

**SPCA OF WAKE COUNTY, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2023 AND 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://CLAcconnect.com)

**SPCA OF WAKE COUNTY, INC.  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2023 AND 2022**

<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, 2023 and 2022, 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, 2023 and 2022, 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  
November 29, 2023

**SPCA OF WAKE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

<b>ASSETS</b>	2023	2022
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 8,716,396	\$ 6,828,425
Marketable Securities	807,962	743,487
Receivables		
Pledges Receivable	308,488	147,934
Refundable Taxes	34,296	22,006
Clinic Receivable	29,988	27,273
Other Receivables	21,045	-
Inventories	42,160	66,127
Prepaid Expenses	43,834	22,141
Total Current Assets	10,004,169	7,857,393
<b>PROPERTY AND EQUIPMENT</b>		
Land and Improvements	689,833	689,833
Building and Improvements	3,768,181	3,699,826
Vehicles	94,047	28,269
Furniture, Fixtures, and Equipment	1,173,591	1,180,177
Subtotal	5,725,652	5,598,105
Less: Accumulated Depreciation	2,865,222	2,679,600
Property and Equipment, Net	2,860,430	2,918,505
<b>OTHER ASSETS</b>		
Cash Surrender Value of Life Insurance Policies	48,941	47,625
Employee Retention Credit Grant Receivable	-	882,123
Right of Use Asset, Financing - Net of Accumulated Amortization	48,425	-
Pledges Receivable, Net	5,175,251	304,852
Total Other Assets	5,272,617	1,234,600
 Total Assets	 \$ 18,137,216	 \$ 12,010,498

See accompanying Notes to Financial Statements.

**SPCA OF WAKE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2023 AND 2022**

	2023	2022
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 109,316	\$ 34,918
Accrued Expenses		
Accrued Wages and Payroll Liabilities	57,753	42,261
Accrued Vacation	142,686	125,047
Accrued Interest	557	557
Other	45,543	103,028
Current Portion of Capital Lease Obligation	-	9,347
Current Portion of Financing Lease Liability	9,148	-
Current Portion of Notes Payable	64,210	59,316
Total Current Liabilities	429,213	374,474
<b>LONG-TERM LIABILITIES</b>		
Capital Lease Obligation, Net of Current Portion	-	19,071
Financing Lease Liability, Net of Current Portion	39,623	-
Note Payable, Net of Current Portion	613,076	677,282
Total Long-Term Liabilities	652,699	696,353
 Total Liabilities	 1,081,912	 1,070,827
<b>NET ASSETS</b>		
Without Donor Restrictions	7,345,313	7,622,328
With Donor Restrictions	9,709,991	3,317,343
Total Net Assets	17,055,304	10,939,671
 Total Liabilities and Net Assets	 \$ 18,137,216	 \$ 12,010,498

See accompanying Notes to Financial Statements.

**SPCA OF WAKE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>SUPPORT, REVENUES, AND GAINS</b>			
Contributions	\$ 4,482,767	\$ 7,109,712	\$ 11,592,479
Contributed Goods and Services	868,329	-	868,329
Adoption Fees	443,482	-	443,482
Spay Neuter Clinic Rent	1,200	-	1,200
Retail Sales	105,525	-	105,525
Other Fees and Services	229,021	-	229,021
Employee Retention Credit Income	58,718	-	58,718
Investment Income			
Net Realized Loss on Sale of Marketable Securities, Net of Expense	(36,206)	-	(36,206)
Net Appreciation in Fair Value of Marketable Securities	70,391	12,952	83,343
Interest and Dividends	<u>27,742</u>	<u>(2,183)</u>	<u>25,559</u>
Subtotal	6,250,969	7,120,481	13,371,450
Net Assets Released from Donor Restrictions	<u>727,833</u>	<u>(727,833)</u>	-
Total Support, Revenues, and Gains	6,978,802	6,392,648	13,371,450
 <b>EXPENSES</b>			
Program Services	5,841,740	-	5,841,740
General and Administrative	499,764	-	499,764
Fundraising	914,313	-	914,313
Total Expenses	<u>7,255,817</u>	<u>-</u>	<u>7,255,817</u>
 <b>CHANGE IN NET ASSETS</b>	(277,015)	6,392,648	6,115,633
 Net Assets - Beginning of Year	<u>7,622,328</u>	<u>3,317,343</u>	<u>10,939,671</u>
 <b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 7,345,313</u></u>	<u><u>\$ 9,709,991</u></u>	<u><u>\$ 17,055,304</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, 2022**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
<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
Total Support, Revenues, and Gains	<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>\$ 7,622,328</u>	 <u>\$ 3,317,343</u>	 <u>\$ 10,939,671</u>

See accompanying Notes to Financial Statements.



**SPCA OF WAKE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2023**

<b>EXPENSES</b>	Program Services	General and Administrative	Fundraising	Total
Salaries and Benefits	\$ 2,859,721	\$ 347,700	\$ 280,043	\$ 3,487,464
Fundraising and Other Events	244,109	28,954	537,449	810,512
Retail Sales	60,294	-	-	60,294
Shelter, Supplies, and Services, Including				
In-Kind Expenses of \$868,329	1,274,525	-	-	1,274,525
Medical/Veterinarian/Spay/Neuter Fund	105,771	-	-	105,771
Capital Campaign	-	-	90,730	90,730
Campus Construction	398,494	276	-	398,770
Training and Development	63,711	8,272	1,966	73,949
Professional Fees	-	15,332	-	15,332
Insurance - General	39,110	461	193	39,764
Travel	5,835	-	-	5,835
Utilities	124,407	1,420	593	126,420
Repairs and Maintenance	50,248	570	238	51,056
Postage	10,754	127	54	10,935
Merchant and Bank Fees	30,846	51,071	-	81,917
Office and Computer	315,811	5,206	1,307	322,324
Dues and Subscriptions	1,298	197	40	1,535
Community Outreach and Advertising	18,033	-	-	18,033
Loan Interest	23,870	1,172	174	25,216
Miscellaneous	27,184	33,176	154	60,514
Total Expenses Before Depreciation and Amortization	5,654,021	493,934	912,941	7,060,896
Depreciation and Amortization	187,719	5,830	1,372	194,921
Total Expenses	<u>\$ 5,841,740</u>	<u>\$ 499,764</u>	<u>\$ 914,313</u>	<u>\$ 7,255,817</u>

See accompanying Notes to Financial Statements.

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

<b>EXPENSES</b>	Program Services	General and Administrative	Fundraising	Total
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.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 6,115,633	\$ 3,882,098
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized (Gain) Loss on Investments	(80,196)	129,340
Loss on Disposal of Property and Equipment	355	-
Depreciation and Amortization	192,372	175,749
Amortization of Right-of-Use Asset	2,549	-
Increase in Cash Surrender Value of Life Insurance Policies	(1,316)	(1,413)
Changes in Assets and Liabilities:		
Receivables	(4,184,880)	(150,093)
Inventories	23,967	(13,686)
Prepaid Expenses	(21,693)	(13,318)
Accounts Payable	74,398	(27,700)
Accrued Expenses	(24,354)	119,733
Net Cash Provided by Operating Activities	2,096,835	4,100,710
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase and Sale of Marketable Securities, Net	15,721	12,563
Purchase of Property and Equipment	(156,119)	(63,477)
Net Cash Used by Investing Activities	(140,398)	(50,914)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Financing Leases	(2,203)	-
Payments on Notes Payable	(59,312)	(57,436)
Payment on Capital Lease Obligation	(6,951)	(8,785)
Net Cash Used by Financing Activities	(68,466)	(66,221)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,887,971	3,983,575
Cash and Cash Equivalents - Beginning of Year	6,828,425	2,844,850
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 8,716,396	\$ 6,828,425
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 25,216	\$ 27,120
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION</b>		
Asset Acquired Through Financing Lease	\$ 50,974	\$ -

See accompanying Notes to Financial Statements.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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 and donations from the community.

**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, 2023 AND 2022**

**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, 2023 and 2022.

**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, 2023 and 2022.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

**Inventories**

Inventories at June 30, 2023 and 2022 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 \$194,921 and \$175,749 for the years ended June 30, 2023 and 2022, 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 \$48,941 and \$47,625 at June 30, 2023 and 2022, 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, 2023 AND 2022**

**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 \$76,253 and \$132,503 of net assets without donor restrictions for building repairs and maintenance at June 30, 2023 and 2022, respectively. In addition, the board has designated \$1,608,171 and \$1,023,064 as an operating reserve fund at June 30, 2023 and 2022, respectively. Lastly, the board has designated \$3,000,000 for campus expansion at June 30, 2023 and 2022.

*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 Financial Accounting Standards Board (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, 2023 AND 2022**

**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, 2023 and 2022, the Organization complied with the conditions of the ERC funding in the amount of \$58,718 and \$308,439, respectively, which is recorded as ERC grant income in the accompanying statement of activities and changes in net assets for the years ended June 30, 2023 and 2022, respectively. The Organization recorded an ERC grant receivable of \$-0- and \$882,123 in the accompanying statement of financial position as of June 30, 2023 and 2022, respectively.

**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.

**Contributed Goods and Services**

The Organization adopted FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* during the year ended June 30, 2023. This standard requires enhancements to presentation and disclosure around contributed nonfinancial assets. This standard did not affect the recognition of these transactions.

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, 2023 AND 2022**

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

**Contributed Goods and Services (Continued)**

In-kind contributions are recorded at their fair value on the date of contribution. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For donated items, fair value may be determined based on the estimated retail value of the item or similar items in the market. For donated services, fair value may be determined based on the cost of paying for similar services in the same or similar market.

**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.

**Leases**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the earliest comparative period presented. This standard did not have a material impact on the prior period.

The Organization has not elected to adopt the package of practical expedients available in the year of adoption. The Organization has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

The Organization determines if an arrangement is a lease at inception. Operating leases are included in ROU assets – operating and lease liability – operating, and finance leases are included in ROU assets –financing and lease liability – financing in the statements of financial position.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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

**Leases (Continued)**

ROU assets represent the Organizations right to use an underlying asset for the lease term and lease liabilities represent the Organizations obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets in the statements of financial position.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**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, 2023 and 2022. 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, 2023 and 2022.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 29, 2023, 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, 2023 and 2022, 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, 2023 AND 2022**

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

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

	2023	2022
Mutual Funds - Blended	\$ 499,931	\$ 487,188
Mutual Funds - Bonds	308,031	256,299
Total	\$ 807,962	\$ 743,487

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:

	2023			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Blended	\$ 499,931	\$ -	\$ -	\$ 499,931
Bonds	308,031	-	-	308,031
Total	\$ 807,962	\$ -	\$ -	\$ 807,962
	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

**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 \$36,124 and \$33,733 at June 30, 2023 and 2022, respectively.

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 6 INVENTORIES**

Inventories are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Adoptable Animals	\$ 31,175	\$ 60,375
Merchandise	10,985	5,752
Total	<u>\$ 42,160</u>	<u>\$ 66,127</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, 2023 and 2022 consisted of the following and are included as contributions in the accompanying financial statements:

	<u>2023</u>	<u>2022</u>
Donated Food and Animal Care Supplies	\$ 354,194	\$ 427,499
Specialized Services	514,135	393,894
Total	<u>\$ 868,329</u>	<u>\$ 821,393</u>

All of these amounts were for program services for the years ended June 30, 2023 and 2022. Contributed specialized services from a related party associated with the Board of Directors were \$177,654 and \$178,100 for the years ended June 30, 2023 and 2022, respectively.

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>2023</u>	<u>2022</u>
Within One Year	\$ 308,488	\$ 147,934
In One to Five Years	5,582,539	315,044
Total	5,891,027	462,978
Less: Discount to Present Value (3.90% to 1.31%)	(407,288)	(10,192)
Total	<u>\$ 5,483,739</u>	<u>\$ 452,786</u>

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 9 LEASES**

Effective March 17, 2023, the Organization entered into a lease for equipment under a long-term, non-cancelable lease agreement. The lease is for a term of 60 months, through March 16, 2028. In the normal course of business, it is expected that this lease will be renewed or replaced by a similar lease. The agreement generally requires the Organization to pay for repairs and maintenance.

As of June 30, 2023, the Organization's lease consists of one financing lease. The following table provides quantitative information concerning the Organization's lease for the year ended June 30, 2023:

Lease Cost	
Amortization of Right-of-Use Assets	\$ 2,549
Interest on Lease Liabilities	754
Total	<u>\$ 3,303</u>
Other Information	
Financing Cash Flows from Financing Leases	\$ 2,203
Weighted-Average Remaining Lease Term - Financing Leases	57 Months
Weighted-Average Discount Rate - Financing Leases	6.00%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2024	\$ 11,826
2025	11,826
2026	11,826
2027	11,826
2028	8,868
Total Undiscounted Lease Payments	<u>56,172</u>
Less: Imputed Interest	<u>7,401</u>
Total Lease Liability	<u>\$ 48,771</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 2023). The line of credit is collateralized by a Commercial Security Agreement dated June 21, 2022 and has no covenants. At June 30, 2023 and 2022, there were no amounts outstanding on this line of credit. The line of credit has a maturity date of June 2024.

**SPCA OF WAKE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

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

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.

Future maturities under these notes payable are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2024	\$ 64,210
2025	63,283
2026	65,367
2027	67,520
2028	69,710
Thereafter	347,196
Total	<u>\$ 677,286</u>

Interest expense for the years ended June 30, 2023 and 2022 was \$25,216 and \$27,120, respectively.

**NOTE 11 NET ASSETS WITHOUT DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 2,660,889	\$ 3,466,761
Board-Designated - Campus Expansion	3,000,000	3,000,000
Board-Designated - Building Repairs and Maintenance	76,253	132,503
Board-Designated - Operating Reserve Fund	1,608,171	1,023,064
Total Net Assets Without Donor Restrictions	<u>\$ 7,345,313</u>	<u>\$ 7,622,328</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, 2023 and 2022.

**SPCA OF WAKE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

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

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

	2023	2022
Restricted for Time and Specific Purpose		
Klemstine Endowment	\$ 26,790	\$ 16,021
Campus Expansion	9,566,747	3,184,868
Signage	9,200	9,200
Total	9,602,737	3,210,089
Restricted in Perpetuity		
Klemstine Endowment	107,254	107,254
Net Assets With Donor Restrictions	\$ 9,709,991	\$ 3,317,343

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.

**SPCA OF WAKE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022**

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

**Endowment Funds (Continued)**

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, and are included in marketable securities on the statements of financial position:

	<u>2023</u>	<u>2022</u>
Endowment Net Assets - Beginning of the Year	\$ 123,275	\$ 146,518
Income, Net of Expenses	10,769	(23,243)
Endowment Net Assets - End of Year	<u>\$ 134,044</u>	<u>\$ 123,275</u>



**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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>2023</u>	<u>2022</u>
Revenue Recognized at Point in Time		
Adoption Fees	\$ 443,482	\$ 516,816
Retail Sales	105,525	102,757
Other Fees and Services		
Clinic Management Revenue	178,438	133,868
Spay/Neuter Vouchers	46,924	48,779
Other	3,659	4,288
Total Revenue Recognized at Point in Time	<u>\$ 778,028</u>	<u>\$ 806,508</u>

**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, 2023 and 2022. 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, 2023 and 2022.

**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:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 8,716,396	\$ 6,828,425
Pledges Receivable - Current	308,488	147,934
Refundable Taxes	34,296	22,006
Clinic Receivable	29,988	27,273
Other Receivables	21,045	-
Marketable Securities	807,962	743,487
Inventories	42,160	66,127
Subtotal	<u>9,960,335</u>	<u>7,835,252</u>
Less: Donor Restrictions Related to the Above	<u>(4,534,740)</u>	<u>(3,012,491)</u>
Total Assets Available	<u>\$ 5,425,595</u>	<u>\$ 4,822,761</u>

**SPCA OF WAKE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 15 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 (See Note 10).

**NOTE 16 RELATED PARTY TRANSACTIONS**

The Organization receives contributions from related parties during the year. Related party contributions were \$65,188 and \$198,068 for the years ended June 30, 2023 and 2022, respectively. In addition, pledge receivables due from related parties were \$94,126 and \$126,622 for the year ended June 30, 2023 and 2022, respectively.