



**Charlottesville –
Albemarle Society for
the Prevention of
Cruelty to Animals, Inc.
Financial Report**

December 31, 2023

Charlottesville – Albemarle Society for the
Prevention of Cruelty to Animals, Inc.

Contents

Independent Auditor’s Report on Financial Statements 1

Financial Statements

Statements of Financial Position 3

Statements of Activities..... 4

Statements of Functional Expenses 5

Statements of Cash Flows 6

Notes to Financial Statements 7

Independent Auditor’s Report on Financial Statements

To the Board of Directors
Charlottesville – Albemarle Society for the
Prevention of Cruelty to Animals, Inc.
Charlottesville, Virginia

Opinion

We have audited the accompanying financial statements of the Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc. (the “SPCA”), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements..

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SPCA as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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 these 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 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.

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 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
April 18, 2024



Financial Statements



Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Statements of Financial Position December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 334,916	\$ 791,390
Investments (Note 2)	6,138,892	6,021,151
Pledges receivable	157,175	120,970
Employee retention credit receivable	415,345	415,345
Other current assets	58,862	84,779
Total current assets	7,105,190	7,433,635
PROPERTY AND EQUIPMENT, net (Note 5)	7,069,633	7,299,036
OTHER ASSETS		
Beneficial interest in Bleecker Trust (Notes 2 and 10)	613,609	733,888
Restricted cash for USDA loan reserve (Note 7)	196,471	196,471
Restricted cash held for Pace endowment (Note 10)	26,000	26,000
Total other assets	836,080	956,359
Total assets	\$ 15,010,903	\$ 15,689,030
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 34,210	66,316
Accrued expenses (Note 6)	172,270	150,016
Current portion – notes payable (Note 7)	135,405	129,296
Total current liabilities	341,885	345,628
LONG-TERM LIABILITIES		
Notes payable (Note 7)	1,246,484	1,381,895
Total liabilities	1,588,369	1,727,523
NET ASSETS		
Without donor restrictions	12,767,526	13,098,726
With donor restrictions (Note 9)	655,008	862,781
Total net assets	13,422,534	13,961,507
Total liabilities and net assets	\$ 15,010,903	\$ 15,689,030

**Charlottesville – Albemarle Society for the
Prevention of Cruelty to Animals, Inc.**

Statements of Activities

Year Ended December 31, 2023 and Summarized for the Year Ended December 31, 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions and gifts	\$ 1,096,878	\$ 53,550	\$ 1,150,428	\$ 1,575,666
Grants	286,115	-	286,115	199,335
Bequests	375,329	-	375,329	131,705
Local government appropriations	1,030,586	-	1,030,586	959,524
Special events, net of related expenses of \$54,901	183,460	-	183,460	347,119
Rummage store sales	501,918	-	501,918	553,489
Program services fees	508,792	-	508,792	993,991
In-kind contributions	36,733	-	36,733	115,126
Income distributions from the Bleecker Trust	202,070	-	202,070	44,561
Investment income	114,023	-	114,023	101,702
Realized and unrealized gains (losses) on investments	1,183,645	-	1,183,645	(1,199,296)
Miscellaneous income	2,634	-	2,634	3,062
Change in value of beneficial interest in Bleecker Trust	-	(132,693)	(132,693)	(197,768)
Net assets released from restrictions (Note 11)	128,630	(128,630)	-	-
Total revenue, gains, and other support	5,650,813	(207,773)	5,443,040	3,628,216
EXPENSES				
Program services	4,438,145	-	4,438,145	4,600,510
Management and general	939,169	-	939,169	457,161
Fundraising	604,699	-	604,699	583,364
Total expenses	5,982,013	-	5,982,013	5,641,035
Change in net assets	(331,200)	(207,773)	(538,973)	(2,012,819)
Beginning net assets	13,098,726	862,781	13,961,507	15,974,326
Ending net assets	\$ 12,767,526	\$ 655,008	\$ 13,422,534	\$ 13,961,507

Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Statements of Functional Expenses

Year Ended December 31, 2023 and Summarized for the Year Ended December 31, 2022

	2023				2022
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 2,228,224	\$ 309,405	\$ 386,942	\$ 2,924,571	\$ 2,976,855
Payroll taxes	151,386	22,203	28,259	201,848	255,656
Employee benefits	238,110	34,923	44,447	317,480	400,954
External veterinarians	116,512	-	-	116,512	32,897
Pet care	151,910	-	-	151,910	162,797
Clinic	301,523	-	-	301,523	340,980
Cleaning and janitorial	75,710	-	-	75,710	77,719
Utilities	89,114	2,844	2,844	94,802	117,534
Repairs and maintenance	146,241	4,532	4,445	155,218	100,605
Miscellaneous	76,337	43,234	-	119,571	39,116
Rent	163,498	-	-	163,498	158,044
Supplies and office systems	73,590	20,808	40,809	135,207	160,033
Equipment	8,651	-	-	8,651	18,002
Telephone	28,082	896	896	29,874	25,491
Advertising	62,522	-	15,631	78,153	40,946
In-kind services	36,733	-	-	36,733	112,526
Insurance	74,623	2,382	2,382	79,387	76,936
Professional fees	-	434,745	-	434,745	64,756
Recruiting	-	52,391	-	52,391	10,772
Other fundraising	-	-	67,238	67,238	99,810
Loss on disposal of assets	76,782	-	-	76,782	-
Total expenses before depreciation and interest	4,099,548	928,363	593,893	5,621,804	5,272,429
Depreciation	275,704	8,799	8,799	293,302	295,851
Interest	62,893	2,007	2,007	66,907	72,755
Total expenses	<u>\$ 4,438,145</u>	<u>\$ 939,169</u>	<u>\$ 604,699</u>	<u>\$ 5,982,013</u>	<u>\$ 5,641,035</u>

Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Statements of Cash Flows Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	\$ (538,973)	\$ (2,012,819)
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Realized and unrealized (gain)/loss on investments	(1,183,645)	1,199,296
Depreciation	293,302	295,851
Change in value of Bleecker Trust	120,279	193,478
(Increase) decrease in assets:		
Pledges receivable	(36,205)	(42,714)
Employee retention credit receivable	-	1,206,058
Other current assets	25,917	14,418
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(9,852)	(28,651)
Net cash and cash equivalents provided by (used in) operating activities	(1,329,177)	824,917
INVESTING ACTIVITIES		
Sales of investments	2,910,241	(284,322)
Purchases of investments	(1,844,337)	(159,191)
Purchase of property and equipment	(63,899)	(60,823)
Net cash and cash equivalents provided by (used in) investing activities	1,002,005	(504,336)
FINANCING ACTIVITIES		
Principal repayments on notes payable	(129,302)	(123,469)
Net cash and cash equivalents used in financing activities	(129,302)	(123,469)
Net increase (decrease) in cash and cash equivalents	(456,474)	197,112
CASH AND CASH EQUIVALENTS		
Beginning	987,861	790,749
Ending	\$ 531,387	\$ 987,861
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	\$ 61,919	\$ 68,097

Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Notes to Financial Statements

December 31, 2023

Note 1 - Significant Accounting Policies

The Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc. (the “SPCA”) provides a safe environment for the lost, abandoned, and homeless animals of Charlottesville and Albemarle County and places them in good homes. The SPCA strives to set a standard of excellence and leadership in animal care, humane education, and progressive animal welfare programs.

The following programs and supporting services are included in the accompanying financial statements:

Animal care and spay/neuter resources: The SPCA provides shelter, nourishment, and vaccinations for the animals which are brought to it. The SPCA also provides medical care treating minor illnesses frequently and often more severe medical conditions, including emergency veterinarian treatment. The SPCA spays or neuters each animal prior to adoption. In addition to assuring all the SPCA animals are spayed or neutered, the SPCA provides subsidized and free spay/neuter programs for low-income residents.

Adoption: The SPCA evaluates all animals for behavior and health issues prior to adoption. The SPCA finds homes for all healthy and behaviorally sound animals.

Management and general: This includes the functions necessary to ensure an adequate working environment, provide coordination and articulation of the SPCA’s program strategy, and manage the financial and budgetary responsibilities of the SPCA.

Fundraising: This provides the structure necessary to encourage and secure private financial support.

Basis of Financial Statement Presentation and Accounting

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

The accompanying financial statements present information regarding the SPCA’s financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. The two classes are differentiated based on the existence or absence of donor-imposed restrictions.

Net Assets without Donor may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

Net Assets with Donor Restrictions are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the SPCA pursuant to those stipulations. Net assets with donor restrictions also includes amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various operating needs.

Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Notes to Financial Statements

December 31, 2023

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits and amounts invested in certificates of deposit with no permanently imposed donor restrictions. Short-term, highly liquid investments, such as mutual and money market funds that are components of externally managed investment portfolios, are classified as investments.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values, as determined by quoted market prices, in the statements of financial position. Net unrealized and realized gains or losses are reflected in the statements of activities.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the date of gift. Purchases and sales of investments are recorded on the trade date.

Property and Equipment

Property and equipment is stated at cost or at fair value at the date of gift, less accumulated depreciation. Expenditures for new construction, major renewals and replacements, and equipment exceeding \$1,000 are generally capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	10-40 years
Furniture, fixtures, and equipment	3-15 years

Contributions

Contributions, including contributions receivable, are recognized as net assets with donor restrictions or net assets without donor restrictions, depending on the existence or absence of any donor restrictions, in the period the donor's commitment is received. Unconditional promises to give are recognized as net assets with donor restrictions revenues unless the donor explicitly stipulates its use to support current period activities.

Contributions of assets other than cash are recorded at their fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions received with donor-imposed restrictions are reported as revenues of net assets with donor restrictions, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are recorded as revenues of net asset with donor restrictions, and a reclassification to net asset without donor restrictions is made to reflect the expiration of such restrictions.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of net assets without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of net assets with donor restrictions; the restrictions are considered to be released when the assets are placed in service.

Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Notes to Financial Statements

December 31, 2023

In-kind contributions are received to support the operations of various programs and special events and are recognized at fair value.

Beneficial Interest in Bleecker Trust

The SPCA participates in a split-interest agreement that is unconditional and irrevocable. This arrangement was established when a donor created the Bleecker Trust from which the SPCA receives benefits. The SPCA accounts for this agreement by recording its share of the present value of the estimated future cash receipts from the trust (which approximates its share of the related assets of the trust).

Functional Allocation of Expenses

The costs of providing the SPCA's programs and support services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between program and support services benefited.

Fair Value Measurements

The SPCA carries various assets at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a market-based approach is used. Additionally, the SPCA categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as reflected below. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 – Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

Level 2 – Fair values are based on inputs other than quoted prices that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Fair values are based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

Credit Risk Concentrations

Financial instruments which potentially subject the SPCA to concentrations of credit risk consist principally of cash and cash equivalents, investments, and the USDA loan reserve. A portion of the SPCA's bank deposits are in excess of federally insured limits.

Income Taxes

The SPCA is an organization described in *Internal Revenue Code* ("IRC") §501(c)(3) and accordingly, is exempt from federal and state income taxes under IRC §501(a). The SPCA has also been classified as an organization which is not a private foundation under IRC §509(a)(2). Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Notes to Financial Statements

December 31, 2023

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Revenue Recognition

The SPCA assesses new contracts and identifies related performance obligations for promises to transfer distinct goods or services to customers. Revenue is recognized as performance obligations until the terms of a contract are satisfied. The SPCA charges fees for adoptions, spay/neuter, rummage store, clinic and other services which are recognized at the point of sale.

The SPCA receives support through grants. Grant revenue is recognized and recorded upon receipt. Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the SPCA with the requirements of the grant in effect for the term of the grant.

The Organization also receives contributions from local governments, businesses and the general public. Revenue generated from fundraising activities are recorded in the period the donor's commitment is received and are not considered contractual in nature. See Note 9 and 11 for discussion on net assets with donor restrictions and releases from restrictions, respectively.

The SPCA receives revenue from Rummage Store sales and programs including adoption fees that are recognized as revenue upon receipt. Refer to Note 13 for further information.

Subsequent Events

Subsequent events have been evaluated through April 18, 2024, the date the financial statements were available to be issued.

Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Investments

Investments consist of the following:

	2023	2022
Money market funds	\$ 99,834	\$ 380,414
US Treasury bills	1,000,975	1,085,723
Mutual funds – equities:		
Information technology	2,122,178	1,715,126
Healthcare	281,736	530,511
Financial service	256,596	489,097
Oil and gas	255,079	274,056
Equipment and machinery	517,685	-
Consumer cyclical	272,322	284,284
Fashion	437,674	309,528
Food service	252,794	386,880
Retail	271,810	286,469
Auto manufacturers	370,209	279,063
	\$ 6,138,892	\$ 6,021,151

The following is a summary of the inputs used in determining the fair values of financial assets measured on a recurring basis:

	2023			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 99,834	\$ 99,834	\$ -	\$ -
US Treasury bills	1,000,975	1,000,975	-	-
Mutual funds – equities	5,038,083	5,038,083	-	-
Beneficial interest in				
Blecker Trust	613,609	-	613,609	-
Total financial assets	\$ 6,752,501	\$ 6,138,892	\$ 613,609	\$ -
	2022			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 380,414	\$ 380,414	\$ -	\$ -
US Treasury bills	1,085,723	1,085,723	-	-
Mutual funds – equities	4,555,014	4,555,014	-	-
Beneficial interest in				
Blecker Trust	733,888	-	733,888	-
Total financial assets	\$ 6,755,039	\$ 6,021,151	\$ 733,888	\$ -

Level 2 assets are valued by a third party using inputs other than quoted prices in Level 1 and include values of similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active,

Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Notes to Financial Statements

December 31, 2023

inputs other than quoted prices that were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

The fair value of investments is determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of funds held in trust by others is determined by the present value of expected future cash flows.

Note 3 - Conditional Contributions

At December 31, 2023, the SPCA had received bequests, intentions, and other conditional contributions receivable that were unable to be valued as of the date of the financial statements. These intentions to give are not recognized as assets until the conditions are essentially satisfied and valuation is determined.

Note 4 - Liquidity and Availability

The following table reflects the SPCA's financial assets as of December 31, 2023, reduced for amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, or because the governing board has set aside the funds for a specific purpose. These board designations could be drawn upon if the board approves that action.

The SPCA has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the SPCA keeps three months of operating expenses and one year of debt service available at all times. The SPCA invests cash in excess of current needs in various certificates of deposit and investment accounts.

Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Notes to Financial Statements

December 31, 2023

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 334,916	\$ 791,390
Investments	6,138,892	6,021,151
Accounts receivable	572,520	536,315
Beneficial interest in Bleecker Trust	613,609	733,888
USDA loan reserve	196,471	196,471
Pace endowment	26,000	26,000
Total financial assets	7,882,408	8,305,215
Less those unavailable for general expenditure within one year:		
Beneficial interest in Bleecker Trust	(613,609)	(733,888)
USDA loan reserve	(196,471)	(196,471)
Restricted cash held for Pace endowment	(26,000)	(26,000)
Other purpose restrictions	(15,399)	(102,893)
Total unavailable assets	(851,479)	(1,059,252)
Financial assets available to meet cash needs for general expenditures within one year	\$ 7,030,929	\$ 7,245,963

Note 5 - Property and Equipment

Property and equipment consist of the following:

	2023	2022
Land	\$ 1,914,468	\$ 1,914,467
Construction in progress	139,430	92,077
Buildings and improvements	8,414,843	8,402,986
Furniture, fixtures, and equipment	994,212	990,736
	11,462,953	11,400,266
Less: Accumulated depreciation	(4,393,320)	(4,101,230)
Net property and equipment	\$ 7,069,633	\$ 7,299,036

Construction in progress balance relates to a new HVAC system and survey fees for the building master plan.

Note 6 - Accrued Expenses

Accrued expenses consist of the following:

	2023	2022
Interest	\$ 2,802	\$ 3,064
Vacation	24,045	31,867
Salaries	102,730	90,383
Other	42,693	24,702
	\$ 172,270	\$ 150,016

Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Notes to Financial Statements

December 31, 2023

Note 7 - Notes Payable

Notes payable consist of the following:

	2023	2022
USDA construction loan, interest at 4.625%, annual installments, including interest of \$196,471, through October 2032, secured by a deed of trust.	\$ 1,381,889	\$ 1,511,191
Less current portion	(135,405)	(129,296)
	\$ 1,246,484	\$ 1,381,895

Debt matures as follows:

2024		\$ 135,405
2025		141,801
2026		148,501
2027		155,516
2028		162,863
Thereafter		637,803
		\$ 1,381,889

The USDA construction loan security agreement requires the SPCA to establish a reserve account of \$196,471, which is equal to one annual installment of principal and interest. It may be used to pay certain costs as approved by the lender.

Note 8 - Employee Benefits

Retirement benefits are provided for eligible employees through a simple IRA plan. The SPCA switched from a SIMPLE IRA plan to a Safe Harbor 401k in January 2020. The SPCA contributes a Safe Harbor Match of 100% on salary deferrals up to 3% of compensation plus 50% on deferrals between 3% and 5% of compensation. Contributions to this plan for 2023 and 2022 were \$19,443 and \$27,866, respectively.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of:

	2023	2022
Endowments	\$ 639,609	\$ 759,888
Capital contributions	15,399	102,893
	\$ 655,008	\$ 862,781

Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Notes to Financial Statements

December 31, 2023

Note 10 - Endowments

Endowments are composed of the following:

	2023	2022
Bleecker Trust	\$ 613,609	\$ 733,888
Pace Endowment	26,000	26,000
	\$ 639,609	\$ 759,888

The following schedule summarizes changes in endowment net assets:

	2023	2022
Endowment net assets, beginning of year	\$ 759,888	\$ 953,366
Investment return:		
Interest and dividends	20,452	26,313
Realized and unrealized gains/(loss)	73,182	(162,578)
Investment fees	(11,843)	(12,652)
Total investment return	81,791	(148,917)
Distributions	(202,070)	(44,561)
Endowment net assets, end of year	\$ 639,609	\$ 759,888

The SPCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner to preserve and expand the SPCA's purchasing power in perpetuity through sustained growth in its investment assets. To satisfy its investment objective, the SPCA relies on an overall investment program that is prudently diversified across a variety of asset classes, economic characteristics, and security issuers. The intended target rate of return over a full market cycle should be at least adequate to compensate for the total of the targeted spending, prevailing inflation, and anticipated SPCA expenses of the same period. Actual returns in any given year may vary from the targeted rate of return. The investment strategy includes target asset allocations, acceptable ranges around those targets, and a rebalancing policy.

The SPCA is permitted to use all interest earned on the PACE endowment towards operations. The Bleecker Trust distributes up to 5% of the net fair value of the assets in the trust to the SPCA throughout the year. The corpus of these two endowments is permanently restricted in the amount of \$126,000 for both fiscal years ended December 31, 2023 and 2022.

Note 11 - Net Assets Released from Restrictions

Net assets released from restrictions for capital improvements were \$128,630 and \$368,349 in 2023 and 2022, respectively.

Note 12 - Leases

The SPCA completed its obligation for a lease related to Rummage store facilities through December 31, 2023 and is under obligation for a copier lease through October 31, 2024. Subsequent to year end, the SPCA has entered into a new lease

Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc.

Notes to Financial Statements

December 31, 2023

agreement for the facility lease, beginning on January 1, 2024. The SPCA is obligated to pay \$14,000 per month with a three percent escalation per year for three years. Total future minimum lease payments are as follows:

2024		\$	170,300
2025			173,040
2026			178,231
		\$	<u>521,571</u>

FASB ASC 842 Leases was effective beginning January 1, 2022. The SPCA reviewed their leases and determined that the copier lease that meets the guidelines of ASC 842 is not material to the financial statements as a whole. The SPCA will evaluate each year.

Note 13 - Revenue Recognition

The SPCA assesses new contracts and identifies related performance obligations for promises to transfer distinct goods or services to customers. Revenue is recognized as performance obligations under the terms of a contract are satisfied. The SPCA charges fees for adoptions, spay/neuter, rummage store, clinic, and other services which are recognized at the point of sale.

The following table summarizes revenue by the SPCA’s main sources of revenue for the years ended December 31:

	2023	2022
Contracts with customers:		
Adoptions	\$ 308,065	\$ 559,511
Spay/Neuter	88,203	249,809
Rummage store	501,918	553,489
Clinic services	63,155	101,844
All others	49,369	82,827
Local government appropriations	1,030,586	959,524
	<u>\$ 2,041,296</u>	<u>\$ 2,507,004</u>

Economic Factors

Since the SPCA generates its revenue from individuals out of their discretionary income, its revenue sources are directly linked to the local and regional economy. These factors could impact the amount, timing, and uncertainty of revenue and cash flows.