Report of Independent Auditors and
Financial Statements

Central California S.P.C.A.

June 30, 2023

MOSSADAMS

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Report of Independent Auditors

The Board of Directors
Central California S.P.C.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central California S.P.C.A., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central California S.P.C.A. as of June 30, 2023, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Central California S.P.C.A. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Central California S.P.C.A.’s ability to continue as a going concern within one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Central California S.P.C.A.'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 Central California S.P.C.A.'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.

Moss Adams LLP

Fresno, California
February 9, 2024

Financial Statements

Central California S.P.C.A.
Statement of Financial Position
June 30, 2023

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 4,059,177
Investments	7,803,020
Accounts receivable	145,481
Inventory	114,432
Prepaid expenses and other assets	4,339
Total current assets	12,126,449
PROPERTY AND EQUIPMENT, net	3,641,325
TOTAL ASSETS	$ 15,767,774

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 87,143
Accrued expenses and other liabilities	224,916
Total current liabilities	312,059
NET ASSETS	
Without donor restriction	15,283,837
With donor restriction	171,878
Total net assets	15,455,715
TOTAL LIABILITIES AND NET ASSETS	$ 15,767,774

See accompanying notes.

Central California S.P.C.A.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Program services			
Animal shelter	$ 390,964	$ -	$ 390,964
Special	204,617	-	204,617
Surgery annex	1,018,308	-	1,018,308
Donations	745,268	28,563	773,831
Net investment gain	631,105	-	631,105
Fundraising	31,730	-	31,730
Other	100,313	-	100,313
Total revenues, gains, and other support	3,122,305	28,563	3,150,868
NET ASSETS RELEASED FROM RESTRICTION			
Restrictions satisfied by payment of related expenses	33,089	(33,089)	-
Total revenues, gains, and other support after net assets released from restriction	3,155,394	(4,526)	3,150,868
EXPENSES			
Program services	2,664,162	-	2,664,162
General and administrative	1,469,431	-	1,469,431
Fundraising	144,573	-	144,573
Total expenses	4,278,166	-	4,278,166
CHANGE IN NET ASSETS	(1,122,772)	(4,526)	(1,127,298)
NET ASSETS, beginning of year	16,406,609	176,404	16,583,013
NET ASSETS, end of year	$ 15,283,837	$ 171,878	$ 15,455,715

See accompanying notes.

Central California S.P.C.A.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Management and General and Administrative	Fundraising	Total
Salaries	$ 1,315,997	$ 444,845	$ 92,675	$ 1,853,517
Program supplies	424,610	-	7,508	432,118
Office expenses	14,215	146,669	-	160,884
Fees for service	302,355	166,632	-	468,987
Other employee benefits	254,571	89,650	17,928	362,149
Insurance	57,185	178,834	-	236,019
Depreciation	138,204	46,716	9,733	194,653
Occupancy	4,217	185,869	-	190,086
Payroll taxes	106,857	36,120	7,525	150,502
Other expense	9,608	74,858	9,204	93,670
Advertising	-	91,085	-	91,085
Travel	36,343	-	-	36,343
Conferences, conventions, and meetings	-	8,127	-	8,127
Interest	-	26	-	26
	$ 2,664,162	$ 1,469,431	$ 144,573	$ 4,278,166

See accompanying notes.

Central California S.P.C.A.
Statement of Cash Flows
Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (1,127,298)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	194,653
Bad debt expense	179
Net gain on investments	(448,140)
Bond amortization	12,350
Change in operating assets and liabilities	
Accounts receivable	(99,134)
Inventory	(21,768)
Prepaid expenses	77,978
Accounts payable	(43,620)
Accrued expenses and other liabilities	(249)
Net cash from operating activities	(1,455,049)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(12,000)
Purchase of marketable securities	(2,685,518)
Proceeds from sale of marketable securities	498,112
Net cash from investing activities	(2,199,406)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,654,455)
CASH AND CASH EQUIVALENTS, beginning of year	7,713,632
CASH AND CASH EQUIVALENTS, end of year	$ 4,059,177

See accompanying notes.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of business – The Central California Society for the Prevention of Cruelty to Animals (S.P.C.A.) (the Organization), a California Corporation, was organized in August 1946 and operates in Fresno County to protect the welfare of all animals. The Organization's primary sources of revenue are animal sales and spay/neuter fees. Animal protection services include providing shelter for owner surrendered pets, rescuing animals living under cruel and inhumane conditions, and placing healthy animals up for adoption. The education department provides educational presentations to all age groups, both on site and at agency/school/club/organization locations by appointment.

Basis of accounting – The Organization uses the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

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

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

Concentration of credit risk – Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2023, the Organization had approximately $3,666,000 of uninsured cash balances. Management has not experienced any losses on those deposits and believes it is not exposed to any significant credit risk.

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

Property and equipment – It is the Organization’s policy to capitalize property and equipment acquisitions over $4,000. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Expenditures for major renewals and betterments that extend the useful lives of the related assets are capitalized. Expenditures for repairs and maintenance, including planned major maintenance activities, are charged to operations when incurred.

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

Buildings and improvements	7 to 39 years
Equipment	5 to 15 years
Automobiles and trucks	5 years

Long-lived assets – Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset, and long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment losses were recognized during the year ended June 30, 2023.

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

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

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

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

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

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

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

With donor restriction – Defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Net assets with donor restriction represent amounts collected by the Organization to be utilized for specific purposes, such as their wellness and medical assistance program, for use toward specific types of animals, and for use toward facility upgrades and maintenance. Net assets with donor restriction at June 30, 2023, totaled $171,878. Net assets released from restriction during the year ended June 30, 2023, totaled $33,089.

Recently implemented pronouncement – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under Accounting Standards Codification (ASC) 840*, Leases*. The FASB also subsequently issued additional ASUs that amend and clarify ASC 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Organization adopted ASC 842 using the modified retrospective approach with July 1, 2022, as the date of initial adoption. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. The adoption of this standard did not result in significant changes to the Organization’s accounting policies, business processes, systems, or controls, or have a material impact on its financial position, results of operations, and cash flows.

Leases – The determination of whether an arrangement is a lease is made at the lease’s inception. Under ASC 842, *Leases* (ASC 842) a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all the economic benefits from the use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. For those contracts that contain a lease arrangement, the Organization will determine the proper lease classification for the arrangement.

Advertising – Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. For the year ended June 30, 2023, advertising costs were $91,085; no costs were capitalized.

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

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

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

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

The Organization has evaluated subsequent events through February 9, 2024, which is the date the financial statements were available to be issued.

Note 2 – Investments in Marketable Securities

Investments in marketable securities consisted of the following at June 30, 2023:

Equities and options	$ 4,212,588
Mutual funds	896,966
Corporate bonds	2,506,681
Government and municipal bonds	186,785
Total	$ 7,803,020

During the year ended June 30, 2023, interest and dividend income was $182,965 and net realized and unrealized gain on investments was $448,140.

Note 3 – Fair Value Measurements

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

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

The following is a description of the valuation techniques used for assets measured at fair value. There have been no changes in the techniques used at June 30, 2023.

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of June 30, 2023:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Equities and options	$ 4,212,588	$ -	$ -	$ 4,212,588
Mutual funds	896,966	-	-	896,966
Corporate bonds	-	2,506,681	-	2,506,681
Government and municipal bonds	-	186,785	-	186,785
Total assets at fair value	$ 5,109,554	$ 2,693,466	$ -	$ 7,803,020

Note 4 – Property and Equipment, Net

Property and equipment consisted of the following at June 30, 2023:

Land	$ 27,420
Building and improvements	7,545,563
Equipment	393,420
Automobiles and trucks	702,568
	8,668,971
Less accumulated depreciation	(5,027,646)
Total	$ 3,641,325

The Organization incurred depreciation expense of $194,653 for the year ended June 30, 2023.

Note 5 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2023:

Pet adoption project	$ 112,110
Wellness/medical assistance	51,996
Other	7,772
Total	$ 171,878

Note 6 – Retirement Plan

The Organization has adopted a defined contribution 401(k) plan covering eligible employees. Active employees who are at least 21 years of age and have completed two years of service are eligible to participate. Under the plan, the Organization matches 100% of the employee's first 5% of salary deferral. The total matching contribution expense for the year ended June 30, 2023, was $81,568.

Note 7 – Liquidity and Funds Available

The following table reflects the Organization's financial assets as of June 30, 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year are as follows at June 30, 2023:

Financial assets	
Cash and cash equivalents	$ 4,059,177
Investments	7,803,020
Accounts receivable	145,481
Financial assets, at June 30, 2023	12,007,678
Less those unavailable for general expenditure within one year	
Donor-restricted net assets with restrictions not expected to be met within one year	(119,882)
Financial assets available to meet cash needs for general expenditures within one year	$ 11,887,796

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

Note 8 – Contingencies and Uncertainties

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

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