



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

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

December 31, 2018 and 2017

**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), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Sacramento, California

June 18, 2019

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	2018	2017
<i>ASSETS</i>		
Cash and cash equivalents	\$ 3,202,387	\$ 5,759,247
Investments	6,859,763	3,598,912
Contributions receivable, net	227,113	341,577
Accounts receivable	237,627	231,957
Prepaid expenses and other	96,161	39,866
Inventory	16,387	23,948
Land, buildings and equipment, less accumulated depreciation	6,365,757	6,682,359
Beneficial interest in assets held by Sacramento Region Community Foundation	10,244	11,322
TOTAL ASSETS	\$ 17,015,439	\$ 16,689,188
<i>LIABILITIES AND NET ASSETS</i>		
Accounts payable and accrued expenses	\$ 526,129	\$ 712,494
TOTAL LIABILITIES	526,129	712,494
COMMITMENTS	-	-
NET ASSETS		
Without donor restrictions	16,049,181	15,575,886
With donor restrictions	440,129	400,808
TOTAL NET ASSETS	16,489,310	15,976,694
TOTAL LIABILITIES AND NET ASSETS	\$ 17,015,439	\$ 16,689,188

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, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Contributions, bequests and grants	\$ 4,243,809	\$ 185,515	\$ 4,429,324	\$ 5,132,635	\$ 268,313	\$ 5,400,948
Program fees	2,314,501	-	2,314,501	2,081,384	-	2,081,384
Investment return, net	(17,495)	-	(17,495)	395,665	-	395,665
Special events, net of direct expenses of \$223,929 in 2018 and \$322,141 in 2017	385,534	-	385,534	392,088	-	392,088
Adoptable goods income, net of direct expenses of \$28,730 in 2018 and \$38,379 in 2017	311,197	-	311,197	287,511	-	287,511
Vehicle donation program, net of direct expenses of \$40,879 in 2018 and \$27,062 in 2017	142,623	-	142,623	117,404	-	117,404
Gifts in-kind	116,707	-	116,707	102,748	-	102,748
Gain on sale of land and improvements	132,421	-	132,421	-	-	-
Miscellaneous	15,735	-	15,735	54	-	54
Net assets released from restrictions	146,194	(146,194)	-	281,900	(281,900)	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	7,791,226	39,321	7,830,547	8,791,389	(13,587)	8,777,802
EXPENSES						
Programs:						
Spay and neuter clinic	2,371,755	-	2,371,755	1,856,196	-	1,856,196
Animal services	2,061,715	-	2,061,715	2,210,307	-	2,210,307
Adoptions	622,857	-	622,857	674,973	-	674,973
Other	893,177	-	893,177	628,862	-	628,862
TOTAL PROGRAM EXPENSES	5,949,504	-	5,949,504	5,370,338	-	5,370,338
Supporting Services:						
General and administration	462,547	-	462,547	486,355	-	486,355
Fundraising	905,880	-	905,880	972,449	-	972,449
TOTAL SUPPORTING SERVICES EXPENSES	1,368,427	-	1,368,427	1,458,804	-	1,458,804
TOTAL EXPENSES	7,317,931	-	7,317,931	6,829,142	-	6,829,142
CHANGE IN NET ASSETS	473,295	39,321	512,616	1,962,247	(13,587)	1,948,660
NET ASSETS AT BEGINNING OF YEAR	15,575,886	400,808	15,976,694	13,613,639	414,395	14,028,034
NET ASSETS AT END OF YEAR	\$ 16,049,181	\$ 440,129	\$ 16,489,310	\$ 15,575,886	\$ 400,808	\$ 15,976,694

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, 2018

	<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	\$ 1,457,827	954,711	284,863	616,880	3,314,281	297,350	363,253	3,974,884
Employee benefits and taxes	296,217	208,036	58,309	119,645	682,207	66,054	75,691	823,952
Total employee compensation	<u>1,754,044</u>	<u>1,162,747</u>	<u>343,172</u>	<u>736,525</u>	<u>3,996,488</u>	<u>363,404</u>	<u>438,944</u>	<u>4,798,836</u>
Direct support for animals	425,453	311,981	12,273	2,924	752,631	-	-	752,631
Depreciation	32,702	228,002	109,278	16,045	386,027	13,878	10,355	410,260
Occupancy	36,873	213,057	97,485	26,721	374,136	13,706	10,306	398,148
Printing, publications, postage	7,629	10,614	3,831	31,953	54,027	9,193	326,284	389,504
Professional fees	69,546	53,854	15,228	35,964	174,592	28,630	44,559	247,781
Computer expense	10,272	9,949	3,316	11,690	35,227	10,046	31,090	76,363
Insurance	4,436	29,312	14,823	3,792	52,363	7,424	1,405	61,192
Office supplies and expense	9,594	7,030	8,500	9,908	35,032	3,436	3,653	42,121
Communications	9,157	9,312	3,145	4,194	25,808	7,863	2,621	36,292
Doubtful pledges expense	-	-	-	-	-	-	25,076	25,076
Facilities and equipment rental	2,276	13,648	6,369	1,378	23,671	386	607	24,664
Dues and memberships	3,355	3,557	1,514	3,536	11,962	2,711	2,754	17,427
Travel and automobile	1,620	6,556	2,336	1,792	12,304	1,265	2,491	16,060
Miscellaneous	4,798	2,096	1,587	6,755	15,236	605	5,735	21,576
TOTAL EXPENSES	<u>\$ 2,371,755</u>	<u>2,061,715</u>	<u>622,857</u>	<u>893,177</u>	<u>5,949,504</u>	<u>462,547</u>	<u>905,880</u>	<u>7,317,931</u>
PERCENT OF TOTAL	<u>32.4%</u>	<u>28.2%</u>	<u>8.5%</u>	<u>12.2%</u>	<u>81.3%</u>	<u>6.3%</u>	<u>12.4%</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, 2017

	<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	\$ 1,227,115	\$ 1,117,526	\$ 344,142	\$ 404,925	\$ 3,093,708	\$ 329,369	\$ 412,325	\$ 3,835,402
Employee benefits and taxes	264,696	248,728	74,806	92,585	680,815	63,033	107,312	851,160
Total employee compensation	<u>1,491,811</u>	<u>1,366,254</u>	<u>418,948</u>	<u>497,510</u>	<u>3,774,523</u>	<u>392,402</u>	<u>519,637</u>	<u>4,686,562</u>
Direct support for animals	216,301	313,206	7,946	8,155	545,608	-	1,862	547,470
Depreciation	31,388	207,414	104,890	26,832	370,524	13,321	9,939	393,784
Printing, publications, postage	7,657	11,021	3,398	21,897	43,973	8,959	327,685	380,617
Occupancy	36,692	199,181	92,928	23,972	352,773	11,712	9,732	374,217
Professional fees	38,595	38,921	11,515	20,970	110,001	13,260	53,560	176,821
Computer expense	9,674	12,328	4,762	7,983	34,747	12,328	16,940	64,015
Insurance	3,620	23,924	12,098	3,095	42,737	5,382	10,646	58,765
Communications	8,541	10,911	3,859	5,811	29,122	8,423	4,144	41,689
Office supplies and expense	2,589	5,427	4,927	2,429	15,372	18,016	4,129	37,517
Facilities and equipment rental	3,800	12,500	5,390	392	22,082	195	6,849	29,126
Travel and automobile	1,501	5,205	3,064	1,092	10,862	372	2,249	13,483
Dues and memberships	2,083	2,677	618	1,227	6,605	1,730	1,640	9,975
Doubtful pledges expense	-	-	-	-	-	-	-	-
Miscellaneous	1,944	1,338	630	7,497	11,409	255	3,437	15,101
TOTAL EXPENSES	<u>\$ 1,856,196</u>	<u>\$ 2,210,307</u>	<u>\$ 674,973</u>	<u>\$ 628,862</u>	<u>\$ 5,370,338</u>	<u>\$ 486,355</u>	<u>\$ 972,449</u>	<u>\$ 6,829,142</u>
PERCENT OF TOTAL	<u>27.2%</u>	<u>32.4%</u>	<u>9.9%</u>	<u>9.2%</u>	<u>78.6%</u>	<u>7.1%</u>	<u>14.2%</u>	<u>100.0%</u>

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 512,616	\$ 1,948,660
<i>Adjustments to reconcile the change in net assets to net cash provided by operating activities:</i>		
Depreciation	410,260	393,784
Donated assets	(101,064)	(19,126)
Gain on disposal of fixed assets	(132,421)	-
Unrealized and realized loss (gain) on investments	95,856	(245,103)
<i>(Increase) decrease in:</i>		
Contributions receivable	114,464	2,572,734
Accounts receivable	(5,670)	(101,496)
Prepaid expenses and other	(56,295)	31,191
Inventory	7,561	6,354
Beneficial interest in community foundation	1,078	(1,202)
<i>Increase (decrease) in:</i>		
Accounts payable and accrued expenses	(186,365)	163,078
	<u>147,404</u>	<u>2,800,214</u>
CASH PROVIDED BY OPERATING ACTIVITIES	660,020	4,748,874
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Cash paid for capital expenditures	(221,237)	(318,029)
Proceeds on sale of fixed assets	260,000	-
Proceeds from sale of investments	894,957	365,935
Purchases of investments	(4,150,600)	(1,716,694)
CASH USED IN INVESTMENT ACTIVITIES	(3,216,880)	(1,668,788)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,556,860)	3,080,086
CASH AND CASH EQUIVALENTS, BEGINNING	5,759,247	2,679,161
CASH AND CASH EQUIVALENTS, ENDING	\$ 3,202,387	\$ 5,759,247

SUPPLEMENTAL INFORMATION:

1. No cash was paid for interest or income taxes during the years ended December 31, 2018 and 2017.

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 the late 1800s 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 18,300 animals in 2018. Additionally, 16,200 low-cost and no-cost vaccinations were provided to the community, 1,200 animals received low-cost veterinary exams and more than 3,600 sick, injured and homeless animals found new homes through the shelter's adoption facility. An active humane education program reaches over 7,000 children each year and a dog training program gives advice and training to more than 3,000 adults each year. 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. There were no nonoperating activities during 2018 and 2017.

Cash Equivalents: The Society considers all short-term investments, including certificates of deposit, with a maturity of three months or less when purchased to be cash equivalents.

SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

NOTE B - SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounts Receivable: The Society considers grants 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.

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: 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.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions and Contributions Receivable: 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.

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.

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 be 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>2018</u>	<u>2017</u>
Kennel and medical supplies	\$ 72,607	\$ 44,135
Software licenses	-	16,688
Veterinary services	14,400	15,450
Advertising and design	13,113	13,450
Legal	4,703	3,436
Rental of facilities and equipment	2,064	2,064
Computer expense	-	1,952
Building and grounds maintenance	-	1,872
Other	9,820	3,701
	<u>\$ 116,707</u>	<u>\$ 102,748</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

Gifts In-Kind (Continued): In addition, gifts in-kind income and expense of \$34,030 and \$43,542 for the years ended December 31, 2018 and 2017, respectively, were included in net special events income in the Statements of Activities.

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 \$389,505 and \$380,617, for the years ended December 31, 2018 and 2017, respectively, were expensed as incurred. These expenses are recorded in their respective functional categories.

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.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Costs (Continued):

<u>Expense</u>	<u>Method of Allocation</u>
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.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncement: On August 18, 2016, FASB issued 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, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Society has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Gross contributions receivable	\$ 237,204	\$ 377,227
Less: unamortized discount	(10,091)	(23,435)
	<u>227,113</u>	<u>353,792</u>
Less: allowance for doubtful pledges	-	(12,215)
Net contributions receivable	\$ <u>227,113</u>	\$ <u>341,577</u>

Gross contributions receivable are collectible as follows at December 31:

	<u>2018</u>	<u>2017</u>
Within one year	\$ 28,799	\$ 118,791
One to five years	208,405	258,436
	<u>\$ 237,204</u>	<u>\$ 377,227</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE C - CONTRIBUTIONS RECEIVABLE – Continued

The Society recognizes contributions 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 contributions receivable ranges from 2.34% to 2.44%.

During 2000, the Society was named remainder beneficiary to an irrevocable charitable remainder unitrust. Under terms of the split-interest agreement, the lead beneficiaries are to receive the lesser of the trust income or five percent of the net fair market value of the trust assets, payable annually. Additionally, each year, the lead beneficiaries are to receive any excess trust income to the extent that the aggregate amounts paid in prior years were less than the aggregate amounts computed as five percent of the net fair market value of the trust assets on the valuation dates in such prior years. Upon the death of the lead beneficiaries, or by 2020, whichever is sooner, five percent of the assets in the trust will revert to the Society without restrictions.

A contribution receivable for the charitable remainder trust has been recognized at the present value of the expected future cash payment, discounted at a rate of 2.34% and 2.28% during the years ended December 31, 2018 and 2017, respectively, and using applicable mortality tables. At December 31, 2018 and 2017, the net present value of the charitable remainder trust receivable amounted to \$198,999 and \$224,435, respectively. Changes in the value of the receivable have been reported in the statement of activities as an increase (decrease) in net assets with donor restrictions.

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, 2018 and 2017.

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 Organization 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 Organization are deemed to be actively traded.

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

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NOTES TO FINANCIAL STATEMENTS

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS – Continued

The following table summarizes the investments at December 31, 2018 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	\$ 2,316,779	\$ -	\$ -	\$ 2,316,779
Registered investment companies	3,108,624	-	-	3,108,624
Exchange-traded funds	588,230	-	-	588,230
Certificates of deposit	<u>-</u>	<u>846,130</u>	<u>-</u>	<u>846,130</u>
Total investments	\$ <u>6,013,633</u>	\$ <u>846,130</u>	\$ <u>-</u>	\$ <u>6,859,763</u>
Beneficial Interest in Assets Held at the Sacramento Region Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,244</u>	<u>\$ 10,244</u>

The following table summarizes the investments at December 31, 2017 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	\$ 2,279,049	\$ -	\$ -	\$ 2,279,049
Registered investment companies	479,987	-	-	479,987
Exchange-traded funds	295,708	-	-	295,708
Certificates of deposit	<u>-</u>	<u>544,168</u>	<u>-</u>	<u>544,168</u>
Total investments	\$ <u>3,054,744</u>	\$ <u>544,168</u>	\$ <u>-</u>	\$ <u>3,598,912</u>
Beneficial Interest in Assets Held at the Sacramento Region Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,322</u>	<u>\$ 11,322</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS – Continued

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.

Changes in the Fund for the year ended December 31, 2018 are as follows:

Balance at December 31, 2017	\$	11,322
Net return of the Fund		(547)
Grants		(420)
Administrative fees		(111)
Balance at December 31, 2018	\$	<u>10,244</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 23 percent domestic equities, 24 percent foreign equities, 17 percent fixed income, and 36 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>2018</u>	<u>2017</u>
Buildings and improvements	\$ 10,199,531	\$ 10,178,149
Land and land improvements	1,285,339	1,407,957
Furniture, fixtures and equipment	780,619	738,801
Vehicles	222,160	170,544
Construction in progress	14,659	1,723
	<u>12,502,308</u>	<u>12,497,174</u>
Less accumulated depreciation	6,136,551	5,814,815
	<u>\$ 6,365,757</u>	<u>\$ 6,682,359</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE F - 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 \$7,076,893 and \$5,430,389 in eligible investments with Morgan Stanley at December 31, 2018 and 2017, respectively). There was no outstanding balance on the credit line at December 31, 2018 and 2017. As of the end of 2018, the Society had the ability to borrow as much as \$1,927,000 based upon the underlying investments at a variable interest rate of 6.00%. 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

Operating Leases: The Society leases office equipment under the terms of noncancellable operating leases. Total rental expense under these leases amounted to \$19,300 and \$24,058 during the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under these agreements are as follows:

Year ended December 31,	
2019	\$ 10,065
2020	10,065
2021	7,601
2022	3,955
Total	<u>\$ 31,686</u>

City Contracts: The Society has contracted with three 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 expires December 31, 2019 and may be terminated by either the Society or the city without cause upon six months written notice. Another agreement was canceled subsequent to December 31, 2017 and ended in October 2018. The other agreement is extended until 2020.

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, 2018 and 2017 amounted to \$183,502 and \$144,466, respectively.

**SACRAMENTO SOCIETY FOR THE
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NOTES TO FINANCIAL STATEMENTS

NOTE I – NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2018</u>	<u>2017</u>
Long-term investment reserve	\$ 2,237,926	\$ 2,255,843
Capital projects	1,198,634	1,198,634
Operating reserve	1,000,000	1,000,000
Emergency reserve	1,000,000	1,000,000
Deferred maintenance reserve	500,000	500,000
Strategic reserves	581,265	-
Dog Park / Columbarium	17,517	17,517
	<u>\$ 6,535,342</u>	<u>\$ 5,791,994</u>

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2018</u>	<u>2017</u>
Subject to the Passage of Time or Expenditure for Specified Purpose:		
General support for future periods	\$ 198,999	\$ 237,289
Purchase of a transport van	-	50,000
Capital improvements fund	192,536	35,000
Spay/Neuter clinic program	-	29,703
Outreach programs	29,416	29,133
Dog park	9,178	9,683
Total Subject to the Passage of Time or Expenditure for Specified Purpose	<u>430,129</u>	<u>390,808</u>
Subject to Spending Policy and Appropriation:		
Investment in perpetuity (original amount of \$10,000 in 2018 and 2017, respectively), which, once appropriated, is expendable to support:		
Any activities of the organization	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
Total net assets with donor restrictions	<u>\$ 440,129</u>	<u>\$ 400,808</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS – Continued

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:

	2018
Purpose Restrictions Accomplished:	
Purchase of a transport van	\$ 50,000
Spay/Neuter clinic program	29,703
Outreach programs	1,548
Dog park	5,505
	86,756
Time Restrictions Expired:	
Passage of specified time	59,438
	59,438
Total restrictions released	\$ 146,194

NOTE K - 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 \$6,859,763 and \$3,598,912 in marketable securities maintained by an investment brokerage firm insured by the Security Investment Protection Corporation at December 31, 2018 and 2017, 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 two of the Society’s contributors represents approximately 94% of the total contributions receivable at December 31, 2018. Contributions receivable from two of the Society’s contributors represents approximately 92% of the total contributions receivable at December 31, 2017.

NOTE L - RETIREMENT PLANS

During 2007, the Society adopted 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, 2018 and 2017. Accordingly, the Society accrued a plan contribution in the amount of \$53,117 and \$51,135 at December 31, 2018 and 2017, respectively.

The Society also maintains 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.

**SACRAMENTO SOCIETY FOR THE
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NOTES TO FINANCIAL STATEMENTS

NOTE M – AVAILABILITY AND LIQUIDITY

The following represents the Society’s financial assets at December 31, 2018 and 2017:

Financial assets at year-end:	2018	2017
Cash and cash equivalents	\$ 3,202,387	\$ 5,759,247
Investments	6,859,763	3,598,912
Beneficial interest in assets held by Sacramento Region Community Foundation	10,244	11,322
Contributions receivable, net	227,113	341,577
Accounts receivable	<u>237,627</u>	<u>231,957</u>
Total financial assets	10,537,134	9,943,015
Less amounts not available to be used within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	440,129	400,808
Board designations:		
Quasi-endowment fund, primarily for long-term investing	2,237,926	2,255,843
Amounts set aside for reserves	3,081,265	2,500,000
Amounts set aside for capital projects	<u>1,216,151</u>	<u>1,216,151</u>
	<u>6,975,471</u>	<u>6,372,802</u>
Financial assets available to meet general expenditures within one year	\$ <u>3,561,663</u>	\$ <u>3,570,213</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 N - SUBSEQUENT EVENTS

In preparing the financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through June 18, 2019, the date that the financial statements were available to be issued.