

SPCA of Texas

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

SPCA of Texas
December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
SPCA of Texas
Dallas, Texas

We have audited the accompanying financial statements of the SPCA of Texas (SPCA), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
SPCA of Texas
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPCA as of December 31, 2020 and 2019, 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.

Emphasis of Matter

As described in *Note 1* to the financial statements, in 2020, SPCA adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

BKD, LLP

Dallas, Texas
July 1, 2021

SPCA of Texas
Statements of Financial Position
December 31, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,242,215	\$ 3,588,953
Accounts receivable, net	25,712	26,945
Inventories, net	194,994	298,536
Prepaid expenses	174,551	122,023
Investments	26,132,810	18,039,993
Annuities receivable	-	576,285
Assets held for sale, net	2,446,709	-
Contributions receivable, net	1,624,045	1,565,038
Property and equipment, net	<u>11,705,940</u>	<u>15,216,993</u>
Total assets	<u>\$ 44,546,976</u>	<u>\$ 39,434,766</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 346,768	\$ 571,002
Accrued expenses	585,791	863,179
Refundable advances	-	383,883
Paycheck Protection Program funding	<u>2,188,000</u>	<u>-</u>
Total liabilities	<u>3,120,559</u>	<u>1,818,064</u>

Net Assets

Without donor restriction	39,674,747	35,544,843
With donor restriction	<u>1,751,670</u>	<u>2,071,859</u>
Total net assets	<u>41,426,417</u>	<u>37,616,702</u>
Total liabilities and net assets	<u>\$ 44,546,976</u>	<u>\$ 39,434,766</u>

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

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

SPCA of Texas
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenues, Gains and Other Support			
Receiving	\$ 27,064	\$ -	\$ 27,064
Adoption	503,602	-	503,602
Surgery and patient care	2,664,255	-	2,664,255
Merchandise sales	125,703	-	125,703
Contributions	9,763,345	144,499	9,907,844
In-kind services and materials	6,573,542	-	6,573,542
Direct mail programs	1,603,913	-	1,603,913
Special events, gross	1,274,873	-	1,274,873
Memorials and bequests	8,997,231	-	8,997,231
Investment return, net	1,835,729	12,445	1,848,174
Miscellaneous revenues	92,288	-	92,288
Gain on sale of assets and insurance proceeds	1,102,906	-	1,102,906
Net assets released from restrictions	537,969	(537,969)	-
	<u>35,102,420</u>	<u>(381,025)</u>	<u>34,721,395</u>
Expenses			
Program expenses			
Rees-Jones Animal Care Center	5,640,573	-	5,640,573
Martin Spay/Neuter & Wellness Clinic	4,585,948	-	4,585,948
Perry Animal Care Center	2,433,249	-	2,433,249
Perry Spay/Neuter & Wellness Clinic	1,001,124	-	1,001,124
Spencer Spay/Neuter & Wellness Clinic	2,152,981	-	2,152,981
Community relations (volunteer)	345,904	-	345,904
Customer care center (call center)	476,057	-	476,057
Animal cruelty investigations unit	699,190	-	699,190
Animal behavior	484,069	-	484,069
Communications	6,916,644	-	6,916,644
	<u>24,735,739</u>	<u>-</u>	<u>24,735,739</u>
Supporting services			
Special events costs of direct benefits to donors	220,385	-	220,385
Development	1,879,527	-	1,879,527
Management and general	1,650,565	-	1,650,565
	<u>3,750,477</u>	<u>-</u>	<u>3,750,477</u>
Total expenses	<u>28,486,216</u>	<u>-</u>	<u>28,486,216</u>
Change in Net Assets	6,616,204	(381,025)	6,235,179
Net Assets, Beginning of Year	<u>28,928,639</u>	<u>2,452,884</u>	<u>31,381,523</u>
Net Assets, End of Year	<u>\$ 35,544,843</u>	<u>\$ 2,071,859</u>	<u>\$ 37,616,702</u>

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

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

SPCA of Texas
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Expenses										Total Program Expenses	Supporting Services			Total Supporting Services Expenses	Total Expenses
	Rees-Jones Animal Care Center	Martin S/N & Wellness Clinic	Perry Animal Care Center	Perry S/N & Wellness Clinic	Spencer S/N & Wellness Clinic	Community Relations (Volunteer)	Customer Care Center (Call Center)	Animal Cruelty Investigations Unit	Animal Behavior	Communications		Special Events Costs of Direct Benefits to Donors	Development	Management and General		
Salaries and wages	\$ 2,610,879	\$ 1,985,992	\$ 1,119,837	\$ 435,732	\$ 741,680	\$ 214,579	\$ 351,884	\$ 445,472	\$ 346,700	\$ 333,375	\$ 8,586,130	\$ -	\$ 481,762	\$ 721,054	\$ 1,202,816	\$ 9,788,946
Employee benefits	566,605	430,092	266,695	58,999	127,497	20,582	60,093	62,481	60,933	88,084	1,742,061	-	100,713	172,298	273,011	2,015,072
Contract labor	14,882	66,501	205,912	58,560	164,708	3,862	-	1,955	2,913	3,000	522,293	-	35,987	160,578	196,565	718,858
Payroll taxes	195,240	144,931	81,257	31,750	53,692	14,823	25,864	32,039	26,073	24,657	630,326	-	32,345	68,706	101,051	731,377
Total salaries and related expenses	3,387,606	2,627,516	1,673,701	585,041	1,087,577	253,846	437,841	541,947	436,619	449,116	11,480,810	-	650,807	1,122,636	1,773,443	13,254,253
Professional fees	44,730	51,253	21,641	13,966	22,372	2,433	3,632	5,152	3,818	6,515	175,512	-	208,338	40,785	249,123	424,635
Operating supplies	649,273	849,066	302,453	277,974	579,324	198	-	28,067	9,895	838	2,697,088	-	11,695	14,821	26,516	2,723,604
Postage and printing	1,172	87,674	631	1,152	56	49	-	54	-	773	91,561	-	81,048	2,330	83,378	174,939
Occupancy costs	150,766	19,466	66,248	6,722	19,029	6,044	804	5,445	-	2,467	276,991	-	2,860	32,124	34,984	311,975
Telephone/communications	11,621	22,735	11,357	7,295	14,999	1,061	3,775	10,222	2,848	3,022	88,935	-	4,870	3,214	8,084	97,019
Equipment rental	37,634	14,973	17,560	19,694	17,358	258	385	547	405	691	109,505	-	22,106	4,328	26,434	135,939
Insurance	85,146	27,915	31,071	4,164	10,023	5,331	2,980	21,190	3,211	2,421	193,452	-	3,371	25,167	28,538	221,990
Bank charges and service fees	35,437	33,038	15,526	8,164	12,105	1,738	3,150	3,162	3,672	4,425	120,417	-	94,201	21,132	115,333	235,750
Staff expenses	27,316	20,401	14,333	5,126	6,494	22,287	1,937	8,491	975	14,852	122,212	-	18,084	17,327	35,411	157,623
Repairs and maintenance	243,141	40,817	45,795	7,939	21,656	9,659	1,285	8,383	-	3,943	382,618	-	4,571	67,227	71,798	454,416
Vehicle expenses	10,922	30,016	11,395	1,375	1,571	1,182	108	18,280	318	2,435	77,602	-	6,332	46,171	52,503	130,105
Promotion, exhibit and other	-	254,936	-	-	-	474	-	-	-	6,388,385	6,643,795	220,385	307,550	8,891	536,826	7,180,621
Training and seminars	7,333	6,965	1,624	6,096	3,079	821	120	869	3,710	1,455	32,072	-	3,757	11,619	15,376	47,448
Advertising	6,547	229,990	1,924	1,174	227,562	1,265	305	433	321	548	470,069	-	73,312	3,493	76,805	546,874
Computer costs	49,211	35,600	16,753	9,423	18,847	4,188	9,423	10,471	9,423	6,282	169,621	-	11,518	13,612	25,130	194,751
Merchandise	36,513	5,615	14,784	3,555	4,209	-	-	-	-	-	64,676	-	-	-	-	64,676
Dues and subscriptions	5,785	7,985	2,834	1,704	3,160	200	-	-	65	4,585	26,318	-	5,328	13,547	18,875	45,193
Supplies	28,868	22,124	11,344	892	7,135	648	296	1,688	202	377	73,574	-	3,433	16,065	19,498	93,072
Bad debt expense	-	4,568	-	1,523	1,523	-	-	-	-	-	7,614	-	1,490	-	1,490	9,104
Mail solicitation	74,914	85,837	36,244	23,390	37,468	4,074	6,084	8,629	6,394	10,911	293,945	-	348,921	68,306	417,227	711,172
Miscellaneous	9,455	13,103	1,713	1,127	2,027	594	-	512	2,193	539	31,263	-	1,947	4,195	6,142	37,405
Total expenses other than salaries and related expenses	1,515,784	1,864,077	625,230	402,455	1,009,997	62,504	34,284	131,595	47,450	6,455,464	12,148,840	220,385	1,214,732	414,354	1,849,471	13,998,311
Total expenses before depreciation and amortization	4,903,390	4,491,593	2,298,931	987,496	2,097,574	316,350	472,125	673,542	484,069	6,904,580	23,629,650	220,385	1,865,539	1,536,990	3,622,914	27,252,564
Depreciation and amortization	737,183	94,355	134,318	13,628	55,407	29,554	3,932	25,648	-	12,064	1,106,089	-	13,988	113,575	127,563	1,233,652
Total expenses	\$ 5,640,573	\$ 4,585,948	\$ 2,433,249	\$ 1,001,124	\$ 2,152,981	\$ 345,904	\$ 476,057	\$ 699,190	\$ 484,069	\$ 6,916,644	\$ 24,735,739	\$ 220,385	\$ 1,879,527	\$ 1,650,565	\$ 3,750,477	\$ 28,486,216

SPCA of Texas
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 3,809,715	\$ 6,235,179
Items not requiring (providing) cash		
Depreciation and amortization	1,160,563	1,233,652
Gain on disposal of fixed assets and insurance proceeds	(16,714)	(1,102,906)
Donated securities	2,042,491	-
Net realized and unrealized gain on investments	(2,025,259)	(1,492,132)
Bad debt expense	17,448	9,104
Changes in		
Contributions and accounts receivable	(75,222)	(729,959)
Annuities receivable	576,285	152,571
Inventories, net	103,542	(26,208)
Prepaid expenses	(52,528)	(33,142)
Accounts payable	(224,234)	(38,996)
Accrued expenses	(277,388)	68,423
Refundable advances	(383,883)	(903,062)
Paycheck Protection Program funding	2,188,000	-
Net cash provided by operating activities	<u>6,842,816</u>	<u>3,372,524</u>
Investing Activities		
Purchase of property and equipment	(96,805)	(57,116)
Proceeds from sale of property and equipment	17,300	1,497,710
Proceeds from sale of investments	388,298	3,512,073
Purchase of investments	<u>(8,498,347)</u>	<u>(9,228,460)</u>
Net cash used in investing activities	<u>(8,189,554)</u>	<u>(4,275,793)</u>
Decrease in Cash and Cash Equivalents	(1,346,738)	(903,269)
Cash and Cash Equivalents, Beginning of Year	<u>3,588,953</u>	<u>4,492,222</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,242,215</u>	<u>\$ 3,588,953</u>
Supplemental Information		
Noncash Activity		
Contributions of in-kind goods and contributed services	\$ 6,324,839	\$ 6,573,542

SPCA of Texas
Notes to Financial Statements
December 31, 2020 and 2019

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

Nature of Operations

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

The SPCA is the leading animal welfare agency in North Texas. The not-for-profit, 501(c)(3) organization operates three animal shelters, three spay/neuter clinics, an animal rescue center, two mobile spay/neuter and wellness vehicles and a mobile adoption vehicle, all located in Dallas, Collin and Ellis Counties. The SPCA's adoption program, including the three shelters and a vibrant mobile/offsite adoptions program, finds homes for more than 3,300 animals each year. The SPCA does not euthanize animals for lack of space and does not place time limits on animals housed in SPCA shelters.

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

Additionally, the SPCA maintains an Animal Cruelty Investigations Unit, which performs more than 1,200 animal cruelty/neglect investigations and follow-ups every year, and rescues more than 1,400 each year, from several North Texas counties and beyond.

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

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

The SPCA 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.

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Use of Estimates

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

Cash and Cash Equivalents

SPCA considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020, SPCA's cash accounts exceeded federally insured limits by approximately \$1,800,000. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and accounts restricted internally by the Board of Directors (Board), are not considered to be cash and cash equivalents.

Investments and Net Investment Return

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

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

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

Inventories

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

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Property and Equipment

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

Buildings	7 – 31.50 years
Leasehold improvements	7 – 31.50 years
Equipment	5 – 15 years
Motor vehicles	5 – 7 years

Long-lived Asset Impairment

The SPCA evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2020 and 2019.

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.

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Revenue Recognition

Contributions and Contributions Receivable

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

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

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

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

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In-kind Services and Materials

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

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. During the years ended December 31, 2020 and 2019, SPCA received \$6,094,848 and \$6,454,080, respectively, of contributed services. Of this, \$5,890,192 and \$6,388,172 are in-kind media donation values for the years ended December 31, 2020 and 2019, respectively.

In addition to contributed services and cash contributions, SPCA receives in-kind contributions from various donors. It is the policy of SPCA to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. During the years ended December 31, 2020 and 2019, SPCA received \$229,991 and \$119,462, respectively, of in-kind contributions.

Direct Mail Programs, Memorials and Bequests

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

Special Events

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

Conditional Gifts and Refundable Advances

SPCA had received conditional contributions of approximately \$712,965 at December 31, 2019, that were not recognized as contribution revenue in the financial statements. The conditions were met, and contributions recognized in 2020. Conditional contributions for which the cash has been received are recorded as refundable advances in the accompanying statements of financial position until the conditions have been met and the contribution is recognized. At December 31, 2019, \$383,883 is recorded as refundable advances in the accompanying statements of financial position. At December 31, 2020, SPCA had no conditional contributions outstanding. See *Note 12* for information regarding the Paycheck Protection Program funding received.

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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, 2020 and 2019, were \$6,386,674 and \$7,727,495, respectively, and are included in advertising and promotion, exhibit and other expenses in the accompanying statements of functional expenses. Of this, \$5,890,192 and \$6,388,172 were in-kind media donation values for the years ended December 31, 2020 and 2019, 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

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 a change in net assets and cash flows of SPCA. Events could occur that would change this estimate materially in the near term.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that replaces existing revenue recognition guidance. The new standard requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, Topic 606 requires disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. SPCA adopted this standard on January 1, 2020, using a modified retrospective approach with the cumulative effect of initially applying the new standard, if any, to be recognized in net assets at the beginning of the year of adoption. SPCA has applied the new standard to all contracts not complete at the date of adoption. SPCA's adoption of Topic 606 did not result in a change to the timing of revenue recognition nor an adjustment to previously reported net assets.

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Performance Obligations

Revenue is measured as the amount of consideration SPCA expects to receive in exchange for transferring distinct goods or providing services to customers or event attendees. SPCA's revenue generated from exchange transactions consists substantially of adoption fees and surgery and patient care. SPCA recognizes revenue when performance obligations under the terms of contracts with its customers or patients are satisfied, which occurs at a point in time and over time, respectively. See *Note 13*.

Note 2: Investments and Net Investment Return

Investments at December 31 consisted of the following:

	2020	2019
Cash deposits	\$ 1,386,875	\$ 746,808
Brokered certificates of deposit	585,471	765,006
Bond mutual funds	12,188,685	8,147,391
Equity mutual funds	11,971,779	8,380,788
	<u>\$ 26,132,810</u>	<u>\$ 18,039,993</u>

Total net investment return is comprised of the following:

	2020	2019
Interest and dividend income	\$ 489,043	\$ 411,459
Management fees	(76,399)	(55,417)
Net realized and unrealized gains on investments reported at fair value	2,025,259	1,492,132
	<u>\$ 2,437,903</u>	<u>\$ 1,848,174</u>

Note 3: Annuities Receivable

During 2013, SPCA became the beneficiary of two structured settlement annuities. The payment terms under the annuities are as follows:

- Monthly payments of approximately \$12,700 through June 30, 2020.
- Lump-sum payment of \$500,000 on July 30, 2015.
- Lump-sum payment of \$500,000 on July 30, 2020.

The annuities cannot be assigned or used as collateral on a loan.

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At December 31, 2019, an annuities receivable of \$576,285 is recorded in the accompanying statements of financial position related to these two arrangements. Discounting to net present value is not material to the accompanying financial statements as a whole. The entire amount was collected in 2020.

Note 4: Contributions Receivable

Contributions receivable consisted of the following:

	<u>2020</u>	<u>2019</u>
Unconditional contributions expected to be collected in		
Due within one year	\$ 1,474,045	\$ 1,215,038
Due in one to five years	<u>150,000</u>	<u>350,000</u>
	<u>\$ 1,624,045</u>	<u>\$ 1,565,038</u>

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

Note 5: Property and Equipment and Assets Held for Sale

Property and equipment at December 31 consisted of:

	<u>2020</u>	<u>2019</u>
Land	\$ 715,359	\$ 1,345,210
Buildings and leasehold improvements	15,939,764	20,353,071
Equipment	2,719,491	2,814,691
Motor vehicles	<u>1,825,773</u>	<u>1,852,938</u>
	21,200,387	26,365,910
Less accumulated depreciation and amortization	<u>(9,494,447)</u>	<u>(11,148,917)</u>
	<u>\$ 11,705,940</u>	<u>\$ 15,216,993</u>

As of December 31, 2020, SPCA was actively seeking to sell a property that was a former branch location. The location is expected to sell for more than the current net asset value, and therefore no impairment value is necessary. The net carrying value of the property was \$2,446,709 at December 31, 2020 and is recorded as assets held for sale in the accompanying statements of financial position.

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Note 6: Net Assets With Donor Restriction

Net Assets With Donor Restriction

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose, passage of time, or both		
Disaster preparedness and relief efforts	\$ 416,112	\$ 743,506
Shelter Program	91,510	6,773
Community pet program	46,474	103,100
Rescue center improvements and expenses	<u>17,789</u>	<u>38,695</u>
	571,885	892,074
 Endowments		
Earnings subject to SPCA endowment spending policy and appropriation		
Restricted by donors for		
David Ivan Perry Fund	765,000	765,000
Baggarly Fund	<u>414,785</u>	<u>414,785</u>
	<u>\$ 1,751,670</u>	<u>\$ 2,071,859</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>2020</u>	<u>2019</u>
Purpose restrictions accomplished		
Community pet program	\$ 365,304	\$ 254,749
Shelter program expenses	106,112	9,112
Disaster preparedness and relief efforts	102,394	218,417
Rescue center improvements and expenses	20,906	37,091
Spay/neuter clinic program expenses	<u>-</u>	<u>18,600</u>
	<u>\$ 594,716</u>	<u>\$ 537,969</u>

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Note 7: Endowments

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

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act as adopted by the State of Texas (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the SPCA classifies as net assets with donor restriction as: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment fund is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the SPCA in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- Duration and preservation of the fund
- Purposes of the SPCA and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from investment income and appreciation or depreciation of investments
- Other resources of the SPCA
- Investment policies of the SPCA

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The composition of net assets by type of endowment fund at December 31, 2020 and 2019, was:

	Without Donor Restriction	With Donor Restriction	Total
December 31, 2020			
Donor-restricted endowment funds	\$ -	\$ 1,179,785	\$ 1,179,785
Board-designated endowment funds	22,267,441	-	22,267,441
	<u>\$ 22,267,441</u>	<u>\$ 1,179,785</u>	<u>\$ 23,447,226</u>
December 31, 2019			
Donor-restricted endowment funds	\$ -	\$ 1,179,785	\$ 1,179,785
Board-designated endowment funds	14,827,843	-	14,827,843
	<u>\$ 14,827,843</u>	<u>\$ 1,179,785</u>	<u>\$ 16,007,628</u>

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

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 14,827,843	\$ 1,179,785	\$ 16,007,628
Investment return, net			
Investment income	369,131	11,818	380,949
Net appreciation	1,975,929	14,466	1,990,395
	<u>2,345,060</u>	<u>26,284</u>	<u>2,371,344</u>
Total investment return, net			
Appropriation of endowment assets for expenditure	(2,464,384)	(26,284)	(2,490,668)
Board appropriations from unappropriated net assets without donor restriction	7,558,922	-	7,558,922
	<u>\$ 22,267,441</u>	<u>\$ 1,179,785</u>	<u>\$ 23,447,226</u>

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	2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 7,769,401	\$ 1,179,785	\$ 8,949,186
Investment return, net			
Investment income	292,711	11,888	304,599
Net appreciation	1,426,935	557	1,427,492
	<u>1,719,646</u>	<u>12,445</u>	<u>1,732,091</u>
Appropriation of endowment assets for expenditure	(2,717,171)	(12,445)	(2,729,616)
Board appropriations from unappropriated net assets without donor restriction	8,055,967	-	8,055,967
	<u>\$ 14,827,843</u>	<u>\$ 1,179,785</u>	<u>\$ 16,007,628</u>

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

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Note 8: 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 \$101,998 and \$88,774 for the years ended December 31, 2020 and 2019, respectively.

Note 9: 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, 2020 and 2019:

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

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Brokered certificates of deposits	\$ 765,006	\$ -	\$ 765,006	\$ -
Bond mutual funds	8,147,391	8,147,391	-	-
Equity mutual funds	8,380,788	8,380,788	-	-
	<u>\$ 17,293,185</u>	<u>\$ 16,528,179</u>	<u>\$ 765,006</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, 2020.

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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, 2020 and 2019.

Note 10: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019, comprise the following:

	2020	2019
Financial assets		
Cash and cash equivalents	\$ 2,242,215	\$ 3,588,953
Accounts receivable, net	25,712	26,945
Investments	26,132,810	18,039,993
Annuities receivable	-	576,285
Contributions receivable, net	1,624,045	1,565,038
Total financial assets	30,024,782	23,797,214
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	571,885	1,275,957
Internal designations		
Bequests receivable designated for endowment when received	1,100,361	1,006,812
Board-designated endowment	22,267,441	11,754,843
Contributions not expected to be collected within one year	150,000	350,000
Total financial assets not available to meet cash needs for general expenditure within one year	25,269,472	15,567,397
Financial assets available to meet cash needs for general expenditure within one year	\$ 4,755,310	\$ 8,229,817

The board-designated operating reserve intended to operate as an endowment of \$22,267,441 and \$14,827,843 at December 31, 2020 and 2019, respectively, is subject to annual spending rates determined by the Board. Although SPCA does not intend to spend from this board-designated

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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, 2019, the Board approved the use of \$3,073,000 of the board-designated operating reserve intended to operate as an endowment in 2020; therefore, these funds have been excluded from the table above. The Board had not approved the use of any Board-designated operating reserve for 2021 before December 31, 2020.

SPCA manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. SPCA has a liquidity policy to maintain operating bank account balances at a minimum of 30 days operating expenses. SPCA forecasts its future cash flows and monitors its liquidity monthly and evaluates its reserves annually. During the years ended December 31, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

Note 11: Significant Estimates, Concentrations and Related Party Transactions

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

Revenues, Gains and Other Support

Approximately 33% of contributions, memorials and bequests, and direct mail revenues were received from one donor in 2019. No such concentration existed in 2020. Approximately 83% and 91% of in-kind services and materials were received from two donors in 2020 and 2019, respectively. Fluctuations in funding concentrations for non-profits are most often correlated to new programs, expansion of existing programs or dedicated campaigns and are for a designated period of time.

Investments

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

Related Party Transactions

For the years ended December 31, 2020 and 2019, SPCA received related party contributions of approximately \$1,065,000 and \$2,079,000, respectively, from members of the Board.

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COVID-19

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

Note 12: CARES Act

SPCA received a Payroll Protection Program (PPP) loan established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) in April 2020 totaling \$2,188,000, which is subject to forgiveness if certain conditions are satisfied. SPCA has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting full-time equivalent employee and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), and lender; as a result of such audit, adjustments could be required to the recognition of revenue.

At December 31, 2020, formal notification of forgiveness had not been received and conditions had not been met. As such, the loan is included within liabilities in the accompanying statements of financial position.

Note 13: Revenue from Contracts with Customers

Adoption Revenue

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

Surgery and Patient Care

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

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Transaction Price and Recognition

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

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

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

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

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

Contract Balances

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

Note 14: Subsequent Events

In March 2021, SPCA applied for forgiveness of their full first loan in the amount of \$2,188,000 pursuant to the Paycheck Protection Program (see *Note 12*), which was forgiven on June 8, 2021. In April 20, 2021, SPCA received a second loan in the amount of \$1,500,000 pursuant to the Paycheck Protection Program.

Subsequent events have been evaluated through July 1, 2021, which is the date the financial statements were available to be issued.