

SPCA of Texas

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

SPCA of Texas
December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
SPCA of Texas
Dallas, Texas

Opinion

We have audited the accompanying financial statements of the SPCA of Texas (SPCA), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 accompanying financial statements present fairly, in all material respects, the financial position of SPCA as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the SPCA 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 SPCA's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

BKD, LLP

Dallas, Texas
May 26, 2022

SPCA of Texas
Statements of Financial Position
December 31, 2021 and 2020

Assets

	2021	2020
Cash and cash equivalents	\$ 2,821,937	\$ 2,242,215
Accounts receivable, net	21,343	25,712
Inventories, net	133,733	194,994
Prepaid expenses	189,359	174,551
Investments	28,272,006	26,132,810
Assets held for sale, net	2,446,709	2,446,709
Contributions receivable, net	429,774	1,624,045
Property and equipment, net	10,997,227	11,705,940
Total assets	\$ 45,312,088	\$ 44,546,976

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 351,253	\$ 346,768
Accrued expenses	457,355	585,791
Refundable advances	144,660	-
Paycheck Protection Program funding	1,500,000	2,188,000
Total liabilities	2,453,268	3,120,559

Net Assets

Without donor restriction	41,408,575	39,674,747
With donor restriction	1,450,245	1,751,670
Total net assets	42,858,820	41,426,417
Total liabilities and net assets	\$ 45,312,088	\$ 44,546,976

SPCA of Texas
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Revenues, Gains, and Other Support			
Receiving	\$ 158,876	\$ -	\$ 158,876
Adoption	248,831	-	248,831
Surgery and patient care	439,692	-	439,692
Merchandise sales	54,580	-	54,580
Contributions	8,858,738	252,500	9,111,238
In-kind services and materials	7,390,295	-	7,390,295
Direct mail programs	1,565,776	-	1,565,776
Special events, gross	753,415	-	753,415
Memorials and bequests	4,613,632	-	4,613,632
Investment return, net	1,943,464	-	1,943,464
Miscellaneous revenues	734	-	734
Net assets released from restrictions	553,925	(553,925)	-
	<u>26,581,958</u>	<u>(301,425)</u>	<u>26,280,533</u>
Expenses			
Program expenses			
Rees-Jones Animal Care Center	6,150,399	-	6,150,399
Martin Spay/Neuter & Wellness Clinic	1,842,921	-	1,842,921
Perry Animal Care Center	1,000,268	-	1,000,268
Perry Spay/Neuter & Wellness Clinic	210,970	-	210,970
Spencer Spay/Neuter & Wellness Clinic	1,687,150	-	1,687,150
Ellis County Animal Care Center	509,799	-	509,799
Community relations (volunteer)	425,432	-	425,432
Customer care center (call center)	424,716	-	424,716
Animal cruelty investigations unit	766,942	-	766,942
Animal behavior	484,259	-	484,259
Communications	7,693,150	-	7,693,150
	<u>21,196,006</u>	<u>-</u>	<u>21,196,006</u>
Supporting services			
Special events costs of direct benefits to donors	86,325	-	86,325
Development	2,004,370	-	2,004,370
Management and general	1,561,429	-	1,561,429
	<u>3,652,124</u>	<u>-</u>	<u>3,652,124</u>
Total expenses	<u>24,848,130</u>	<u>-</u>	<u>24,848,130</u>
Change in Net Assets	1,733,828	(301,425)	1,432,403
Net Assets, Beginning of Year	<u>39,674,747</u>	<u>1,751,670</u>	<u>41,426,417</u>
Net Assets, End of Year	<u>\$ 41,408,575</u>	<u>\$ 1,450,245</u>	<u>\$ 42,858,820</u>

SPCA of Texas
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
Revenues, Gains, and Other Support			
Receiving	\$ 85,205	\$ -	\$ 85,205
Adoption	308,020	-	308,020
Surgery and patient care	952,765	-	952,765
Merchandise sales	53,046	-	53,046
Contributions	8,067,484	248,243	8,315,727
In-kind services and materials	6,324,839	-	6,324,839
Direct mail programs	1,743,645	-	1,743,645
Special events, gross	568,477	-	568,477
Memorials and bequests	7,810,016	-	7,810,016
Investment return, net	2,411,619	26,284	2,437,903
Miscellaneous revenues	42,845	-	42,845
Gain on sale of assets	16,714	-	16,714
Net assets released from restrictions	594,716	(594,716)	-
	<u>28,979,391</u>	<u>(320,189)</u>	<u>28,659,202</u>
Expenses			
Program expenses			
Rees-Jones Animal Care Center	5,205,554	-	5,205,554
Martin Spay/Neuter & Wellness Clinic	3,178,413	-	3,178,413
Perry Animal Care Center	1,968,983	-	1,968,983
Perry Spay/Neuter & Wellness Clinic	705,793	-	705,793
Spencer Spay/Neuter & Wellness Clinic	1,411,867	-	1,411,867
Ellis County Animal Care Center	345,699	-	345,699
Community relations (volunteer)	540,092	-	540,092
Customer care center (call center)	409,707	-	409,707
Animal cruelty investigations unit	623,417	-	623,417
Animal behavior	534,257	-	534,257
Communications	6,466,519	-	6,466,519
	<u>21,390,301</u>	<u>-</u>	<u>21,390,301</u>
Supporting services			
Special events costs of direct benefits to donors	14,970	-	14,970
Development	1,928,328	-	1,928,328
Management and general	1,515,888	-	1,515,888
	<u>3,459,186</u>	<u>-</u>	<u>3,459,186</u>
	<u>24,849,487</u>	<u>-</u>	<u>24,849,487</u>
Change in Net Assets	4,129,904	(320,189)	3,809,715
Net Assets, Beginning of Year	<u>35,544,843</u>	<u>2,071,859</u>	<u>37,616,702</u>
Net Assets, End of Year	<u>\$ 39,674,747</u>	<u>\$ 1,751,670</u>	<u>\$ 41,426,417</u>

SPCA of Texas
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Expenses											Supporting Services			Total Supporting Services Expenses	Total Expenses	
	Rees-Jones Animal Care Center	Martin S/N & Wellness Clinic	Perry Animal Care Center	Perry S/N & Wellness Clinic	Spencer S/N & Wellness Clinic	Ellis County Animal Care Center	Community Relations (Volunteer)	Customer Care Center (Call Center)	Animal Cruelty Investigations Unit	Animal Behavior	Communications	Total Program Expenses	Special Events Costs of Direct Benefits to Donors	Development			Management and General
Salaries and wages	\$ 2,823,008	\$ 773,193	\$ 521,974	\$ 113,414	\$ 631,166	\$ 253,662	\$ 285,667	\$ 303,275	\$ 433,091	\$ 340,186	\$ 342,564	\$ 6,821,200	\$ -	\$ 535,325	\$ 746,759	\$ 1,282,084	\$ 8,103,284
Employee benefits	497,067	180,615	135,447	28,284	130,874	34,145	38,154	51,609	40,346	62,307	80,226	1,279,074	-	112,255	166,749	279,004	1,558,078
Contract labor	57,841	34,815	43,734	-	115,357	-	-	-	1,629	439	466	254,281	-	38,997	53,749	92,746	347,027
Payroll taxes	210,167	60,755	40,930	9,115	46,989	18,311	21,515	22,854	30,839	25,580	25,151	512,206	-	41,305	20,784	62,089	574,295
Total salaries and related expenses	3,588,083	1,049,378	742,085	150,813	924,386	306,118	345,336	377,738	505,905	428,512	448,407	8,866,761	-	727,882	988,041	1,715,923	10,582,684
Professional fees	71,490	23,396	13,557	2,676	22,952	9,086	3,964	4,700	8,516	5,406	9,616	175,359	-	246,748	55,586	302,334	477,693
Operating supplies	952,776	328,670	56,727	35,096	405,589	90,616	-	-	90,839	7,264	164	1,967,741	-	3,145	6,069	9,214	1,976,955
Postage and printing	1,170	56,878	261	13	666	73	14	-	612	-	160	59,847	-	48,826	5,529	54,355	114,202
Occupancy costs	146,668	19,323	47,570	1,121	15,718	21,749	5,789	782	5,100	-	2,399	266,219	-	2,936	23,044	25,980	292,199
Telephone/communications	17,823	21,398	18,762	3,018	19,822	1,824	1,517	7,725	10,704	3,586	4,155	110,334	-	8,261	4,930	13,191	123,525
Equipment rental	26,538	15,470	3,204	4,066	9,581	6,867	246	291	528	335	596	67,722	-	19,590	3,447	23,037	90,759
Insurance	132,487	29,596	46,666	1,614	13,368	8,136	3,075	4,237	38,333	4,294	4,010	285,816	-	6,004	26,470	32,474	318,290
Bank charges and service fees	39,787	12,093	6,670	1,369	11,235	4,462	2,510	3,465	4,035	3,938	4,876	94,440	-	85,529	122,161	207,690	302,130
Staff expenses	35,277	8,691	17,756	700	4,870	6,924	13,334	947	4,076	2,693	4,994	100,262	-	11,445	14,387	25,832	126,094
Repairs and maintenance	212,661	32,573	-	389	17,378	6,510	8,157	1,102	7,186	3,151	3,380	292,487	-	3,555	61,369	64,924	357,411
Vehicle expenses	19,827	22,663	15,992	82	930	4,048	-	273	39,820	53	551	104,239	-	1,750	10,439	12,189	116,428
Promotion, exhibit and other	296	26,673	-	-	-	-	2,313	194	-	-	7,172,000	7,201,476	86,325	288,808	3,103	378,236	7,579,712
Training and seminars	4,835	1,392	-	-	330	500	225	330	1,920	385	375	10,292	-	2,021	6,897	8,918	19,210
Advertising	3,439	14,044	652	129	117,373	912	191	226	410	260	462	138,098	-	135,791	2,674	138,465	276,563
Computer costs	87,374	53,769	6,721	3,781	31,925	6,721	6,721	11,762	8,401	15,122	10,082	242,379	-	20,163	21,844	42,007	284,386
Merchandise	28,269	-	548	1,516	588	-	-	-	-	-	-	30,921	-	-	-	-	30,921
Dues and subscriptions	6,125	2,223	842	427	1,534	250	433	-	2,454	163	1,355	15,806	-	2,740	13,341	16,081	31,887
Supplies	29,407	3,007	759	65	6,244	888	506	405	2,992	180	544	44,997	-	2,655	6,341	8,996	53,993
Bad debt expense	-	3,603	-	-	-	-	-	-	-	-	-	3,603	-	-	-	-	3,603
Mail solicitation	108,821	35,613	20,637	4,073	34,936	13,830	6,033	7,154	12,963	8,228	14,637	266,925	-	375,595	84,612	460,207	727,132
Miscellaneous	2,169	114	859	22	20	280	-	-	65	689	-	4,218	-	-	3,359	3,359	7,577
Total expenses other than salaries and related expenses	1,927,239	711,189	258,183	60,157	715,059	183,676	55,028	43,593	238,954	55,747	7,234,356	11,483,181	86,325	1,265,562	475,602	1,827,489	13,310,670
Total expenses before depreciation and amortization	5,515,322	1,760,567	1,000,268	210,970	1,639,445	489,794	400,364	421,331	744,859	484,259	7,682,763	20,349,942	86,325	1,993,444	1,463,643	3,543,412	23,893,354
Depreciation and amortization	635,077	82,354	-	-	47,705	20,005	25,068	3,385	22,083	-	10,387	846,064	-	10,926	97,786	108,712	954,776
Total expenses	\$ 6,150,399	\$ 1,842,921	\$ 1,000,268	\$ 210,970	\$ 1,687,150	\$ 509,799	\$ 425,432	\$ 424,716	\$ 766,942	\$ 484,259	\$ 7,693,150	\$ 21,196,006	\$ 86,325	\$ 2,004,370	\$ 1,561,429	\$ 3,652,124	\$ 24,848,130

SPCA of Texas
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Expenses											Supporting Services			Total Supporting Services Expenses	Total Expenses	
	Rees-Jones Animal Care Center	Martin S/N & Wellness Clinic	Perry Animal Care Center	Perry S/N & Wellness Clinic	Spencer S/N & Wellness Clinic	Ellis County Animal Care Center	Community Relations (Volunteer)	Customer Care Center (Call Center)	Animal Cruelty Investigations Unit	Animal Behavior	Communications	Total Program Expenses	Special Events Costs of Direct Benefits to Donors	Development			Management and General
Salaries and wages	\$ 2,325,016	\$ 1,512,734	\$ 944,746	\$ 361,046	\$ 606,454	\$ 75,736	\$ 369,273	\$ 293,897	\$ 385,208	\$ 371,371	\$ 377,768	\$ 7,623,249	\$ -	\$ 552,936	\$ 813,939	\$ 1,366,875	\$ 8,990,124
Employee benefits	449,161	382,124	209,078	56,098	122,489	5,736	59,497	50,665	41,096	82,376	85,676	1,543,996	-	103,362	167,833	271,195	1,815,191
Contract labor	2,702	10,706	114,076	7,895	32,998	50,668	-	-	4,075	860	-	223,980	-	51,996	18,454	70,450	294,430
Payroll taxes	177,044	116,999	69,930	27,952	43,504	5,375	27,758	24,070	28,629	27,431	27,936	576,628	-	35,608	12,514	48,122	624,750
Total salaries and related expenses	2,953,923	2,022,563	1,337,830	452,991	805,445	137,515	456,528	368,632	459,008	482,038	491,380	9,967,853	-	743,902	1,012,740	1,756,642	11,724,495
Professional fees	69,476	49,664	27,957	13,774	22,090	8,052	6,531	5,116	7,943	7,121	10,643	228,367	-	311,798	67,386	379,184	607,551
Operating supplies	779,445	582,217	220,656	147,774	290,656	28,455	2,613	-	29,669	9,147	-	2,090,632	-	2,640	12,039	14,679	2,105,311
Postage and printing	1,022	60,497	632	55	188	-	64	-	151	-	24	62,633	-	61,439	6,061	67,500	130,133
Occupancy costs	144,963	18,707	57,372	5,973	15,188	6,158	5,812	773	5,144	-	2,372	262,462	-	2,902	23,584	26,486	288,948
Telephone/communications	14,539	25,366	11,362	7,385	15,372	4,385	1,250	6,621	11,367	3,417	3,765	104,829	-	6,482	4,021	10,503	115,332
Equipment rental	35,299	12,384	8,243	11,679	20,384	885	311	243	378	339	506	90,651	-	14,832	3,205	18,037	108,688
Insurance	111,256	34,101	36,901	7,096	13,461	780	6,252	3,371	31,693	4,880	2,995	252,786	-	4,142	12,024	16,166	268,952
Bank charges and service fees	30,336	15,969	12,024	4,430	8,440	3,178	2,603	2,820	2,960	3,517	4,023	90,300	-	80,940	19,292	100,232	190,532
Staff expenses	14,124	5,586	18,431	2,444	3,283	3,206	7,825	833	7,882	2,377	9,023	75,014	-	9,637	1,709	11,346	86,360
Repairs and maintenance	167,984	26,282	31,678	4,290	14,660	77,071	6,636	883	5,759	-	2,709	337,952	-	3,141	55,052	58,193	396,145
Vehicle expenses	5,168	10,698	8,108	-	792	576	-	-	12,757	380	738	39,217	-	918	47,292	48,210	87,427
Promotion, exhibit and other	-	15,885	-	-	-	1,045	1,688	-	-	-	5,902,073	5,920,691	14,970	200,475	-	215,445	6,136,136
Training and seminars	4,493	1,475	1,169	245	598	295	332	-	550	946	277	10,380	-	2,224	19,742	21,966	32,346
Advertising	2,648	87,114	1,066	525	86,062	307	418	195	303	271	406	179,315	-	68,654	2,569	71,223	250,538
Computer costs	53,282	38,544	18,138	10,203	20,406	3,401	4,535	10,203	11,337	10,203	6,802	187,054	-	12,470	14,738	27,208	214,262
Merchandise	22,518	1,811	7,951	1,013	1,807	-	-	-	-	-	-	35,100	-	-	-	-	35,100
Dues and subscriptions	5,090	5,841	1,718	2,630	4,296	138	1,158	-	1,065	256	4,421	26,613	-	6,204	15,369	21,573	48,186
Supplies	24,056	4,873	9,409	356	6,886	1,756	298	179	1,379	408	213	49,813	-	2,058	9,440	11,498	61,311
Bad debt expense	-	10,468	-	3,490	3,490	-	-	-	-	-	-	17,448	-	-	-	-	17,448
Mail solicitation	84,295	60,257	33,921	16,712	26,802	38,298	7,924	6,207	9,637	8,640	12,914	305,607	-	378,306	81,760	460,066	765,673
Miscellaneous	950	987	393	144	400	8,743	25	-	752	317	95	12,806	-	2,250	2,994	5,244	18,050
Total expenses other than salaries and related expenses	1,570,944	1,068,726	507,129	240,218	555,261	186,729	56,275	37,444	140,726	52,219	5,963,999	10,379,670	14,970	1,171,512	398,277	1,584,759	11,964,429
Total expenses before depreciation and amortization	4,524,867	3,091,289	1,844,959	693,209	1,360,706	324,244	512,803	406,076	599,734	534,257	6,455,379	20,347,523	14,970	1,915,414	1,411,017	3,341,401	23,688,924
Depreciation and amortization	680,687	87,124	124,024	12,584	51,161	21,455	27,289	3,631	23,683	-	11,140	1,042,778	-	12,914	104,871	117,785	1,160,563
Total expenses	\$ 5,205,554	\$ 3,178,413	\$ 1,968,983	\$ 705,793	\$ 1,411,867	\$ 345,699	\$ 540,092	\$ 409,707	\$ 623,417	\$ 534,257	\$ 6,466,519	\$ 21,390,301	\$ 14,970	\$ 1,928,328	\$ 1,515,888	\$ 3,459,186	\$ 24,849,487

SPCA of Texas
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 1,432,403	\$ 3,809,715
Items not requiring (providing) cash		
Depreciation and amortization	954,776	1,160,563
(Gain)/loss on disposal of fixed assets	37,130	(16,714)
Donated securities	108,746	2,042,491
Net realized and unrealized gain on investments	(1,481,966)	(2,025,259)
Forgiveness of Paycheck Protection Program Loan	(2,188,000)	-
Bad debt expense	3,603	17,448
Changes in		
Contributions and accounts receivable	1,195,037	(75,222)
Annuities receivable	-	576,285
Inventories, net	61,261	103,542
Prepaid expenses	(14,808)	(52,528)
Accounts payable	4,485	(224,234)
Accrued expenses	(128,436)	(277,388)
Refundable advances	144,660	(383,883)
Paycheck Protection Program funding	<u>1,500,000</u>	<u>2,188,000</u>
Net cash provided by operating activities	<u>1,628,891</u>	<u>6,842,816</u>
Investing Activities		
Purchase of property and equipment	(283,193)	(96,805)
Proceeds from sale of property and equipment	-	17,300
Proceeds from sale of investments	5,521,151	388,298
Purchase of investments	<u>(6,287,127)</u>	<u>(8,498,347)</u>
Net cash used in investing activities	<u>(1,049,169)</u>	<u>(8,189,554)</u>
Increase (Decrease) in Cash and Cash Equivalents	579,722	(1,346,738)
Cash and Cash Equivalents, Beginning of Year	<u>2,242,215</u>	<u>3,588,953</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,821,937</u>	<u>\$ 2,242,215</u>
Supplemental Information		
Noncash Activity		
Contributions of in-kind services and materials	\$ 7,390,295	\$ 6,324,839

SPCA of Texas
Notes to Financial Statements
December 31, 2021 and 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The SPCA of Texas (SPCA) is dedicated to providing every animal exceptional care and a loving home. Incorporated by the Texas State Charter on September 22, 1938, the SPCA of Texas is over 80 years old but traces its roots to the late nineteenth century. In 1993, the Dallas SPCA, based in Dallas County, and the Humane Society of Texas, based in Collin County, merged to become the SPCA of Texas.

The SPCA of Texas is the leading animal welfare agency in North Texas. The not-for-profit, 501(c)(3) organization operates two animal shelters, two spay/neuter clinics, an animal rescue center, two mobile spay/neuter and wellness vehicles and a mobile adoption vehicle, all located in Dallas, Collin and Ellis Counties. The SPCA of Texas' adoption program, including the two shelters and a vibrant mobile/offsite adoptions program, finds homes for more than 2,600 animals each year. The organization does not euthanize animals for lack of space and does not place time limits on animals housed in its shelters.

The SPCA of Texas' two public veterinary clinics and two mobile spay/neuter and wellness vehicles provide high-quality pet care at affordable prices and collaborate with pet owners who would otherwise not be able to afford those services. These clinics work together with community partners to spay or neuter, vaccinate and provide wellness care for tens of thousands of animals each year.

Additionally, the SPCA of Texas maintains an Animal Cruelty Investigations Unit, which performs more than 1,100 animal cruelty/neglect investigations and follow-ups every year, and rescues more than 1,200 each year, from several North Texas counties and beyond.

A robust Volunteer program assists in many ways in the shelter and the community, including animal care, animal behavior and enrichment, foster care, animal photography, administrative support, and more. Additionally, SPCA of Texas Behavior staff and trained volunteers provide animal critical behavioral care on a daily basis, including behavior assessments, socialization, and obedience training and play and enrichment.

Giving to the SPCA of Texas is an investment. As a four star-rated charity on Charity Navigator and GuideStar Platinum charity, donors can be confident in good governance, sound fiscal management, and commitment to accountability and transparency. A host of fundraising programs, as well as the SPCA of Texas' four signature events (Paws Cause; Strut Your Mutt, the Race to End Animal Cruelty; Fur Ball; and Home for the Holidays/Bark + Build) help make the organization's animal care work possible. Giving opportunities include general giving, honor and memorial gifts, foundation gifts, corporate sponsorships, charitable bequests, affinity programs, and more.

The SPCA of Texas is not affiliated with the American Society for the Prevention of Cruelty to Animals or any other humane society and does not receive general operating funds from the City of Dallas, State of Texas, federal government or any other national humane organization.

SPCA of Texas
Notes to Financial Statements
December 31, 2021 and 2020

Use of Estimates

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

Cash and Cash Equivalents

SPCA considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021, SPCA's cash accounts exceeded federally insured limits by approximately \$2,500,000. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and accounts restricted internally by the Board of Directors (Board), are not considered to be cash and cash equivalents.

Investments and Net Investment Return

Investments in all debt securities and equity securities, including brokered certificates of deposit, bond mutual funds, and equity mutual funds, having a readily determinable fair value are carried at fair value. Net investment return includes dividends and interest and realized and unrealized gains and losses on investments carried at fair value, net of related expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

SPCA maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Inventories

Inventories, consisting of supplies to be used in operations and gift shop merchandise, are stated at the lower of cost or net realizable value. Costs of inventories are determined using the first-in, first-out method.

SPCA of Texas
Notes to Financial Statements
December 31, 2021 and 2020

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Donated property and equipment are stated at fair value as of the date of the donation. The SPCA's policy is to expense repairs and maintenance and all items under \$2,000. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	7 – 31 1/2 years
Leasehold improvements	7 – 31 1/2 years
Equipment	5 – 15 years
Motor vehicles	5 – 7 years

Long-lived Asset Impairment

The SPCA evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2021 and 2020.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

SPCA of Texas
Notes to Financial Statements
December 31, 2021 and 2020

Revenue Recognition

Contributions and Contributions Receivable

Contributions are provided to SPCA 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 is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on SPCA overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> 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
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value, if material, determined using the discounted present value of estimated future cash flows technique

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.

Gifts, both conditional and unconditional, having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

SPCA of Texas
Notes to Financial Statements
December 31, 2021 and 2020

In-kind Services and Materials

In-kind services and materials include contributed services and in-kind contributions.

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. During the years ended December 31, 2021 and 2020, SPCA received \$7,297,865 and \$6,094,848, respectively, of contributed services. Of this, \$7,172,000 and \$5,890,192 are in-kind media donation values for the years ended December 31, 2021 and 2020, respectively.

In addition to contributed services and cash contributions, SPCA receives in-kind contributions from various donors. It is the policy of SPCA to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. During the years ended December 31, 2021 and 2020, SPCA received \$92,430 and \$229,991, respectively, of in-kind contributions.

Direct Mail Programs, Memorials, and Bequests

Direct mail programs, memorials, and bequests revenues are recognized when the gift becomes unconditional.

Special Events

SPCA conducts special fundraising events, including galas and walks. Registration or participation fees, ticket sales and sponsorships, are included in special event revenue. In addition, contributions raised in conjunction with events are included as special event revenue. The cost of the direct benefit to donors that the participant receives at such events is presented on the statements of activities within supporting services expenses. All other expenses related to special events are included in development expenses.

Income Taxes

The SPCA is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state franchise tax law. However, the SPCA is subject to federal income tax on any unrelated business taxable income. The SPCA files tax returns in the U.S. federal jurisdiction.

Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Total advertising and promotion costs for the years ended December 31, 2021 and 2020, were \$7,856,275 and \$6,386,674, respectively, and are included in advertising and promotion, exhibit, and other expenses in the accompanying statements of functional expenses. Of this, \$7,172,000 and \$5,890,192 were in-kind media donation values for the years ended December 31, 2021 and 2020, respectively.

SPCA of Texas
Notes to Financial Statements
December 31, 2021 and 2020

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on the relative payroll, headcount, square footage occupied and other methods.

General Litigation

SPCA is subject at times to litigation and other legal matters that arise in the normal course of business. Management is of the opinion that the disposition or ultimate resolution of such matters will not have a material adverse effect on the financial positions or change in net assets and cash flows of SPCA. Events could occur that would change this estimate materially in the near term.

Performance Obligations

Revenue is measured as the amount of consideration SPCA expects to receive in exchange for transferring distinct goods or providing services to customers or event attendees. SPCA's revenue generated from exchange transactions consists substantially of adoption fees and surgery and patient care. SPCA recognizes revenue when performance obligations under the terms of contracts with its customers or patients are satisfied, which occurs at a point in time and over time, respectively. See *Note 12*.

Note 2: Investments and Net Investment Return

Investments at December 31 consisted of the following:

	2021	2020
Cash deposits	\$ 1,102,048	\$ 1,386,875
Brokered certificates of deposit	685,862	585,471
Bond mutual funds	13,037,312	12,188,685
Equity mutual funds	13,446,784	11,971,779
	<u>\$ 28,272,006</u>	<u>\$ 26,132,810</u>

SPCA of Texas
Notes to Financial Statements
December 31, 2021 and 2020

Total net investment return is comprised of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 562,194	\$ 489,043
Management fees	(100,696)	(76,399)
Net realized and unrealized gains on investments reported at fair value	<u>1,481,966</u>	<u>2,025,259</u>
	<u>\$ 1,943,464</u>	<u>\$ 2,437,903</u>

Note 3: Contributions Receivable

Contributions receivable consisted of the following:

	<u>2021</u>	<u>2020</u>
Unconditional contributions expected to be collected in		
Due within one year	\$ 429,774	\$ 1,474,045
Due in one to five years	<u>-</u>	<u>150,000</u>
	<u>\$ 429,774</u>	<u>\$ 1,624,045</u>

Discounting to net present value is not material to the accompanying financial statements as a whole.

Note 4: Property and Equipment and Assets Held for Sale

Property and equipment at December 31 consisted of:

	<u>2021</u>	<u>2020</u>
Land	\$ 715,359	\$ 715,359
Buildings and leasehold improvements	15,820,029	15,939,764
Equipment	1,709,646	2,719,491
Motor vehicles	<u>1,737,214</u>	<u>1,825,773</u>
	19,982,248	21,200,387
Less accumulated depreciation and amortization	<u>(8,985,021)</u>	<u>(9,494,447)</u>
	<u>\$ 10,997,227</u>	<u>\$ 11,705,940</u>

SPCA of Texas
Notes to Financial Statements
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As of December 31, 2021, SPCA was still actively seeking to sell a property that was a former branch location. The location is expected to sell for more than the current net asset value, and therefore no impairment value is necessary. The net carrying value of the property is \$2,446,709 and is recorded as assets held for sale in the accompanying statements of financial position. See *Note 13* for additional information.

Note 5: Net Assets With Donor Restriction

Net Assets With Donor Restriction

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	2021	2020
Subject to expenditure for specified purpose, passage of time, or both		
Disaster preparedness and relief efforts	\$ 176,413	\$ 416,112
Animal Cruelty Investigations Unit	50,410	-
Community Pet Program	26,579	46,474
Shelter Program	17,058	91,510
Rescue Center improvements and expenses	-	17,789
	<hr/>	<hr/>
	270,460	571,885
Endowments		
Earnings subject to SPCA endowment spending policy and appropriation		
Restricted by donors for		
David Ivan Perry Fund	765,000	765,000
Baggarly Fund	414,785	414,785
	<hr/>	<hr/>
	<u>\$ 1,450,245</u>	<u>\$ 1,751,670</u>

SPCA of Texas
Notes to Financial Statements
December 31, 2021 and 2020

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished		
Disaster preparedness and relief efforts	\$ 279,699	\$ 102,394
Shelter program expenses	139,451	106,112
Community pet program	92,396	365,304
Animal Cruelty Investigations Unit	24,590	-
Rescue center improvements and expenses	<u>17,789</u>	<u>20,906</u>
	<u>\$ 553,925</u>	<u>\$ 594,716</u>

Note 6: Endowments

The SPCA’s endowments consist of three funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments (board-designated endowment funds). The donor-restricted David Ivan Perry Fund and Baggarly Fund do not have purpose restrictions on the endowment earnings. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act as adopted by the State of Texas (UPMIFA) as requiring preservation of the fair value of the original gift 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 SPCA classifies as net assets with donor restriction as: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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. The remaining portion of donor-restricted endowment fund is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the SPCA in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the SPCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the SPCA and the fund
- General economic conditions
- Possible effect of inflation and deflation

SPCA of Texas
Notes to Financial Statements
December 31, 2021 and 2020

- Expected total return from investment income and appreciation or depreciation of investments
- Other resources of the SPCA
- Investment policies of the SPCA

The composition of net assets by type of endowment fund at December 31, 2021 and 2020, was:

	Without Donor Restriction	With Donor Restriction	Total
December 31, 2021			
Donor-restricted endowment funds	\$ -	\$ 1,179,785	\$ 1,179,785
Board-designated endowment funds	24,706,750	-	24,706,750
	<u>\$ 24,706,750</u>	<u>\$ 1,179,785</u>	<u>\$ 25,886,535</u>
December 31, 2020			
Donor-restricted endowment funds	\$ -	\$ 1,179,785	\$ 1,179,785
Board-designated endowment funds	22,267,441	-	22,267,441
	<u>\$ 22,267,441</u>	<u>\$ 1,179,785</u>	<u>\$ 23,447,226</u>

Changes in endowment net assets for the years ended December 31 was:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 22,267,441	\$ 1,179,785	\$ 23,447,226
Investment return, net			
Investment income	450,716	-	450,716
Net appreciation (depreciation)	1,415,979	-	1,415,979
	<u>1,866,695</u>	<u>-</u>	<u>1,866,695</u>
Total investment return, net	1,866,695	-	1,866,695
Appropriation of endowment assets for expenditure	(4,583,297)	-	(4,583,297)
Board appropriations from unappropriated net assets without donor restriction	5,155,911	-	5,155,911
	<u>\$ 24,706,750</u>	<u>\$ 1,179,785</u>	<u>\$ 25,886,535</u>

SPCA of Texas
Notes to Financial Statements
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	2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 14,827,843	\$ 1,179,785	\$ 16,007,628
Investment return, net			
Investment income	369,131	-	369,131
Net appreciation	1,975,929	-	1,975,929
	<u>2,345,060</u>	<u>-</u>	<u>2,345,060</u>
Total investment return, net	2,345,060	-	2,345,060
Appropriation of endowment assets for expenditure	(2,464,384)	-	(2,464,384)
Board appropriations from unappropriated net assets without donor restriction	7,558,922	-	7,558,922
	<u>22,267,441</u>	<u>\$ 1,179,785</u>	<u>\$ 23,447,226</u>

The SPCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the SPCA must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the SPCA's policies, as approved by the Board, endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The SPCA expects its endowment funds to provide an average rate of return of approximately 7 percent annually over time. Actual returns in any given year may vary from this amount.

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

The SPCA's policy permits additions to or drawdowns of board-designated funds to achieve target cash balances in operating accounts. In establishing this policy, the SPCA considered the long-term expected return on its endowments. The SPCA's objective is to maintain the purchasing power of endowment assets held in perpetuity or for a specified term or purpose, as well as to provide additional real growth through new gifts and investment return.

SPCA of Texas
Notes to Financial Statements
December 31, 2021 and 2020

Note 7: Defined Contribution Plan

The SPCA has a defined contribution plan for all employees meeting certain eligibility requirements. The SPCA will match employees' contributions up to 3 percent of employees' wages. The SPCA made contributions of \$93,676 and \$101,998 for the years ended December 31, 2021 and 2020, respectively.

Note 8: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

	Fair Value	Fair Value Measurements Using		
		Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Inputs (Level 3)
December 31, 2021				
Brokered certificates of deposits	\$ 685,862	\$ -	\$ 685,862	\$ -
Bond mutual funds	13,037,312	13,037,312	-	-
Equity mutual funds	13,446,784	13,446,784	-	-
	<u>\$ 27,169,958</u>	<u>\$ 26,484,096</u>	<u>\$ 685,862</u>	<u>\$ -</u>

SPCA of Texas
Notes to Financial Statements
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	Fair Value Measurements Using			
	Fair Value	Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Inputs (Level 3)
December 31, 2020				
Brokered certificates of deposits	\$ 585,471	\$ -	\$ 585,471	\$ -
Bond mutual funds	12,188,685	12,188,685	-	-
Equity mutual funds	11,971,779	11,971,779	-	-
	<u>\$ 24,745,935</u>	<u>\$ 24,160,464</u>	<u>\$ 585,471</u>	<u>\$ -</u>

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2021.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The SPCA has no Level 3 investments at December 31, 2021 and 2020.

SPCA of Texas
Notes to Financial Statements
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Note 9: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020, comprise the following:

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 2,821,937	\$ 2,242,215
Accounts receivable, net	21,343	25,712
Investments	28,272,006	26,132,810
Contributions receivable, net	429,774	1,624,045
Total financial assets	31,545,060	30,024,782
Less: financial assets not available to meet cash needs for general expenditure within one year		
Donor imposed restrictions		
Perpetual restricted endowments	1,179,785	1,179,785
Refundable advances and net assets with donor restrictions	415,120	571,885
Internal designations		
Bequests receivable designated for endowment when received	203,828	1,100,361
Board-designated endowment	20,974,750	22,267,441
Contributions not expected to be collected within one year	-	150,000
Total financial assets not available to meet cash needs for general expenditure within one year	22,773,483	25,269,472
Financial assets available to meet cash needs for general expenditure within one year	\$ 8,771,577	\$ 4,755,310

The board-designated operating reserve intended to operate as an endowment of \$24,706,750 and \$22,267,441 at December 31, 2021 and 2020, respectively, is subject to annual spending rates determined by the Board. Although SPCA does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Prior to December 31, 2021, the Board approved the use of \$3,732,000 of the board-designated operating reserve intended to operate as an endowment in 2022; therefore, these funds have been excluded from the table above. The Board had not approved the use of any Board-designated operating reserve for 2021 before December 31, 2020.

SPCA of Texas
Notes to Financial Statements
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SPCA manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. SPCA has a liquidity policy to maintain operating bank account balances at a minimum of 30 days operating expenses. SPCA forecasts its future cash flows and monitors its liquidity monthly and evaluates its reserves annually. During the years ended December 31, 2021 and 2020, the level of liquidity and reserves was managed within the policy requirements.

Note 10: Significant Estimates, Concentrations, and Related Party Transactions

GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Revenues, Gains, and Other Support

Approximately 92 percent and 83 percent of in-kind services and materials were received from two donors in 2021 and 2020, respectively. Fluctuations in funding concentrations for non-profits are most often correlated to new programs, expansion of existing programs or dedicated campaigns, and are for a designated period of time.

Investments

The SPCA invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Related Party Transactions

For the years ended December 31, 2021 and 2020, SPCA received related party contributions of approximately \$604,000 and \$1,065,000, respectively, from members of the Board.

COVID-19

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the SPCA. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

SPCA of Texas
Notes to Financial Statements
December 31, 2021 and 2020

Note 11: CARES Act

SPCA received a first Payroll Protection Program (PPP) loan established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) in April 2020 totaling \$2,188,000, which is subject to forgiveness if certain conditions were satisfied. SPCA elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting full-time equivalent employee and salary reduction requirements and incurring eligible expenditures. During 2021, SPCA received notification that the PPP loan had been forgiven and recognized contribution revenue in the accompanying statement of activities for the year ended December 31, 2021.

SPCA received a second Payroll Protection Program (PPP) loan in April 2021 totaling \$1,500,000, which is subject to forgiveness if certain conditions are satisfied. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), and lender; as a result of such audit, adjustments could be required to the recognition of revenue. At December 31, 2021, formal notification of forgiveness had not been received. As such, the loan is included within liabilities in the accompanying statements of financial position.

Note 12: Revenue from Contracts with Customers

Adoption Revenue

Revenue is measured as the amount of consideration SPCA expects to receive in exchange for providing the adopted animal to the customer. These amounts are due from customers and do not include variable consideration. Revenue is recognized as performance obligations are satisfied, which is at the time of adoption.

Surgery and Patient Care

Revenue is measured as the amount of consideration SPCA expects to receive in exchange for providing the specific service to the patient. These amounts are due from customers and do not include variable consideration. Revenue is recognized as performance obligations are satisfied, which is as the service is performed, generally within the same day.

Transaction Price and Recognition

SPCA determines the transaction price based on standard charges for goods and services provided. Payment is typically due at the time the contract is entered into, or in accordance with the terms of the specific agreement.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the customer's ability to pay are recorded as bad debt expense.

SPCA of Texas
Notes to Financial Statements
December 31, 2021 and 2020

SPCA has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, customer, event attendees, etc.) that have different reimbursement and payment methodologies
- Geography of the service location
- SPCA's line of business that provided the service

For the years ended December 31, 2021 and 2020, SPCA recognized revenue of \$439,692 and \$952,765, respectively from services that transfer to the customer or patient over time and \$462,287 and \$446,271, respectively, from goods that transfer to the customer at a point in time.

Contract Balances

SPCA did not have contract assets, accounts receivable, or contract liabilities related to contracts with customers at beginning of year or end of year 2021 or 2020.

Note 13: Subsequent Events

On April 27, 2022, an agreement was executed to sell the SPCA's McKinney location that was held for sale at year end. The sales price was \$9,143,730.

The SPCA has evaluated its financial statements for subsequent events through May 26, 2022, the date the financial statements were available to be issued.