

**SPCA INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 AND 2022**

SPCA INTERNATIONAL, INC.

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1-2
<u>Financial Statements</u>	
Statements of Financial Position at December 31, 2023 and 2022	3
Statements of Activities for the Years Ended December 31, 2023 and 2022	4
Statement of Functional Expenses for the Year Ended December 31, 2023	5
Statement of Functional Expenses for the Year Ended December 31, 2022	6
Statements of Cash Flows for the Years Ended December 31, 2023 and 2022	7
Notes to Financial Statements	8-19



## INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
SPCA International, Inc.  
New York, New York

### **Opinion**

We have audited the accompanying financial statements of SPCA International, Inc., which comprise the statements of financial position at December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPCA International, Inc. at December 31, 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. 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 SPCA International, Inc. 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 SPCA International, Inc.'s ability to continue as a going concern within one year after the date that 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SPCA International, Inc.'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 SPCA International, Inc.'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.

*Grassi & Co., CPAs, P.C.*

GRASSI & CO., CPAs, P.C.

Jericho, New York  
April 1, 2024

SPCA INTERNATIONAL, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,196,297	\$ 6,078,706
Investments (Note 4)	4,474,214	-
Accounts receivable	453,444	284,358
Prepaid expenses and other assets	206,114	132,808
Operating lease right-of-use assets (Note 8)	299,113	402,263
Property and equipment, net	<u>10,695</u>	<u>12,653</u>
 TOTAL ASSETS	 <u>\$ 6,639,877</u>	 <u>\$ 6,910,788</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,368,701	\$ 813,426
Operating lease liabilities (Note 8)	<u>308,611</u>	<u>409,060</u>
 TOTAL LIABILITIES	 <u>1,677,312</u>	 <u>1,222,486</u>
 COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	4,791,957	5,244,541
With donor restrictions (Note 6)	<u>170,608</u>	<u>443,761</u>
 TOTAL NET ASSETS	 <u>4,962,565</u>	 <u>5,688,302</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,639,877</u>	 <u>\$ 6,910,788</u>

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

SPCA INTERNATIONAL, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions and grants	\$ 12,061,076	\$ 2,003,563	\$ 14,064,639	\$ 13,613,560	\$ 2,557,161	\$ 16,170,721
In-kind contributions	10,487,534	-	10,487,534	9,776,788	-	9,776,788
Bequests and legacies	1,118,425	-	1,118,425	1,736,080	-	1,736,080
Investment income	398,340	-	398,340	-	-	-
Other income	6,596	-	6,596	11,942	-	11,942
Net assets released from restrictions	2,276,716	(2,276,716)	-	2,661,883	(2,661,883)	-
<b>Total Support and Revenue</b>	<b>26,348,687</b>	<b>(273,153)</b>	<b>26,075,534</b>	<b>27,800,253</b>	<b>(104,722)</b>	<b>27,695,531</b>
<b>EXPENSES:</b>						
Program services	18,159,367	-	18,159,367	18,259,489	-	18,259,489
Supporting services:						
Management and general	896,325	-	896,325	916,100	-	916,100
Fundraising	7,745,579	-	7,745,579	7,854,438	-	7,854,438
<b>Total Expenses</b>	<b>26,801,271</b>	<b>-</b>	<b>26,801,271</b>	<b>27,030,027</b>	<b>-</b>	<b>27,030,027</b>
<b>CHANGE IN NET ASSETS</b>	<b>(452,584)</b>	<b>(273,153)</b>	<b>(725,737)</b>	<b>770,226</b>	<b>(104,722)</b>	<b>665,504</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>5,244,541</b>	<b>443,761</b>	<b>5,688,302</b>	<b>4,475,358</b>	<b>548,483</b>	<b>5,023,841</b>
<b>CHANGE IN ACCOUNTING PRINCIPLE - ASC 842</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,043)</b>	<b>-</b>	<b>(1,043)</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,791,957</b>	<b>\$ 170,608</b>	<b>\$ 4,962,565</b>	<b>\$ 5,244,541</b>	<b>\$ 443,761</b>	<b>\$ 5,688,302</b>

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

SPCA INTERNATIONAL, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Payroll	\$ 330,566	\$ 145,111	\$ 362,425	\$ 838,102
Payroll taxes and benefits	68,341	30,000	74,927	173,268
Program expenses and supplies	469,808	-	-	469,808
In-kind donation - veterinary supply aid	10,007,102	-	-	10,007,102
In-kind donation - marketing	-	-	480,432	480,432
Marketing and media costs	4,625,433	-	6,827,166	11,452,599
Shipping and processing costs	633,935	-	-	633,935
Professional fees	278,336	266,840	-	545,176
OMP grants	225,457	-	-	225,457
Shelter grants	1,215,136	-	-	1,215,136
Travel and transportation	60,877	29,124	-	90,001
Office and other expenses	54,702	195,870	-	250,572
Bank fees	107,771	155,030	-	262,801
Occupancy	45,170	67,755	-	112,925
Operational expenses	6,781	5,652	-	12,433
Depreciation and amortization	4,715	943	629	6,287
Insurance	25,237	-	-	25,237
	<u>\$ 18,159,367</u>	<u>\$ 896,325</u>	<u>\$ 7,745,579</u>	<u>\$ 26,801,271</u>
TOTAL EXPENSES	<u>\$ 18,159,367</u>	<u>\$ 896,325</u>	<u>\$ 7,745,579</u>	<u>\$ 26,801,271</u>

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

SPCA INTERNATIONAL, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Payroll	\$ 302,157	\$ 214,241	\$ 320,272	\$ 836,670
Payroll taxes and benefits	52,715	37,377	55,876	145,968
Program expenses and supplies	924,091	-	-	924,091
In-kind donation - veterinary supply aid	9,298,721	-	-	9,298,721
In-kind donation - marketing	-	-	478,067	478,067
Marketing and media costs	4,732,373	-	6,999,644	11,732,017
Shipping and processing costs	618,095	-	-	618,095
Professional fees	274,367	229,120	-	503,487
OMP grants	285,750	-	-	285,750
Shelter grants	1,475,897	-	-	1,475,897
Travel and transportation	91,738	38,655	-	130,393
Office and other expenses	25,661	161,457	-	187,118
Bank fees	106,693	158,197	-	264,890
Occupancy	43,320	64,980	-	108,300
Operational expenses	9,528	11,204	-	20,732
Depreciation and amortization	4,343	869	579	5,791
Insurance	14,040	-	-	14,040
<b>TOTAL EXPENSES</b>	<b>\$ 18,259,489</b>	<b>\$ 916,100</b>	<b>\$ 7,854,438</b>	<b>\$ 27,030,027</b>

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



SPCA INTERNATIONAL, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (725,737)	\$ 665,504
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	6,287	5,791
Amortization of operating lease expense	103,150	101,972
Unrealized gain on investments	(254,695)	-
(Increase) decrease in assets:		
Accounts receivable	(169,086)	265,107
Prepaid expenses and other assets	(73,306)	26,338
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	555,275	(382,082)
Operating lease liabilities	(100,449)	(96,218)
	(658,561)	586,412
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(658,561)	586,412
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,944,519)	-
Sales of investments	725,000	-
Purchases of property and equipment	(4,329)	(7,002)
	(4,223,848)	(7,002)
NET CASH USED IN INVESTING ACTIVITIES	(4,223,848)	(7,002)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,882,409)	579,410
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,078,706	5,499,296
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,196,297	\$ 6,078,706

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

SPCA INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 1 - Nature of Organization

SPCA International, Inc. (the "SPCAI") is a not-for-profit organization incorporated in the State of Delaware in May 2006. The SPCAI's purpose is to advance the safety and well-being of animals through education, outreach programs, and to support animal shelters in need. The primary sources of support are contributions and grants, in-kind contributions, and bequests and legacies. The SPCAI is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Apollo's Aid (formerly called Operation Military Pets)

The SPCAI has helped military families' pets through the Apollo's Aid program, formerly known as Operation Military Pets, since 2013. When military families are ordered to a new base in the U.S. or around the world, moving bills can be substantial. The military pays for many moving costs, but does not help relocate beloved pets. The cost for pet transportation can be significant. Military families are being torn apart due to financial constraints. All over the U.S., animal shelters near military bases report high surrender rates when military families cannot afford to relocate their dogs or cats. To help keep military families together and animals out of shelters, Apollo's Aid provides financial assistance to military families for pet relocation costs.

SPCAI's Apollo's Aid medical grant provides financial support for emergency medical cases for all military members, including veterans, reservists, active duty, and Department of Defense contractors. It is designed to relieve some of the financial burdens for service members when an unexpected medical issue arises.

SPCAI's Apollo's Aid refugee assistance provides financial aid for refugees that have been displaced from their homes and are seeking assistance for their beloved pets. It is designed to reunite refugees with their pets when an unexpected issue arises.

Total expenses for the years ended December 31, 2023 and 2022 were \$225,457 and \$285,750, respectively.

Patriot Pets (formerly called Operation Baghdad Pups Worldwide)

U.S. troops deployed around the world befriend local animals as a way to cope with the emotional hardships they endure every day far from home and loved ones. These animals, often called military mascots or patriot pets, not only help our heroes while stationed overseas, but also help them readjust to life when they return home. This highly successful and celebrated program has been reuniting U.S. service members with their companions since 2008. Patriot Pets provides veterinary care and coordinates complicated logistics and transportation requirements in order to reunite these beloved pets with their service men and women back in the U.S. Total expenses for the years ended December 31, 2023 and 2022 were \$1,071,053 and \$1,124,853, respectively.

SPCA INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 1 - Nature of Organization (cont'd.)

Shelter and Emergency Grants

The SPCAI gives direct support by awarding shelter grants to many animal organizations in need of assistance throughout the U.S. and all over the world. These much-needed funds go toward helping many shelters improve their facilities, fund basic needs, support spay and neuter initiatives, and ultimately reduce euthanasia rates. Animal shelters always try to plan for an influx of animals, an emergency situation or an unforeseen expense, but many times organizations become overwhelmed. In light of this, the SPCAI also distributes emergency grants to shelters when they need it the most, in urgent crisis situations. Total expenses for the years ended December 31, 2023 and 2022 were \$2,338,323 and \$2,914,230, respectively.

*Mission Possible*

The SPCAI and its partners successfully evacuated 154 dogs and 131 cats from Afghanistan to Vancouver, Canada, after almost six months of effort, under Mission Possible. The animals were rescued by Kabul Small Animal Rescue and other organizations and were stranded in Afghanistan following the U.S. military withdrawal on August 31, 2021. The animals arrived via a chartered plane at Vancouver International Airport on February 1, 2022, and were housed in a temporary shelter, awaiting adoption or reunification with their owners. Several local Canadian rescues offered support and resources to help the animals find their forever homes.

The evacuation mission faced several challenges, including the high risk of rabies and the volatile situation in Afghanistan. However, the SPCAI and its partners worked tirelessly to overcome these obstacles and ensure the safe transport and ongoing care of the animals. Included in total shelter and emergency expenses for the year ended December 31, 2022 are \$699,334 of grant awards provided to Mission Possible. No expenses were incurred in 2023.

Global Animal Veterinary Assistance

Each year, the SPCAI distributes critical veterinary medical supplies to animal shelters throughout the world. As a result, organizations in developing countries have been able to treat more sick and injured animals. These donations, along with financial grants, have allowed organizations to provide successful spay and neuter events throughout the year. Through this program, the SPCAI has distributed millions of dollars in veterinary medical supplies to shelters on almost every continent. Total expenses for the years ended December 31, 2023 and 2022 were \$10,007,102 and \$9,298,721, respectively.

Education Programs

The SPCAI's education outreach reaches hundreds of thousands of pet parents and animal activists every year. Both online and through other media resources, the SPCAI serves as an information and referral resource for animal lovers throughout the world. Skilled staff research questions, find answers, offer advice and connect those requesting assistance. Every year, the SPCAI provides support and help to thousands of individuals in need of animal assistance. The SPCAI's educational programs reduce animal suffering and abuse by raising awareness and facilitating action among like-minded advocates. Total expenses for the years ended December 31, 2023 and 2022 were \$4,517,433 and \$4,635,935, respectively.

SPCA INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. 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

Cash and cash equivalents include highly liquid investments with initial maturities, when acquired, of three months or less.

Fair Value Measurement

Fair value is defined as 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. To increase the comparability of fair value measurements, a framework for measuring fair value is used which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*, are described as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

See Note 4 for assets measured at fair value at December 31, 2023 and 2022 in accordance with FASB ASC Topic 820.

SPCA INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Investments

Investments are stated at the readily determinable fair market value in accordance with the Not-for-Profit Entities topic of the FASB ASC. Gains and losses on the sale of investments and investment income are recorded as increases and decreases in net assets without donor restrictions unless their use is restricted by donor stipulations.

Property and Equipment

Property and equipment is recorded at cost. Leasehold improvements are amortized over the lesser of the remaining term of the lease or the useful life of the improvement utilizing the straight-line method. Repairs and maintenance are charged to expense in the period incurred. Contributions of donated property and equipment are recorded at their fair values in the period received. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation and amortization of property and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

Website	5 to 7 years
Office equipment	2 to 5 years
Automobile	6 years
Leasehold improvements	5 years

Net Assets

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose.

SPCA INTERNATIONAL, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions and Grants

Contributions and grants are provided to the SPCAI either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution and grant is recognized as follows:

<u>Nature of Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the SPCAI overcoming a donor-imposed barrier to be entitled to the funds.	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique
Expected to be collected within one year	Net realizable value

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

SPCA INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

In-Kind Contributions

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of services are recognized if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

The SPCAI donates veterinary medications and supplies through its Global Animal Veterinary Assistance Program, which provides critical aid to animals in shelters. These medications and supplies are distributed worldwide and are an integral part of the SPCAI's commitment and efforts to fulfill its mission. The SPCAI has contracted with an organization to administer this program, including the procurement, shipping and delivery of these supplies. The organization also provides the fair value of the donation at the date the supplies are shipped, based on the average of three valuation values for warehouse acquisition costs and average wholesale price. The SPCAI received in-kind donations totaling \$10,007,102 and \$9,298,721 for the years ended December 31, 2023 and 2022, respectively. The amounts are directly charged by function on the statements of functional expenses.

The SPCAI also receives in-kind marketing contributions for campaign activity. The services are valued at fair value based on the value provided by the provider. The SPCAI received in-kind marketing contributions totaling \$480,432 and \$478,067 for the years ended December 31, 2023 and 2022, respectively. The amounts are directly charged by function on the statements of functional expenses.

Bequests and Legacies

Bequests and legacies are recognized in the period received, as there is no certainty as to the amount and the length of time or the value of the corpus of the deceased donor's estate. Currently, the SPCAI is the named beneficiary of various legacies, but due to either a specific event, such as the passing of the donor, or the estate not being adjudicated and approved by a court for distribution, the funds or the bequest have not been recognized by the SPCAI in the financial statements.

Marketing and Media Costs

Marketing and media costs are expensed as incurred. Marketing and media costs approximated \$11,930,000 and \$12,210,000 for the years ended December 31, 2023 and 2022, respectively.

SPCA INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the SPCAI. Those expenses include program administration, including staff and consultant time, marketing and media, and fundraising. Program administration is based on the ratio value of program expenses and staff and consultant time spent on program administration and supporting services. Marketing and media and fundraising are based on the percentage of materials created attributable to program information and calls to action. Careful vetting, multiple bid procedures, and best practice policies are used by the SPCAI to identify, negotiate, and contract all vendors and services, including, but not limited to, supplies, transportation, direct mail, delivery, and others.

Leases

Under FASB ASC Topic 842, *Leases*, the SPCAI applies a two-model approach to all leases in which the SPCAI is a lessee and classifies leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the SPCAI. Lease classification is evaluated at the inception of the lease agreement. Regardless of classification, the SPCAI records a right-of-use asset and a lease liability for all leases with a term greater than 12 months.

In order to calculate the lease liability, certain assumptions related to lease terms and discount rates are made. Renewal options are evaluated in the determination of lease terms. When available, the SPCAI uses the rate implicit in the lease or a borrowing rate based on similar debt to discount lease payments to present value. However, when a lease does not provide a readily determinable implicit rate, and the SPCAI's existing debt does not have similar terms, the SPCAI uses the U.S. Treasury rate constant maturity at each lease commencement date to discount lease payments. At December 31, 2023 and 2022, the SPCAI applied discount rates of 1.2%.

The SPCAI recognizes amortization of the right-of-use assets separately from interest on the lease liability for all finance leases. Operating lease expense is recognized on a straight-line basis over the term of the lease.

Accounting for Uncertainty in Income Taxes

The SPCAI has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The SPCAI is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The SPCAI believes it is no longer subject to income tax examinations for years prior to 2020.



SPCA INTERNATIONAL, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Allocated Joint Costs

The SPCAI conducted activities that included requests for contributions as well as program components and incurred joint costs. These activities included Patriot Pups and Shelter and Emergency Grants. Joint costs were allocated between program services and fundraising as follows:

	<u>2023</u>	<u>2022</u>
Program services	\$ 4,625,433	\$ 4,732,373
Fundraising	<u>6,827,166</u>	<u>6,999,644</u>
	<u>\$ 11,452,599</u>	<u>\$ 11,732,017</u>

Note 3 - Concentration of Credit Risk

The SPCAI maintains cash balances in several financial institutions. Such balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$250,000 per institution. From time to time, the SPCAI’s balances may exceed these limits.

Note 4 - Fair Value Measurement

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2023 and 2022.

*Money Market Funds:* Valued based on the funds’ net asset value (“NAV”). Money market funds invest primarily in highly liquid securities and seek to maintain a stable net asset value of \$1 per share.

*Exchange-Traded Funds:* Valued at the daily closing price as reported by the fund. Funds held by the SPCAI are open-end funds that are registered with the Securities and Exchange Commission. These funds are actively traded and are required to publish their daily NAV and to transact at that price.

*Certificates of Deposit:* Valued at original cost plus accreted interest, which approximates fair value.

*U.S. Treasury Bills:* Valued at the closing price reported on the active market on which the individual securities are traded.

SPCA INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 4 - Fair Value Measurement (cont'd.)

Items Measured at Fair Value on a Recurring Basis

The following table presents the SPCAI's assets that are measured at fair value on a recurring basis at December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Money market funds	\$ 1,381,011	\$ -	\$ -	\$ 1,381,011
Exchange-traded funds	2,384,627	-	-	2,384,627
Certificates of deposit	-	449,765	-	449,765
U.S. Treasury bills	258,811	-	-	258,811
Total	<u>\$ 4,024,449</u>	<u>\$ 449,765</u>	<u>\$ -</u>	<u>\$ 4,474,214</u>

SPCAI did not have any assets measured at fair value on a recurring basis at December 31, 2022.

Note 5 - Property and Equipment

Property and equipment, net, at December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Website	\$ 9,550	\$ 9,550
Office equipment	<u>32,658</u>	<u>28,329</u>
	42,208	37,879
Less: Accumulated depreciation and amortization	<u>31,513</u>	<u>25,226</u>
Property and equipment, net	<u>\$ 10,695</u>	<u>\$ 12,653</u>

For the years ended December 31, 2023 and 2022, depreciation and amortization expense was \$6,287 and \$5,791, respectively.

SPCA INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Military Program	\$ 65,104	\$ 184,070
Shelter Program	<u>105,504</u>	<u>259,691</u>
	<u>\$ 170,608</u>	<u>\$ 443,761</u>

Net assets with donor restrictions were released from restrictions in 2023 and 2022 by incurring expenses satisfying the following:

	<u>2023</u>	<u>2022</u>
Military Program	\$ 927,475	\$ 896,969
Shelter Program	<u>1,349,241</u>	<u>1,764,914</u>
	<u>\$ 2,276,716</u>	<u>\$ 2,661,883</u>

Note 7 - Commitments

Fundraising

In October 2006, the SPCAI entered into a 10-year agreement with a direct mail service provider (“DM”) to administer its fundraising and marketing activities. Services covered under this agreement include the production of direct mail awareness and educational materials, organization development, and processing of cash receipts. In addition, the DM incurred startup costs on behalf of the SPCAI. The SPCAI is obligated to reimburse the DM for all costs incurred on behalf of the SPCAI. After the initial 10-year term, the contract was self-renewing for one-year terms barring cancellation of the contract by either party.

In August 2023, the SPCAI entered into a 3-year agreement with a new direct mail service provider (“Moore”) to administer its fundraising activities. This agreement will automatically renew for 1-year periods thereafter until terminated. Services covered under this agreement include donation processing, data entry, exception services, donor acknowledgments, and web reporting.

SPCA INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 8 - Lease Commitments

The SPCAI's right-of-use assets and lease liabilities relate to office space.

Lease components in the SPCAI's leases are accounted for following the guidance in ASC 842 for the capitalization of long-term leases. At December 31, 2023 and 2022, the lease liability is equal to the present value of the remaining lease payments, discounted using the U.S. Treasury rate constant maturity at each lease commencement date.

Lease activity for the years ended December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Lease cost:		
Operating lease cost	<u>\$ 103,150</u>	<u>\$ 101,972</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 100,449</u>	<u>\$ 96,218</u>
Weighted-average remaining lease term - operating lease	<u>3.00 years</u>	<u>4.00 years</u>
Weighted-average discount rate - operating lease	<u>1.20%</u>	<u>1.20%</u>

Future minimum lease payments at December 31, 2023 are as follows:

<u>Years Ending December 31:</u>	<u>Operating Leases</u>
2024	\$ 107,953
2025	111,192
2026	<u>94,965</u>
Total minimum lease payments	314,110
Less: Amount representing interest	<u>5,499</u>
Present value of future payments	<u>\$ 308,611</u>

Note 9 - Related Party Transactions

One family member of a director of the SPCAI's Board of Directors works for the organization. The compensation and fringe benefits totaled \$135,626 and \$138,236 for the years ended December 31, 2023 and 2022, respectively.

SPCA INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 10 - Available Resources and Liquidity

The SPCAI regularly monitors liquidity required to meet its operating needs and other contractual commitments. The following reflects the SPCAI's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,196,297	\$ 6,078,706
Investments	4,474,214	-
Accounts receivable	453,444	284,358
Total financial assets	6,123,955	6,363,064
Less: Donor restrictions for specific purposes	170,608	443,761
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,953,347	\$ 5,919,303

Note 11 - Retirement Plan

The SPCAI sponsors a SIMPLE IRA retirement plan. All employees are eligible to make pre-tax salary contributions after six months of service up to regulatory limits. Employees that are over the age of 18, have completed six months of service, and work 30 hours per week are eligible for employer matching contributions of 3%. Contributions for the years ended December 31, 2023 and 2022 were \$24,034 and \$16,835, respectively.

Note 12 - Subsequent Events

The SPCAI has evaluated all events or transactions that occurred after December 31, 2023 through April 1, 2024, the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.