-</u>	<u>636,155</u>
 Total investments	 <u>\$ 8,173,996</u>	 <u>\$ 636,155</u>	 <u>\$ -</u>	 <u>\$ 8,810,151</u>
 Perpetual trust held by others	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 332,171</u>	 <u>\$ 332,171</u>
 Beneficial Interest in Assets Held at the Sacramento Region Community Foundation	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 11,511</u>	 <u>\$ 11,511</u>

The Society is the beneficiary of perpetual irrevocable trusts held and administered by San Antonio Area Foundation. Under the terms of the trusts, the Society has the irrevocable right to receive the income earned on trust assets in perpetuity. The fair value of the beneficial interest in a trust is recognized as an asset and as a contribution with donor restrictions at the date the trust is established. The Society uses the fair value of trust assets reported by the trustee to record the fair value of the perpetual trust. Trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, exchange-traded and closed-end funds, mutual funds and equity securities. These assets are not subject to control or direction by the Society. Distributions of income from the trust are reported as investment income. Gains and losses, which are not distributed by the trusts, are reflected as the change in value of perpetual trusts held by others in the statements of activities.

The Sacramento Region Community Foundation (the Foundation) is holding assets as an endowed component fund (Fund) for the benefit of the Society. The Society has granted the Foundation variance power which gives the Foundation's Board of Directors the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation's investment and spending policies which currently result in a spending rate of 4 percent of a rolling 12 quarter average. The Society reports the fair value of the Fund as Beneficial Interest in Assets Held at the Sacramento Region Community Foundation in the statement of financial position and reports distributions received as investment income. Changes in the value of the Fund are reported as gains or losses in the statement of activities.

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued**

Changes in the Fund for the year ended December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 11,511	\$ 10,244
Net return of the Fund	1,555	1,805
Grants	(430)	(430)
Administrative fees	(108)	(108)
Balance at end of year	<u>\$ 12,528</u>	<u>\$ 11,511</u>

The beneficial interest in assets held at the Sacramento Region Community Foundation has been valued, as a practical expedient, at the fair value of the Society's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The Foundation's investments are composed approximately of 22 percent domestic equities, 22 percent foreign equities, 15 percent fixed income, and 41 percent alternative investments including hedge funds, natural resources, real estate and private equity funds. The beneficial interest in assets held at the Foundation is not redeemable by the Society.

**NOTE E - LAND, BUILDING AND EQUIPMENT**

Land, building and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 9,372,786	\$ 10,295,987
Land and land improvements	1,029,339	1,285,339
Furniture, fixtures and equipment	827,718	826,205
Vehicles	204,764	225,285
Construction in progress	3,416,532	101,862
	<u>14,851,139</u>	<u>12,734,678</u>
Less accumulated depreciation	<u>(6,418,480)</u>	<u>(6,442,283)</u>
	<u>\$ 8,432,659</u>	<u>\$ 6,292,395</u>

# SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS

### **NOTE F - DEBT**

#### *SBA Loan*

On April 13, 2020, the Society received a U.S. Small Business Administration Loan (the "SBA Loan") from River City Bank, pursuant to the Paycheck Protection Program (the "PPP") established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), in the amount of \$978,595. The application for these funds required the Society in good faith to certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Society. This certification further required the Society to take into account current business activity and the ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. On December 8, 2020, the PPP loan forgiveness was approved and the full amount was forgiven, and is included in Non-Operating Activities in the Statements of Activities.

#### *Line of Credit*

The Society has an express credit line revolving loan with Morgan Stanley for up to 50% of the value of certain eligible investments on deposit with Morgan Stanley (the Society had \$3,596,634 and \$10,803,331 in eligible investments with Morgan Stanley at December 31, 2020 and 2019, respectively). There was no outstanding balance on the credit line at December 31, 2020 and 2019. As of December 31, 2020 and 2019, the Society had the ability to borrow as much as \$800,000 and \$2,400,341, based upon the underlying investments at a variable interest rate of 3.644% and 5.26%, respectively. The credit line is available as long as the Society has investments deposited with Morgan Stanley. The credit line is secured by all accounts maintained at Morgan Stanley.

### **NOTE G - COMMITMENTS**

During 2019, the Society entered into an agreement with a vendor that provided various equipment for internal use, the equipment was provided in exchange for the Society to purchase products and services from the vendor, for an aggregate annual minimum purchase of \$47,087. The agreement has an initial term of 6 years effective January 2020 and has an automatic renewal for up to 3 one-year periods, unless either party cancels. If the Society fails to spend the annual minimum purchase amount, the vendor may retroactively charge the difference between the amount of actual net spending on purchase of qualifying products during such contract year and the annual minimum purchase amount (the "shortfall"). After 6 years of meeting the annual minimum purchase commitment, the title to the equipment will be transferred to the Society. During the year ended December 31, 2020, the Society met the required minimum purchase.

Operating Leases: The Society leases office equipment under the terms of noncancellable operating leases. Total rental expense under these leases amounted to \$16,328 and \$17,988 during the years ended December 31, 2020 and 2019, respectively.

**SACRAMENTO SOCIETY FOR THE  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE G - COMMITMENTS - Continued**

Future minimum lease payments under these agreements are as follows:

Year ended December 31,		
2021	\$	7,601
2022		<u>3,955</u>
Total	\$	<u><u>11,556</u></u>

City Contracts: The Society has contracted with two local cities to accept, hold, license, and provide low-cost rabies clinics for animals from these cities and their residents for compensation as defined in the agreements. One agreement was renewed with a term of three years commencing on January 1, 2021 through December 31, 2023. The other agreement ended on December 31, 2020 and converted to month-to-month.

**NOTE H - VEHICLE DONATION PROGRAM**

The Society operates a program to solicit, accept and dispose of charitable donations in the form of used automobiles, trucks, trailers, boats and other vehicles. Gross proceeds for the years ended December 31, 2020 and 2019 amounted to \$288,238 and \$215,663, respectively.

**NOTE I - SALE OF THRIFT STORE**

The Society operated a thrift store which sold general merchandise to customers. All items sold were donated by members of the community. In August 2020, the thrift store was sold and resulted in a gain of \$291,425, which is included in Non-Operating Activities in the Statements of Activities.

**NOTE J - NET ASSETS WITHOUT DONOR RESTRICTIONS**

Certain net assets without donor restrictions have been board designated for specific purposes. The board designated net assets consist of the following as of December 31.

	<b>2020</b>	<b>2019</b>
Long-term investment reserve	\$ 3,596,634	\$ 2,907,101
Capital projects	1,198,634	1,198,634
Operating reserve	1,000,000	1,000,000
Emergency reserve	1,000,000	1,000,000
LeMaitre endowment	662,911	-
Strategic reserves	628,429	425,299
Deferred maintenance reserve	500,000	500,000
	\$ 8,586,608	\$ 7,031,034

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE K - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	<u>2020</u>	<u>2019</u>
<b>Subject to the Passage of Time or Expenditure for Specified Purpose:</b>		
Capital improvements fund	\$ 1,859,128	\$ 418,246
General support for future periods	461,027	527,848
Outreach programs	63,290	74,723
Dog park	<u>5,578</u>	<u>7,509</u>
<b>Total Subject to the Passage of Time or Expenditure for Specified Purpose</b>	<b>2,389,023</b>	<b>1,028,326</b>
 <b>Subject to Spending Policy and Appropriation:</b>		
Investment in perpetuity (original amount of \$10,000 in 2020 and 2019, respectively), which, once appropriated, is expendable to support:		
Any activities of the organization	<u>10,000</u>	<u>10,000</u>
	<u>10,000</u>	<u>10,000</u>
<b>Total net assets with donor restrictions</b>	<b>\$ <u>2,399,023</u></b>	<b>\$ <u>1,038,326</u></b>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors:

	<u>2020</u>	<u>2019</u>
<b>Purpose Restrictions Accomplished:</b>		
Capital campaign improvements	\$ -	\$ 54,931
Outreach programs	84,683	20,648
Spay/Neuter clinic program	65,000	-
Dog park	<u>1,931</u>	<u>1,669</u>
	<u>151,614</u>	<u>77,248</u>
<b>Time Restrictions Expired:</b>		
Passage of specified time	<u>225,479</u>	<u>228</u>
	<u>225,479</u>	<u>228</u>
<b>Total restrictions released</b>	<b>\$ <u>377,093</u></b>	<b>\$ <u>77,476</u></b>

**SACRAMENTO SOCIETY FOR THE  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE L - CONCENTRATIONS OF RISK**

Financial Instruments: The carrying value of financial instruments such as cash equivalents and marketable securities approximate their fair value. The Society had \$11,702,372 and \$8,810,151 in marketable securities maintained by investment brokerage firms insured by the Security Investment Protection Corporation at December 31, 2020 and 2019, respectively.

The Society maintains its cash in bank accounts which, at times, may exceed the FDIC insured limits. The Society has not experienced losses in any of these accounts and management believes the Society is not exposed to any significant credit risk related to these accounts.

Receivables: Contributions receivable from one of the Society's contributors represents approximately 90% of the total contributions receivable at December 31, 2020. Contributions receivable from one of the Society's contributors represents approximately 54% of the total contributions receivable at December 31, 2019.

**NOTE M - RETIREMENT PLANS**

The Society sponsors a Simplified Employee Pension Plan (SEP-IRA) for its eligible employees. Contributions to the plan are made at the discretion of the Society's Board of Directors and are based on a percentage of salary subject to a maximum limit allowable per year under the Internal Revenue Code. The Board of Directors approved a 2% contribution to the plan for the years ended December 31, 2020 and 2019. Accordingly, the Society accrued plan contributions of \$64,545 and \$55,591 at December 31, 2020 and 2019, respectively.

The Society also sponsors 403(b) and 457(b) retirement plans whereby eligible employees can make tax-deferred contributions up to the maximum annual amounts allowed under the Internal Revenue Code.

**NOTE N - AVAILABILITY AND LIQUIDITY**

The following represents the Society's financial assets at December 31, 2020 and 2019:

Financial assets at year-end:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,497,028	\$ 4,486,047
Investments	11,702,372	8,810,151
Contributions receivable, net	948,844	385,355
Pledges receivable, net	101,473	161,697
Accounts receivable	138,995	124,621
Grants receivable	47,795	-
Perpetual trust held by others	358,673	332,171
Beneficial interest in assets held by Sacramento Region Community Foundation	<u>12,528</u>	<u>11,511</u>
Total financial assets	19,807,708	14,311,553

**SACRAMENTO SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE N – AVAILABILITY AND LIQUIDITY- Continued**

Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	2,399,023	1,028,326
Board designations:		
Amounts set aside for reserves	3,128,429	2,925,299
Quasi-endowment fund, primarily for long-term investing	3,596,634	2,907,101
LeMaitre board-designated endowment	662,911	-
Amounts set aside for capital projects	<u>1,198,634</u>	<u>1,198,634</u>
	<u>10,985,631</u>	<u>8,059,360</u>
Financial assets available to meet general expenditures within one year	\$ <u>8,822,077</u>	\$ <u>6,252,193</u>

The Society’s goal is generally to maintain financial assets to meet six months of operating expenses. As part of its liquidity plan, excess cash is invested in long and short-term investments according to its investment policy.

**NOTE O - SUBSEQUENT EVENTS**

In preparing the financial statements, the Society has evaluated subsequent events and transactions that occurred after the balance sheet date through August 10, 2021, the date that the financial statements were available to be issued.