

# **SPCA of Texas**

Independent Auditor's Report and Financial Statements

December 31, 2018 and 2017



**SPCA of Texas**  
**December 31, 2018 and 2017**

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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, 2018 and 2017, 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 SPCA'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 SPCA'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.

***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, 2018 and 2017, 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 2018, SPCA adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**BKD, LLP**

Dallas, Texas  
August 9, 2019

**SPCA of Texas**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

**Assets**

	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 4,492,222	\$ 7,159,496
Accounts receivable, net	10,628	16,138
Inventories, net	272,328	334,624
Prepaid expenses	88,881	99,739
Investments	10,831,474	12,388,284
Annuities receivable	728,856	889,316
Contributions receivable, net	860,500	980,053
Property and equipment, net	16,788,333	17,576,098
Total assets	\$ 34,073,222	\$ 39,443,748

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 609,998	\$ 645,517
Accrued expenses	794,756	637,097
Deferred revenue	1,286,945	1,845,739
Total liabilities	2,691,699	3,128,353

**Net Assets**

Without donor restriction	28,928,639	33,230,423
With donor restriction	2,452,884	3,084,972
Total net assets	31,381,523	36,315,395
Total liabilities and net assets	\$ 34,073,222	\$ 39,443,748

**SPCA of Texas**  
**Statement of Activities**  
**Year Ended December 31, 2018**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Receiving	\$ 16,575	\$ -	\$ 16,575
Adoption	546,174	-	546,174
Surgery and patient care	2,435,177	-	2,435,177
Merchandise sales	180,498	-	180,498
Contributions	7,218,025	549,521	7,767,546
In-kind services and materials	5,147,303	-	5,147,303
Direct mail programs	1,613,699	-	1,613,699
Special events, gross	1,273,277	-	1,273,277
Memorials and bequests	3,063,172	-	3,063,172
Investment return (loss), net	(409,845)	14,298	(395,547)
Miscellaneous revenues	105,613	-	105,613
Gain on sale of assets	18,316	-	18,316
Net assets released from restrictions	1,195,907	(1,195,907)	-
	<u>22,403,891</u>	<u>(632,088)</u>	<u>21,771,803</u>
<b>Expenses</b>			
Program expenses			
Rees-Jones Animal Care Center	5,840,066	-	5,840,066
Martin Spay/Neuter & Wellness Clinic	3,694,734	-	3,694,734
Perry Animal Care Center	2,722,182	-	2,722,182
Perry Spay/Neuter & Wellness Clinic	965,335	-	965,335
Spencer Spay/Neuter & Wellness Clinic	2,039,102	-	2,039,102
Community relations (volunteer)	356,735	-	356,735
Customer care center	443,039	-	443,039
Animal cruelty investigations unit	1,166,279	-	1,166,279
Animal behavior	374,435	-	374,435
Communications	5,475,337	-	5,475,337
	<u>23,077,244</u>	<u>-</u>	<u>23,077,244</u>
Supporting services			
Special events costs of direct benefits to donors	185,140	-	185,140
Development	1,713,195	-	1,713,195
Management and general	1,730,096	-	1,730,096
	<u>3,628,431</u>	<u>-</u>	<u>3,628,431</u>
Total expenses	<u>26,705,675</u>	<u>-</u>	<u>26,705,675</u>
<b>Change in Net Assets</b>	(4,301,784)	(632,088)	(4,933,872)
<b>Net Assets, Beginning of Year</b>	<u>33,230,423</u>	<u>3,084,972</u>	<u>36,315,395</u>
<b>Net Assets, End of Year</b>	<u>\$ 28,928,639</u>	<u>\$ 2,452,884</u>	<u>\$ 31,381,523</u>

**SPCA of Texas**  
**Statement of Activities**  
**Year Ended December 31, 2017**

	Without Donor Restriction	With Donor Restriction	Total
<b>Revenues, Gains and Other Support</b>			
Receiving	\$ 11,300	\$ -	\$ 11,300
Adoption	508,077	-	508,077
Surgery and patient care	2,580,792	-	2,580,792
Merchandise sales	196,126	-	196,126
Contributions	9,658,023	2,142,133	11,800,156
In-kind services and materials	1,819,336	-	1,819,336
Direct mail programs	1,671,300	-	1,671,300
Special events, gross	1,053,569	-	1,053,569
Memorials and bequests	1,520,570	-	1,520,570
Investment return , net	1,556,321	11,790	1,568,111
Miscellaneous revenues	132,034	-	132,034
Gain on sale of assets	37,691	-	37,691
Net assets released from restrictions	962,335	(962,335)	-
	<u>21,707,474</u>	<u>1,191,588</u>	<u>22,899,062</u>
<b>Expenses</b>			
Program expenses			
Rees-Jones Animal Care Center	5,121,080	-	5,121,080
Martin Spay/Neuter & Wellness Clinic	2,749,038	-	2,749,038
Perry Animal Care Center	2,177,944	-	2,177,944
Perry Spay/Neuter & Wellness Clinic	927,569	-	927,569
Spencer Spay/Neuter & Wellness Clinic	1,818,800	-	1,818,800
Community relations (volunteer)	698,456	-	698,456
Customer care center	388,081	-	388,081
Animal cruelty investigations unit	1,058,646	-	1,058,646
Animal behavior	185,886	-	185,886
Communications	1,884,668	-	1,884,668
	<u>17,010,168</u>	<u>-</u>	<u>17,010,168</u>
<b>Supporting Services Expenses</b>			
Special events costs of direct benefits to donors	155,100	-	155,100
Development	1,751,631	-	1,751,631
Management and general	1,461,902	-	1,461,902
	<u>3,368,633</u>	<u>-</u>	<u>3,368,633</u>
	<u>20,378,801</u>	<u>-</u>	<u>20,378,801</u>
<b>Change in Net Assets</b>	1,328,673	1,191,588	2,520,261
<b>Net Assets, Beginning of Year</b>	<u>31,901,750</u>	<u>1,893,384</u>	<u>33,795,134</u>
<b>Net Assets, End of Year</b>	<u>\$ 33,230,423</u>	<u>\$ 3,084,972</u>	<u>\$ 36,315,395</u>

**SPCA of Texas**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2018**

	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	Total Program Expenses	Special Events Costs of Direct Benefits to Donors	Development			Management and General
Salaries and wages	\$ 2,405,642	\$ 1,588,912	\$ 1,220,331	\$ 368,354	\$ 725,688	\$ 178,339	\$ 316,733	\$ 622,623	\$ 248,169	\$ 352,287	\$ 8,027,078	\$ -	\$ 476,960	\$ 734,015	\$ 1,210,975	\$ 9,238,053
Employee benefits	426,979	323,947	249,751	55,867	122,864	33,366	58,516	88,613	38,682	72,383	1,470,968	-	92,618	210,694	303,312	1,774,280
Contract labor	224,311	91,419	257,642	68,914	97,582	4,000	-	64,645	15,885	5,273	829,671	-	-	54,033	54,033	883,704
Payroll taxes	177,551	118,128	88,615	26,620	52,150	12,786	23,126	45,046	17,886	26,078	587,986	-	30,926	51,281	82,207	670,193
<b>Total salaries and related expenses</b>	<b>3,234,483</b>	<b>2,122,406</b>	<b>1,816,339</b>	<b>519,755</b>	<b>998,284</b>	<b>228,491</b>	<b>398,375</b>	<b>820,927</b>	<b>320,622</b>	<b>456,021</b>	<b>10,915,703</b>	<b>-</b>	<b>600,504</b>	<b>1,050,023</b>	<b>1,650,527</b>	<b>12,566,230</b>
Professional fees	53,288	46,882	27,929	15,567	24,691	2,742	3,793	10,382	3,402	6,888	195,564	-	133,832	77,788	211,620	407,184
Operating supplies	839,548	822,189	399,742	288,681	569,644	3,322	800	158,658	15,497	1,771	3,099,852	-	12,648	20,134	32,782	3,132,634
Postage and printing	2,757	54,420	997	1,044	396	1,632	50	593	40	366	62,295	-	78,801	14,497	93,298	155,593
Occupancy costs	152,607	19,533	65,526	7,449	20,240	6,118	814	5,864	-	2,498	280,649	-	2,895	37,363	40,258	320,907
Telephone/communications	13,307	20,627	12,168	7,769	14,776	1,744	6,061	11,967	3,820	3,357	95,596	-	4,873	3,681	8,554	104,150
Equipment rental	45,475	13,506	10,674	21,021	20,000	346	478	3,010	429	868	115,807	-	16,870	9,805	26,675	142,482
Insurance	84,246	18,011	28,548	6,600	10,918	9,226	2,760	22,276	1,057	2,721	186,363	-	3,860	24,629	28,489	214,852
Bank charges and service fees	35,350	25,516	17,293	8,147	12,612	1,475	3,246	5,489	2,916	4,201	116,245	-	64,560	34,882	99,442	215,687
Staff expenses	47,196	22,685	22,531	8,153	6,571	43,599	1,247	8,592	2,348	14,602	177,524	-	18,175	16,589	34,764	212,288
Repairs and maintenance	267,936	41,319	47,948	6,700	22,689	10,550	1,404	9,156	-	4,307	412,009	-	4,993	40,543	45,536	457,545
Vehicle expenses	11,760	13,672	15,906	217	1,182	196	-	34,274	403	1,745	79,355	-	4,102	52,530	56,632	135,987
Promotion, exhibit and other	13,536	4,799	590	-	-	1,117	-	154	1,439	4,939,203	4,960,838	185,140	410,895	19,956	615,991	5,576,829
Training and seminars	6,163	4,603	2,053	3,829	994	2,700	992	4,419	803	797	27,353	-	5,958	8,316	14,274	41,627
Advertising	5,455	184,695	3,201	1,593	182,423	281	388	1,063	348	705	380,152	-	54,951	7,962	62,913	443,065
Computer costs	58,170	42,080	19,802	11,139	22,278	4,951	11,139	12,377	11,139	7,426	200,501	-	13,614	16,089	29,703	230,204
Merchandise	51,633	14,597	17,610	4,153	8,349	-	-	-	-	-	96,342	-	-	-	-	96,342
Dues and subscriptions	9,763	4,446	1,381	2,136	2,471	85	-	319	110	681	21,392	-	3,083	15,824	18,907	40,299
Supplies	47,525	15,600	15,493	1,909	11,177	1,067	395	7,650	328	1,941	103,085	-	3,791	12,251	16,042	119,127
Bad debt expense	-	16,338	-	5,446	5,446	-	-	-	-	-	27,230	-	7,000	-	7,000	34,230
Mail solicitation	98,882	86,995	51,826	28,887	45,817	5,088	7,038	19,266	6,312	12,781	362,892	-	248,342	144,345	392,687	755,579
Miscellaneous	-	2,413	5,970	1,072	948	1,497	-	3,367	3,422	4	18,693	-	5,011	5,646	10,657	29,350
<b>Total expenses other than salaries and related expenses</b>	<b>1,844,597</b>	<b>1,474,926</b>	<b>767,188</b>	<b>431,512</b>	<b>983,622</b>	<b>97,736</b>	<b>40,605</b>	<b>318,876</b>	<b>53,813</b>	<b>5,006,862</b>	<b>11,019,737</b>	<b>185,140</b>	<b>1,098,254</b>	<b>562,830</b>	<b>1,846,224</b>	<b>12,865,961</b>
<b>Total expenses before depreciation and amortization</b>	<b>5,079,080</b>	<b>3,597,332</b>	<b>2,583,527</b>	<b>951,267</b>	<b>1,981,906</b>	<b>326,227</b>	<b>438,980</b>	<b>1,139,803</b>	<b>374,435</b>	<b>5,462,883</b>	<b>21,935,440</b>	<b>185,140</b>	<b>1,698,758</b>	<b>1,612,853</b>	<b>3,496,751</b>	<b>25,432,191</b>
Depreciation and amortization	760,986	97,402	138,655	14,068	57,196	30,508	4,059	26,476	-	12,454	1,141,804	-	14,437	117,243	131,680	1,273,484
<b>Total expenses</b>	<b>\$ 5,840,066</b>	<b>\$ 3,694,734</b>	<b>\$ 2,722,182</b>	<b>\$ 965,335</b>	<b>\$ 2,039,102</b>	<b>\$ 356,735</b>	<b>\$ 443,039</b>	<b>\$ 1,166,279</b>	<b>\$ 374,435</b>	<b>\$ 5,475,337</b>	<b>\$ 23,077,244</b>	<b>\$ 185,140</b>	<b>\$ 1,713,195</b>	<b>\$ 1,730,096</b>	<b>\$ 3,628,431</b>	<b>\$ 26,705,675</b>



**SPCA of Texas**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2017**

	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	Total Program Expenses	Special Events Costs of Direct Benefits to Donors	Development			Management and General
Salaries and wages	\$ 1,917,507	\$ 983,660	\$ 1,062,585	\$ 368,903	\$ 684,831	\$ 404,392	\$ 279,444	\$ 646,876	\$ 120,622	\$ 326,082	\$ 6,794,902	\$ -	\$ 489,106	\$ 540,093	\$ 1,029,199	\$ 7,824,101
Employee benefits	345,769	199,533	221,777	56,127	120,080	83,691	52,586	89,187	13,912	60,412	1,243,074	-	80,016	223,473	303,489	1,546,563
Contract labor	182,286	87,358	75,199	40,751	105,575	2,277	-	29,237	200	1,825	524,708	-	4,375	78,184	82,559	607,267
Payroll taxes	143,215	72,398	78,164	26,397	48,589	28,688	19,561	46,482	8,994	22,821	495,309	-	35,998	38,750	74,748	570,057
<b>Total salaries and related expenses</b>	<b>2,588,777</b>	<b>1,342,949</b>	<b>1,437,725</b>	<b>492,178</b>	<b>959,075</b>	<b>519,048</b>	<b>351,591</b>	<b>811,782</b>	<b>143,728</b>	<b>411,140</b>	<b>9,057,993</b>	<b>-</b>	<b>609,495</b>	<b>880,500</b>	<b>1,489,995</b>	<b>10,547,988</b>
Professional fees	40,472	36,214	19,249	13,011	17,563	5,968	1,937	7,858	1,486	4,909	148,667	-	160,072	43,129	203,201	351,868
Operating supplies	793,164	774,457	278,205	283,133	472,988	29,438	2,309	57,607	11,979	222	2,703,502	-	26,522	31,371	57,893	2,761,395
Postage and printing	1,377	12,728	533	866	1,144	1,646	-	986	49	415	19,744	-	76,725	7,744	84,469	104,213
Occupancy costs	146,556	27,566	54,973	6,421	19,267	5,875	782	5,099	-	2,398	268,937	-	2,780	31,811	34,591	303,528
Telephone/communications	11,347	16,674	10,795	7,696	14,508	3,781	5,482	12,257	2,353	3,081	87,974	-	4,529	3,583	8,112	96,086
Equipment rental	46,310	20,970	8,895	17,383	18,701	1,209	392	1,591	301	994	116,746	-	32,419	8,735	41,154	157,900
Insurance	80,946	18,090	27,501	5,446	9,914	8,469	2,405	22,317	890	2,399	178,377	-	3,545	34,144	37,689	216,066
Bank charges and service fees	48,515	39,717	23,972	12,983	17,653	6,829	3,077	8,942	2,221	5,674	169,583	-	142,167	40,914	183,081	352,664
Staff expenses	34,790	32,520	15,917	11,812	13,487	40,882	2,100	21,333	8,879	21,618	203,338	-	17,872	11,362	29,234	232,572
Repairs and maintenance	315,900	45,923	56,923	11,147	26,374	12,525	1,666	10,869	-	5,113	486,440	-	5,927	48,132	54,059	540,499
Vehicle expenses	10,544	8,892	11,212	377	1,219	445	-	33,317	436	1,187	67,629	-	3,880	49,043	52,923	120,552
Promotion, exhibit and other	1,084	505	-	-	-	6,959	-	471	1,360	1,390,875	1,401,254	155,100	316,030	3,332	474,462	1,875,716
Training and seminars	18,323	9,231	3,775	3,570	451	2,461	-	3,968	3,526	2,190	47,495	-	2,676	1,542	4,218	51,713
Advertising	6,220	104,537	2,958	2,000	101,671	917	298	1,208	228	754	220,791	-	24,600	6,628	31,228	252,019
Computer costs	38,760	34,680	14,280	9,180	16,320	8,160	8,160	10,200	4,080	6,120	149,940	-	10,200	12,240	22,440	172,380
Merchandise	59,398	13,129	19,682	1,243	6,792	-	-	-	-	-	100,244	-	-	-	-	100,244
Dues and subscriptions	6,201	8,633	2,212	3,656	4,786	414	-	936	534	2,967	30,339	-	5,071	36,379	41,450	71,789
Supplies	35,728	15,689	12,062	866	10,449	1,618	367	2,998	416	349	80,542	-	3,185	13,027	16,212	96,754
Bad debt expense	300	13,596	-	5,144	18,006	-	-	-	-	-	37,046	-	-	-	-	37,046
Mail solicitation	72,727	65,074	34,590	23,380	31,560	10,724	3,481	14,120	2,669	8,822	267,147	-	287,642	77,501	365,143	632,290
Miscellaneous	7,424	10,473	4,699	2,097	34	771	-	4,477	751	1,065	31,791	-	1,947	4,276	6,223	38,014
<b>Total expenses other than salaries and related expenses</b>	<b>1,776,086</b>	<b>1,309,298</b>	<b>602,433</b>	<b>421,411</b>	<b>802,887</b>	<b>149,091</b>	<b>32,456</b>	<b>220,554</b>	<b>42,158</b>	<b>1,461,152</b>	<b>6,817,526</b>	<b>155,100</b>	<b>1,127,789</b>	<b>464,893</b>	<b>1,747,782</b>	<b>8,565,308</b>
<b>Total expenses before depreciation and amortization</b>	<b>4,364,863</b>	<b>2,652,247</b>	<b>2,040,158</b>	<b>913,589</b>	<b>1,761,962</b>	<b>668,139</b>	<b>384,047</b>	<b>1,032,336</b>	<b>185,886</b>	<b>1,872,292</b>	<b>15,875,519</b>	<b>155,100</b>	<b>1,737,284</b>	<b>1,345,393</b>	<b>3,237,777</b>	<b>19,113,296</b>
Depreciation and amortization	756,217	96,791	137,786	13,980	56,838	30,317	4,034	26,310	-	12,376	1,134,649	-	14,347	116,509	130,856	1,265,505
<b>Total expenses</b>	<b>\$ 5,121,080</b>	<b>\$ 2,749,038</b>	<b>\$ 2,177,944</b>	<b>\$ 927,569</b>	<b>\$ 1,818,800</b>	<b>\$ 698,456</b>	<b>\$ 388,081</b>	<b>\$ 1,058,646</b>	<b>\$ 185,886</b>	<b>\$ 1,884,668</b>	<b>\$ 17,010,168</b>	<b>\$ 155,100</b>	<b>\$ 1,751,631</b>	<b>\$ 1,461,902</b>	<b>\$ 3,368,633</b>	<b>\$ 20,378,801</b>

**SPCA of Texas**  
**Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Operating Activities</b>		
Change in net assets	\$ (4,933,872)	\$ 2,520,261
Items not requiring (providing) cash		
Depreciation and amortization	1,273,484	1,265,505
Gain on disposal of fixed assets	(18,316)	(37,691)
Net realized and unrealized (gain) loss on investments	693,132	(1,369,551)
Bad debt expense	34,230	37,046
Donated capital assets	-	(18,000)
Changes in		
Contributions and accounts receivable	78,333	(988,746)
Grants receivable	12,500	108,750
Annuities receivable	160,460	178,210
Inventories, net	62,296	9,021
Prepaid expenses	10,858	16,511
Accounts payable	(35,519)	201,187
Accrued expenses	157,659	128,164
Deferred revenue	(558,794)	1,697,653
	<u>(3,063,549)</u>	<u>3,748,320</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Purchase of property and equipment	(495,268)	(1,131,249)
Proceeds from sale of property and equipment	27,865	379,738
Proceeds from sale of investments	4,949,357	13,565,085
Purchase of investments	(4,085,679)	(12,603,340)
	<u>396,275</u>	<u>210,234</u>
Net cash provided by investing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(2,667,274)	3,958,554
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>7,159,496</u>	<u>3,200,942</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,492,222</u>	<u>\$ 7,159,496</u>
<b>Supplemental Information</b>		
<b>Noncash Activity</b>		
Contributions of in-kind goods and contributed services	\$ 5,147,303	\$ 1,819,336
Donated capital assets	\$ -	\$ 18,000

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**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 two animal shelters, three spay/neuter clinics, an animal rescue center, two mobile spay/neuter vehicles and a mobile adoption vehicle, all located in Dallas and Collin Counties. The SPCA's adoption program, including the two shelters and a vibrant mobile/offsite adoptions program, finds homes for more than 7,400 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 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 answers over 4,700 calls concerning animal cruelty and neglect every year, and rescues more than 3,000 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. A dedicated Humane Education department offers camps, school visits and shelter education tours for children. 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. The SPCA's four signature events—including Paws Cause; Strut Your Mutt, the Race to End Animal Cruelty; Fur Ball; and Home for the Holidays/Bark + Build—and a host of fundraising programs 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 city, state or federal government.

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

***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, 2018, SPCA's cash accounts exceeded federally insured limits by approximately \$4,000,000.

***Investments and Net Investment Return***

Investments in all debt securities and equity securities, including brokered certificates of deposit, corporate equities, bond mutual funds and equity mutual funds, having a readily determinable fair value that are carried at fair value. Other investments are valued at lower of cost or 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.

***Contributions and Other Receivables***

Receivables are due primarily from individuals related to gift pledges and are stated at the amount management expects to collect from outstanding balances. The SPCA provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Receivables outstanding more than 90 days are generally considered past due. The SPCA writes off receivables when deemed uncollectible. The allowance for doubtful accounts at December 31, 2018 and 2017, was \$13,000.

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

***Inventories***

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

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation 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, 2018 and 2017.

***Net Assets***

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

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

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

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**Revenue Recognition**

***Adoption and Surgery and Patient Care***

Adoption revenues are recognized at the time of adoption. Surgery and patient care revenues are recognized at the time of the surgery or patient services.

***Contributions***

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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<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 having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

***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, 2018 and 2017, SPCA received \$4,983,048 and \$1,499,687, respectively, of contributed services. Of this, approximately \$4,939,035 and \$1,390,504 are in-kind media donation values for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, SPCA received \$164,255 and \$319,649, 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 statement of activities within supporting services expenses. All other expenses related to special events are included in development expenses.

***Deferred Revenue***

Revenue from reimbursable costs on contracts are deferred and recognized over the periods when the contracted services are performed.

***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.

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

***Advertising and Promotion***

Advertising and promotion costs are expensed as incurred. Total advertising and promotion costs for the years ended December 31, 2018 and 2017, were \$6,019,895 and \$2,127,735, respectively, and are included in advertising and promotion, exhibit and other expenses in the accompanying statements of functional expenses. Of this, approximately \$4,939,035 and \$1,390,504 were in-kind media donation values for the years ended December 31, 2018 and 2017, 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.

***Change in Accounting Principle***

In 2018 SPCA adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

***Statement of Financial Position***

The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restriction and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

***Statements of Activities and Functional Expenses***

Expenses are reported by nature and function.

***Notes to Financial Statements***

Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position. This change has no impact on previously reported total change in net assets.



**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

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

Investments at December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Cash deposits	\$ 779,823	\$ 1,312,692
Brokered certificates of deposit	506,449	375,309
Corporate equities	-	3,855
Bond mutual funds	5,361,125	2,912,010
Equity mutual funds	<u>4,184,077</u>	<u>7,784,418</u>
	<u>\$ 10,831,474</u>	<u>\$ 12,388,284</u>

Total net investment return (loss) is comprised of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 352,488	\$ 252,335
Management fees	(54,903)	(53,775)
Net realized and unrealized gains (loss) on investments reported at fair value	<u>(693,132)</u>	<u>1,369,551</u>
	<u>\$ (395,547)</u>	<u>\$ 1,568,111</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.

At December 31, 2018 and 2017, an annuities receivable of \$728,856 and \$889,316, respectively, 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.

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**Note 4: Contributions Receivable**

Contributions receivable consisted of the following:

	<u>2018</u>	<u>2017</u>
Unconditional contributions expected to be collected in		
Due within one year	\$ 310,500	\$ 230,053
Due in one to five years	<u>550,000</u>	<u>750,000</u>
	<u>\$ 860,500</u>	<u>\$ 980,053</u>

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

**Note 5: Property and Equipment**

Property and equipment at December 31 consisted of:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,696,513	1,696,513
Buildings and leasehold improvements	20,351,085	20,176,617
Equipment	2,759,561	2,635,390
Motor vehicles	<u>1,936,538</u>	<u>1,950,407</u>
	26,743,697	26,458,927
Less accumulated depreciation and amortization	<u>(9,955,364)</u>	<u>(8,882,829)</u>
	<u>\$ 16,788,333</u>	<u>\$ 17,576,098</u>

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**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>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose, passage of time, or both		
Disaster preparedness and relief efforts	\$ 1,161,923	\$ 1,240,009
Rescue center improvements and expenses	70,921	316,794
Spay/neuter clinics	8,500	147,142
Community pet program	15,870	131,846
Shelter Program	15,885	69,396
	<u>1,273,099</u>	<u>1,905,187</u>
Endowments		
Earnings subject to SPCA endowment spending policy and appropriation		
Restricted by donors for		
David Ivan Perry Fund	765,000	765,000
Baggarly Fund	414,785	414,785
	<u>\$ 2,452,884</u>	<u>\$ 3,084,972</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>2018</u>	<u>2017</u>
Purpose restrictions accomplished		
Rescue center improvements and expenses	\$ 364,703	\$ 226,334
Disaster preparedness and relief efforts	281,636	316,698
Community pet program	243,915	88,859
Shelter program expenses	158,512	22,544
Spay/neuter clinic program expenses	147,141	226,779
Miscellaneous program expenses	-	81,121
	<u>\$ 1,195,907</u>	<u>\$ 962,335</u>

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**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 of directors 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 of directors has interpreted the State of Texas Uniform Prudent Management of Institutional Funds Act (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

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

The composition of net assets by type of endowment fund at December 31, 2018 and 2017, was:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>December 31, 2018</b>			
Donor-restricted endowment funds	\$ -	\$ 1,179,785	\$ 1,179,785
Board-designated endowment funds	7,769,401	-	7,769,401
	<u>\$ 7,769,401</u>	<u>\$ 1,179,785</u>	<u>\$ 8,949,186</u>
<b>December 31, 2017</b>			
Donor-restricted endowment funds	\$ -	\$ 1,179,785	\$ 1,179,785
Board-designated endowment funds	9,754,001	-	9,754,001
	<u>\$ 9,754,001</u>	<u>\$ 1,179,785</u>	<u>\$ 10,933,786</u>

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

	<b>2018</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 9,754,001	\$ 1,179,785	\$ 10,933,786
Investment return (loss), net			
Investment income	274,855	12,438	287,293
Net appreciation (depreciation)	(643,038)	1,860	(641,178)
	<u>(368,183)</u>	<u>14,298</u>	<u>(353,885)</u>
Total investment return (loss), loss			
Appropriation of endowment assets for expenditure	(4,480,615)	(14,298)	(4,494,913)
Board appropriations from unappropriated net assets without donor restriction	2,864,198	-	2,864,198
	<u>\$ 7,769,401</u>	<u>\$ 1,179,785</u>	<u>\$ 8,949,186</u>

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

	2017		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 9,390,550	\$ 1,179,785	\$ 10,570,335
Investment return, net			
Investment income	180,923	9,647	190,570
Net appreciation	<u>1,345,062</u>	<u>2,143</u>	<u>1,347,205</u>
Total investment return, net	1,525,985	11,790	1,537,775
Appropriation of endowment assets for expenditure	(2,200,000)	(11,790)	(2,211,790)
Board appropriations from unappropriated net assets without donor restriction	<u>1,037,466</u>	<u>-</u>	<u>1,037,466</u>
	<u>\$ 9,754,001</u>	<u>\$ 1,179,785</u>	<u>\$ 10,933,786</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the SPCA is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. There were no such deficiencies as of December 31, 2018 and 2017.

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 of directors, 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.

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**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 \$81,838 and \$78,256 for the years ended December 31, 2018 and 2017, 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

**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, 2018 and 2017:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2018</b>				
Brokered certificates of deposits	\$ 506,449	\$ -	\$ 506,449	\$ -
Bond mutual funds	5,361,125	5,361,125	-	-
Equity mutual funds	4,184,077	4,184,077	-	-
	<u>\$ 10,051,651</u>	<u>\$ 9,545,202</u>	<u>\$ 506,449</u>	<u>\$ -</u>

**SPCA of Texas**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>December 31, 2017</b>				
Brokered certificates of deposits	\$ 375,309	\$ -	\$ 375,309	\$ -
Corporate equities	3,855	3,855	-	-
Bond mutual funds	2,912,010	2,912,010	-	-
Equity mutual funds	7,784,418	7,784,418	-	-
	<u>\$ 11,075,592</u>	<u>\$ 10,700,283</u>	<u>\$ 375,309</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, 2018.

***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, 2018 and 2017.



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**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, 2018, comprise the following:

Financial assets	
Cash and cash equivalents	\$ 4,492,222
Accounts receivable, net	10,628
Investments	10,831,474
Annuities receivable	728,856
Contributions receivable, net	<u>860,500</u>
 Total financial assets	 <u>16,923,680</u>
Less: financial assets not available to meet cash needs for general expenditure within one year	
Donor imposed restrictions	
Permanently restricted endowments	1,179,785
Conditional gifts and net assets with donor restrictions	3,707,375
Internal designations	
Board-designated endowment	7,769,401
Contributions not expected to be collected within one year	<u>1,126,456</u>
 Total financial assets not available to meet cash needs for general expenditure within one year	 <u>13,783,017</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u><u>\$ 3,140,663</u></u>

The board-designated operating reserve intended to operate as an endowment of \$7,769,401 is subject to annual spending rates determined by the Board of Directors. Although SPCA does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

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 year ended December 31, 2018, the level of liquidity and reserves was managed within the policy requirements.

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**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:

***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, 2018 and 2017, SPCA received related party contributions of approximately \$274,000 and \$1,031,000, respectively, from members of the Board of Directors.

**Note 12: Subsequent Events**

Subsequent events have been evaluated through August 9, 2019, which is the date the financial statements were available to be issued.