



*Report of Independent Auditors and  
Financial Statements*

**Central California S.P.C.A.**

*June 30, 2019 and 2018*

# Table of Contents

---

<b>REPORT OF INDEPENDENT AUDITORS .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	4
Statements of Activities .....	5
Statements of Functional Expenses .....	7
Statements of Cash Flows .....	9
Notes to Financial Statements .....	10

## **Report of Independent Auditors**

To the Board of Directors  
Central California S.P.C.A.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Central California S.P.C.A., which comprise the statements of financial position as of June 30, 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 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 Central California S.P.C.A. as of June 30, 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.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, Central California S.P.C.A. adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the disclosures related to net assets. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink, appearing to be 'M. Allen' followed by a stylized flourish.

Fresno, California  
June 19, 2020

## **Financial Statements**

---

**Central California S.P.C.A.**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,876,548	\$ 2,547,639
Investments	3,915,148	3,769,666
Accounts receivable	12,553	26,207
Contribution receivable	-	378,298
Inventory	89,753	82,651
Prepaid expenses and other assets	<u>100,550</u>	<u>135,463</u>
Total current assets	7,994,552	6,939,924
PROPERTY AND EQUIPMENT, net	<u>2,794,204</u>	<u>2,953,660</u>
Total assets	<u>\$ 10,788,756</u>	<u>\$ 9,893,584</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable	\$ 87,923	\$ 90,162
Accrued expenses and other liabilities	304,540	296,817
Current portion of capital lease payable	<u>17,013</u>	<u>16,092</u>
Total current liabilities	409,476	403,071
CAPITAL LEASE PAYABLE	<u>16,449</u>	<u>33,462</u>
Total liabilities	<u>425,925</u>	<u>436,533</u>
NET ASSETS		
Without donor restriction	10,210,877	9,316,526
With donor restriction	<u>151,954</u>	<u>140,525</u>
Total net assets	<u>10,362,831</u>	<u>9,457,051</u>
Total liabilities and net assets	<u>\$ 10,788,756</u>	<u>\$ 9,893,584</u>

**Central California S.P.C.A.**  
**Statements of Activities**  
**Year Ended June 30, 2019**

	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Program services			
Animal shelter	\$ 480,980	\$ -	\$ 480,980
Microchip	80,894	-	80,894
Other	68,202	-	68,202
Surgery annex	591,979	-	591,979
Government contracts - animal shelter	3,987,620	-	3,987,620
Donations	683,722	14,129	697,851
Investment income	379,981	-	379,981
Fundraising	31,968	-	31,968
Other	78,974	-	78,974
	<b>6,384,320</b>	<b>14,129</b>	<b>6,398,449</b>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>			
Restrictions satisfied by payment of related expenses	2,700	(2,700)	-
	<b>6,387,020</b>	<b>11,429</b>	<b>6,398,449</b>
<b>EXPENSES</b>			
Program services			
Animal shelter	2,951,162	-	2,951,162
Special	406,705	-	406,705
Surgery annex	421,189	-	421,189
General and administrative	1,544,547	-	1,544,547
Fundraising	169,066	-	169,066
	<b>5,492,669</b>	<b>-</b>	<b>5,492,669</b>
Change in net assets	894,351	11,429	905,780
NET ASSETS, beginning of year	9,316,526	140,525	9,457,051
NET ASSETS, end of year	\$ 10,210,877	\$ 151,954	\$ 10,362,831

**Central California S.P.C.A.**  
**Statements of Activities (continued)**  
**Year Ended June 30, 2018**

	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Program services			
Animal shelter	\$ 455,547	\$ -	\$ 455,547
Microchip	86,649	-	86,649
Other	66,195	-	66,195
Surgery annex	568,952	-	568,952
Government contracts - animal shelter	3,802,999	-	3,802,999
Donations	811,380	20,093	831,473
Investment income	137,534	-	137,534
Fundraising	29,903	-	29,903
Other	73,591	-	73,591
	<u>6,032,750</u>	<u>20,093</u>	<u>6,052,843</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>			
Restrictions satisfied by payment of related expenses	<u>2,932</u>	<u>(2,932)</u>	<u>-</u>
	<u>6,035,682</u>	<u>17,161</u>	<u>6,052,843</u>
<b>EXPENSES</b>			
Program services			
Animal shelter	2,921,786	-	2,921,786
Special	552,821	-	552,821
Surgery annex	392,312	-	392,312
General and administrative	1,501,680	-	1,501,680
Fundraising	145,158	-	145,158
	<u>5,513,757</u>	<u>-</u>	<u>5,513,757</u>
Change in net assets	521,925	17,161	539,086
NET ASSETS, beginning of year	<u>8,794,601</u>	<u>123,364</u>	<u>8,917,965</u>
NET ASSETS, end of year	<u>\$ 9,316,526</u>	<u>\$ 140,525</u>	<u>\$ 9,457,051</u>



**Central California S.P.C.A.**  
**Statements of Functional Expenses**  
**Year ended June 30, 2019**

	Program Services			Total Program Services	Supporting Services		Total
	Animal Shelter	Special	Surgery Annex		General and Administrative	Fundraising	
Accounting	\$ -	\$ -	\$ -	\$ -	\$ 59,350	\$ -	\$ 59,350
Advertising	-	-	-	-	92,695	-	92,695
Animal supplies	136,768	54,443	5,357	196,568	2,404	-	198,972
Conferences, conventions, meetings	-	2,862	646	3,508	18,381	-	21,889
Depreciation	157,824	13,222	14,900	185,946	43,971	6,775	236,692
Grants to domestic organizations	-	3,000	-	3,000	-	-	3,000
Information technology	7,000	-	-	7,000	45,434	-	52,434
Insurance	110,910	12,503	19,709	143,122	92,471	-	235,593
Interest	-	-	-	-	2,391	-	2,391
Legal	-	-	-	-	12,917	-	12,917
Medical supplies	97,523	8,847	61,380	167,750	-	-	167,750
Miscellaneous expense	-	-	-	-	4,428	13,799	18,227
Occupancy	31,124	7,788	-	38,912	232,722	-	271,634
Office expenses	15,035	17,990	-	33,025	196,627	-	229,652
Other employee benefits	156,218	24,835	19,669	200,722	87,779	23,450	311,951
Other professional services	412,913	20,279	17,824	451,016	131,182	-	582,198
Payroll taxes	139,352	18,268	20,756	178,376	37,504	8,883	224,763
Pension plan	37,312	6,486	6,792	50,590	22,689	5,495	78,774
Salaries	1,535,014	215,955	253,504	2,004,473	461,575	110,664	2,576,712
Travel	107,491	227	-	107,718	27	-	107,745
Uniforms	6,678	-	652	7,330	-	-	7,330
	<u>\$ 2,951,162</u>	<u>\$ 406,705</u>	<u>\$ 421,189</u>	<u>\$ 3,779,056</u>	<u>\$ 1,544,547</u>	<u>\$ 169,066</u>	<u>\$ 5,492,669</u>

**Central California S.P.C.A.**  
**Statements of Functional Expenses (continued)**  
**Year ended June 30, 2018**

	Program Services			Total Program Services	Supporting Services		Total
	Animal Shelter	Special	Surgery Annex		General and Administrative	Fundraising	
Accounting	\$ -	\$ -	\$ -	\$ -	\$ 60,500	\$ -	\$ 60,500
Advertising	-	-	-	-	89,544	-	89,544
Animal supplies	144,969	97,243	5,844	248,056	5,966	-	254,022
Conferences, conventions, meetings	-	3,800	-	3,800	11,145	-	14,945
Depreciation	161,867	20,668	14,402	196,937	42,472	6,623	246,032
Grants to domestic organizations	-	2,050	-	2,050	-	-	2,050
Information technology	7,000	-	-	7,000	49,340	-	56,340
Insurance	129,825	16,840	16,390	163,055	99,484	-	262,539
Interest	-	-	-	-	3,877	-	3,877
Legal	-	-	-	-	4,974	-	4,974
Medical supplies	87,954	9,460	87,553	184,967	-	-	184,967
Miscellaneous expense	-	-	-	-	-	18,539	18,539
Occupancy	31,128	3,610	325	35,063	244,717	-	279,780
Office expenses	15,045	39,035	-	54,080	205,059	155	259,294
Other employee benefits	147,468	29,362	17,171	194,001	75,893	18,115	288,009
Other professional services	437,422	19,537	2,293	459,252	126,653	-	585,905
Payroll taxes	140,076	23,430	19,310	182,816	34,855	7,396	225,067
Pension plan	43,848	6,466	5,847	56,161	22,253	4,346	82,760
Salaries	1,471,805	280,738	222,326	1,974,869	423,948	89,984	2,488,801
Travel	95,156	582	-	95,738	1,000	-	96,738
Uniforms	8,223	-	851	9,074	-	-	9,074
	<u>\$ 2,921,786</u>	<u>\$ 552,821</u>	<u>\$ 392,312</u>	<u>\$ 3,866,919</u>	<u>\$ 1,501,680</u>	<u>\$ 145,158</u>	<u>\$ 5,513,757</u>

**Central California S.P.C.A.**  
**Statements of Cash Flows**  
**Years ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 905,780	\$ 539,086
Adjustment to reconcile change in net assets to net cash from operating activities:		
Depreciation	236,692	246,031
Gain on sale of assets	(200)	(6,385)
Bad debt expense	9,316	255
Realized and unrealized gain on investments	(256,556)	(15,817)
Bond amortization	5,224	5,665
Interest and dividend income, reinvested	(123,325)	(113,753)
Change in operating assets		
Accounts receivable	4,338	101
Contribution receivable	378,298	385,339
Inventory	(7,102)	19,949
Prepaid expenses	34,913	28,614
Change in operating liabilities		
Accounts payable	(2,239)	(68,548)
Accrued expenses and other liabilities	7,723	14,211
Net cash from operating activities	<u>1,192,862</u>	<u>1,034,748</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(77,236)	(76,283)
Proceeds from sale of property and equipment	200	8,132
Purchase of marketable securities	(93,725)	(26,409)
Proceeds from sale of marketable securities	322,900	40,113
Net cash from investing activities	<u>152,139</u>	<u>(54,447)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease payable	(16,092)	(44,689)
Net change in cash and cash equivalents	1,328,909	935,612
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,547,639</u>	<u>1,612,027</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,876,548</u>	<u>\$ 2,547,639</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest	\$ 2,395	\$ 3,897
Non-cash investing and financing transactions:		
Assets acquired through capital lease obligation	\$ -	\$ 23,596

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of business** – The Central California Society for the Prevention of Cruelty to Animals (S.P.C.A.), (the Organization), a California Corporation, was organized in August 1946, and operates in Fresno County to protect the welfare of all animals. S.P.C.A.'s primary sources of revenue are a contract with the City of Fresno, animal sales, and spay/neuter fees. Animal protection services include providing shelter for lost pets and strays, rescuing animals living under cruel and inhumane conditions, and placing healthy animals up for adoption. The gift shop and grooming parlor serves the general public, and net proceeds from this facility are used to support the operations of the animal shelter. The education department provides educational presentations to all age groups, both on site and at agency/school/club/organization locations by appointment. S.P.C.A. will provide tours and education resource information, as well as provide and staff information booths by appointment. The stray animals' building was built to accommodate a further requirement (SB1785) to hold stray animals for longer periods of time.

**Recently implemented pronouncement** – The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* on July 1, 2017. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restriction when the associated long-lived asset is placed in service; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the statement of financial position date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions.

**Net asset classifications** – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Without donor restriction* – Net assets not subject to use or time restrictions. A portion of these net assets may be designated by the Board of Directors for specific purposes.

*With donor restriction* – Defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Net assets with donor restriction represent amounts collected by the Organization to be utilized for specific purposes such as their wellness and medical assistance program, for use toward specific types of animals, and for use toward facility upgrades and maintenance. Net assets with donor restriction at June 30, 2019 and 2018, totaled \$151,954 and \$140,525, respectively. Net assets released from restriction during the years ended June 30, 2019 and 2018, totaled \$2,700 and \$2,932, respectively.

## Central California S.P.C.A. Notes to Financial Statements

---

Gifts of cash and other assets are donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, donor restricted net assets are reclassified to without donor restriction and reported in the statement of activities as “net assets released from restriction.”

**Method of accounting** – The Organization uses the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America.

**Contributions and promises to give** - Unconditional contributions, including pledges to give at estimated net realizable value, are recognized as revenue in the period received. The Organization reports conditional contributions as with donor restriction support if they are received with donor stipulations that restrict the specific use or the occurrence of a certain future event limit the use.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents** – For purposes of reporting the statement of cash flows, the Organization considers cash accounts, money market funds, and certificates of deposit with original maturities of three months or less to be cash equivalents.

**Investments in marketable securities** – Investments in marketable securities consist primarily of publicly traded mutual funds, common stock, and bonds and are recorded at fair value. These investments are covered by the Securities Investor Protection Corporation up to \$500,000 (including \$250,000 of cash). Investment income and unrealized gains and losses are reported on the statement of activities.

**Contribution receivable** – Contribution receivable consisted of unconditional contributions due to the Organization. Contribution receivable at June 30, 2018, amounted to \$378,298. There was no contribution receivable at June 30, 2019. Management believes the amounts are fully collectible so therefore there is no allowance for uncollectible contribution receivable.

**Concentration of credit risk** – Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash equivalents and contribution receivable. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2019 and 2018, the Organization had approximately \$3,104,000 and \$2,024,000 of uninsured cash balances, respectively. Management has not experienced any losses on those deposits and believes it is not exposed to any significant credit risk.

During the year ended June 30, 2018, the balance of contribution receivable was from one donor. During the years ended June 30, 2019 and 2018, the City of Fresno contract accounted for approximately 62% and 64%, respectively, of the Organization’s total revenue.

**Inventory** – Inventory for the animal shelter, grooming parlor, and pet supplies is stated at the lower of cost or net realizable value, determined on an average cost basis. Inventory consists of animal food, veterinary supplies, animal control supplies, and miscellaneous supplies.

**Property and equipment** – It is the Organization’s policy to capitalize property and equipment acquisitions over \$2,000. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Expenditures for major renewals and betterments that extend the useful lives of the related assets are capitalized. Expenditures for repairs and maintenance, including planned major maintenance activities, are charged to operations when incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	7 to 39 years
Machinery and equipment	5 to 15 years
Office equipment	3 to 7 years
Vehicles	5 years

**Long-lived assets** – Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment losses were recognized during the years ended June 30, 2019 and 2018.

**In-kind contributions** – Contributions of noncash assets are utilized by the Organization in providing services are recorded at their fair values in the period received. Contributions of noncash assets received for fundraising events (such as catering, entertainment, etc.) are not recorded in the accompanying financial statements. In addition, contributions of noncash assets to be sold at fundraising events by the Organization are recorded at the time of sale. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

A number of unpaid volunteers have made significant contributions of their time to the Organization. However, the value of these services is not reflected in the accompanying financial statements because generally accepted accounting principles do not allow for the recognition of nonspecialized services.

**Advertising and promotion** – Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. For the years ended June 30, 2019 and 2018, advertising costs were \$92,695 and \$89,544 respectively; no costs were capitalized.

**Exchange transactions** – Revenues earned from contracts with the City of Fresno and local agencies are considered to be exchange transactions because revenue is not earned until services have been performed and eligibility requirements have been met. Revenue from exchange contracts are reported gross of any related expenses in the accompanying financial statements.

**Allocation of expenses** – Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of estimates of time and effort are compensation and benefits, depreciation, and insurance. All other expenses are allocated on the basis of usage.

# Central California S.P.C.A.

## Notes to Financial Statements

---

**Income taxes** – The Organization is a tax-exempt corporation under section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the State of California Corporate Code. The Organization is subject to taxation on any unrelated business income.

**Uncertain tax positions** – The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Organization does not believe its statement of financial position includes any uncertain tax positions.

### NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash, checking, and savings	\$ 3,853,417	\$ 2,524,519
Money market funds	23,131	23,120
Total	<u>\$ 3,876,548</u>	<u>\$ 2,547,639</u>

### NOTE 3 – INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Equities and options	\$ 1,935,098	\$ 1,839,564
Mutual funds	487,218	439,212
Corporate bonds	1,416,286	1,359,641
Municipal bonds	76,546	131,249
Total	<u>\$ 3,915,148</u>	<u>\$ 3,769,666</u>

During the years ended June 30, 2019 and 2018, interest and dividend income was \$123,325 and \$113,753, respectively. During the years ended June 30, 2019 and 2018, net unrealized and realized gain was \$256,556 and \$15,817, respectively.

### NOTE 4 – FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 3 inputs were available to the Organization. The three levels of the fair value of hierarchy are described below:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**Level 2** – Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement:

- Quoted market prices for similar assets or liabilities in active markets;

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation techniques used for assets measured at fair value. There have been no changes in the techniques used at June 30, 2019 and 2018.

*Corporate and municipal bonds* – Valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximized observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.



**Central California S.P.C.A.  
Notes to Financial Statements**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of June 30, 2019:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Equities and options	\$ 1,935,098	\$ -	\$ -	\$ 1,935,098
Mutual funds	487,218	-	-	487,218
Corporate bonds	-	1,416,286	-	1,416,286
Municipal bonds	-	76,546	-	76,546
Total assets at fair value	<u>\$ 2,422,316</u>	<u>\$ 1,492,832</u>	<u>\$ -</u>	<u>\$ 3,915,148</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of June 30, 2018:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Equities and options	\$ 1,839,564	\$ -	\$ -	\$ 1,839,564
Mutual funds	439,212	-	-	439,212
Corporate bonds	-	1,359,641	-	1,359,641
Municipal bonds	-	131,249	-	131,249
Total assets at fair value	<u>\$ 2,278,776</u>	<u>\$ 1,490,890</u>	<u>\$ -</u>	<u>\$ 3,769,666</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	2019	2018
Land	\$ 27,420	\$ 27,420
Building and improvements	6,135,932	6,135,932
Equipment	377,003	369,519
Automobiles and trucks	787,985	728,159
Construction in progress	14,917	4,989
	7,343,257	7,266,019
Less: accumulated depreciation	(4,549,053)	(4,312,359)
	<u>\$ 2,794,204</u>	<u>\$ 2,953,660</u>

The Organization incurred depreciation expense of \$236,692 and \$246,032 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 6 – OBLIGATIONS UNDER OPERATING LEASES**

The Organization has two noncancellable operating leases for office equipment that expire during the years ended June 30, 2021 and June 30, 2023. Equipment lease expense was \$9,814 and \$8,879 for the years ended June 30, 2019 and 2018, respectively.

Future annual minimum lease payments on the leases are as follows:

<u>Year Ending June 30,</u>		
2020	\$	9,501
2021		8,901
2022		7,102
2023		1,184
		26,688
	\$	26,688

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at June 30:

	2019	2018
Wellness/medical assistance	\$ 77,463	\$ 68,534
Coyle trust	67,110	67,110
Cat purvillion	4,881	4,881
Animal care	2,500	-
	\$ 151,954	\$ 140,525

**NOTE 8 – RETIREMENT PLAN**

The Organization has adopted a defined contribution 401(k) plan covering eligible employees. Active employees who are at least 21 years of age and have completed two years of service are eligible to participate. Under the plan, the Organization matches 100% of the employee's first 5% of salary deferral. The total matching contribution expense for the years ended June 30, 2019 and 2018, was \$78,774 and \$82,760, respectively.

**NOTE 9 – CONTRACTS AND FEES FROM GOVERNMENTAL AGENCIES**

The Organization's grants and contracts are subject to inspection and audit by the appropriate governmental agency. The purpose is to determine whether the program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from those governmental audits cannot be reasonably estimated and, accordingly, the Organization has no provision for the possible disallowance of programs costs recorded in the financial statements.

## Central California S.P.C.A. Notes to Financial Statements

---

### NOTE 10 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization’s financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year are as follows at June 30:

	2019	2018
Financial assets		
Cash and cash equivalents	\$ 3,876,548	\$ 2,547,639
Investments	3,915,148	3,769,666
Accounts receivable	12,553	26,207
Contribution receivable	-	378,298
	<hr/>	<hr/>
Financial assets, at June 30,	7,804,249	6,721,810
Less those unavailable for general expenditure within one year	<hr/> -	<hr/> -
Financial assets available to meet cash needs for general expenditures within one year	<hr/> <u>\$ 7,804,249</u>	<hr/> <u>\$ 6,721,810</u>

The Organization has a policy to maintain financial assets to meet 90 to 180 days of operating expenses. As part of the Organization’s liquidity plan, excess cash is invested in short-term investments including money market accounts and certificates of deposit. The Organization has certain donor-restricted net assets that are available for general expenditures within one year because the restriction on the net assets are expected to be met by conducting the normal activities of the programs in the coming year.

### NOTE 11 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through June 19, 2020, which is the date the financial statements were available to be issued, and determined the following event required disclosure:

Subsequent to June 30, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. The Organization’s operations are located in California, which has restricted gatherings of people and implemented shelter in place restrictions due to the coronavirus outbreak. Given the dynamic nature of these circumstances and business disruption, the Organization anticipates a significant short-term impact. The Organization will continue to monitor the situation closely, but given the uncertainty about the situation, an estimate of the impact to the financial statements cannot be made at this time.

