Report of Independent Auditors and Financial Statements

Central California S.P.C.A.

June 30, 2021

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MOSSADAMS

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. (the Organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

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, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Fresno, California
February 11, 2022

Financial Statements

Central California S.P.C.A.
Statement of Financial Position
June 30, 2021

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	5,988,350
Investments		5,622,585
Accounts receivable		26,494
Inventory		75,602
Prepaid expenses and other assets		71,414
Total current assets		11,784,445
PROPERTY AND EQUIPMENT, net		3,539,909
Total assets	$	15,324,354

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	134,709
Accrued expenses and other liabilities		324,579
Total current liabilities		459,288
NET ASSETS		
Without donor restriction		14,669,570
With donor restriction		195,496
Total net assets		14,865,066
Total liabilities and net assets	$	15,324,354

See accompanying notes.

	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Program services:			
Animal shelter	$ 384,327	$ -	$ 384,327
Special	194,282	-	194,282
Surgery annex	731,129	-	731,129
Government contracts - animal shelter	5,345,004	-	5,345,004
Donations	253,946	77,842	331,788
Investment income	881,142	-	881,142
Fundraising	47,865	-	47,865
Other	94,650	-	94,650
Total revenues, gains, and other support	7,932,345	77,842	8,010,187
NET ASSETS RELEASED FROM RESTRICTION			
Restrictions satisfied by payment of related expenses	104,496	(104,496)	-
Total revenues, gains, and other support after net assets released from restriction	8,036,841	(26,654)	8,010,187
EXPENSES			
Program services			
Animal shelter	2,655,684	-	2,655,684
Special	354,159	-	354,159
Surgery annex	469,349	-	469,349
General and administrative	1,431,684	-	1,431,684
Fundraising	143,063	-	143,063
Total expenses	5,053,939	-	5,053,939
CHANGE IN NET ASSETS	2,982,902	(26,654)	2,956,248
NET ASSETS, beginning of year	11,686,668	222,150	11,908,818
NET ASSETS, end of year	$ 14,669,570	$ 195,496	$ 14,865,066

Central California S.P.C.A.
Statement of Functional Expenses
Year ended June 30, 2021

	Program Services				Supporting Services		
	Animal Shelter	Special	Surgery Annex	Total Program Services	General and Administrative	Fundraising	Total
Accounting	$ -	$ -	$ -	$ -	$ 89,076	$ -	$ 89,076
Advertising	-	-	-	-	99,231	-	99,231
Animal supplies	152,084	28,148	7,205	187,437	292	-	187,729
Conferences, conventions, and meetin	-	-	-	-	7,089	-	7,089
Depreciation	124,759	14,279	9,708	148,746	47,529	6,274	202,549
Grants to domestic organizations	-	1,000	-	1,000	-	-	1,000
Information technology	-	-	-	-	49,701	-	49,701
Insurance	37,864	2,680	4,513	45,057	99,939	1,122	146,118
Interest	-	-	-	-	670	-	670
Legal	-	-	-	-	8,541	-	8,541
Medical supplies	76,084	7,175	111,753	195,012	-	-	195,012
Miscellaneous expense	-	122	-	122	3,299	17,358	20,779
Occupancy	-	900	-	900	241,479	-	242,379
Office expenses	33,506	6,250	-	39,756	164,526	259	204,541
Other employee benefits	117,900	27,686	20,138	165,724	84,903	18,331	268,958
Other professional services	914,314	43,588	2,630	960,532	44,880	2,767	1,008,179
Payroll taxes	83,112	14,950	23,579	121,641	34,990	6,783	163,414
Pension plan	29,969	7,612	8,500	46,081	20,574	4,170	70,825
Salaries	1,004,208	195,716	280,544	1,480,468	434,965	85,999	2,001,432
Travel	80,273	515	65	80,853	-	-	80,853
Uniforms	1,611	3,538	714	5,863	-	-	5,863
	$ 2,655,684	$ 354,159	$ 469,349	$ 3,479,192	$ 1,431,684	$ 143,063	$ 5,053,939

Central California S.P.C.A.
Statement of Cash Flows
Year ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	2,956,248
Adjustment to reconcile change in net assets to net cash from operating activities from operating activities:		
Depreciation		202,549
Gain on disposal of assets		10,803
Bad debt expense		2,569
Net realized and unrealized gain on investments		(727,425)
Bond amortization		4,565
Change in operating assets and liabilities:		
Accounts receivable		27,522
Inventory		13,374
Prepaid expenses		8,760
Accounts payable		17,215
Accrued expenses and other liabilities		38,525
Net cash from operating activities		2,554,705
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(958,673)
Purchase of marketable securities		(361,175)
Proceeds from sale of marketable securities		163,144
Net cash from investing activities		(1,156,704)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease payable		(16,449)
Net cash used in financing activities		(16,449)
NET CHANGE IN CASH AND CASH EQUIVALENTS		1,381,552
CASH AND CASH EQUIVALENTS, beginning of year		4,606,798
CASH AND CASH EQUIVALENTS, end of year	$	5,988,350
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest during the year	$	670

See accompanying notes.

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. The Organization'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. The Organization 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.

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.

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.

Recently implemented pronouncement – On July 1, 2020, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenues from Contracts with Customers (Topic 606)*, and other subsequently issued ASUs under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. The new standard requires organizations to recognize revenue when control of promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled in exchange for the goods or services. The new model requires organizations to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time for each of these obligations. The new standard also significantly expands disclosure requirements regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for annual periods beginning after December 15, 2019, with a 1-year extension to annual periods beginning after December 15, 2020. The Organization adopted the new standard effective July 1, 2020, using the full retrospective method. The adoption of this standard did not have a significant impact on the Organization's financial position, results of operations, or cash flows. No changes were recorded to previously reported revenues as a result of the adoption.

Revenue recognition – Contributions and unconditional grants are recognized as support and revenues when they are received or unconditionally pledged. These contributions are shown as restricted support and revenues if they are subject to time or donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions when a stipulated time restriction ends, purpose restriction is accomplished, or both; however, contributions and grants with donor restrictions are reported as support and revenues without donor restrictions if the restriction is met in the same year that the gift is received.

Conditional contributions are not recorded as support and revenues until the conditions are met. Payments classified as exchange transactions (reciprocal transfers between two entities in which goods and services of equal value is exchanged) are not recorded as other support and revenue until allowable expenditures are incurred.

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.

Classification of net assets – 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, 2021, totaled $195,496. Net assets released from restriction during the year ended June 30, 2021, totaled $100,679.

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.

Concentration of credit risk – Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2021, the Organization had approximately $5,444,000 of uninsured cash balances. 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, 2021, the City of Fresno contract accounted for approximately 67% 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 – 39 years
Equipment	5 – 15 years
Automobiles and trucks	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 year ended June 30, 2021.

In-kind contributions – Contributions of noncash assets 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 – 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 year ended June 30, 2021, advertising costs were $99,231; no costs were capitalized.

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.

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.

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 February 11, 2022, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities consisted of the following at June 30, 2021:

Equities and options	$ 2,773,121
Mutual funds	1,253,158
Corporate bonds	1,428,335
Government and municipal bonds	167,971
Total	$ 5,622,585

During the year ended June 30, 2021, interest and dividend income was $126,142 and net realized and unrealized gain on investments was $755,000.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statement 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.

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, 2021.

Equities and options – Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds – Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Organization are deemed to be actively traded. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission.

Corporate, government, 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.

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, 2021:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Equities and options	$ 2,773,121	$ -	$ -	$ 2,773,121
Mutual funds	1,253,158	-	-	1,253,158
Corporate bonds	-	1,428,335	-	1,428,335
Government and municipal bonds	-	167,971	-	167,971
Total assets at fair value	$ 4,026,279	$ 1,596,306	$ -	$ 5,622,585

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at June 30, 2021:

Land	$ 27,420
Building and improvements	6,102,044
Equipment	397,010
Automobiles and trucks	791,485
Construction in progress	1,059,379
	8,377,338
Less: accumulated depreciation	(4,837,429)
Total	$ 3,539,909

The Organization incurred depreciation expense of $202,549 for the year ended June 30, 2021.

NOTE 5 – OBLIGATIONS UNDER OPERATING LEASES

The Organization has two noncancelable operating leases for office equipment that expire August 2022 and June 2025. Equipment lease expense was $9,219 for the year ended June 30, 2021.

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

Year Ending June 30,	
2022	$ 9,519
2023	3,601
2024	2,417
2025	2,417
	$ 17,954

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2021:

Pet adoption project	$ 112,110
Wellness/medical assistance	78,176
Cat purvillion	4,880
Animal care	330
	$ 195,496

NOTE 7 – 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 year ended June 30, 2021, was $70,825.

NOTE 8 – CONTINGENCIES AND UNCERTAINTIES

State and local grants – 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 program costs recorded in the financial statements.

Impact from coronavirus outbreak – The World Health Organization declared the novel coronavirus outbreak a public health emergency. The Organization's operations are located in California, which has issued shelter-in-place restrictions and restricted gatherings of people 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 of the situation, an estimate of the impact to the financial statements cannot be made at this time.

NOTE 9 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of June 30, 2021, 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, 2021:

Financial assets:	
Cash and cash equivalents	$ 5,988,350
Investments	5,622,585
Accounts receivable	26,494
Financial assets, at June 30, 2021	11,637,429
Less those unavailable for general expenditure within one year:	
Donor-restricted net assets with restrictions not expected to be met within one year	(116,990)
Financial assets available to meet cash needs for general expenditures within one year	$ 11,520,439

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, equities, and bonds. 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.

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