

SPCA of Westchester, Inc.

Financial Statements

and

Independent Auditors' Report

December 31, 2021 and 2020

SPCA of Westchester, Inc.

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Independent Auditors' Report

To the Board of Directors of
SPCA of Westchester, Inc.

Opinion

We have audited the accompanying financial statements of SPCA of Westchester, Inc. (a nonprofit organization), 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 financial statements referred to above present fairly, in all material respects, the financial position of SPCA of Westchester, Inc. 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 SPCA of Westchester, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SPCA of Westchester, Inc.'s ability to continue as a going concern within one year after the date that the 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- * Exercise professional judgment and maintain professional skepticism throughout the audit.
- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SPCA of Westchester, Inc.'s internal control. Accordingly, no such opinion is expressed.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- * Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SPCA of Westchester, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Vargas & Rivera, LLP

New City, New York
August 29, 2022

SPCA of Westchester, Inc.
 Statements of Financial Position
 December 31, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,869,427	\$ 6,965,386
Accounts and Legacies Receivable	6,340	4,346
Pledges Receivables, net (Note 3)	503,077	786,997
Investments in Marketable Securities (Note 4)	3,066,213	3,171,729
Security Deposits	<u>-</u>	<u>10,000</u>
TOTAL CURRENT ASSETS	<u>7,445,057</u>	<u>10,938,458</u>
FIXED ASSETS		
Land and Improvements	40,400	45,862
Building and Improvements	9,104,618	1,767,823
Office Equipment	179,716	192,373
Automobiles	112,094	154,101
Construction in Progress	<u>-</u>	<u>3,250,567</u>
	9,436,828	5,410,726
Less: Accumulated Depreciation	<u>(273,176)</u>	<u>(1,909,319)</u>
TOTAL FIXED ASSETS	<u>9,163,652</u>	<u>3,501,407</u>
TOTAL ASSETS	<u><u>\$ 16,608,709</u></u>	<u><u>\$ 14,439,865</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 102,585	\$ 49,185
Loan Payable (Note 5)	<u>-</u>	<u>180,840</u>
TOTAL CURRENT LIABILITIES	<u>102,585</u>	<u>230,025</u>
NET ASSETS		
Without Donor Restrictions	16,489,724	8,042,432
With Donor Restrictions (Note 7)	<u>16,400</u>	<u>6,167,408</u>
TOTAL NET ASSETS	<u>16,506,124</u>	<u>14,209,840</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 16,608,709</u></u>	<u><u>\$ 14,439,865</u></u>

See accompanying notes to financial statements and independent auditors' report.

SPCA of Westchester, Inc.
 Statements of Activities
 For the Year Ended December 31, 2021 and 2020

NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2021</u>	<u>2020</u>
PUBLIC SUPPORT AND REVENUE:		
Public Support:		
Contributions	\$ 2,290,583	\$ 1,969,221
Legacies	1,239,777	1,028,211
PPP Loan Forgiveness	180,840	-
Fundraising Events (Peripheral and Incidental) (Net of Expenses of \$1,057 for 2021 and \$0 for 2020)	<u>12,113</u>	<u>32,200</u>
Total Public Support	<u>3,723,313</u>	<u>3,029,632</u>
Other Revenues		
Program Service Fees	417,950	368,552
Adoption Fees	277,313	203,035
Interest and Dividend Income	81,277	126,225
Net Realized and Unrealized Gain (Loss) on Investments	(24,984)	39,552
Loss on Disposal of Fixed Assets	(204,083)	-
Contributed Services and Supplies	<u>-</u>	<u>4,272</u>
Total Other Revenue	<u>547,473</u>	<u>741,636</u>
Net Assets Released From Restrictions	<u>7,104,360</u>	<u>183,692</u>
Total Public Support and Other Revenue Without Donor Restrictions	<u>11,375,146</u>	<u>3,954,960</u>
EXPENSES		
Program Services		
Animal Rescue Center	1,674,448	1,515,591
Outreach and Education	27,428	44,515
Veterinary Clinic	512,880	481,388
Humane Law Enforcement	<u>334,765</u>	<u>224,034</u>
Total Program Services	<u>2,549,521</u>	<u>2,265,528</u>

See accompanying notes to financial statements and independent auditors' report.

SPCA of Westchester, Inc.
 Statements of Activities
 For the Year Ended December 31, 2021 and 2020

NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2021</u>	<u>2020</u>
Supporting Services		
Management and General	72,122	62,757
Fundraising	234,839	217,612
Capital Campaign	<u>71,372</u>	<u>178,691</u>
Total Supporting Services	<u>\$ 378,333</u>	<u>\$ 459,060</u>
Total Expenses	<u>\$ 2,927,854</u>	<u>\$ 2,724,588</u>
Change in Net Assets Without Donor Restrictions	8,447,292	1,230,372
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	930,767	1,515,779
Pledges	22,585	69,869
Net Assets Released From Restrictions	<u>(7,104,360)</u>	<u>(183,692)</u>
Change in Net Assets With Donor Restrictions	<u>(6,151,008)</u>	<u>1,401,956</u>
Total Change in Net Assets	2,296,284	2,632,328
Net Assets, Beginning of Year	<u>14,209,840</u>	<u>11,577,512</u>
Net Assets, End of Year	<u><u>\$ 16,506,124</u></u>	<u><u>\$ 14,209,840</u></u>

See accompanying notes to financial statements and independent auditors' report.

SPCA of Westchester, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	<u>Program Services</u>					<u>Supporting Services</u>			<u>Total</u>
	<u>Animal Rescue Center</u>	<u>Outreach & Education</u>	<u>Veterinary Clinic</u>	<u>Humane Law Enforcement</u>	<u>Total Program Services</u>	<u>Management & General</u>	<u>Fund-Raising</u>	<u>Capital Campaign</u>	
<u>Personnel Services</u>									
Salaries	\$ 709,694	\$ 21,890	\$ 233,007	\$ 176,521	\$ 1,141,112	\$ 42,937	\$ 49,054	\$ -	\$ 1,233,103
Fringe Benefits	60,447	402	15,065	835	76,749	498	974	-	78,221
Payroll Taxes	65,932	1,708	18,397	12,977	99,014	3,391	3,728	-	106,133
Total Personal Services and Related Expenses	<u>836,073</u>	<u>24,000</u>	<u>266,469</u>	<u>190,333</u>	<u>1,316,875</u>	<u>46,826</u>	<u>53,756</u>	<u>-</u>	<u>1,417,457</u>
<u>Other Than Personnel Services</u>									
Rescue and Relocation	383,089	-	-	-	383,089	-	-	-	383,089
Veterinary / Medical Supplies	117,904	-	77,949	-	195,853	-	-	-	195,853
Veterinarians	12,707	-	24,638	-	37,345	-	-	-	37,345
Emergency Animal Care	17,485	-	-	-	17,485	-	-	-	17,485
Animal & Other Supplies	45,450	40	5,327	687	51,504	726	1,581	75	53,886
Professional Fees	28,122	869	-	1,050	30,041	8,409	8,833	69,198	116,481
Advertising and Marketing	14,432	290	2,315	-	17,037	-	16,046	-	33,083
Direct Mail	-	-	-	-	-	-	79,828	-	79,828
Adoption/Special Events	-	-	-	-	-	-	6,570	-	6,570
Printing and Publication	-	-	-	-	-	-	14,200	-	14,200
Investment Advisory Fees	-	-	-	-	-	10,736	-	-	10,736
Utilities	24,974	525	10,000	906	36,405	181	181	-	36,767
Outside Services	24,423	336	9,025	635	34,419	112	32,899	270	67,700
Occupancy Costs	53,962	-	23,127	-	77,089	-	-	-	77,089
Repairs and Maintenance	35,196	265	13,167	472	49,100	88	1,230	-	50,418
Telephone	6,443	-	3,565	8,928	18,936	101	702	-	19,739
Postage	2,704	-	579	255	3,538	-	3,426	55	7,019
Insurance	27,996	-	11,453	21,997	61,446	3,013	642	-	65,101
Automobile	2,872	-	-	3,954	6,826	-	15	-	6,841
Credit Card and Other Fees	13,453	-	6,979	-	20,432	-	13,020	1,774	35,226
Other Program Related Expenses	24,198	1,103	16,790	540	42,631	1,930	1,910	-	46,471
Total Other Than Personnel Services	<u>835,410</u>	<u>3,428</u>	<u>204,914</u>	<u>39,424</u>	<u>1,083,176</u>	<u>25,296</u>	<u>181,083</u>	<u>71,372</u>	<u>1,360,927</u>
Total Expense Before Depreciation	1,671,483	27,428	471,383	229,757	2,400,051	72,122	234,839	71,372	2,778,384
Depreciation Expense	2,965	-	41,497	105,008	149,470	-	-	-	149,470
TOTAL	<u>\$ 1,674,448</u>	<u>\$ 27,428</u>	<u>\$ 512,880</u>	<u>\$ 334,765</u>	<u>\$ 2,549,521</u>	<u>\$ 72,122</u>	<u>\$ 234,839</u>	<u>\$ 71,372</u>	<u>\$ 2,927,854</u>

See accompanying notes to financial statements and independent auditors' report.

SPCA of Westchester, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Program Services</u>					<u>Supporting Services</u>			<u>Total</u>
	<u>Animal Rescue Center</u>	<u>Outreach & Education</u>	<u>Veterinary Clinic</u>	<u>Humane Law Enforcement</u>	<u>Total Program Services</u>	<u>Management & General</u>	<u>Fund-Raising</u>	<u>Capital Campaign</u>	
<u>Personnel Services</u>									
Salaries	\$ 589,078	\$ 39,150	\$ 227,383	\$ 174,068	\$ 1,029,679	\$ 41,363	\$ 45,775	\$ -	\$ 1,116,817
Fringe Benefits	66,807	197	23,761	1,177	91,942	416	823	-	93,181
Payroll Taxes	50,317	2,840	16,202	13,234	82,593	3,111	3,449	-	89,153
Total Personal Services and Related Expenses	<u>706,202</u>	<u>42,187</u>	<u>267,346</u>	<u>188,479</u>	<u>1,204,214</u>	<u>44,890</u>	<u>50,047</u>	<u>-</u>	<u>1,299,151</u>
<u>Other Than Personnel Services</u>									
Rescue and Relocation	323,585	-	-	-	323,585	-	-	-	323,585
Veterinary / Medical Supplies	82,331	-	60,658	-	142,989	-	-	-	142,989
Veterinarians	10,408	-	8,005	-	18,413	-	-	-	18,413
Emergency Animal Care	17,958	-	-	-	17,958	-	-	-	17,958
Animal & Other Supplies	11,740	-	4,769	314	16,823	-	6,638	-	23,461
Professional Fees	28,760	636	180	821	30,397	-	6,848	32,957	70,202
Advertising and Marketing	8,813	-	1,377	-	10,190	-	2,978	-	13,168
Direct Mail	-	-	-	-	-	-	76,887	-	76,887
Adoption/Special Events	-	-	-	-	-	-	25,617	-	25,617
Investment Advisory Fees	-	-	-	-	-	11,431	-	-	11,431
Utilities	30,886	129	6,552	415	37,982	-	-	-	37,982
Outside Services	31,684	517	9,020	-	41,221	-	29,869	-	71,090
Occupancy Costs	144,250	-	61,821	-	206,071	-	-	-	206,071
Repairs and Maintenance	18,635	350	8,628	584	28,196	-	788	-	28,984
Telephone	3,860	162	3,073	8,963	16,058	-	65	-	16,123
Postage	3,657	-	613	306	4,576	-	5,017	-	9,593
Insurance	35,233	-	12,462	22,529	70,224	2,836	1,072	-	74,132
Automobile	4,798	-	109	1,323	6,230	-	-	-	6,230
Credit Card and Other Fees	8,542	-	5,868	-	14,410	-	9,664	2,517	26,591
Contributed Supplies	4,272	-	-	-	4,272	-	-	-	4,272
Other Program Related Expenses	27,994	534	14,999	300	43,827	3,600	2,122	-	49,549
Total Other Than Personnel Services	<u>797,405</u>	<u>2,328</u>	<u>198,134</u>	<u>35,555</u>	<u>1,033,422</u>	<u>17,867</u>	<u>167,565</u>	<u>35,474</u>	<u>1,254,328</u>
Total Expense Before Depreciation	1,503,607	44,515	465,480	224,034	2,237,636	62,757	217,612	35,474	2,553,479
Depreciation Expense	11,984	-	15,908	-	27,892	-	-	-	27,892
Loan Closing	-	-	-	-	-	-	-	143,217	143,217
TOTAL	<u>\$ 1,515,591</u>	<u>\$ 44,515</u>	<u>\$ 481,388</u>	<u>\$ 224,034</u>	<u>\$ 2,265,528</u>	<u>\$ 62,757</u>	<u>\$ 217,612</u>	<u>\$ 178,691</u>	<u>\$ 2,724,588</u>

See accompanying notes to financial statements and independent auditors' report.

SPCA of Westchester, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 2,296,284</u>	<u>\$ 2,632,328</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	149,470	27,892
Loss on Disposal of Fixed Assets	204,083	-
Net Realized and Unrealized (Gain) Loss on Sale of Investments	24,984	(39,552)
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accounts and Legacies Receivable	(1,994)	(2,401)
(Increase)/Decrease in Pledges Receivable	283,920	389,284
(Increase)/Decrease in Prepaid Expenses	-	11,748
(Increase)/Decrease in Security Deposits	10,000	(10,000)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	<u>53,400</u>	<u>(54,278)</u>
TOTAL ADJUSTMENTS	<u>723,863</u>	<u>322,693</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,020,147</u>	<u>2,955,021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(6,015,798)	(3,167,387)
Purchase of Investments	(1,630,623)	(7,322,730)
Proceeds from Sales of Investments	<u>1,711,155</u>	<u>10,081,099</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(5,935,266)</u>	<u>(409,018)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Loan Payable	-	180,840
Repayment of Loan Payable	<u>(180,840)</u>	<u>-</u>
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(180,840)</u>	<u>180,840</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,095,959)	2,726,843
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,965,386</u>	<u>4,238,543</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,869,427</u></u>	<u><u>\$ 6,965,386</u></u>

See accompanying notes to financial statements and independent auditors' report.

SPCA of Westchester, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE 1: NATURE OF ORGANIZATION

SPCA of Westchester, Inc. ("the Organization") is a no-kill, 501(c)3 not-for-profit animal welfare organization dedicated to saving homeless, abused and abandoned animals and to protecting animals from cruelty and neglect through education and enforcement of humane laws.

The Organization operates an animal rescue center for stray animals and has contracts with several municipalities to accept stray cats and dogs for return to their owners or to arrange for them to be adopted; a veterinary-care clinic that offers the public low cost spay and neuter surgeries, wellness examinations, vaccinations and testing for diseases in an effort to help keep companion animals healthy; a pet therapy visitation program to healthcare facilities, schools, and group homes; a Humane Law Enforcement Unit authorized by New York State to enforce its laws as they relate to animal cruelty in Westchester County investigating cruelty complaints involving dogs, cats, horses, exotics and farm animals; and a volunteer program dedicated to providing enrichment and care for dogs and cats awaiting adoption.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash held in investments is included in cash and cash equivalents.

SPCA of Westchester, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Expenses are charged to programs or supporting services based on direct expenditures incurred. Any expenses not directly chargeable to a specific program or supporting service are allocated based on the benefits provided.

Income Tax Status

The Organization is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so.

The Organization files the Form 990 in the U.S. federal jurisdiction. With few exceptions, as of December 31, 2021, the Organization is no longer subject to U.S. Federal income tax examinations by tax authorities for the years ended prior to December 31, 2017. The tax returns for the years ended December 31, 2018 through December 31, 2020 are still subject to potential audit by the IRS. Management of the Organization believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at market value at the date of the gift. Depreciation of buildings and equipment is provided on the straight-line basis over the estimated useful lives of the assets, as follows: Building and improvements - 15-40 years; Equipment - 5-10 years; Automobiles - 3-5 years.

Contributed Services and Supplies

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met. Contributed supplies are recognized at fair market value when received. During calendar years 2021 and 2020, no contributed services and supplies have been recognized and recorded.

Revenue Recognition and Receivables

The Organization recognizes revenue from grants, contracts and gifts in accordance with guidance under which the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under ASC 606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of return.

The Organization's significant sources of revenue are contributions, grants, and income from programs operated to promote the Organization's purpose. Contributions and grants received are recorded as without donor restrictions or with donor restrictions based on the nature of donor restrictions. Grants are recognized when the Organization incurs expenses related to the contract. Generally, the funds are not remitted until a voucher for the services provided or expenses incurred has been submitted for reimbursement. Funds received in advance of services provided or expenses incurred are recorded as deferred revenue.

SPCA of Westchester, Inc.
Notes to the Financial Statements
December 31, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Receivables

Contributions are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from donor restriction. Donor restricted contributions and grants whose restrictions are met within the same year as received are reflected as contributions and grants without donor restrictions.

The Organization considers receivables to be fully collectible based on management's review of individual accounts outstanding. If collection becomes doubtful, an allowance for doubtful accounts will be established when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Pledges Receivable

Pledges receivable consist of donations related to a capital campaign launched by the Organization to raise funds for the rebuilding of the facilities and other general purposes, net of an allowance for doubtful accounts based on management's estimate of the amount considered potentially uncollectible (See Note 3).

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting in use of cash.

Fair Value Measurements

The Organization categorizes its financial instruments into a three-level fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation of assets and liabilities traded for less active dealer or broker markets that have significant observable inputs are classified as Level 2. Level 2 valuations are usually obtained from third-party pricing service valuations for identical or similar assets. If the inputs are used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

Investments

Investments in marketable securities are stated at fair value in the statements of financial position. The fair value of equity securities is determined based upon quoted prices in active markets (Level 1 measurements). The fair value of corporate bonds and government and federal agency obligations is based upon quoted prices for similar securities in active markets (Level 2 measurements). Realized and unrealized gains and losses are included in the change in net assets and are included in the statements of activities as net realized and unrealized gains (losses) on investments.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash accounts at financial institutions which at times may exceed federally insured limits. The Organization reduces its exposure to credit risks by maintaining its cash accounts with high quality financial institutions.

At December 31, 2021, cash included \$2,560,544 on deposit in excess of federally insured limits of \$250,000.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or groups of investments represent a significant concentration of market risk.

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NOTE 3: PLEDGES RECEIVABLE

Management will periodically review the status of all pledges receivable balances for collectability. Each pledge receivable balance is assessed based upon management's analysis of past pledges made and collected. Pledges receivable that are expected to be collected within one year are recorded at undiscounted net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The discount of those amounts are computed using an interest rate applicable to the years in which the pledges are received. Pledges receivable are recorded at their discounted net present value using a discount rate of 5%.

Pledges receivable at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 499,801	\$ 417,653
Due in one to five years	<u>113,319</u>	<u>501,972</u>
	613,120	919,625
Present value discount (5%)	(14,043)	(36,628)
Allowance for doubtful accounts	<u>(96,000)</u>	<u>(96,000)</u>
	<u><u>\$ 503,077</u></u>	<u><u>\$ 786,997</u></u>

NOTE 4: INVESTMENTS

Investments consist of the following at December 31:

	<u>As of December 31, 2021</u>		
	Fair		
	Value	Cost	Hierarchy
Certificates of Deposits	\$ 438,289	\$ 422,604	Level 1
U.S. Equity Securities	402,327	219,301	Level 1
U.S. Corporate Bonds and Notes	1,822,868	1,816,338	Level 1
Mutual Funds	99,534	103,158	Level 1
U.S. Government and Agency Bonds and Notes	<u>303,195</u>	<u>304,919</u>	Level 1
	<u><u>\$ 3,066,213</u></u>	<u><u>\$ 2,866,320</u></u>	
	<u>As of December 31, 2020</u>		
	Fair		
	Value	Cost	Hierarchy
Certificates of Deposits	\$ 1,238,649	\$ 1,199,686	Level 1
U.S. Equity Securities	263,901	138,204	Level 1
U.S. Corporate Bonds and Notes	1,275,375	1,236,843	Level 1
Mutual Funds	95,090	93,354	Level 1
U.S. Government and Agency Bonds and Notes	<u>298,714</u>	<u>291,837</u>	Level 1
	<u><u>\$ 3,171,729</u></u>	<u><u>\$ 2,959,924</u></u>	

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NOTE 4: INVESTMENTS (continued)

A summary of the return on investments held in securities during the calendar years 2021 and 2020 are as follows:

	2021	2020
Interest and Dividends	\$ 81,277	\$ 126,225
Realized Gain (Loss)	232,609	226,333
Unrealized Gain (Loss)	(257,593)	(186,781)
Investment Fees	(10,736)	(11,432)
Total investment return	\$ 45,557	\$ 154,345

NOTE 5: LOAN PAYABLE

PPP Loan

On May 8, 2020, the Organization received loan proceeds in the amount of \$180,840 under the Paycheck Protection Program ("PPP") from Bank of America. Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities.

The Organization used the PPP loan proceeds for purposes consistent with the PPP and applied for forgiveness within 6 months of the end of the covered period. The Small Business Administration ("SBA") determined that the amount the Organization requested for forgiveness ("Forgiven Amount") on the PPP loan was fully approved and the SBA remitted the Forgiven Amount to Bank of America. The Organization's PPP loan was paid off in full (including applicable interest) on February 19, 2021.

NOTE 6: PENSION PLAN

The Organization participates in a multi-employer plan for the benefit of its employees who are union members. Total union pension expense are \$6,791 and \$10,806 for the years ended December 31, 2021 and 2020, respectively.

The Organization has a 401(k) defined contribution plan for all non-union employees. Participating employees may elect to contribute after three (3) months of employment, on a tax-deferred basis, a portion of their compensation, in accordance with Section 401(k) of the Internal Revenue Service.

NOTE 7: NET ASSETS - WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes: Janet Greenspan Memorial Fund for \$16,400.

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NOTE 8: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The majority of the Organization's public support and revenues are not restricted and are available for ongoing operations to meet cash needs for general expenditures. The Organization 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 all obligations will be discharged.

The Organization has a working capital policy to maintain certain financial assets to meet 90 days operating expenses. During the years ended December 31, 2021 and 2020, the level of liquidity was managed within the policy requirements.

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows at December 31, 2021: cash and cash equivalents of \$3,869,427, receivables of \$6,340 and investments of \$3,066,213.

NOTE 9: CAPITAL CAMPAIGN

In 2017, the SPCA of Westchester, Inc. undertook a study to assess whether it would be able to launch a capital campaign to build a much needed new and modern animal rescue center. We were pleased to learn that the majority of those interviewed were excited by the project and very positive about the organization and with its leadership.

To further this effort, the Organization signed an agreement with BBL Construction Services on December 20, 2017 and on February 20, 2020, the Organization executed a consent resolution and approved the Guaranteed Maximum Price of \$8,808,879.

The groundbreaking ceremony was done on September 26, 2020 and construction was completed in July of 2021. The Town of Ossining Building Department issued a Certificate of Occupancy on July 21, 2021.

NOTE 10: SUBSEQUENT EVENTS

The Organization evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which is August 29, 2022, for these financial statements.