




# **SPCA of Texas**

## **Independent Auditor's Report and Financial Statements**

December 31, 2024 and 2023



**SPCA of Texas**  
**Contents**  
**December 31, 2024 and 2023**

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## **Independent Auditor's Report**

Board of Directors  
SPCA of Texas  
Dallas, Texas

### ***Opinion***

We have audited the financial statements of the SPCA of Texas (SPCA), which comprise the statements of financial position as of December 31, 2024 and 2023 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 the SPCA as of December 31, 2024 and 2023, 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.

**Forvis Mazars, LLP**

**Dallas, Texas  
June 16, 2025**

**SPCA of Texas**  
**Statements of Financial Position**  
**December 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,272,137	\$ 12,047,123
Accounts receivable, net	21,322	28,927
Employee retention credit receivable	-	1,057,770
Contributions receivable, net	1,975,319	29,250
Inventories, net	81,227	53,089
Prepaid expenses	110,069	200,431
Investments	19,250,731	20,791,885
Property and equipment, net	10,089,349	10,004,990
<b>Total Assets</b>	<b>\$ 43,800,154</b>	<b>\$ 44,213,465</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 634,945	\$ 607,359
Accrued expenses	794,563	561,482
Refundable advances	11,040	-
<b>Total Liabilities</b>	<b>1,440,548</b>	<b>1,168,841</b>
<b>Net Assets</b>		
Without donor restriction		
Undesignated	13,469,887	12,811,357
Designated by the Board	27,667,549	29,004,381
	41,137,436	41,815,738
With donor restriction	1,222,170	1,228,886
<b>Total Net Assets</b>	<b>42,359,606</b>	<b>43,044,624</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 43,800,154</b>	<b>\$ 44,213,465</b>

**SPCA of Texas**  
**Statements of Activities**  
**Year Ended December 31, 2024**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Revenues, Gains, and Other Support</b>			
Receiving	\$ 223,391	\$ -	\$ 223,391
Adoption	188,093	-	188,093
Surgery and patient care	1,528,594	-	1,528,594
Merchandise sales	96,038	-	96,038
Contributions of cash and other financial assets	5,473,538	-	5,473,538
Contributions of nonfinancial assets	5,501,636	-	5,501,636
Direct mail programs	1,380,538	-	1,380,538
Special events, gross	1,057,446	-	1,057,446
Memorials and bequests	5,394,084	-	5,394,084
Investment return, net	2,647,014	-	2,647,014
Miscellaneous revenues	51,085	-	51,085
Gain on sale of assets	133,361	-	133,361
Net assets released from restrictions	6,716	(6,716)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>23,681,534</b>	<b>(6,716)</b>	<b>23,674,818</b>
<b>Expenses</b>			
Program expenses			
Dallas Animal Care Center	8,509,493	-	8,509,493
Martin Spay/Neuter and Wellness Clinic	2,601,015	-	2,601,015
Ellis County Animal Care Center	723,516	-	723,516
Community relations (volunteer)	556,394	-	556,394
Customer care center	377,242	-	377,242
Animal cruelty investigations unit	904,062	-	904,062
Animal behavior	827,652	-	827,652
Perry Pet Resource Center	1,590,320	-	1,590,320
Communications	4,240,422	-	4,240,422
	20,330,116	-	20,330,116
Supporting services			
Special events costs of direct benefits to donors	65,180	-	65,180
Development and special events	2,047,814	-	2,047,814
Management and general	1,916,726	-	1,916,726
	4,029,720	-	4,029,720
<b>Total Expenses</b>	<b>24,359,836</b>	<b>-</b>	<b>24,359,836</b>
<b>Change in Net Assets</b>	<b>(678,302)</b>	<b>(6,716)</b>	<b>(685,018)</b>
<b>Net Assets, Beginning of Year</b>	<b>41,815,738</b>	<b>1,228,886</b>	<b>43,044,624</b>
<b>Net Assets, End of Year</b>	<b>\$ 41,137,436</b>	<b>\$ 1,222,170</b>	<b>\$ 42,359,606</b>

**SPCA of Texas**  
**Statements of Activities**  
**Year Ended December 31, 2023**

**(Continued)**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Revenues, Gains, and Other Support</b>			
Receiving	\$ 196,068	\$ -	\$ 196,068
Adoption	232,167	-	232,167
Surgery and patient care	1,721,701	-	1,721,701
Merchandise sales	86,797	-	86,797
Contributions of cash and other financial assets	4,775,474	50,000	4,825,474
Contributions of nonfinancial assets	4,358,566	-	4,358,566
Direct mail programs	1,296,965	-	1,296,965
Special events, gross	767,378	-	767,378
Memorials and bequests	3,366,114	-	3,366,114
Investment return, net	3,160,200	-	3,160,200
Miscellaneous revenues	59,134	-	59,134
Net assets released from restrictions	39,751	(39,751)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>20,060,315</b>	<b>10,249</b>	<b>20,070,564</b>
<b>Expenses</b>			
Program expenses			
Dallas Animal Care Center	8,608,665	-	8,608,665
Martin Spay/Neuter and Wellness Clinic	2,738,856	-	2,738,856
Ellis County Animal Care Center	733,248	-	733,248
Community relations (volunteer)	472,617	-	472,617
Customer care center	527,527	-	527,527
Animal cruelty investigations unit	797,344	-	797,344
Animal behavior	753,434	-	753,434
Communications	3,951,587	-	3,951,587
	18,583,278	-	18,583,278
Supporting services			
Special events costs of direct benefits to donors	62,260	-	62,260
Development and special events	1,659,979	-	1,659,979
Management and general	1,810,718	-	1,810,718
	3,532,957	-	3,532,957
<b>Total Expenses</b>	<b>22,116,235</b>	<b>-</b>	<b>22,116,235</b>
<b>Change in Net Assets</b>	<b>(2,055,920)</b>	<b>10,249</b>	<b>(2,045,671)</b>
<b>Net Assets, Beginning of Year</b>	<b>43,871,658</b>	<b>1,218,637</b>	<b>45,090,295</b>
<b>Net Assets, End of Year</b>	<b>\$ 41,815,738</b>	<b>\$ 1,228,886</b>	<b>\$ 43,044,624</b>

SPCA of Texas  
Statements of Functional Expenses  
Year Ended December 31, 2024

	Program Expenses									Total Program Expenses	Supporting Services			Total Supporting Services Expenses	Total Expenses
	Dallas Animal Care Center	Martin Spay/Neuter and Wellness Clinic	Ellis County Animal Care Center	Community Relations (Volunteer)	Customer Care Center	Animal Cruelty Investigations Unit	Animal Behavior	Perry Pet Resource Center	Communications		Special Events Costs of Direct Benefits to Donors	Development and Special Events	Management and General		
Salaries and wages	\$ 4,098,665	\$ 1,057,951	\$ 406,897	\$ 375,875	\$ 262,528	\$ 526,783	\$ 562,161	\$ 142,562	\$ 290,252	\$ 7,723,674	\$ -	\$ 556,644	\$ 849,130	\$ 1,405,774	\$ 9,129,448
Employee benefits	684,910	209,368	39,956	51,924	43,894	78,723	109,958	17,932	85,634	1,322,299	-	85,605	228,248	313,853	1,636,152
Contract labor	90,230	205,094	4,600	-	2,907	-	-	-	-	302,831	-	8,088	111,940	120,028	422,859
Payroll taxes	300,099	77,572	31,030	27,649	19,771	39,324	48,795	10,151	20,812	575,203	-	42,642	61,188	103,830	679,033
Total salaries and related expenses	5,173,904	1,549,985	482,483	455,448	329,100	644,830	720,914	170,645	396,698	9,924,007	-	692,979	1,250,506	1,943,485	11,867,492
Professional fees	120,723	43,600	8,757	4,925	2,602	8,635	7,884	2,199	9,433	208,758	-	190,333	61,489	251,822	460,580
Operating supplies	1,270,928	543,613	78,074	142	-	22,542	6,507	1,389,189	1,860	3,312,855	-	1,525	13,520	15,045	3,327,900
Postage and printing	2,380	758	241	20	423	76	20	-	132	4,050	-	61,654	1,341	62,995	67,045
Occupancy costs	207,620	27,912	37,635	8,445	1,141	7,440	3,564	1,944	3,499	299,200	-	4,335	28,458	32,793	331,993
Telephone/communications	13,188	22,654	8,684	1,648	13,192	9,183	4,046	659	3,284	76,538	-	2,516	5,275	7,791	84,329
Equipment rental	24,330	11,683	4,657	194	102	339	310	86	371	42,072	-	14,305	2,417	16,722	58,794
Insurance	208,372	35,947	12,537	10,100	3,000	63,000	6,515	1,200	4,300	344,971	-	6,000	36,666	42,666	387,637
Bank charges and service fees	42,114	15,210	3,055	1,718	908	3,012	2,750	767	3,291	72,825	-	67,437	68,772	136,209	209,034
Staff support	28,409	8,145	5,977	12,201	670	4,037	4,444	632	6,992	71,507	-	16,663	34,140	50,803	122,310
Repairs and maintenance	302,703	42,513	9,281	11,629	1,571	10,244	4,908	2,677	4,819	390,345	-	5,069	38,917	43,986	434,331
Vehicle expenses	33,735	6,090	11,647	234	-	66,228	5	4,388	575	122,902	-	1,734	11,043	12,777	135,679
Promotion, exhibit, and other	-	-	-	967	58	-	-	-	3,746,000	3,747,025	65,180	336,292	3,381	404,853	4,151,878
Training and seminars	17,428	7,392	5,006	1,531	150	3,774	6,958	50	889	43,178	-	6,067	14,276	20,343	63,521
Advertising	104,400	37,704	7,573	4,259	2,250	7,467	6,818	1,902	8,158	180,531	-	164,597	53,175	217,772	398,303
Computer costs	90,043	63,030	9,004	11,255	13,506	9,004	20,260	4,502	13,506	234,110	-	13,506	36,017	49,523	283,633
Merchandise	50,716	1,602	-	-	-	-	-	-	-	52,318	-	-	-	-	52,318
Dues and subscriptions	10,843	7,503	273	-	-	3,902	1,283	-	4,590	28,394	-	9,121	24,303	33,424	61,818
Supplies	36,404	5,461	670	159	-	824	172	-	351	44,041	-	880	13,115	13,995	58,036
Mail solicitation	278,859	100,711	20,229	11,376	6,011	19,946	18,212	5,079	21,790	482,213	-	439,651	142,034	581,685	1,063,898
Miscellaneous	26,839	7,289	2,620	1,206	-	2,897	4,090	42	2,037	47,020	-	4,896	14,507	19,403	66,423
Total expenses other than salaries and related expenses	2,870,034	988,817	225,920	82,009	45,584	242,550	98,746	1,415,316	3,835,877	9,804,853	65,180	1,346,581	602,846	2,014,607	11,819,460
Total expenses before depreciation	8,043,938	2,538,802	708,403	537,457	374,684	887,380	819,660	1,585,961	4,232,575	19,728,860	65,180	2,039,560	1,853,352	3,958,092	23,686,952
Depreciation	465,555	62,213	15,113	18,937	2,558	16,682	7,992	4,359	7,847	601,256	-	8,254	63,374	71,628	672,884
Total expenses	\$ 8,509,493	\$ 2,601,015	\$ 723,516	\$ 556,394	\$ 377,242	\$ 904,062	\$ 827,652	\$ 1,590,320	\$ 4,240,422	\$ 20,330,116	\$ 65,180	\$ 2,047,814	\$ 1,916,726	\$ 4,029,720	\$ 24,359,836



SPCA of Texas

Statements of Functional Expenses

Year Ended December 31, 2023

(Continued)

	Program Expenses								Total Program Expenses	Supporting Services			Total Supporting Services Expenses	Total Expenses
	Dallas Animal Care Center	Martin Spay/Neuter and Wellness Clinic	Ellis County Animal Care Center	Community Relations (Volunteer)	Customer Care Center	Animal Cruelty Investigations Unit	Animal Behavior	Communications		Special Events Costs of Direct Benefits to Donors	Development and Special Events	Management and General		
Salaries and wages	\$ 3,804,893	\$ 1,062,825	\$ 388,747	\$ 321,267	\$ 338,733	\$ 463,093	\$ 552,253	\$ 284,058	\$ 7,215,869	\$ -	\$ 446,962	\$ 747,195	\$ 1,194,157	\$ 8,410,026
Employee benefits	590,760	224,497	37,913	37,008	47,483	72,675	77,165	81,637	1,169,138	-	87,170	246,463	333,633	1,502,771
Contract labor	134,016	272,621	27,234	-	2,000	-	-	-	435,871	-	9,375	132,939	142,314	578,185
Payroll taxes	287,145	80,896	28,483	24,411	25,702	34,806	41,277	21,138	543,858	-	28,883	58,681	87,564	631,422
Total salaries and related expenses	4,816,814	1,640,839	482,377	382,686	413,918	570,574	670,695	386,833	9,364,736	-	572,390	1,185,278	1,757,668	11,122,404
Professional fees	90,921	43,708	7,950	3,485	4,566	7,001	6,857	8,808	173,296	-	138,431	53,906	192,337	365,633
Operating supplies	1,848,513	579,008	96,021	-	49,693	12,838	9,246	1,788	2,597,107	-	200	9,210	9,410	2,606,517
Postage and printing	1,177	889	241	-	103	54	20	449	2,933	-	53,454	1,808	55,262	58,195
Occupancy costs	191,957	28,633	33,172	7,602	1,027	6,697	-	3,150	272,238	-	6,123	30,310	36,433	308,671
Telephone/communications	16,155	19,971	9,546	2,019	14,145	9,258	5,005	3,794	79,893	-	3,741	7,270	11,011	90,904
Equipment rental	26,539	15,292	5,980	198	260	399	390	501	49,559	-	14,173	3,069	17,242	66,801
Insurance	200,544	33,148	12,759	8,978	3,662	58,253	7,313	4,352	329,009	-	6,233	31,632	37,865	366,874
Bank charges and service fees	33,257	15,988	2,908	1,275	1,670	2,561	2,508	3,222	63,389	-	52,359	67,039	119,398	182,787
Staff support	22,386	4,558	4,569	7,403	1,580	2,811	3,241	5,285	51,833	-	11,229	21,161	32,390	84,223
Repairs and maintenance	269,190	35,850	8,257	10,159	1,372	8,949	-	4,209	337,986	-	4,428	40,470	44,898	382,884
Vehicle expenses	34,144	13,024	9,218	74	376	59,119	36	566	116,557	-	782	10,939	11,721	128,278
Promotion, exhibit, and other	-	290	97	1,056	-	-	-	3,471,000	3,472,443	62,260	258,452	220	320,932	3,793,375
Training and seminars	5,072	3,630	1,810	320	1,300	1,344	1,494	-	14,970	-	319	2,216	2,535	17,505
Advertising	97,989	46,756	8,504	3,728	4,884	7,489	7,335	9,422	186,107	-	148,083	57,665	205,748	391,855
Computer costs	86,575	60,602	8,657	10,822	10,822	8,657	19,479	12,986	218,600	-	15,151	38,959	54,110	272,710
Merchandise	44,146	1,173	-	-	-	-	-	-	45,319	-	-	-	-	45,319
Dues and subscriptions	4,841	6,387	505	2,610	-	1,142	1,404	2,906	19,795	-	5,068	7,163	12,231	32,026
Supplies	41,908	2,694	2,215	72	1,338	485	193	169	49,074	-	1,176	9,575	10,751	59,825
Mail solicitation	235,667	113,292	20,605	9,033	11,834	18,147	17,773	22,830	449,181	-	358,813	139,725	498,538	947,719
Miscellaneous	10,117	4,073	1,083	78	2,138	3,050	445	608	21,592	-	213	9,370	9,583	31,175
Total expenses other than salaries and related expenses	3,261,098	1,028,966	234,097	68,912	110,770	208,254	82,739	3,556,045	8,550,881	62,260	1,078,428	541,707	1,682,395	10,233,276
Total expenses before depreciation	8,077,912	2,669,805	716,474	451,598	524,688	778,828	753,434	3,942,878	17,915,617	62,260	1,650,818	1,726,985	3,440,063	21,355,680
Depreciation	530,753	69,051	16,774	21,019	2,839	18,516	-	8,709	667,661	-	9,161	83,733	92,894	760,555
Total expenses	\$ 8,608,665	\$ 2,738,856	\$ 733,248	\$ 472,617	\$ 527,527	\$ 797,344	\$ 753,434	\$ 3,951,587	\$ 18,583,278	\$ 62,260	\$ 1,659,979	\$ 1,810,718	\$ 3,532,957	\$ 22,116,235

**SPCA of Texas**  
**Statements of Cash Flows**  
**Years Ended December 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Operating Activities</b>		
Change in net assets	\$ (685,018)	\$ (2,045,671)
Items not requiring (providing) cash		
Depreciation	672,884	760,555
Gain on disposal of fixed assets	(133,361)	-
Donated securities	82,170	5,987
Net realized and unrealized gain on investments	(1,539,569)	(2,052,819)
Changes in		
Contributions and accounts receivable	(1,938,464)	94,563
Employee retention credit receivable	1,057,770	2,259,373
Inventories, net	(28,138)	57,155
Prepaid expenses	90,362	(105,431)
Accounts payable	(2,012)	(34,092)
Accrued expenses	233,081	32,849
Refundable advances	11,040	(126,992)
<b>Net Cash Used in Operating Activities</b>	<b>(2,179,255)</b>	<b>(1,154,523)</b>
<b>Investing Activities</b>		
Purchase of property and equipment	(746,404)	(363,162)
Proceeds from sale of property and equipment	152,120	-
Proceeds from sale of investments	7,445,456	7,033,100
Purchase of investments	(4,446,903)	(3,978,026)
<b>Net Cash Provided by Investing Activities</b>	<b>2,404,269</b>	<b>2,691,912</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>225,014</b>	<b>1,537,389</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>12,047,123</b>	<b>10,509,734</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 12,272,137</b>	<b>\$ 12,047,123</b>
<b>Supplemental Information</b>		
<b>Noncash Activity</b>		
Property and equipment included in accounts payable	\$ 29,598	\$ -

## **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 more than 85 years old but traces its roots to the late 19th 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 a nonprofit, 501(c)(3) animal welfare organization that operates two animal shelters, one spay/neuter and wellness clinic, an animal rescue center, and a mobile adoption vehicle, all located in Dallas and Ellis counties. The SPCA of Texas' adoption and transport programs, including the two shelters and a vibrant mobile/off-site adoptions program, find homes and transport to groups across the country for almost 7,000 animals each year.

The organization's clinic provides high-quality pet care at affordable prices and collaborates with pet owners who would otherwise not be able to afford those services. This clinic works together with community partners to spay or neuter, vaccinate, microchip, 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 500 animal cruelty/neglect investigations and follow-ups every year, and rescues almost 1,000 animals 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, the SPCA of Texas behavior staff and trained volunteers provide critical behavioral care on a daily basis, including behavior assessments, socialization, obedience training, play, and enrichment.

Giving to the SPCA of Texas is an investment. 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' three signature events (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.

### ***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***

The SPCA considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2024, the SPCA's cash accounts exceeded federally insured limits by approximately \$11,700,000. 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.

The 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.

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. 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. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	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 are 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, 2024 and 2023.

***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.

Revenue Recognition

Contributions and Contributions Receivable

Contributions are provided to the 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
<p><i>Conditional gifts, with or without restriction</i></p> <p>Gifts that depend on the SPCA overcoming a donor-imposed barrier to be entitled to the funds</p>	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<p><i>Unconditional gifts, with or without restriction</i></p> <p>Received at date of gift – cash and other assets</p>	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.

From time to time, gifts are made to the SPCA by members of the board or organizations whose board members or officers are members of the SPCA’s board of directors.

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.

At December 31, 2024 and 2023, the SPCA had contributions receivable of \$1,975,319 and \$29,250, respectively, expected to be collected within one year.

Direct Mail Programs, Memorials, and Bequests

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

Special Events

The 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.

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***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, 2024 and 2023 were \$4,550,181 and \$4,185,230, respectively, and are included in advertising and promotion, exhibit, and other expenses in the accompanying statements of functional expenses. Of this, \$3,746,000 and \$3,471,000 was nonfinancial contributed media donation values for the years ended December 31, 2024 and 2023, respectively.

***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***

The 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 the SPCA. Events could occur that would change this estimate materially in the near term.

***Performance Obligations***

Revenue is measured as the amount of consideration the SPCA expects to receive in exchange for transferring distinct goods or providing services to customers or event attendees. The SPCA's revenue generated from exchange transactions consists substantially of adoption fees and surgery and patient care. The 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 11.

**Note 2. Investments and Net Investment Return**

Investments consisted of the following at December 31:

	<b>2024</b>	<b>2023</b>
Cash deposits	\$ 1,985,412	\$ 1,078,595
Brokered certificates of deposit	494,254	781,612
Bond mutual funds	4,311,398	5,551,203
Equity mutual funds	12,459,667	13,380,475
	<u>\$ 19,250,731</u>	<u>\$ 20,791,885</u>

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Total net investment return is comprised of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 1,187,190	\$ 1,216,473
Management fees	(79,745)	(109,092)
Net realized and unrealized gains on investments reported at fair value	<u>1,539,569</u>	<u>2,052,819</u>
	<u><u>\$ 2,647,014</u></u>	<u><u>\$ 3,160,200</u></u>

**Note 3. Property and Equipment**

Property and equipment consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 715,359	\$ 715,359
Buildings	15,730,774	15,820,029
Equipment	1,483,011	1,537,075
Motor vehicles	1,374,556	1,721,002
Construction in progress	<u>1,128,239</u>	<u>361,283</u>
	20,431,939	20,154,748
Less accumulated depreciation	<u>(10,342,590)</u>	<u>(10,149,758)</u>
	<u><u>\$ 10,089,349</u></u>	<u><u>\$ 10,004,990</u></u>

#### Note 4. Net Assets With Donor Restriction

##### *Net Assets With Donor Restriction*

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose, passage of time, or both		
Animal cruelty investigations	\$ 42,385	\$ 46,698
Shelter program	-	2,403
	<u>42,385</u>	<u>49,101</u>
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
	<u>1,179,785</u>	<u>1,179,785</u>
	<u>\$ 1,222,170</u>	<u>\$ 1,228,886</u>

##### *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>2024</u>	<u>2023</u>
Purpose restrictions accomplished		
Animal cruelty investigations	\$ 4,313	\$ 3,300
Shelter program expenses	2,403	7,996
Community pet program	-	28,455
	<u>\$ 6,716</u>	<u>\$ 39,751</u>

#### Note 5. 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.



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The Board has interpreted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as adopted by the State of Texas 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
- 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 was as follows at December 31:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
December 31, 2024			
Donor-restricted endowment funds	\$ -	\$ 1,179,785	\$ 1,179,785
Board-designated endowment funds	27,667,549	-	27,667,549
	<u>\$ 27,667,549</u> <sup>(1)</sup>	<u>\$ 1,179,785</u>	<u>\$ 28,847,334</u>
December 31, 2023			
Donor-restricted endowment funds	\$ -	\$ 1,179,785	\$ 1,179,785
Board-designated endowment funds	29,004,381	-	29,004,381
	<u>\$ 29,004,381</u> <sup>(2)</sup>	<u>\$ 1,179,785</u>	<u>\$ 30,184,166</u>

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Changes in endowment net assets were as follows for the years ended December 31:

	<b>2024</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 29,004,381	\$ 1,179,785	\$ 30,184,166
Investment return, net			
Investment income	420,155	-	420,155
Net appreciation	1,475,338	-	1,475,338
Total investment return, net	1,895,493	-	1,895,493
Appropriation of endowment assets for expenditure	(7,657,552)	-	(7,657,552)
Board appropriations from unappropriated net assets without donor restriction	4,425,227	-	4,425,227
	<u>\$ 27,667,549</u> <sup>(1)</sup>	<u>\$ 1,179,785</u>	<u>\$ 28,847,334</u>
	<b>2023</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 27,719,119	\$ 1,179,785	\$ 28,898,904
Investment return, net			
Investment income	508,297	-	508,297
Net appreciation	1,975,284	-	1,975,284
Total investment return, net	2,483,581	-	2,483,581
Appropriation of endowment assets for expenditure	(6,743,795)	-	(6,743,795)
Board appropriations from unappropriated net assets without donor restriction	5,545,476	-	5,545,476
	<u>\$ 29,004,381</u> <sup>(2)</sup>	<u>\$ 1,179,785</u>	<u>\$ 30,184,166</u>

1) Amount includes \$11,014,771 that is recorded within cash and cash equivalents as of December 31, 2024.

2) Amount includes \$10,723,957 that is recorded within cash and cash equivalents as of December 31, 2023.

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 8% 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.

## **Note 6. 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% of employees' wages. The SPCA made contributions of \$102,799 and \$95,105 for the years ended December 31, 2024 and 2023, respectively.

## **Note 7. 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

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***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:

		<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
	<b>Fair Value</b>			
December 31, 2024				
Brokered certificates of deposits	\$ 494,254	\$ -	\$ 494,254	\$ -
Bond mutual funds	4,311,398	4,311,398	-	-
Equity mutual funds	12,459,667	12,459,667	-	-
	<u>\$ 17,265,319</u>	<u>\$ 16,771,065</u>	<u>\$ 494,254</u>	<u>\$ -</u>

		<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
	<b>Fair Value</b>			
December 31, 2023				
Brokered certificates of deposits	\$ 781,612	\$ -	\$ 781,612	\$ -
Bond mutual funds	5,551,203	5,551,203	-	-
Equity mutual funds	13,380,475	13,380,475	-	-
	<u>\$ 19,713,290</u>	<u>\$ 18,931,678</u>	<u>\$ 781,612</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, 2024.

***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, 2024 and 2023.

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**Note 8. Liquidity and Availability**

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

	<b>2024</b>	<b>2023</b>
Financial assets		
Cash and cash equivalents	\$ 12,272,137	\$ 12,047,123
Accounts receivable, net	21,322	28,927
Employee retention credit receivable	-	1,057,770
Investments	19,250,731	20,791,885
Contributions receivable, net	1,975,319	29,250
	<u>33,519,509</u>	<u>33,954,955</u>
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	53,425	49,101
Internal designations		
Bequests receivable designated for endowment when received	1,882,025	-
Board-designated endowment	21,140,549	22,116,381
	<u>24,255,784</u>	<u>23,345,267</u>
Total financial assets not available to meet cash needs for general expenditure within one year		
	<u>24,255,784</u>	<u>23,345,267</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 9,263,725</u>	<u>\$ 10,609,688</u>

The board-designated operating reserve intended to operate as an endowment of \$27,667,549 and \$29,004,381 at December 31, 2024 and 2023, respectively, is subject to annual spending rates determined by the Board. Although the 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, 2024 and 2023, the Board approved the use of \$6,527,000 and \$6,888,000 of the board-designated operating reserve in 2024 and 2023, respectively; therefore, these funds have been excluded from the table above.

The 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. The SPCA has a liquidity policy to maintain operating bank account balances at a minimum of 30 days operating expenses. The SPCA forecasts its future cash flows and monitors its liquidity monthly and evaluates its reserves annually. During the years ended December 31, 2024 and 2023, the level of liquidity and reserves was managed within the policy requirements.

## **Note 9. Significant Estimates and Concentrations**

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 89% and 71% of contributed services and materials were received from two donors in 2024 and 2023, respectively. Fluctuations in funding concentrations for nonprofits 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.

### ***Constructions Commitments***

As of December 31, 2024, the SPCA has commitments related to the campus expansion of approximately \$22,000,000 with the contractor, which will be funded through capital campaign and board reserves.

## **Note 10. CARES Act**

The CARES Act and subsequent legislation provide a refundable employee retention tax credit (ERC) to eligible employers who meet either a gross receipts test or a government mandate test. The tax credit was equal to a specified percentage of qualified wages paid to employees subject to certain limits. The SPCA elected to account for these ERCs in accordance with ASC 958-605, *Revenue Recognition*.

In 2023, management recognized the revenue related to the ERC in contributions of cash and other financial assets. At December 31, 2023, the balance to be collected was \$1,057,770 included in the accompanying statements of financial position. There was no balance to be collected at December 31, 2024.

## **Note 11. Revenue From Contracts With Customers**

### ***Adoption Revenue***

Revenue is measured as the amount of consideration the 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 the 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.

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***Transaction Price and Recognition***

The 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.

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

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

For the years ended December 31, 2024 and 2023, the SPCA recognized revenue of \$1,528,594 and \$1,721,701, respectively from services that transfer to the customer or patient over time and \$507,522 and \$515,032, respectively, from goods that transfer to the customer at a point in time.

***Contract Balances***

The SPCA did not have contract assets, accounts receivable, or contract liabilities related to contracts with customers at beginning of year or end of years 2024 or 2023.

**Note 12. Contributed Nonfinancial Assets**

Contributed nonfinancial assets recognized within the statements of activities included for the following years ended December 31:

	<b>2024</b>	<b>2023</b>
Media	\$ 3,746,000	\$ 3,471,000
Operating supplies	1,583,636	862,501
Services	172,000	25,065
	<u>\$ 5,501,636</u>	<u>\$ 4,358,566</u>

The nonfinancial assets listed above were recognized within revenue. Contributed nonfinancial assets did not have donor-imposed restrictions.

**Contributed Items**

Contributed items were utilized in the following programs:

Contributed Items	Programs
Media	Communications
Operating supplies	Shelter and community pet program

The following basis was used for valuing contributed items:

Contributed Items	Valuation Basis
Media	The SPCA used third-party sources representing a “real-time” snapshot, with values varying based on date, time, audience, and length of airtime (that is, the principal market).
Operating supplies	The SPCA estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

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. Contributed services, entirely legal services, were utilized in all programs and were recognized at fair value based on the current rates for similar services.

**Note 13. Allocation of Joint Costs**

The SPCA conducted activities that included requests for contributions, as well as program management, and general components. Those activities included direct mail marketing activities. The costs of conducting those activities included a total of \$1,063,898 and \$947,719 in 2024 and 2023, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated to the programs and supporting services in accompanying statements of functional expenses.

**Note 14. Subsequent Events**

The SPCA has evaluated its financial statements for subsequent events through June 16, 2025, the date the financial statements were available to be issued.