

**SPCA OF WAKE COUNTY, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**



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**SPCA OF WAKE COUNTY, INC.  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2022 AND 2021**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS</b>	<b>5</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>7</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>9</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>10</b>



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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, 2022 and 2021, 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.

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, 2022 and 2021, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditors' 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 auditors' 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 the Organization'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 Organization'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.



**CliftonLarsonAllen LLP**

Raleigh, North Carolina  
December 1, 2022

**SPCA OF WAKE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

<b>ASSETS</b>	2022	2021
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 6,828,425	\$ 2,844,850
Marketable Securities	743,487	885,390
Receivables:		
Pledges Receivable	147,934	180,622
Refundable Taxes	22,006	8,588
Clinic Receivable	27,273	32,399
Other Receivables	-	1,100
Inventories	66,127	52,441
Prepaid Expenses	22,141	8,823
Total Current Assets	7,857,393	4,014,213
<b>PROPERTY AND EQUIPMENT</b>		
Land and Improvements	689,833	689,833
Building and Improvements	3,699,826	3,692,359
Vehicles	28,269	27,269
Furniture, Fixtures, and Equipment	1,180,177	1,125,167
Subtotal	5,598,105	5,534,628
Less: Accumulated Depreciation	2,679,600	2,503,851
Property and Equipment, Net	2,918,505	3,030,777
<b>OTHER ASSETS</b>		
Cash Surrender Value of Life Insurance Policies	47,625	46,212
Employee Retention Credit Grant Receivable	882,123	573,684
Pledges Receivable, Net	304,852	437,702
Total Other Assets	1,234,600	1,057,598
Total Assets	\$ 12,010,498	\$ 8,102,588

See accompanying Notes to Financial Statements.

**SPCA OF WAKE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2022 AND 2021**

	2022	2021
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 34,918	\$ 62,618
Accrued Expenses:		
Accrued Wages and Payroll Liabilities	42,261	33,763
Accrued Vacation	125,047	101,007
Accrued Interest	557	557
Other	103,028	15,833
Current Portion of Capital Lease Obligation	9,347	8,736
Current Portion of Notes Payable	59,316	57,423
Total Current Liabilities	374,474	279,937
 <b>CAPITAL LEASE OBLIGATION, LESS CURRENT MATURITIES</b>	 19,071	 28,467
 <b>NOTES PAYABLE, LESS CURRENT MATURITIES</b>	 677,282	 736,611
Total Liabilities	1,070,827	1,045,015
 <b>NET ASSETS</b>		
Without Donor Restrictions	7,622,328	5,673,046
With Donor Restrictions	3,317,343	1,384,527
Total Net Assets	10,939,671	7,057,573
Total Liabilities and Net Assets	\$ 12,010,498	\$ 8,102,588

See accompanying Notes to Financial Statements.

**SPCA OF WAKE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>SUPPORT, REVENUES, AND GAINS</b>			
Contributions	\$ 5,576,698	\$ 2,179,241	\$ 7,755,939
Contributed Goods and Services	821,393	-	821,393
Adoption Fees	516,816	-	516,816
Spay Neuter Clinic Rent	1,200	-	1,200
Retail Sales	102,757	-	102,757
Other Fees and Services	186,935	-	186,935
Employee Retention Credit Grant Income	308,439	-	308,439
Investment Income:			
Net Realized Gain on Sale of Marketable Securities, Net of Expense	53,864	-	53,864
Net Depreciation in Fair Value of Marketable Securities	(174,553)	(35,663)	(210,216)
Interest and Dividends	7,092	12,420	19,512
Subtotal	<u>7,400,641</u>	<u>2,155,998</u>	<u>9,556,639</u>
Net Assets Released from Donor Restrictions	<u>223,182</u>	<u>(223,182)</u>	<u>-</u>
Total Support, Revenues, and Gains	<u>7,623,823</u>	<u>1,932,816</u>	<u>9,556,639</u>
<b>EXPENSES</b>			
Program Services	4,760,706	-	4,760,706
General and Administrative	481,496	-	481,496
Fundraising	432,339	-	432,339
Total Expenses	<u>5,674,541</u>	<u>-</u>	<u>5,674,541</u>
<b>CHANGE IN NET ASSETS</b>	1,949,282	1,932,816	3,882,098
Net Assets - Beginning of Year	<u>5,673,046</u>	<u>1,384,527</u>	<u>7,057,573</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 7,622,328</u></u>	<u><u>\$ 3,317,343</u></u>	<u><u>\$ 10,939,671</u></u>

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	\$ 4,217,048	\$ 1,227,910	\$ 5,444,958
Contributed Goods and Services	532,858	-	532,858
Adoption Fees	358,791	-	358,791
Spay Neuter Clinic Rent	1,200	-	1,200
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
Total Support, Revenues, and Gains	<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><u>\$ 5,673,046</u></u>	<u><u>\$ 1,384,527</u></u>	<u><u>\$ 7,057,573</u></u>

See accompanying Notes to Financial Statements.



**SPCA OF WAKE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

<b>EXPENSES</b>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 2,534,698	\$ 284,762	\$ 54,021	\$ 2,873,481
Fundraising and Other Events	184,198	25,837	356,591	566,626
Retail Sales	50,417	-	-	50,417
Shelter, Supplies, and Services, Including In-Kind Expenses of \$821,393	1,076,968	-	-	1,076,968
Medical/Veterinarian/Spay/Neuter Fund	89,186	-	-	89,186
Capital Campaign	-	-	12,737	12,737
Training and Development	61,929	12,200	2,552	76,681
Professional Fees	-	15,146	-	15,146
Insurance - General	28,258	330	138	28,726
Travel	4,571	-	-	4,571
Utilities	108,065	1,204	503	109,772
Repairs and Maintenance	43,432	467	195	44,094
Postage	-	16,652	-	16,652
Merchant and Bank Fees	25,522	42,750	-	68,272
Office and Computer	251,316	4,385	1,165	256,866
Dues and Subscriptions	2,937	222	40	3,199
Community Outreach and Advertising	11,244	-	-	11,244
Loan Interest	26,463	463	194	27,120
Miscellaneous	88,653	75,039	3,342	167,034
Total Expenses Before Depreciation and Amortization	4,587,857	479,457	431,478	5,498,792
Depreciation and Amortization	172,849	2,039	861	175,749
Total Expenses	<u>\$ 4,760,706</u>	<u>\$ 481,496</u>	<u>\$ 432,339</u>	<u>\$ 5,674,541</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.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 3,882,098	\$ 3,406,650
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized (Gain) Loss on Investments	129,340	(187,118)
Forgiveness of Payroll Protection Program Loan	-	(408,098)
Depreciation and Amortization	175,749	173,896
Increase in Cash Surrender Value of Life Insurance Policies	(1,413)	(811)
Changes in Assets and Liabilities:		
Receivables	(150,093)	(1,212,312)
Inventories	(13,686)	(6,458)
Prepaid Expenses	(13,318)	30,916
Accounts Payable	(27,700)	17,727
Accrued Expenses	119,733	40,867
Net Cash Provided by Operating Activities	4,100,710	1,855,259
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase and Sale of Marketable Securities, Net	12,563	7,749
Purchase of Property and Equipment	(63,477)	(188,383)
Net Cash Used by Investing Activities	(50,914)	(180,634)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Notes Payable	-	823,016
Payments on Notes Payable	(57,436)	(888,966)
Payment on Capital Lease Obligation	(8,785)	(8,211)
Net Cash Used by Financing Activities	(66,221)	(74,161)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,983,575	1,600,464
Cash and Cash Equivalents - Beginning of Year	2,844,850	1,244,386
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 6,828,425	\$ 2,844,850
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 27,120	\$ 35,225

See accompanying Notes to Financial Statements.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**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.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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

**Fair Value Measurement (continued)**

*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.

*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.

**Pledges Receivable**

Pledges receivable are recognized when a donor makes a promise to give that is, in substance, unconditional. The Organization records unconditional pledges expected to be collected within one year at net realizable value. Unconditional pledges expected to be collected in future years are initially recorded at fair value using present value techniques. In subsequent years, amortization of the discounts is included in contribution revenue in the accompanying statement of activities. Management determines the allowance for uncollectable pledges receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Management believes that the pledges receivable are fully collectible; therefore, no allowance has been recorded as of June 30, 2022 and 2021.

**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, 2022 and 2021.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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

**Inventories**

Inventories at June 30, 2022 and 2021 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

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 \$175,749 and \$173,896 for the years ended June 30, 2022 and 2021, 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 \$47,625 and \$46,212 at June 30, 2022 and 2021, 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.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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

**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 \$132,503 and \$200,210 of net assets without donor restrictions for building repairs and maintenance at June 30, 2022 and 2021, respectively. In addition, the board has designated \$1,023,064 and \$1,612,643 as a strategic growth fund at June 30, 2022 and 2021, respectively.

*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.

**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.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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

**Revenue Recognition (Continued)**

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 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 years ended June 30, 2022 and 2021 the Organization complied with the conditions of the ERC funding in the amount of \$308,439 and \$573,684, respectively, in compliance with the program, which is recorded as ERC grant income in the accompanying statement of activities and changes in net assets for the years ended June 30, 2022 and 2021, respectively. The Organization recorded an ERC grant receivable of \$882,123 and \$573,684 in the accompanying statement of financial position as of June 30, 2022 and 2021, respectively.

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 years ended June 30, 2022 and 2021, there was no special event revenue.

**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.



**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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

**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, 2022 and 2021. 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, 2022 and 2021.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 1, 2022, 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, 2022 and 2021, 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.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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

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

	2022	2021
Mutual Funds - Blended	\$ 487,188	\$ 600,522
Mutual Funds - Bonds	256,299	284,868
Total	\$ 743,487	\$ 885,390

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:

2022				
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Blended	\$ 487,188	\$ -	\$ -	\$ 487,188
Bonds	256,299	-	-	256,299
Total	\$ 743,487	\$ -	\$ -	\$ 743,487
2021				
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Blended	\$ 600,522	\$ -	\$ -	\$ 600,522
Bonds	284,868	-	-	284,868
Total	\$ 885,390	\$ -	\$ -	\$ 885,390

**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 \$33,733 and \$40,678 at June 30, 2022 and 2021, respectively.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 6 INVENTORIES**

Inventories are comprised of the following at June 30:

	<u>2022</u>	<u>2021</u>
Adoptable Animals	\$ 60,375	\$ 48,955
Merchandise	5,752	3,486
Total	<u>\$ 66,127</u>	<u>\$ 52,441</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, 2022 and 2021 consisted of the following and are included as contributions in the accompanying financial statements:

	<u>2022</u>	<u>2021</u>
Donated Food and Animal Care Supplies	\$ 427,499	\$ 162,732
Donated Building Improvements	-	61,391
Specialized Services	393,894	308,735
Total	<u>\$ 821,393</u>	<u>\$ 532,858</u>

All of these amounts were for program services for the years ended June 30, 2022 and 2021.

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.

**NOTE 8 PLEDGES RECEIVABLE**

Pledges receivable are estimated to be collected as follows at June 30:

	<u>2022</u>	<u>2021</u>
Within One Year	\$ 147,934	\$ 180,622
In One to Five Years	315,044	445,417
Total	462,978	626,039
Less: Discount to Present Value (1.31% to 3.14%)	(10,192)	(7,715)
Total	<u>\$ 452,786</u>	<u>\$ 618,324</u>

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 9 CAPITAL LEASES**

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

	<u>2022</u>	<u>2021</u>
Furniture, Fixtures, and Equipment	\$ 59,024	\$ 59,024
Less: Accumulated Depreciation	49,122	42,000
Total	<u>\$ 9,902</u>	<u>\$ 17,024</u>

Amortization expense of \$7,122 and \$21,342 from assets held under capital leases is included in depreciation and amortization expense for the years ended June 30, 2022 and 2021, 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>
2023	\$ 10,992
2024	10,992
2025	8,174
Subtotal	<u>30,158</u>
Less: Amounts Representing Interest	1,740
Less: Current Portion	9,347
Total	<u>\$ 19,071</u>

**NOTE 10 LINES OF CREDIT AND NOTES PAYABLE**

In June 2022, 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% (4.750% for 2022). The line of credit is collateralized by a Commercial Security Agreement dated June 21, 2022 and has no covenants. At June 30, 2022 and 2021, there were no amounts outstanding on this line of credit. The line of credit has a maturity date of June 2024.

On January 12, 2021, the Organization entered into a promissory note with a financial institution to refinance its then existing promissory notes. 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). 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.

**SPCA OF WAKE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 10 LINES OF CREDIT AND NOTES PAYABLE (CONTINUED)**

Future maturities under these notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 59,316
2024	61,210
2025	63,283
2026	65,367
2027	67,520
Thereafter	419,902
Total	<u><u>\$ 736,598</u></u>

Interest expense for the years ended June 30, 2022 and 2021 was \$27,120 and \$35,225, respectively.

**NOTE 11 NET ASSETS WITHOUT DONOR RESTRICTIONS**

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

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 3,466,761	\$ 3,860,193
Board-Designated - Campus Expansion	3,000,000	-
Board-Designated - Building Repairs and Maintenance	132,503	200,210
Board-Designated - Strategic Growth Fund	1,023,064	1,612,643
Total Net Assets Without Donor Restrictions	<u><u>\$ 7,622,328</u></u>	<u><u>\$ 5,673,046</u></u>

**NOTE 12 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, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Restricted for Time and Specific Purpose:		
Klemstine Endowment	\$ 16,021	\$ 39,264
Campus Expansion	3,184,868	1,230,509
Signage	9,200	7,500
Total	<u>3,210,089</u>	<u>1,277,273</u>
Restricted in perpetuity:		
Klemstine Endowment	107,254	107,254
Net Assets With Donor Restrictions	<u><u>\$ 3,317,343</u></u>	<u><u>\$ 1,384,527</u></u>

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

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.

**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.

**SPCA OF WAKE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

**Endowment Funds (Continued)**

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>2022</u>	<u>2021</u>
Endowment Net Assets - Beginning of the Year	\$ 146,518	\$ 116,720
Income, Net of Expenses	(23,243)	29,798
Endowment Net Assets - End of Year	<u>\$ 123,275</u>	<u>\$ 146,518</u>

**NOTE 13 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, which is all recognized at a point in time.

	<u>2022</u>	<u>2021</u>
Revenue Recognized at Point in Time:		
Adoption Fees	\$ 516,816	\$ 358,791
Retail Sales	102,757	57,922
Other Fees and Services:		
Clinic Management Revenue	133,868	205,894
Spay/Neuter Vouchers	48,779	42,062
Other	4,288	54,419
Total Revenue Recognized at Point in Time	<u>\$ 806,508</u>	<u>\$ 719,088</u>

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 14 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, 2022 and 2021. 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, 2022 and 2021.

**NOTE 15 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:

	2022	2021
Cash and Cash Equivalents	\$ 6,828,425	\$ 2,844,850
Pledge Receivable - Current	147,934	180,622
Refundable Taxes	22,006	8,588
Clinic Receivable	27,273	32,399
Other Receivables	-	1,100
Marketable Securities	743,487	885,390
Inventories	66,127	52,441
Subtotal	7,835,252	4,005,390
Less: Donor Restrictions Related to the Above	(3,012,491)	(946,825)
Total Assets Available	\$ 4,822,761	\$ 3,058,565

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 (See Note 10).

**NOTE 16 RELATED PARTY TRANSACTIONS**

The Organization receives contributions from related parties during the year. Related party contributions were \$198,068 and \$65,993 for the years ended June 30, 2022 and 2021, respectively. In addition, pledge receivables due from related parties were \$126,622 for the year ended June 30, 2022.