

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2024 AND 2023**

SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Sacramento Society for the Prevention of Cruelty to Animals (the Society), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



GILBERT CPAs
Sacramento, California

July 16, 2025

SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,734,155	\$ 4,835,456
Accounts receivable	80,574	100,181
Contributions receivable	1,702,483	168,885
Other receivables	43,472	37,588
Inventory	11,513	16,738
Prepaid expenses and deposits	121,320	96,084
Total current assets	8,693,517	5,254,932
NON-CURRENT ASSETS:		
Cash and cash equivalents, noncurrent	36,101	1,502,629
Investments	18,520,025	15,416,469
Property and equipment, net	7,516,618	7,716,307
Operating lease, right-of-use asset	14,153	18,975
Beneficial interest in perpetual trust	326,510	323,597
Beneficial interest in assets held by SRCF	13,977	12,529
TOTAL ASSETS	<u>\$ 35,120,901</u>	<u>\$ 30,245,438</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 321,858	\$ 256,766
Accrued expenses	606,753	588,808
Deferred revenue		35,346
Current portion of operating lease liability	4,991	4,821
Total current liabilities	933,602	885,741
OPERATING LEASE LIABILITY, Net	9,162	14,154
Total liabilities	942,764	899,895
NET ASSETS:		
Without donor restrictions	30,864,230	28,105,983
With donor restrictions	3,313,907	1,239,560
Total net assets	34,178,137	29,345,543
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,120,901</u>	<u>\$ 30,245,438</u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2024 AND 2023

NET ASSETS WITHOUT DONOR RESTRICTIONS:	<u>2024</u>	<u>2023</u>
REVENUES, GAINS AND SUPPORT:		
Contributions, bequests and grants	\$ 9,588,830	\$ 6,748,719
Program fees	3,090,593	3,210,592
Special events, net of direct benefit to donors of \$221,281 and \$238,307 respectively	459,607	431,983
Vehicle donation program, net of direct expenses of \$34,730 and \$43,741, respectively	154,163	154,421
In-kind contributions	152,032	181,958
Investment returns, net of fees	1,501,853	2,067,836
Distributions from beneficial interests	13,336	13,342
Other income	12,428	7,376
Net assets released from restrictions	568,838	441,511
Net assets restricted by donor	(1,502,629)	
Total revenues, gains and support	<u>14,039,051</u>	<u>13,257,738</u>
EXPENSES:		
Program services:		
Spay and neuter clinic	4,875,750	4,521,612
Animal services	2,624,906	2,626,996
Community outreach	1,100,410	1,055,369
Adoptions	828,899	809,239
Total program services	<u>9,429,965</u>	<u>9,013,216</u>
Supporting services:		
Fundraising	1,383,198	1,070,687
General and administrative	506,025	678,027
Total supporting services	<u>1,889,223</u>	<u>1,748,714</u>
Total expenses	<u>11,319,188</u>	<u>10,761,930</u>
INCOME FROM OPERATIONS	2,719,863	2,495,808
Gain on disposal of property and equipment	<u>38,384</u>	<u>69,391</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2,758,247</u>	<u>2,565,199</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and bequests	969,301	431,819
Investment returns, net of fees	166,894	
Special events		25,750
Change in value of beneficial interests	4,361	12,337
Net assets released from restrictions	(568,838)	(441,511)
Net assets restricted by donor	1,502,629	
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>2,074,347</u>	<u>28,395</u>
INCREASE IN NET ASSETS	4,832,594	2,593,594
NET ASSETS, Beginning of Year	<u>29,345,543</u>	<u>26,751,949</u>
NET ASSETS, End of Year	<u><u>\$ 34,178,137</u></u>	<u><u>\$ 29,345,543</u></u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2024

	Program services					Supporting services		
	<u>Spay and neuter clinic</u>	<u>Animal services</u>	<u>Community outreach</u>	<u>Adoptions</u>	<u>Total program services</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>
Salaries	\$ 2,992,983	\$ 1,296,990	\$ 758,179	\$ 369,236	\$ 5,417,388	\$ 694,540	\$ 244,596	\$ 6,356,524
Employee benefits and taxes	615,279	277,242	153,682	74,875	1,121,078	140,477	48,229	1,309,784
Total employee compensation	3,608,262	1,574,232	911,861	444,111	6,538,466	835,017	292,825	7,666,308
Direct support for animals	771,151	510,273	18,902	12,707	1,313,033			1,313,033
Occupancy	163,400	168,594	22,449	169,431	523,874	16,941	20,375	561,190
Depreciation	110,412	218,483	30,584	145,887	505,366	15,280	28,377	549,023
Printing, publishing, postage	17,119	8,092	40,597	1,559	67,367	352,092	1,041	420,500
Professional fees	84,379	35,604	30,990	10,309	161,282	100,130	116,417	377,829
Computer expense	45,745	37,561	26,133	10,661	120,100	42,025	25,754	187,879
Communications	28,916	17,989	5,330	3,997	56,232	5,699	7,995	69,926
Insurance	12,564	24,861	3,480	16,600	57,505	1,739	3,229	62,473
Office supplies and expense	15,031	13,780	5,171	4,434	38,416	2,949	2,415	43,780
Travel and automobile	6,298	6,810	1,928	3,794	18,830	2,711	4,179	25,720
Facilities and equipment rental	3,350	5,193	448	4,672	13,663	224	415	14,302
Dues and memberships	3,100	1,451	480	322	5,353	1,276	645	7,274
Miscellaneous expense	6,023	1,983	2,057	415	10,478	7,115	2,358	19,951
Total	<u>\$ 4,875,750</u>	<u>\$ 2,624,906</u>	<u>\$ 1,100,410</u>	<u>\$ 828,899</u>	<u>\$ 9,429,965</u>	<u>\$ 1,383,198</u>	<u>\$ 506,025</u>	<u>\$ 11,319,188</u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2023

	<u>Program services</u>					<u>Supporting services</u>		
	<u>Spay and neuter clinic</u>	<u>Animal services</u>	<u>Community outreach</u>	<u>Adoptions</u>	<u>Total program services</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>
Salaries	\$ 2,826,338	\$ 1,374,569	\$ 752,883	\$ 386,535	\$ 5,340,325	\$ 575,748	\$ 261,843	\$ 6,177,916
Employee benefits and taxes	601,126	243,539	90,846	50,996	986,507	90,593	221,908	1,299,008
Total employee compensation	3,427,464	1,618,108	843,729	437,531	6,326,832	666,341	483,751	7,476,924
Direct support for animals	687,613	448,733	27,308		1,163,654			1,163,654
Occupancy	126,940	168,354	19,291	167,756	482,341	17,002	17,057	516,400
Depreciation	104,338	206,465	28,902	137,862	477,567	14,439	26,816	518,822
Printing, publishing, postage	24,939	43,187	56,973	11,720	136,819	269,365	15,609	421,793
Professional fees	52,519	43,119	31,186	10,086	136,910	52,239	104,394	293,543
Computer expense	39,397	38,379	27,595	9,784	115,155	35,487	17,295	167,937
Communications	8,752	14,804	8,076	4,037	35,669	5,072	5,382	46,123
Insurance	9,642	19,079	2,671	12,740	44,132	1,334	2,478	47,944
Office supplies and expense	20,396	11,743	4,004	10,437	46,580	2,123	1,290	49,993
Travel and automobile	5,662	4,725	1,635	1,830	13,852	982	1,435	16,269
Facilities and equipment rental	3,089	5,042	444	4,233	12,808	222	412	13,442
Dues and memberships	1,744	2,690	1,369	685	6,488	1,890	913	9,291
Miscellaneous expense	9,117	2,568	2,186	538	14,409	4,191	1,195	19,795
Total	<u>\$ 4,521,612</u>	<u>\$ 2,626,996</u>	<u>\$ 1,055,369</u>	<u>\$ 809,239</u>	<u>\$ 9,013,216</u>	<u>\$ 1,070,687</u>	<u>\$ 678,027</u>	<u>\$ 10,761,930</u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 4,832,594	\$ 2,593,594
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	549,023	518,822
Reduction in operating lease, right-of-use asset	4,822	4,657
Receipt of donated assets		(4,973)
Receipt of donated investments	(114,801)	(68,038)
Net realized and unrealized gain on investments	(973,110)	(1,566,223)
Change in value of beneficial interests	(4,361)	(12,337)
Net gain on disposal of assets	(46,429)	(65,191)
Contributions restricted in perpetuity	(435,264)	
Changes in:		
Accounts receivable	19,607	31,068
Contributions receivable	(1,533,598)	469,931
Other receivables	(5,884)	(18,932)
Inventory	5,225	(143)
Prepaid expenses and deposits	(25,236)	8,831
Accounts payable	65,092	(172,002)
Accrued expenses	17,945	23,146
Deferred revenue	(35,346)	35,346
Operating lease liability	(4,822)	(4,657)
Net cash provided by operating activities	<u>2,315,457</u>	<u>1,772,899</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(9,799,949)	(2,576,097)
Proceeds from sale of investments	7,784,304	2,401,308
Purchases of property and equipment	(358,905)	(250,454)
Proceeds from sale of property and equipment	<u>56,000</u>	<u>76,607</u>
Net cash used by investing activities	<u>(2,318,550)</u>	<u>(348,636)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted in perpetuity	<u>435,264</u>	
INCREASE IN CASH AND CASH EQUIVALENTS	432,171	1,424,263
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>6,338,085</u>	<u>4,913,822</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 6,770,256</u>	<u>\$ 6,338,085</u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

1. ORGANIZATION

The Sacramento Society for the Prevention of Cruelty to Animals (the Society) was founded in 1892 and incorporated as a non-profit organization in 1927. The Society serves the entire Sacramento region as a premier provider of low-cost spay/neuter services, collaborating with local rescue groups, feral cat caregivers, those in need, and the public to alter more than 18,400 animals in 2024. Additionally, 46,220 low-cost and no-cost vaccinations were provided to the community, 596 animals received low-cost veterinary exams and more than 3,660 sick, injured, and homeless animals found new homes through the shelter's adoption facility. An active humane education program operates for children each year, and more than 73,600 pounds of free pet food were served to low-income families through our pet food pantry. Reaching out to seniors, hundreds are visited under the pet-facilitated visitation program and thousands receive free vaccinations for their pets. Volunteers donated more than 36,700 hours to augment the care for the thousands of unwanted, abused, and injured animals that seek shelter at the Society and help with special events.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Society reports information regarding its financial position and activities according to two classes of net assets:

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 Society. These net assets may be used at the discretion of management.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires (generally, as payments are made to fulfill the purposes of the contribution), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfactions of restrictions.

Cash and cash equivalents – For financial statement purposes, the Society considers investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term purposes.

The Society minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institutions. The balance at times may exceed federally insured limits. Balances exceeded federally insured limits by \$350,340 and \$1,000,343 for the years ended December 31, 2024, and 2023, respectively. The Society has not experienced any losses in such accounts and management believes the Society is not exposed to any significant credit risk related to cash.

Accounts receivable represent amounts of which the Society has an unconditional right to receive. The receivables are stated at the amount management expects to be collected from the outstanding balance. The Society considers accounts receivables to be fully collectible; accordingly, no allowance for credit losses is considered necessary.

SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Contributions receivable – Unconditional promises to give that are expected to be collected in one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which are measured as the present value of their 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. In subsequent years, amortization of the discounts is included in contribution revenue.

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.

Investments – The Society carries investments in marketable securities and debt securities at their fair values. 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.

Property and equipment is stated at cost, or, if donated, at fair market value as of the date of donation. The Society capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is computed using the straight-line method overestimated useful lives of individual assets ranging from 3 to 25 years.

Beneficial interest in perpetual trust – The Society has been named the beneficiary of a perpetual trust held and administered by an independent trustee. The perpetual trust provides for the distribution of the net income of the trust to the Society; however, the Society will never receive the assets of the trust. At the date the Society received notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature was recorded in the statement of activities, and a beneficial interest in perpetual trust was recorded in the statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interest in the trust is reported at the fair value of the trust assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Beneficial interest in assets held by SRCF – In 2016, the Society established an endowment fund that is perpetual in nature (the fund) with the Sacramento Region Community Foundation (SRCF). The Society granted variance power to SRCF, which allows SRCF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of SRCF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by SRCF for the Society's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Leases – The Society determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets are also adjusted for prepaid or accrued rent. The Society uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Society has made an accounting policy election to use the risk-free rate at the lease commencement date, in lieu of its incremental borrowing rate to discount future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term. Lease terms may include options to

SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

renew, extend, or terminate to the extent they are reasonably certain to be exercised. The Society does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Revenue recognition – The Society’s revenue from contracts with customers consists of revenue from the spay and neuter clinic, animal services, adoptions, and other program services that are included in program fees on the statement of activities. These revenues are recognized when the related services occur. Included in program fees are revenues from government contracts which are recognized as performance obligations are satisfied and qualifying expenses are incurred, in accordance with the terms of applicable contracts. Renewal of these contracts or receipt of payment for services performed may become uncertain if the government experiences budget constraints. Under the typical payment terms of contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (monthly, quarterly, or annually), or when services are provided.

Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability. A contract asset is recorded when the Society satisfies a performance obligation of a contract but is not yet entitled to payment. When the organization becomes entitled to payment, the contract asset is classified as a receivable, whether invoiced or not. Some performance obligations are satisfied at a point in time, such as spay and neuter clinic services, adoption services, and services provided to governments under service contracts. Other performance obligations could be satisfied over time and are recognized evenly over the performance period. The Society does not have any revenue from contracts with customers for which the performance obligations are satisfied over time.

Contract assets consist of accounts receivable for services performed by the Society that have not been paid by the customers. The balances of contract assets as of December 31, 2024, 2023 and 2022 were \$80,574, \$100,181, and \$131,249, respectively. Deferred revenue related to program fees as of December 31, 2023 totaled \$35,346, and was expected to be recognized in 2024. There was no deferred revenue related to contracts with customers as of December 31, 2024 or 2022.

Grants and contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met, generally through the incurrence of qualifying expenses or through performance-related deliverables. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire, or the contributions are used for the restricted purpose. Net assets with donor restrictions also includes those whose use by the Society is restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of the Society. Donor-restricted contributions that are also conditional, and for which the condition and restriction are released in the same period, are reported as revenue without donor restrictions. One outstanding conditional promise to give, subject to qualifying expenses, of \$340,000 at December 31 2023, was recognized as the conditions were met. Payment of this grant was contingent upon the Society increasing pay for veterinary personnel by specified amounts, and increasing veterinary staffing levels. No such conditional promise to give was outstanding as of December 31, 2024.

SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Bequests are recognized when estates are settled, and the amounts can be reasonably estimated. Bequests on unsettled estates are considered conditional promises to give and therefore are not recognized, because the amounts cannot be reasonably estimated, and the dates of distribution are unknown. Bequests receivable represent those amounts for which both amount and timing of payment is known.

In-kind contributions – Contributions of in-kind (noncash) goods are recorded at their estimated fair value as both support and expense in the period received, which approximates the time when such goods are distributed or placed into service. Contributions of in-kind 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 estimated fair value in the period received. Refer to Note 11 for additional disclosures related to in-kind contributions.

In addition, there are a considerable number of volunteers who donate significant amounts of time to the Society. The value of such services, which is substantial, is not included in the accompanying financial statements as it does not meet the criteria for revenue recognition.

Functional allocation of expenses – The costs related to various programs and activities are summarized on a functional basis in the accompanying statement of activities. The statements of functional expenses present the natural classification detail of expenses by function.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and employee benefits and taxes (staffing costs) are allocated based on employees' direct time spent on program or support activities or management's best estimate of time spent. Professional fees, insurance, and miscellaneous expenses are also allocated based on time and effort. Depreciation, occupancy, office supplies and expense, facilities and equipment rental, and travel and automobile are allocated based on square footage. Printing, publishing, postage, communications, and dues and memberships are allocated based on telephone count. Computer expenses are allocated based on computer count in each department. Direct support for animals is allocated by specific identification with a particular program service.

Advertising costs in the amount of \$73,482 and \$119,792 for the years ended December 31, 2024, and 2023, respectively, were expensed as incurred.

Income taxes – The Society is publicly supported and 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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification – Certain 2023 amounts have been reclassified to conform with the 2024 financial statement presentation.

SACRAMENTO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Subsequent events have been reviewed through July 16, 2025, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2024, that require recognition or disclosure in the financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Society's financial assets available within one year of the statement of financial position date for general expenditures are as follows for:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 6,770,256	\$ 6,338,085
Investments	18,520,025	15,416,469
Accounts receivable	80,574	100,181
Contributions and bequests receivable	1,702,483	168,885
Other receivables	43,472	37,588
Perpetual trust held by others	326,510	323,597
Beneficial interest in assets held by Sacramento Region Community Foundation	<u>13,977</u>	<u>12,529</u>
Total financial assets	<u>27,457,297</u>	<u>22,397,334</u>
Less amounts unavailable for general expenditures within one year, due to:		
Net assets restricted by donors for time or purpose (Note 10)	(3,313,907)	(1,239,560)
Board designated net assets (Note 10)	<u>(8,262,158)</u>	<u>(9,128,494)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 15,881,232</u>	<u>\$ 12,029,280</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.

Refer to Note 10 for additional information on board designated net assets. Although the Society does not intend to spend from the board-designated net assets, these amounts could be made available for operating expenditures if necessary.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Bequests receivable	\$ 1,627,004	\$ 101,306
Contributions receivable	<u>75,479</u>	<u>67,579</u>
Contributions receivable, net	<u>\$ 1,702,483</u>	<u>\$ 168,885</u>

Contributions receivable as of December 31, 2024 and 2023 are expected to be collected within one year and therefore were undiscounted.

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As of December 31, 2024, 79% of contributions and bequests receivable were due from four donors.
As of December 31, 2023, 57% of contributions and bequests receivable was due from one donor.

5. INVESTMENTS

Investments consist of the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 5,031	\$ 49,002
Equity securities:		
Technology	2,744,142	2,370,864
Industrials	1,555,560	1,310,059
Financial services	1,636,498	1,050,586
Consumer discretionary	915,134	756,826
Communication services	882,417	588,833
Healthcare	663,868	523,412
Consumer staples	604,945	447,793
Utilities	269,887	229,796
Energy	291,114	211,704
Materials	228,847	199,211
Real estate	169,490	78,615
Basic materials		61,590
Exchange traded funds – fixed income	3,138,235	2,564,329
Fixed income:		
US Treasury securities	1,630,772	2,034,422
Corporate bonds	1,606,967	1,194,905
Municipal bonds	857,238	609,619
Intermediate bonds	264,556	31,422
Real estate investment trusts		103,481
Certificates of deposit	<u>1,055,324</u>	<u>1,000,000</u>
Total	<u>\$ 18,520,025</u>	<u>\$ 15,416,469</u>

Investment returns consists of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 695,637	\$ 501,613
Net unrealized and realized gain, net of fees	<u>973,110</u>	<u>1,566,223</u>
Total	<u>\$ 1,668,747</u>	<u>\$ 2,067,836</u>

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6. FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability):

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

The Society's assets subject to fair value are classified as follows as of December 31, 2024:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$ 18,520,025	\$ 14,735,940	\$ 3,784,085	
Beneficial interest in perpetual trust	326,510			\$ 326,510
Beneficial interest in assets held at the Sacramento Region Community Foundation	13,977			13,977
Total	<u>\$ 18,860,512</u>	<u>\$ 14,735,940</u>	<u>\$ 3,784,085</u>	<u>\$ 340,487</u>

The Society's assets subject to fair value are classified as follows as of December 31, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$ 15,416,469	\$ 12,580,523	\$ 2,835,946	
Beneficial interest in perpetual trust	323,597			\$ 323,597
Beneficial interest in assets held at the Sacramento Region Community Foundation	12,529			12,529
Total	<u>\$ 15,752,595</u>	<u>\$ 12,580,523</u>	<u>\$ 2,835,946</u>	<u>\$ 336,126</u>

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The Society's investments in equity securities, exchange-traded funds, mutual funds, US Treasury securities, and real estate investment trusts are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The Society's investments in corporate and municipal bonds and certificates of deposit are classified within Level 2 of the fair value hierarchy because they are valued using alternative pricing methods using observable information inputs, such as current interest rates.

The Society is the beneficiary of perpetual irrevocable trusts held and administered by San Antonio Area Foundation. Under the terms of the trusts, the Society has the irrevocable right to receive the income earned on trust assets in perpetuity. These assets are not subject to control or direction by the Society. Due to the opacity of the asset valuation and related inputs, the Society's perpetual trust held by others is classified within Level 3 of the fair value hierarchy.

The Society has certain investments held by the Sacramento Region Community Foundation (SRCF). The fair value of the beneficial interest in assets held by SRCF is based on the fair value of fund investments as reported by SRCF. These are considered to be Level 3 measurements.

Changes in the level 3 trust assets for the years ended December 31 consist of:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 336,126	\$ 323,789
Unrealized gain in fair value	<u>4,361</u>	<u>12,337</u>
Ending balance	<u>\$ 340,487</u>	<u>\$ 336,126</u>

7. PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 12,679,524	\$ 12,613,301
Land and land improvements	1,029,339	1,029,339
Furniture, fixtures, and equipment	1,201,140	1,250,714
Vehicles	147,411	139,488
Construction in progress	<u>81,281</u>	<u>16,659</u>
	15,138,695	15,049,501
Less accumulated depreciation	<u>(7,622,077)</u>	<u>(7,333,194)</u>
	<u>\$ 7,516,618</u>	<u>\$ 7,716,307</u>

8. LEASE OBLIGATION

The Society leases office equipment under the terms of a noncancellable operating lease that commenced in October 2022 and expires in 2027. This lease agreement does not include any options to extend or early terminate the lease. This lease is included on the statement of financial position as

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of December 31, 2024 and 2023 as a ROU asset and operating lease liability of \$14,153 and \$18,975, respectively. The ROU asset and operating lease liability were calculated using a risk-free discount rate of 3.47%. Lease expense under this lease totaled \$4,821 and \$5,388 in 2024 and 2023, respectively. Cash paid for amounts included in the measurement of the operating lease liability totaled \$5,388 for 2024 and 2023. Payments of the lease liability are as follows:

2025	\$ 5,388
2026	5,388
2027	<u>4,042</u>
Total lease payments	14,818
Less: present value discount	<u>(665)</u>
Total operating lease liability	<u>\$ 14,153</u>

9. ENDOWMENTS

The Society has three endowments established as follows:

The Society's LeMaitre Endowed Fund consists of assets from one donor, restricted in perpetuity, with the earnings to be used at the discretion of the Chief Executive Officer of the Society, as long as earnings are not used on administrative expenses. As such, the earnings from the original gift are considered to be without donor restriction. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Kenn Altine Feline Spay/Neuter Fund Endowed Fund was established in 2024 with one major gift, and several smaller gifts. The earnings are restricted for use in the Society's Feline Spay/Neuter program for community cats.

A board-designated endowment with a balance as of December 31, 2023 of \$1,502,629, was established during 2023 to support the Society's Feline Spay/Neuter Program for community cats. During the year ended December 31, 2024, the Society received a donor-restricted contribution to be endowed in perpetuity for the Feline Spay/Neuter Program for community cats that included the stipulation that if any of the board designated Feline Spay/Neuter Fund endowment is withdrawn, then the donor's contribution must be refunded. This donor stipulation resulted in the transfer of board-designated Feline Spay/Neuter Fund endowment assets out of net assets without donor restrictions, and into net assets with donor restrictions.

The Board of Directors of the Society has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets with donor restrictions the original value of gifts donated to the perpetual endowment, the original value of subsequent gifts to the perpetual endowment, and accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the

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purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the Society's investment policies.

As of December 31, 2024 and 2023, the Society had the following endowment net asset composition by type of fund:

Year ended December 31, 2024:	<u>Without donor restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		\$ 2,598,175	\$ 2,598,175
Accumulated investment gains	\$ 102,066	169,523	271,589
	<u>\$ 102,066</u>	<u>\$ 2,767,698</u>	<u>\$ 2,869,764</u>
 Year ended December 31, 2023:	 <u>Without donor restrictions</u>	 <u>With Donor Restrictions</u>	 <u>Total</u>
Board-designated endowment funds	\$ 1,500,000		\$ 1,500,000
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		\$ 662,911	662,911
Accumulated investment gains (losses)	(19,656)		(19,656)
	<u>\$ 1,480,344</u>	<u>\$ 662,911</u>	<u>\$ 2,143,255</u>

As of December 31, 2024, \$2,731,597 of the donor-restricted endowment net assets, and \$102,066 of the endowment net assets without donor restrictions are included in investments on the statement of financial position. \$36,101 in donor-restricted endowment net assets are included in cash and cash equivalents, noncurrent, on the statement of financial position. As of December 31, 2023, \$662,911 of donor-restricted endowment net assets, and (\$22,285) in accumulated loss in endowment net assets without donor-restrictions were included in investments on the statement of financial position. \$1,502,629 in endowment net assets without donor-restrictions were included in cash and cash equivalents, noncurrent, on the statement of financial position.

Investment and Spending Policies

The Society has adopted investment and spending policies, approved by the Board of Directors, for investment assets that attempt to provide a predictable stream of funding to its programs, while also maintaining the purchasing power of those investment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund, investment assets and allocation between asset classes and strategies are managed

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to not expose the fund to unacceptable levels of risk.

The Society has adopted a spending policy for investments in general, which is also applied to its donor-restricted endowment assets. The Society's policy is to disburse up to 3% annually, at the discretion of the Board of Directors, determined as a percentage of the average quarter-end market value of investments from the previous 12 quarters (three years).

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The LeMaitre Endowment fund had such a deficiency, in the amount of \$22,285, as of December 31, 2023. This deficiency resulted from unfavorable market fluctuations during 2022. There was no deficiency in donor-restricted endowment funds at December 31, 2024. The Board of Directors of the Society has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Changes in endowment net assets for the years ended December 31, 2024 and 2023 are as follows:

Year ended December 31, 2024:	<u>Without donor restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,480,344	\$ 662,911	\$ 2,143,255
Contributions		435,264	435,264
Transfer from board-designated to donor-restricted	(1,502,629)	1,502,629	
Investment returns, net	<u>124,351</u>	<u>166,894</u>	<u>291,245</u>
Endowment net assets, end of year	<u>\$ 102,066</u>	<u>\$ 2,767,698</u>	<u>\$ 2,869,764</u>
 Year ended December 31, 2023:	 <u>Without donor restrictions</u>	 <u>With Donor Restrictions</u>	 <u>Total</u>
Endowment net assets, beginning of year	\$ (50,568)	\$ 662,911	\$ 612,343
Contributions	1,500,000		1,500,000
Investment return, net	<u>30,912</u>	<u></u>	<u>30,912</u>
Endowment net assets, end of year	<u>\$ 1,480,344</u>	<u>\$ 662,911</u>	<u>\$ 2,143,255</u>

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10. NET ASSETS

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Animal services	\$ 198,910	\$ 115,956
Spay/Neuter clinic program	6,812	110,567
Staff development		7,000
Capital improvements fund		7,000
	<u>205,722</u>	<u>240,523</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Feline Spay/Neuter Fund	169,523	
	<u>169,523</u>	
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Le Maitre Endowment Fund, general use	662,911	662,911
Feline Spay/Neuter Fund	1,935,264	
	<u>2,598,175</u>	<u>662,911</u>
Total Endowments	<u>2,767,698</u>	<u>662,911</u>
Perpetual in nature, not subject to spending policy or appropriation:		
Beneficial interest in perpetual trust	326,510	323,597
Beneficial interest in assets held by community foundation	13,977	12,529
	<u>340,487</u>	<u>336,126</u>
Total net assets with donor restrictions	<u>\$ 3,313,907</u>	<u>\$ 1,239,560</u>

Certain net assets without donor restrictions are designated by the board for the following purposes as of December 31.

	<u>2024</u>	<u>2023</u>
Long-term investment reserve	\$ 5,711,765	\$ 5,075,472
Feline Spay/Neuter Fund Endowment		1,502,629
Operating reserve	1,000,000	1,000,000
Emergency reserve	1,000,000	1,000,000
Strategic reserves	50,393	50,393
Deferred maintenance reserve	500,000	500,000
	<u>\$ 8,262,158</u>	<u>\$ 9,128,494</u>

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11. IN-KIND CONTRIBUTIONS

The Society received the following in-kind contributions for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Kennel, food and medical supplies	\$ 83,765	\$ 55,391
Advertising and design	44,463	101,372
Event supplies and food	17,594	15,904
Legal	6,210	4,318
Property and equipment		4,973
	<u>\$ 152,032</u>	<u>\$ 181,958</u>

The Society receives donated advertising, legal services, kennel, food and medical supplies, property and equipment, and supplies and food for fundraising events. All donated items were valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor.

The Society's policy related to in-kind contributions is to utilize the assets given to carry out their mission. All in-kind contributions received by the Society for the years ended December 31, 2024 and 2023 were considered without donor restrictions and able to be used by the Society as determined by the Board and management.

12. RETIREMENT PLANS

The Society sponsors a Simplified Employee Pension Plan (SEP-IRA) for its eligible employees. Contributions to the plan are made at the discretion of the Society's Board of Directors and are based on a percentage of salary subject to a maximum limit allowable per year under the Internal Revenue Code. The Board of Directors approved a 2% contribution to the plan for the years ended December 31, 2024 and 2023. Accordingly, the Society accrued plan contributions of \$97,348 and \$97,081 at December 31, 2024, and 2023, respectively.

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

13. COMMITMENTS

In 2019, the Society entered into an agreement with a vendor through which the vendor provided several pieces of medical equipment to the Society to use in exchange for the Society purchasing products from the vendor for an aggregate annual minimum purchase amount of \$47,087. The agreement has an initial term of 6 years effective January 2020 and has an automatic renewal for up to 3 one-year periods, unless either party cancels. If the Society fails to spend the annual minimum purchase amount, the vendor may retroactively charge the difference between the amount of actual net spending on purchase of qualifying products during such contract year and the annual minimum

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purchase amount (the "shortfall"). After 6 years of meeting the annual minimum purchase commitment, the title to the equipment will be transferred to the Society. During the years ended December 31, 2024 and 2023, the Society met the required minimum purchase.

The Society has two contracts with vendors: a pet food vendor and an animal health product vendor. Under these agreements, the Society receives substantial discounts on products in exchange for advertising and promotion. The pet food contract also requires the Society to purchase all its shelter food from this vendor. The discounts given to the Society range from 6% - 74% depending on the product. The terms of these contracts expire in 2025 and 2028.