

**SPCA OF WAKE COUNTY, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
SPCA of Wake County, Inc.  
Raleigh, North Carolina

We have audited the accompanying financial statements of SPCA of Wake County, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
SPCA of Wake County, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and 2020, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Raleigh, North Carolina  
November 30, 2021

**SPCA OF WAKE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

<b>ASSETS</b>	2021	2020
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,844,850	\$ 1,244,386
Marketable Securities	885,390	706,021
Receivables:		
Pledges Receivable	180,622	-
Refundable Taxes	8,588	6,698
Clinic Receivable	32,399	15,085
Other Receivables	1,100	-
Inventories	52,441	45,983
Prepaid Expenses	8,823	39,739
Total Current Assets	4,014,213	2,057,912
<b>PROPERTY AND EQUIPMENT</b>		
Land and Improvements	689,833	689,833
Building and Improvements	3,692,359	3,600,818
Vehicles	27,269	27,269
Furniture, Fixtures, and Equipment	1,125,167	1,028,325
Subtotal	5,534,628	5,346,245
Less: Accumulated Depreciation	2,503,851	2,329,955
Property and Equipment, Net	3,030,777	3,016,290
<b>OTHER ASSETS</b>		
Cash Surrender Value of Life Insurance Policies	46,212	45,401
Employee Retention Credit Grant Receivable	573,684	-
Pledges Receivable, Net	437,702	-
Total Other Assets	1,057,598	45,401
 Total Assets	 \$ 8,102,588	 \$ 5,119,603

See accompanying Notes to Financial Statements.

**SPCA OF WAKE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2021 AND 2020**

	2021	2020
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 62,618	\$ 44,891
Accrued Expenses:		
Accrued Wages and Payroll Liabilities	33,763	12,365
Accrued Vacation	101,007	80,202
Accrued Interest	557	557
Other	15,833	17,169
Current Portion of Capital Lease Obligation	8,736	8,165
Current Portion of Notes Payable	57,423	145,751
Total Current Liabilities	279,937	309,100
 <b>CAPITAL LEASE OBLIGATION, LESS CURRENT MATURITIES</b>	 28,467	 37,249
 <b>NOTES PAYABLE, LESS CURRENT MATURITIES</b>	 736,611	 1,122,331
Total Liabilities	1,045,015	1,468,680
 <b>NET ASSETS</b>		
Without Donor Restrictions	5,673,046	3,294,668
With Donor Restrictions	1,384,527	356,255
Total Net Assets	7,057,573	3,650,923
Total Liabilities and Net Assets	\$ 8,102,588	\$ 5,119,603

See accompanying Notes to Financial Statements.

**SPCA OF WAKE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>SUPPORT, REVENUES, AND GAINS</b>			
Contributions, Including In-Kind Contributions of \$532,858	\$ 4,749,906	\$ 1,227,910	\$ 5,977,816
Adoption and Surrender Fees	358,791	-	358,791
Spay Neuter Clinic Rent	1,200	-	1,200
Special Events	-	-	-
Retail Sales	57,922	-	57,922
Other Fees and Services	302,375	-	302,375
Employee Retention Credit Grant Income	573,684	-	573,684
Gain on Forgiveness of PPP Loan	408,098	-	408,098
Investment Income:			
Net Realized Gain on Sale of Marketable Securities, Net of Expense	45,541	-	45,541
Net Appreciation in Fair Value of Marketable Securities	100,865	20,260	121,125
Interest and Dividends	4,209	9,538	13,747
Subtotal	<u>6,602,591</u>	<u>1,257,708</u>	<u>7,860,299</u>
Net Assets Released from Donor Restrictions	<u>229,436</u>	<u>(229,436)</u>	<u>-</u>
Total Support, Revenues, and Gains	<u>6,832,027</u>	<u>1,028,272</u>	<u>7,860,299</u>
<b>EXPENSES</b>			
Program Services	3,620,828	-	3,620,828
General and Administrative	390,864	-	390,864
Fundraising	441,957	-	441,957
Total Expenses	<u>4,453,649</u>	<u>-</u>	<u>4,453,649</u>
<b>CHANGE IN NET ASSETS</b>	2,378,378	1,028,272	3,406,650
Net Assets - Beginning of Year	<u>3,294,668</u>	<u>356,255</u>	<u>3,650,923</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,673,046</u>	<u>\$ 1,384,527</u>	<u>\$ 7,057,573</u>

See accompanying Notes to Financial Statements.

**SPCA OF WAKE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>SUPPORT, REVENUES, AND GAINS</b>			
Contributions, Including In-Kind Contributions of \$413,284	\$ 2,945,398	\$ 82,743	\$ 3,028,141
Adoption and Surrender Fees	353,486	-	353,486
Spay Neuter Clinic Rent	973	-	973
Special Events	531,033	-	531,033
Retail Sales	109,832	-	109,832
Other Fees and Services	47,481	-	47,481
Investment Income:			
Net Realized Gain on Sale of Marketable Securities, Net of Expense	9,091	-	9,091
Net Appreciation in Fair Value of Marketable Securities	4,407	3,889	8,296
Interest and Dividends	13,695	948	14,643
Total Support, Revenues, and Gains	<u>4,015,396</u>	<u>87,580</u>	<u>4,102,976</u>
Net Assets Released from Donor Restrictions	<u>156,907</u>	<u>(156,907)</u>	<u>-</u>
Total Support, Revenues, and Gains	<u>4,172,303</u>	<u>(69,327)</u>	<u>4,102,976</u>
<b>EXPENSES</b>			
Program Services	3,295,831	-	3,295,831
General and Administrative	304,193	-	304,193
Fundraising	325,059	-	325,059
Total Expenses	<u>3,925,083</u>	<u>-</u>	<u>3,925,083</u>
<b>CHANGE IN NET ASSETS</b>	247,220	(69,327)	177,893
Net Assets - Beginning of Year	<u>3,047,448</u>	<u>425,582</u>	<u>3,473,030</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,294,668</u>	<u>\$ 356,255</u>	<u>\$ 3,650,923</u>

See accompanying Notes to Financial Statements.



**SPCA OF WAKE COUNTY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021**

<b>EXPENSES</b>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 2,033,492	\$ 272,170	\$ 52,830	\$ 2,358,492
Fundraising and Other Events	101,641	22,961	329,227	453,829
Retail Sales	22,609	-	-	22,609
Shelter, Supplies, and Services, Including				
In-Kind Expenses of \$471,467	669,631	-	-	669,631
Medical/Veterinarian/Spay/Neuter Fund	102,386	-	-	102,386
Capital Campaign	-	-	53,668	53,668
Training and Development	52,142	10,719	2,340	65,201
Professional Fees	-	15,440	-	15,440
Insurance - General	20,107	227	95	20,429
Travel	2,880	-	-	2,880
Utilities	128,521	1,583	661	130,765
Repairs and Maintenance	30,766	288	120	31,174
Postage	115	9,040	112	9,267
Merchant and Bank Fees	18,642	34,105	-	52,747
Office and Computer	188,697	4,912	901	194,510
Dues and Subscriptions	2,633	750	95	3,478
Taxes and Licenses	-	-	214	214
Community Outreach and Advertising	15,072	-	-	15,072
Loan Interest	34,373	601	251	35,225
Miscellaneous	26,094	16,051	591	42,736
Total Expenses Before Depreciation and Amortization	3,449,801	388,847	441,105	4,279,753
Depreciation and Amortization	171,027	2,017	852	173,896
Total Expenses	<u>\$ 3,620,828</u>	<u>\$ 390,864</u>	<u>\$ 441,957</u>	<u>\$ 4,453,649</u>

See accompanying Notes to Financial Statements.

**SPCA OF WAKE COUNTY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

<b>EXPENSES</b>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 1,817,045	\$ 199,253	\$ 67,946	\$ 2,084,244
Fundraising and Other Events	217,913	11,828	233,704	463,445
Retail Sales	46,286	-	-	46,286
Shelter, Supplies, and Services, Including				
In-Kind Expenses of \$413,284	596,117	-	-	596,117
Medical/Veterinarian/Spay/Neuter Fund	99,114	-	-	99,114
Capital Campaign	-	-	16,469	16,469
Training and Development	17,602	5,839	1,021	24,462
Professional Fees	-	18,881	-	18,881
Insurance - General	18,769	1,022	97	19,888
Travel	2,226	-	26	2,252
Utilities	126,119	1,474	616	128,209
Repairs and Maintenance	20,476	308	99	20,883
Postage	249	18,323	8	18,580
Merchant and Bank Fees	21,127	37,985	-	59,112
Office and Computer	130,223	1,603	3,792	135,618
Dues and Subscriptions	1,288	742	48	2,078
Taxes and Licenses	-	-	227	227
Community Outreach and Advertising	1,854	-	-	1,854
Loan Interest	24,931	436	182	25,549
Miscellaneous	7,905	4,877	138	12,920
Total Expenses Before Depreciation and Amortization	3,149,244	302,571	324,373	3,776,188
Depreciation and Amortization	146,587	1,622	686	148,895
Total Expenses	<u>\$ 3,295,831</u>	<u>\$ 304,193</u>	<u>\$ 325,059</u>	<u>\$ 3,925,083</u>

See accompanying Notes to Financial Statements.

**SPCA OF WAKE COUNTY, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 3,406,650	\$ 177,893
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Gain on Investments	(187,118)	(25,997)
Forgiveness of Payroll Protection Program Loan	(408,098)	-
Depreciation and Amortization	173,896	148,895
Increase in Cash Surrender Value of Life Insurance Policies	(811)	(2,074)
Changes in Assets and Liabilities:		
Receivables	(1,212,312)	198,265
Inventories	(6,458)	(1,012)
Prepaid Expenses	30,916	(23,143)
Accounts Payable	17,727	(39,362)
Accrued Expenses	40,867	(55,135)
Deferred Revenue	-	(279)
Net Cash Provided by Operating Activities	1,855,259	378,051
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase and Sale of Marketable Securities, Net	7,749	572
Purchase of Property and Equipment	(188,383)	(361,925)
Net Cash Used by Investing Activities	(180,634)	(361,353)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of Borrowings on Line of Credit	-	(75,000)
Proceeds from Notes Payable	823,016	838,098
Payments on Notes Payable	(888,966)	(32,499)
Payment on Capital Lease	(8,211)	(17,798)
Net Cash Provided (Used) by Financing Activities	(74,161)	712,801
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,600,464	729,499
Cash and Cash Equivalents - Beginning of Year	1,244,386	514,887
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,844,850	\$ 1,244,386
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 35,225	\$ 25,549
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION</b>		
Equipment obtained under Capital Lease	\$ -	\$ 59,024

See accompanying Notes to Financial Statements.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 ORGANIZATION**

The SPCA of Wake County, Inc. (the Organization) is a nonprofit organization incorporated in North Carolina on June 7, 1967, to transform the lives of pets and people through protection, care, education, and adoption. The board of directors represents the Organization and is responsible for policy, administration, and financial affairs. The Organization's revenues are derived principally from pet adoption fees, donations from the community, and special events.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 the statement of cash flows, the Organization considers all investments with an original maturity of three months or less to be cash equivalents.

**Marketable Securities**

The Organization reports investments at fair value as of the statement of financial position date. Investment income and realized and unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions absent any donor restrictions.

**Fair Value Measurement**

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

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

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurement (continued)**

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The Organization also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value as permitted under this policy; however, it may elect to measure newly acquired financial instruments at fair value in the future.

**Receivables**

Receivables are stated at the amount management expects to collect from outstanding balances. The Organization records receivables expected to be collected within one year at net realizable value. Receivables expected to be collected in future years are initially recorded at fair value using present value techniques. Based on experience, management believes that the entire amounts are fully collectible; therefore, no allowance for doubtful accounts has been recorded as of June 30, 2021 and 2020.

**Inventories**

Inventories at June 30, 2021 and 2020 consist of adoptable animals and items for sale in the Organization’s retail store. Inventories are stated at the lower of cost (first-in, first-out) or net realizable value.

**Property and Equipment**

Property and equipment are stated at cost. It is the policy of the Organization to capitalize property and equipment with a cost basis of \$2,500 or greater and an estimated useful life of greater than one year. Donated property and equipment are recorded at fair value at the date of receipt. Depreciation and amortization are provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives range as follows:

Land Improvements	15 Years
Building and Improvements	5 to 39 Years
Vehicles	5 Years
Furniture, Fixtures, and Equipment	3 to 15 Years

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition of property and equipment, the related asset and accumulated depreciation and amortization accounts are removed, and any gain or loss is reflected in the statement of activities and changes in net assets. Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of asset's carrying amount over the fair value of the assets. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Depreciation and amortization expense was \$173,896 and \$148,895 for the years ended June 30, 2021 and 2020, respectively.

**Cash Surrender Value of Life Insurance**

The Organization is the owner and beneficiary of donated life insurance policies totaling \$60,000. The cash surrender value of these policies was \$46,212 and \$45,401 at June 30, 2021 and 2020, respectively.

**Accrued Vacation**

Eligible employees of the Organization are entitled to paid vacation, based on length of service and work classification. Employees can accumulate up to 200 hours of vacation.

**Net Assets**

The Organization classifies its funds for accounting and reporting purposes according to two classes 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 of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Represent resources whose use is not limited or restricted by donors. These assets generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired. The board has designated \$200,210 and \$151,404 of net assets without donor restrictions for building repairs and maintenance at June 30, 2021 and 2020, respectively. In addition, the board has designated \$1,612,643 as a strategic growth fund at June 30, 2021.

*Net Assets With Donor Restrictions* – Represent resources whose use is limited by donors for the purpose and/or time in which they may be expended. Net assets with donor restrictions are reclassified to without donor restrictions as their time and/or purpose requirements are met. In addition, there are net assets with donor restrictions which represent resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time or can be fulfilled or otherwise removed by actions of the Organization. Donors of these assets stipulate that all, or part of, the income earned on related investments be used for general or specific purposes.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Uniform Prudent Management of Institutional Funds Act**

During fiscal year 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the state of North Carolina. In August 2008, the FASB released the nonprofit accounting standard for reporting of endowment funds (the UPMIFA Standard), which is intended to improve the quality and consistency of financial reporting of endowments held by nonprofit organizations. Under UPMIFA, all unappropriated endowment funds are considered restricted.

**Revenue Recognition**

The Organization follows Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers* (Topic 606), which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

To determine revenue recognition for the arrangements that the Organization determines are within the scope of Topic 606, the Organization performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligation(s) in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation(s) in the contract, and (5) recognize revenue when the Organization satisfies a performance obligation.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue that consists of performance obligations satisfied at a point in time is generally recognized when criteria for the contract have been achieved, or when specific events have occurred, and when there are no additional services related to that obligation.

The Organization recognizes revenue from adoption and surrender fees and retail sales at the time of purchase.

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.

Grants and other assistance from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. The Employee Retention Credit (ERC) was introduced as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was signed into law March 27, 2020. The ERC is a refundable tax credit against certain wages paid by an Eligible Employer. During the year ended June 30, 2021 the Organization complied with the conditions of the ERC funding in the amount of \$573,684 in compliance with the program. This amount is recorded as ERC grant income in the accompanying statement of activities and changes in net assets for the year ended June 30, 2021, and as ERC grant receivable in the accompanying statement of financial position as of June 30, 2021.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (continued)**

The Organization's special event revenue (from ticket sales and sign up fees), is comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total cost to attend and/or participate in the event and the exchange element. The Organization recognizes the exchange portion at the time the event takes place and the contribution portion immediately. For special events where there is no commensurate value exchanged, revenue is recognized at the time of payment as they represent contributions. For the year ended June 30, 2021, there was no special event revenue. For the year ended June 30, 2020, \$26,316 is related to the exchange transaction and \$504,717 was related to contributions.

**Contributions**

All contributions are considered available for the general activities of the Organization, unless specifically restricted by the donor. The Organization is the beneficiary under various wills and trust agreements, the total reliability of which is not presently determinable. Such amounts are recorded when the proceeds are measurable.

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation. The Organization reports gifts of stock, land, buildings, equipment, and other nonmonetary contributions as without donor restricted support unless explicit donor stipulations specify how the donated assets must be used.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. The Organization allocates costs for salaries and benefits, based on time spent during the year. Costs related to the building and other property and equipment are allocated to programs and other activities based on square footage. Other expenses are allocated as they are incurred based on the specific purpose for which the expense is incurred. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Advertising**

The Organization expenses advertising costs as they are incurred.

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation. Accordingly, no income taxes have been provided in the accompanying financial statements.

Management has evaluated the effect of the guidance provided by the provisions of GAAP on Accounting for Uncertainty in Income Taxes. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization at June 30, 2021 and 2020. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined the Organization had no uncertain income tax positions at June 30, 2021 and 2020.



**SPCA OF WAKE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 30, 2021, the date the financial statements were available to be issued.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. During the years ended June 30, 2021 and 2020, the Organization from time to time may have had accounts on deposit in excess of the insured limits; however, the Organization does transfer funds as needed to address this risk. Management believes the risk of loss associated with these excess funds to be remote.

**NOTE 4 MARKETABLE SECURITIES AND FAIR VALUE MEASUREMENTS**

Marketable securities are comprised of the following as of June 30:

	2021	2020
Mutual Funds - Blended	\$ 600,522	\$ 471,015
Mutual Funds - Bonds	284,868	235,006
Total	<u>\$ 885,390</u>	<u>\$ 706,021</u>

The Organization uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 2 – Summary of Significant Accounting Policies. The following tables present the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of June 30:

	2021			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Blended	\$ 600,522	\$ -	\$ -	\$ 600,522
Bonds	284,868	-	-	284,868
Total	<u>\$ 885,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 885,390</u>
	2020			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Blended	\$ 471,015	\$ -	\$ -	\$ 471,015
Bonds	235,006	-	-	235,006
Total	<u>\$ 706,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 706,021</u>

**SPCA OF WAKE COUNTY, INC.**  
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**NOTE 5 NORTH CAROLINA COMMUNITY FOUNDATION**

A donor has established for the Organization an endowment through the North Carolina Community Foundation. Each year, 5% of the annual interest earned, after fees, is to be dispensed to the Organization with the remaining 95% being reinvested in the fund.

The board of trustees of the North Carolina Community Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to the specified organization if, in the sole judgment of the board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served. As a result, management determined this amount should not be recorded in the Organization's financial statements as the North Carolina Community Foundation has variance power over the funds. The balance of the fund was \$40,678 and \$32,223 at June 30, 2021 and 2020, respectively.

**NOTE 6 INVENTORIES**

Inventories are comprised of the following at June 30:

	2021	2020
Adoptable Animals	\$ 48,955	\$ 42,260
Merchandise	3,486	3,723
Total	<u>\$ 52,441</u>	<u>\$ 45,983</u>

**NOTE 7 CONTRIBUTED GOODS AND SERVICES**

Various individuals and organizations donate food, animal care supplies, and specialized services to the Organization. Corporations and individuals also donate goods and services for events. Contributed goods and services for the years ended June 30, 2021 and 2020 consisted of the following and are included as contributions in the accompanying financial statements:

	2021	2020
Donated Food and Animal Care Supplies	\$ 162,732	\$ 89,108
Donated Building Improvements	61,391	-
Specialized Services	308,735	324,176
Total	<u>\$ 532,858</u>	<u>\$ 413,284</u>

All of these amounts were for program services for the years ended June 30, 2021 and 2020.

Volunteers perform various services for the Organization. These services are significant and form an integral part of the efforts of the Organization. However, no amount has been reflected in the financial statements for these services as they do not meet the criteria for recognition. The Organization recognizes contributions of services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not contributed.

**SPCA OF WAKE COUNTY, INC.**  
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**NOTE 8 CAPITAL LEASES**

The Organization leases certain equipment under capital lease arrangements. A schedule of the leased equipment under capital lease follows:

	<u>2021</u>	<u>2020</u>
Furniture, Fixtures, and Equipment	\$ 59,024	\$ 59,024
Less: Accumulated Depreciation	42,000	20,658
Total	<u>\$ 17,024</u>	<u>\$ 38,366</u>

Amortization expense of \$21,342 and \$20,658 from assets held under capital leases is included in depreciation and amortization expense for the years ended June 30, 2021 and 2020, respectively.

The schedule of future minimum lease payments and present values of the net minimum lease payments follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 10,992
2023	10,992
2024	10,992
2025	8,223
Subtotal	<u>41,199</u>
Less: Amounts Representing Interest	3,996
Less: Current Portion	8,736
Total	<u>\$ 28,467</u>

**NOTE 9 LINES OF CREDIT AND NOTES PAYABLE**

In June 2020, the Organization entered into a revolving line of credit with a financial institution with a maximum amount of \$300,000 at a rate equal to the Pinnacle Base Rate (the Index) rounded to the nearest 0.125% (3.25% for 2021). The line of credit is collateralized by a Commercial Security Agreement dated June 30, 2020, and has no covenants. At June 30, 2021 and 2020, there were no amounts outstanding on this line of credit. The line of credit has a maturity date of June 2022.

In May 2015, the Organization entered into a promissory note with a financial institution. The principal amount of the note was \$590,000, which bore an interest rate of 3.89%. The note required monthly payments including interest of \$4,350 through 2025 with a balloon payment or refinancing in that year. The note was collateralized by a first lien deed of trust on land and buildings of the Organization. At June 30, 2020, a balance of \$433,795 was outstanding on this promissory note. This note was paid off in 2021 when the Organization obtained the consolidated loan of \$817,500 as noted below.

**SPCA OF WAKE COUNTY, INC.  
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**NOTE 9 LINES OF CREDIT AND NOTES PAYABLE (CONTINUED)**

In March 2020, the Organization entered into a promissory note with a financial institution. The principal amount of the note was \$430,000, which bore an interest rate of 3.6%. The note required monthly payments including interest of \$7,854 through 2025. The note was collateralized by equipment and a deed of trust on the land and buildings of the Organization. At June 30, 2020, a balance of \$426,189 was outstanding on this promissory note. The note was paid off in 2021 when the Organization obtained the consolidated loan of \$817,500 as noted below.

On January 12, 2021, the Organization entered into a promissory note with a financial institution to refinance the May 2015 and March 2020 promissory notes described above. The principal amount of the note was \$817,500, which bears an interest rate of 3.2%. The note requires monthly payments including interest of \$6,862 through 2031. The note is collateralized by a deed of trust on the land and buildings of the Organization.

On April 15, 2020, the Organization received a loan from a financial institution in the amount of \$408,098 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP loan). The original agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. These amounts may be forgiven subject to compliance and approval based on timing and use of these funds in accordance with the program. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. On April 28, 2021, the Organization received notification from the SBA that the loan was forgiven in full. This is recorded as a gain on forgiveness of PPP Loan in the accompanying statement of activities and changes in nets assets for the year ended June 30, 2021.

Future maturities under these notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 57,423
2023	59,314
2024	61,210
2025	63,283
2026	65,367
Thereafter	487,437
Total	<u>\$ 794,034</u>

Interest expense for the years ended June 30, 2021 and 2020 was \$35,225 and \$25,549, respectively.

**SPCA OF WAKE COUNTY, INC.  
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**NOTE 10 NET ASSETS WITHOUT DONOR RESTRICTIONS**

The following table summarizes the net assets without donor restrictions as of June 30:

	2021	2020
Undesignated	\$ 3,860,193	\$ 3,143,264
Board Designated - Building Repairs and Maintenance	200,210	151,404
Board Designated - Strategic Growth Fund	1,612,643	-
Total Net Assets Without Donor Restrictions	\$ 5,673,046	\$ 3,294,668

**NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS**

The Organization's net assets with donor restrictions consisted of amounts restricted in use for signage, campus expansion, and endowment funds at June 30, 2021 and 2020.

The following table summarizes the net assets with restriction as of June 30:

	2021	2020
Restricted for time and specific purpose:		
Klemstine Endowment	\$ 39,264	\$ 9,466
Campus Expansion	1,230,509	232,035
Signage	7,500	7,500
Total	1,277,273	249,001
Restricted in perpetuity:		
Klemstine Endowment	107,254	107,254
Net Assets With Donor Restrictions	\$ 1,384,527	\$ 356,255

Net assets released from donor restrictions in the current year relate to the satisfaction of a specific purpose in regards to the campus expansion.

**Endowment Funds**

The Organization's endowment funds were established by donors for whom income is expendable to support its mission. As required by GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

During 2009, the state of North Carolina adopted the Uniform Prudent Management of Institutional Funds Act. The Organization has interpreted the Act as requiring the preservation of the fair value of the original gifts 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 Organization classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**SPCA OF WAKE COUNTY, INC.  
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**NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

**Endowment Funds (Continued)**

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for their Investment Funds, including the permanent endowments that attempt to provide a balance of long-term capital appreciation, preservation of capital, and income production to support additional resources for the continuation and expansion of the Organization's mission. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity.

Strategies Employed for Achieving Results

To satisfy its long-term capital appreciation and expected results, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within established risk constraints.

Spending Policy

The Organization has a policy based upon the intent of the donor-restricted endowed assets, to spend the earnings from the endowment fund for current operations.

Deficiencies

From time to time, the fair value of assets in endowment funds may fall below the required level stipulated by the donor. In accordance with the provisions of the financial accounting standard for endowments of nonprofit organizations, deficiencies of this nature are reported in net assets without donor restrictions. If future investment returns do not alleviate the deficiency, the Organization may be required to contribute additional amounts to the fund.

The Organization accumulates donations from interested parties that are restricted by the donors. The following is the change in endowment net assets for the years ended June 30, which are restricted by donors:

	<u>2021</u>	<u>2020</u>
Endowment Net Assets - Beginning of the Year	\$ 116,720	\$ 111,684
Income, Net of Expenses	29,798	4,136
Contributions	-	900
Endowment Net Assets - End of Year	<u>\$ 146,518</u>	<u>\$ 116,720</u>

**SPCA OF WAKE COUNTY, INC.**  
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**NOTE 12 REVENUE RECOGNITION**

The following table provides information about the timing of the transfer of goods and services for the recognition of revenue for items that are under an exchange transaction.

	<u>2021</u>	<u>2020</u>
<b>Revenue Recognized at Point in Time</b>		
Adoption and Surrender Fees	\$ 358,791	\$ 353,486
Retail Sales	57,922	109,832
Other Fees and Services:		
Clinic Management Revenue	205,894	-
Spay/Neuter Vouchers	42,062	31,539
Other	54,419	15,942
Total Revenue Recognized at Point in Time	<u>\$ 719,088</u>	<u>\$ 510,799</u>
<b>Revenue Recognized Over Time</b>		
Special Events	\$ -	\$ 26,316
Total Revenue Recognized Over Time	<u>\$ -</u>	<u>\$ 26,316</u>

**NOTE 13 PROFIT SHARING PLAN**

The Organization has a 401(k) profit sharing plan (the Plan) to provide retirement benefits for its eligible employees. Eligible employees may contribute up to the maximum annual amount as set periodically by the Internal Revenue Service. The Plan provides for a discretionary employer match as determined by the board of directors. No employer discretionary matches were made during the years ended June 30, 2021 and 2020. Additionally, the Plan provides for a discretionary profit sharing contribution. Such contributions to the Plan are allocated among eligible participants in the proportion of their salaries to the total salaries of all participants. The Organization made no profit sharing contributions during the years ended June 30, 2021 and 2020.

**NOTE 14 LIQUIDITY**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 2,844,850	\$ 1,244,386
Pledge Receivable - Current	180,622	-
Refundable Taxes	8,588	6,698
Clinic Receivable	32,399	15,085
Other Receivables	1,100	-
Marketable Securities	885,390	706,021
Inventories	52,441	45,983
Subtotal	<u>4,005,390</u>	<u>2,018,173</u>
Less: Donor Restrictions Related to the Above	<u>(946,825)</u>	<u>(356,255)</u>
Total Assets Available	<u>\$ 3,058,565</u>	<u>\$ 1,661,918</u>

**SPCA OF WAKE COUNTY, INC.**  
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**NOTE 14 LIQUIDITY (CONTINUED)**

As part of the Organization's management investment strategy, it invests cash in excess of daily requirements in mutual funds.

To help management meet unanticipated liquidity needs, the Organization has a line of credit in the amount of \$300,000 it could draw upon.

**NOTE 15 RELATED PARTY TRANSACTIONS**

The Organization receives contributions from related parties during the year. Related party contributions were \$65,993 and \$149,256 for the years ended June 30, 2021 and 2020, respectfully. In addition, pledge receivables due from related parties were \$121,066 for the year ended June 30, 2021.