

**YORK COUNTY SOCIETY
FOR THE PREVENTION
OF THE CRUELTY OF ANIMALS**

FINANCIAL REPORT

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
York County Society for the Prevention
of Cruelty to Animals
York, Pennsylvania

Opinion

We have audited the financial statements of the York County Society for the Prevention of Cruelty to Animals (the SPCA), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the SPCA as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SPCA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the SPCA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
April 11, 2023

**YORK COUNTY SOCIETY FOR THE PREVENTION
OF CRUELTY TO ANIMALS**

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$ 1,128,922	\$ 960,764
Pledges receivable	72,378	92,951
Bequests receivable	72,594	1,117,317
Investment income receivable	2,100	1,424
Accounts receivable	3,353	3,731
Inventory	2,769	4,567
Prepaid expenses	33,809	31,798
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Total current assets	1,315,925	2,212,552
Other Assets		
Property and equipment, net	3,169,094	3,102,439
Operating lease right of use asset	27,372	-
Finance/capital lease right of use asset, net	1,803	-
Investments	4,285,144	3,816,842
Interest in net assets of a community foundation	36,940	43,357
Beneficial interest in perpetual and remainder trusts	1,288,405	1,673,229
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Total other assets	8,808,758	8,635,867
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Total assets	\$ 10,124,683	\$ 10,848,419

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2022	2021
Current Liabilities		
Accounts payable	\$ 159,908	\$ 44,508
Accrued payroll	61,543	45,086
Payroll taxes withheld and accrued	5,979	11,550
Accrued expenses	97	1,176
Current portion of note payable	140,394	141,065
Current portion of operating lease liability	4,903	-
Current portion of finance/capital lease liability	1,394	8,023
Deferred revenue	273,919	190,081
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Total current liabilities	648,137	441,489
Long-Term Liabilities		
Operating lease liability, net of current portion	22,469	-
Finance/capital lease liability, net of current portion	-	2,432
Note payable, net of current portion	74,724	207,252
Total long-term liabilities	97,193	209,684
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Total liabilities	745,330	651,173
Net Assets		
Without donor restrictions	7,898,144	8,033,309
With donor restrictions	1,481,209	2,163,937
Total net assets	9,379,353	10,197,246
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Total liabilities and net assets	\$ 10,124,683	\$ 10,848,419
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**YORK COUNTY SOCIETY FOR THE PREVENTION
OF CRUELTY TO ANIMALS**

**STATEMENT OF ACTIVITIES
Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions			
Cash and other financial assets	\$ 1,122,891	\$ 1,775	\$ 1,124,666
In-kind	29,436	-	29,436
Bequests	864,730	-	864,730
Grant income	63,040	-	63,040
Program fees	344,955	-	344,955
Low cost spay/neuter income	729,153	-	729,153
Income from municipalities	350,246	-	350,246
Special events, net of expenses	189,644	-	189,644
Investment income, net	(36,207)	-	(36,207)
Trusts	65,510	-	65,510
Second chance	25,898	19,493	45,391
Miscellaneous income	6,429	-	6,429
Sale of pet supplies, net of expenses	(612)	-	(612)
Net assets released from restrictions	319,172	(319,172)	-
Total support and revenue	4,074,285	(297,904)	3,776,381
Expenses			
Program services	3,247,751	-	3,247,751
Support services			
Management and general	271,213	-	271,213
Fundraising	188,641	-	188,641
Total expenses	3,707,605	-	3,707,605
Net change from operations	366,680	(297,904)	68,776
Non-Operating Income and Gains			
Change in value of trusts	-	(384,824)	(384,824)
Change in interest in net assets of a community foundation	(6,417)	-	(6,417)
Unrealized loss on investments	(495,428)	-	(495,428)
Total non-operating gains - net	(501,845)	(384,824)	(886,669)
Changes in net assets	(135,165)	(682,728)	(817,893)
Net Assets - January 1, 2022	8,033,309	2,163,937	10,197,246
Net Assets - December 31, 2022	\$ 7,898,144	\$ 1,481,209	\$ 9,379,353

See Notes to Financial Statements.

**YORK COUNTY SOCIETY FOR THE PREVENTION
OF CRUELTY TO ANIMALS**

**STATEMENT OF ACTIVITIES
Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions			
Cash and other financial assets	\$ 1,143,825	\$ 125,119	\$ 1,268,944
In-kind	17,684	-	17,684
Bequests	1,912,514	-	1,912,514
Grant income	79,046	104,074	183,120
Program fees	316,728	-	316,728
Low cost spay/neuter income	624,602	-	624,602
Income from municipalities	343,401	-	343,401
Special events, net of expenses	200,562	-	200,562
Investment income, net	111,794	-	111,794
Trusts	61,440	-	61,440
Second chance	27,339	8,895	36,234
Miscellaneous income	2,245	-	2,245
Sale of pet supplies, net of expenses	3,326	-	3,326
Net assets released from restrictions	122,230	(122,230)	-
Total support and revenue	4,966,736	115,858	5,082,594
Expenses			
Program services	2,808,254	-	2,808,254
Support services			
Management and general	251,191	-	251,191
Fundraising	143,072	-	143,072
Total expenses	3,202,517	-	3,202,517
Net change from operations	1,764,219	115,858	1,880,077
Non-Operating Income and Gains			
Forgiveness of Paycheck Protection			
Program loan and accrued interest	298,392	-	298,392
Change in value of trusts	-	86,794	86,794
Change in interest in net assets of a community foundation	5,389	-	5,389
Unrealized gain on investments	315,924	-	315,924
Total non-operating income - net	619,705	86,794	706,499
Changes in net assets	2,383,924	202,652	2,586,576
Net Assets - January 1, 2021	5,649,385	1,961,285	7,610,670
Net Assets - December 31, 2021	\$ 8,033,309	\$ 2,163,937	\$ 10,197,246

See Notes to Financial Statements.

**YORK COUNTY SOCIETY FOR THE PREVENTION
OF CRUELTY TO ANIMALS**

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Functional Expenses				
Salaries	\$ 1,801,624	\$ 144,958	\$ 124,250	\$ 2,070,832
Animal maintenance	490,418	-	-	490,418
Depreciation and amortization	158,901	17,656	-	176,557
Insurance - group	162,233	13,053	11,189	186,475
Payroll taxes	146,391	11,779	10,096	168,266
Information technology support	62,299	2,144	1,838	66,281
Utilities	72,481	8,053	-	80,534
Insurance - general	84,193	9,355	-	93,548
Miscellaneous	28,224	18,131	638	46,993
Repairs and maintenance	62,631	6,959	-	69,590
Rent expense	4,521	502	-	5,023
Professional fees	8,610	22,460	100	31,170
Newsletter	-	-	23,184	23,184
Interest	12,248	-	-	12,248
Retirement	30,750	2,474	2,121	35,345
Office expenses	28,363	2,282	1,956	32,601
Dues, subscriptions and publications	1,420	4,002	400	5,822
Telephone	2,658	-	-	2,658
Uniforms	7,070	569	488	8,127
Second chance expenses	25,899	-	-	25,899
Auto expenses	10,132	-	-	10,132
Employee development	3,658	2,450	-	6,108
Licenses and permits	25	-	-	25
Printing, graphic design, video	18,615	2,424	10,699	31,738
Employee recruitment and retention	24,387	1,962	1,682	28,031
Total functional expenses	\$ 3,247,751	\$ 271,213	\$ 188,641	\$ 3,707,605

See Notes to Financial Statements.

**YORK COUNTY SOCIETY FOR THE PREVENTION
OF CRUELTY TO ANIMALS**

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Functional Expenses				
Salaries	\$ 1,535,264	\$ 141,173	\$ 88,234	\$ 1,764,670
Animal maintenance	452,603	-	-	452,603
Depreciation and amortization	153,232	9,908	-	163,140
Insurance - group	136,819	12,581	7,863	157,263
Payroll taxes	128,728	11,837	7,398	147,963
Information technology support	72,713	4,794	2,397	79,904
Utilities	66,632	7,404	-	74,036
Insurance - general	63,106	7,012	-	70,118
Miscellaneous	37,983	19,585	1,780	59,349
Repairs and maintenance	39,350	4,372	-	43,722
Rent expense	2,230	248	-	2,478
Professional fees	7,536	21,448	-	28,984
Newsletter	-	-	22,738	22,738
Interest	14,672	3,900	-	18,572
Retirement	25,621	2,356	1,472	29,449
Office expenses	19,316	1,776	1,110	22,202
Dues, subscriptions and publications	640	989	10,079	11,709
Telephone	6,737	748	-	7,485
Uniforms	3,213	-	-	3,213
Second chance expenses	27,339	-	-	27,339
Auto expenses	9,719	-	-	9,719
Education	4,627	817	-	5,444
Licenses and permits	174	243	-	417
Total functional expenses	\$ 2,808,254	\$ 251,191	\$ 143,072	\$ 3,202,517

See Notes to Financial Statements.

**YORK COUNTY SOCIETY FOR THE PREVENTION
OF CRUELTY TO ANIMALS**

**STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021**

	2022	2021
Cash Flows From Operating Activities		
Changes in net assets	\$ (817,893)	\$ 2,586,576
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	176,557	163,140
Amortization of loan origination fees	3,193	3,193
Realized loss (gain) on sale of investments	113,273	(72,526)
Restricted contributions - property and equipment	-	(125,000)
Forgiveness of Paycheck Protection Program loan	-	(295,763)
In-kind contributions - capital lease payments	(9,061)	(8,364)
Change in value of interest in net assets of a community foundation	6,417	(5,389)
Change in value of perpetual and remainder trusts	384,824	(86,794)
Unrealized loss (gains) on investments	495,428	(315,924)
Amortization of right-of-use assets - operating lease included in lease expense	401	-
Changes in assets:		
Investment income receivable	(676)	896
Accounts receivable	378	3,156
Inventory	1,798	2,103
Prepaid expenses	(2,011)	(6,128)
Pledges receivable	20,573	(1,077,483)
Bequests receivable	1,044,723	-
Changes in liabilities:		
Accounts payable	4,938	13,635
Accrued payroll	16,457	(34,579)
Payroll taxes withheld and accrued	(5,571)	1,751
Deferred revenue	83,838	(13,813)
Accrued expenses	(1,079)	269
Operating lease liability	(401)	-
Net cash provided by operating activities	1,516,106	732,956
Cash Flows From Investing Activities		
Purchase of property and equipment	(134,553)	(121,478)
Purchase of investments	(2,695,715)	(1,773,557)
Proceeds from sale of investments	1,618,712	1,734,311
Net cash used in investing activities	(1,211,556)	(160,724)

**YORK COUNTY SOCIETY FOR THE PREVENTION
OF CRUELTY TO ANIMALS**

**STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2022 and 2021**

	2022	2021
Cash Flows Financing Activities		
Payments on note payable	(136,392)	(137,278)
Restricted contributions - property and equipment	-	125,000
Change in line-of-credit	-	(185,000)
Net cash used in financing activities	(136,392)	(197,278)
Net increase in cash and cash equivalents	168,158	374,954
Cash and Cash Equivalents:		
Beginning	960,764	585,810
Ending	\$ 1,128,922	\$ 960,764
Supplementary Cash Flows Information:		
Interest paid	\$ 9,055	\$ 12,750
Noncash Financing Activities:		
Right-of-use asset, net reclassified from property and equipment	\$ 9,016	\$ -
Right-of-use asset and operating lease liability	\$ 27,773	\$ -
Capital expenditures in accounts payable	\$ 110,462	\$ -
Payment of capital lease with points	\$ 9,061	\$ 8,364
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 295,763
Forgiveness of accrued interest	\$ -	\$ 2,629

See Notes to Financial Statements.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies

SPCA: The York County Society for the Prevention of Cruelty to Animals, a Pennsylvania nonprofit SPCA, (the SPCA) was founded for the purpose of serving the residents of York County by preventing animal cruelty, ensuring a safer community, cultivating empathy while respecting the rights of others and helping pets remain in living homes. The SPCA also provides low cost spay and neuter services. The SPCA derives substantially all of its revenue from contributions, bequests, program fees and investment income.

Basis of Accounting: The financial statements of the SPCA have been prepared on the accrual basis of accounting.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Presentation: SPCA's financial statements are prepared in accordance with U.S. GAAP which requires reporting information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the SPCA's primary objectives. These net assets may be used at the discretion of the SPCA's management and Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary and will be met by either the SPCA's actions or the passage of time. Other donor restrictions are perpetual in nature; hence, funds are maintained in perpetuity.

Cash and Cash Equivalents: Cash and cash equivalents include investment in highly-liquid debt instruments with a maturity of three months or less that the SPCA uses for general operating purposes. There were no cash equivalents as of December 31, 2022 and 2021.

Accounts Receivable: Accounts receivable are stated at outstanding balances. The SPCA considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Pledges Receivable: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises are recorded at fair value, which is measured as the present value of their future cash flows. Accretion of the discounts is included in the contribution revenue. In the absence of donor stipulations, to the contrary, promises with payments due in future periods are restricted to use after the due date.

Inventory: Inventory is determined by physical count and is stated at the lower of cost or realizable value. Cost is determined using the first-in, first-out method. The inventory consisted of items sold in the SPCA's gift shop at December 31, 2022.

Property and Equipment: Property and equipment are stated at cost and are depreciated on the straight-line or accelerated methods over their estimated average useful lives as follows: buildings and improvements, ten to thirty-nine years; and equipment, three to ten years.

The SPCA's policy is to capitalize assets that have a unit cost greater than \$1,000 and a useful life of more than one year. Maintenance and minor repairs which do not significantly improve or extend the lives of the assets are charged to operations when incurred. Additions, improvements and major repairs are capitalized if they significantly extend the life of an asset and exceed the capitalization policy threshold.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the SPCA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The SPCA reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Investments and Income Recognition and Fair Value: Investments in debt and equity securities with readily determinable fair values are reported at fair value. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Realized gains or losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Beneficial interests in perpetual and charitable remainder trusts are reported at fair value, as determined by the SPCA's beneficiary interest percentage in the trusts. The change in the value of the beneficial interest in perpetual trusts and charitable remainder trusts are reported as increases or decreases in net assets with donor restrictions.

Interest in net assets of a community foundation is reported at fair value as determined by the community foundation.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Investments and Income Recognition and Fair Value (Continued): The SPCA follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Fair Value Measurement Topic*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. This Standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Standard also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Loan Origination Fees: Costs related to the closing of the long-term debt are capitalized and amortized to interest expense over the straight-line terms of the related long-term debt. Gross loan costs amounted to \$38,321 as of December 31, 2022 and 2021. Accumulated amortization amounts to \$30,068 and \$26,875 as of December 31, 2022 and 2021, respectively. Total amortization expense recognized in interest expense amounted to \$3,193 for each of the years ended December 31, 2022 and 2021.

Revenue Recognition:

Contributions: The SPCA recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

All contributions are considered to be available for operations unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as support with donor restrictions that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the SPCA reports the support as without donor restrictions.

Grant Income: Grant income deemed to be a contribution is classified as with donor restrictions when received or receivable. Such grant revenue is not deemed to be in respect of exchange transactions since the proceeds thereof are non-reciprocal, unconditional and voluntary.

The SPCA also receives grant income, which is deemed to be in respect of exchange transactions and is classified as revenue without donor restrictions or deferred revenue, as appropriate, when received or receivable. Such grant revenue is not deemed to be a contribution since the proceeds thereof are used to pursue objectives of the grantor.

Program Income: Program income includes adoption income and veterinary services offered by the SPCA. Program income is recognized at the time the service is provided. Fees for adoption include certain veterinary services, which are not separately priced for the adoptable animals and are therefore considered to be one performance obligation. Veterinary services provided for other animals are individually priced; therefore, no allocation of the transaction price is required. Any amounts collected but unearned would be classified as deferred revenue and recognized as income in the applicable period.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued):

Low Cost Spay/Neuter Income: Low cost spay/neuter income is recognized at the time the service is provided. Fees for the spay/neuter services include certain veterinary services, which are not separately priced for the surgery, and therefore, are considered to be one performance obligation. Any additional fees that are required as a prerequisite to surgery are individually priced; therefore, no allocation of the transaction price is required. Any amounts collected but unearned would be classified as deferred revenue and recognized as income in the applicable period.

Income from Municipalities: Income from municipalities operates on an annual basis and is recognized as revenue in the year the respective contract is in effect. Any amounts collected but unearned would be classified as deferred revenue and recognized as income in the applicable period.

Leases: The SPCA adopted ASC 842, *Leases*, effective January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the SPCA has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the SPCA's historical accounting treatment under ASC Topic 840, *Leases*.

The SPCA elected the "package of practical expedients" under the transition guidance within Topic 842, in which the SPCA does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The SPCA has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The SPCA determines if an arrangement is a lease at inception. All leases are recorded on the Statement of Financial Position except for leases with an initial term less than 12 months for which the SPCA made the short-term lease election.

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. To determine the present value of lease payments, the SPCA made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842). Operating lease cost is recognized on a straight-line basis over the lease term as rent expense in the Statement of Functional Expense. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the SPCA will exercise that option.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income Tax Status: The SPCA is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations. In addition, the SPCA qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an SPCA other than a private foundation under Section 509(a)(2).

The SPCA follows the provisions of the FASB *Income Tax* Topic of the ASC which requires an assessment of the SPCA's exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously-filed tax returns. Examples of tax positions taken at the entity level include continuing qualification as a tax-exempt SPCA and whether there is any taxable unrelated business income from activities conducted. Any tax benefits associated with uncertain tax positions that are in excess of a realization threshold must be recorded as a liability for unrecognized tax benefits in the financial statements, along with any associated interest and penalties. Presently, management believes that it is more likely than not that its tax positions will be sustained upon examination, including any appeals and litigation, and therefore, believes the SPCA has no exposure to income taxes from uncertain tax positions.

Functional Allocation of Expenses: The costs of providing the various programs and other activities are summarized on a functional basis in the Statements of Activities and Functional Expenses by Natural Classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of management and general and fundraising expenses. Expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort.

Recent Accounting Pronouncements: In 2022, the SPCA adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the Statement of Financial Position and disclose key information about leasing arrangements. The SPCA elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the SPCA recognized right-of-use assets and lease liabilities related to the SPCA's operating leases of \$27,773 in its Statement of Financial Position as of January 1, 2022. Additionally, as of January 1, 2022, the SPCA reclassified net book value of \$9,016 of capital lease asset from property and equipment to finance right-of-use asset, net. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended December 31, 2022.

The SPCA adopted FASB's ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets. Also, this ASU requires disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments have been applied under a retrospective basis. There is no effect on net assets in connection with our implementation.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Reclassifications: Certain amounts in the 2021 financial statements have been reclassified with no effects on the 2021 financial position, changes in net assets and cash flows to be consistent with the classifications utilized in the 2022 financial statements.

Subsequent Events: In preparing these financial statements, the SPCA has evaluated events and transactions for potential recognition or disclosure through April 11, 2023, the date the financial statements were available to be issued. See Note 17.

Note 2. Liquidity and Availability

The following table reflects the SPCA's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the Statements of Financial Position date because of contractual restrictions or internal board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	2022	2021
Financial assets at year-end:		
Cash	\$ 1,128,922	\$ 960,764
Pledges receivable	72,378	92,951
Bequests receivable	72,594	1,117,317
Investment income receivable	2,100	1,424
Other receivables	3,353	3,731
Investments	4,285,144	3,816,842
Distributions from beneficial interest in perpetual trusts	64,000	60,000
Distributions from interest in net assets of a community foundation	1,732	1,633
Total Financial Assets	<u>5,630,223</u>	<u>6,054,662</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	120,426	397,757
Net assets with Board designations	4,155,144	3,696,842
	<u>4,275,570</u>	<u>4,094,599</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,354,653</u>	<u>\$ 1,960,063</u>

As part of the SPCAs' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 2. Liquidity and Availability (Continued)

The investment funds consist of funds designated by the Board as endowments. The SPCA's investment policy allows for an annual withdrawal of up to 4% of average market value for preceding twelve quarters, as approved by the Board of Directors on an annual basis. Additional withdrawals may be approved at the discretion of the Board of Directors. Although the SPCA does not intend to spend from the Board designated fund, these funds could be made available if necessary.

The SPCA also has a line-of-credit available to meet short-term needs. See Note 8 for additional information.

Note 3. Pledges Receivable

Unconditional pledges receivable as of December 31, 2022 and 2021, are \$72,378 and \$92,951, respectively. All pledges are considered current and fully collectible in one year.

Note 4. Property and Equipment

Property and equipment consist of the following as of December 31:

	2022	2021
Building and improvements	\$ 3,918,389	\$ 3,864,887
Land	370,749	370,749
Office and miscellaneous equipment	471,753	424,291
Kennel	109,289	109,289
Vehicles and equipment	84,776	79,077
Recovery rooms	39,803	39,803
Medic rooms	238,240	275,179
Euthanasia room	2,500	2,500
Construction-in-process*	132,012	-
	<u>5,367,511</u>	<u>5,165,775</u>
Less accumulated depreciation	(2,198,417)	(2,063,336)
Total property and equipment, net	<u>\$ 3,169,094</u>	<u>\$ 3,102,439</u>

* Not depreciated

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments

The SPCA's investments consist of the following as of December 31:

Endowment Investments: The SPCA has endowment funds set up for a variety of purposes. The endowment investment account balance is insured against the loss of securities upon broke liquidation in amounts up to \$500,000 by the Securities Investor Protection Corporation (SIPC) at December 31, 2022 and 2021.

Beneficial Interest in Perpetual and Remainder Trusts: The SPCA is named as a beneficiary under several perpetual and remainder trusts. The beneficiary interest allocation ranges from 5% to 100% for the years ended December 31, 2022 and 2021.

Interest in Net Assets of a Community Foundation: In accordance with ASC 958, the endowment fund created by the SPCA at the York County Community Foundation (Foundation) is reflected in the Statements of Financial Position as interest in net assets of a community foundation. During the year ended December 31, 2008, the SPCA contributed \$25,000 to establish the fund. Through December 31, 2022, the SPCA has contributed a total of \$25,100 to the Fund.

Future contributions are at the discretion of the Board of Directors. As of December 31, 2022 and 2021, the fair value of the SPCA's interest in net assets of a community foundation amounted to \$36,940 and \$43,357, respectively. The fund is the property of the Foundation and is held as a component of the Foundation. In accordance with ASC 958, other contributions made directly to the Foundation will create designated endowment funds which are not assets of the SPCA and are not reflected in the Statements of Financial Position.

The SPCA may, based on unusual circumstances, need or opportunity, request amounts of principal. The Board of Directors of the Foundation will grant such a request, if it concludes that such distribution is neither unreasonable nor inconsistent with the charitable purposes of the Foundation and the SPCA.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments (Continued)

The following table summarizes the investments as of December 31:

	2022		2021	
	Cost	Market	Cost	Market
General Investments				
Common stocks	\$ 973,510	\$ 961,422	\$ -	\$ -
Mutual funds	5,866	5,605	-	-
Other investments	7,539	7,504	-	-
Money market	26,545	26,545	-	-
Total General Investments	1,013,460	1,001,076	-	-
Endowments				
Common stocks	652,551	881,828	650,747	1,011,314
Equity mutual funds	926,071	972,317	985,856	1,360,825
Fixed income - U.S. Treasuries	214,377	201,596	183,046	183,124
Fixed income - corporate securities	242,830	212,737	269,243	279,793
Fixed income - mutual funds	663,478	584,762	707,272	703,033
Other investments	166,818	162,372	121,199	133,175
Money market	268,456	268,456	145,578	145,578
Total endowments	3,134,581	3,284,068	3,062,941	3,816,842
Beneficial interests in perpetual and remainder trusts	1,237,398	1,288,405	1,274,702	1,673,229
Interest in net assets of a community foundation	25,100	36,940	25,100	43,357
	<u>\$ 5,410,539</u>	<u>\$ 5,610,489</u>	<u>\$ 4,362,743</u>	<u>\$ 5,533,428</u>

The following table summarizes the investment return for the years ended December 31:

	2022	2021
Interest and dividends - Net of investment fees	\$ 77,066	\$ 39,268
Realized (losses) gains on investments	(113,273)	72,526
	<u>\$ (36,207)</u>	<u>\$ 111,794</u>

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 6. Fair Value Measurements

The SPCA measures on a recurring basis its investments at fair value in accordance with Financial Accounting Standards Board (FASB) codification *Fair Value Measurement*, which provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that are accessible to the SPCA. These generally provide the most reliable evidence and are used to measure fair value whenever available.

- Level 2 Inputs to the valuation methodology include significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted prices for similar assets in active markets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The inputs or methodology used for valuing investments are not an indication of the risk associated with investing in those securities.

The following are descriptions of valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021:

- Level 1: The fair value of common stocks, equity funds and fixed income securities and funds is based on closing market prices for the respective security as reported in active markets.

- Level 3: Fair values of beneficial interests in perpetual trusts are based on the percentage ownership of the respective trust assets, based on either the value of the trust assets as reported to the SPCA by the Trustees or via the valuation formulas or methodology stipulated by the underlying trust agreement which may require present value computations. The SPCA's interest in net assets of a community foundation is stated at fair value which is determined based on management's assumptions that market participants would use in pricing the asset. The assumptions are developed based on the best information available.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 6. Fair Value Measurements (Continued)

The following tables sets forth by level within the fair value hierarchy the assets at fair value as of December 31, 2022:

Assets at Fair Value as of December 31, 2022				
	Level 1	Level 2	Level 3	Total
General Investments				
Common stocks	\$ 961,422	\$ -	\$ -	\$ 961,422
Mutual funds	5,605	-	-	5,605
Other investments	7,504	-	-	7,504
Money market	26,545	-	-	26,545
Total General Investments	1,001,076	-	-	1,001,076
Endowments				
Common stocks	881,828	-	-	881,828
Equity mutual funds	972,317	-	-	972,317
Fixed income - U.S. Treasuries	201,596	-	-	201,596
Fixed income - corporate securities	212,737	-	-	212,737
Fixed income - mutual funds	584,762	-	-	584,762
Other investments	162,372	-	-	162,372
Money market	268,456	-	-	268,456
Total endowments	3,284,068	-	-	3,284,068
Beneficial interests in				
perpetual and remainder trusts	-	-	1,288,405	1,288,405
Interest in net assets of				
a community foundation	-	-	36,940	36,940
	<u>\$ 4,285,144</u>	<u>\$ -</u>	<u>\$ 1,325,345</u>	<u>\$ 5,610,489</u>

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 6. Fair Value Measurements (Continued)

The following tables sets forth by level within the fair value hierarchy the assets at fair value as of December 31, 2021:

Assets at Fair Value as of December 31, 2021				
	Level 1	Level 2	Level 3	Total
Endowments				
Common stocks	\$ 1,011,314	\$ -	\$ -	\$ 1,011,314
Equity mutual funds	1,360,825	-	-	1,360,825
Fixed income - U.S. Treasuries	183,124	-	-	183,124
Fixed income - corporate securities	279,793	-	-	279,793
Fixed income - mutual funds	703,033	-	-	703,033
Other investments	133,175	-	-	133,175
Money market	145,578	-	-	145,578
Total endowments	3,816,842	-	-	3,816,842
Beneficial interests in				
perpetual and remainder trusts	-	-	1,673,229	1,673,229
Interest in net assets of				
a community foundation	-	-	43,357	43,357
	<u>\$ 3,816,842</u>	<u>\$ -</u>	<u>\$ 1,716,586</u>	<u>\$ 5,533,428</u>

Note 7. Endowment

The SPCA's endowments consist of several funds established for a variety of purposes. The Endowment includes a fund designated by the Board of Directors to function as an endowment, beneficial interests in perpetual trusts and interest in net assets of a community foundation. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters: The SPCA has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the Endowment assets. Endowment assets include funds designated by the Board of Directors to function as an endowment. Under this policy, as approved by the Board of Directors, the Endowment assets are invested in a manner that is intended to produce results that allow the SPCA to fund the appropriate programs while assuming a moderate level of investment risk. The investment related to the SPCA's beneficial interest in perpetual trusts and interest in net assets of a community foundation are determined by the Trustee of those trusts and the Foundation, respectively, rather than the SPCA.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 7. Endowment (Continued)

The SPCA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). 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.

Interpretation of Relevant Law: The Board of Directors has interpreted the relevant state law as requiring the 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 restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts of the perpetual endowment, and (c) accumulations to the perpetual 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 the donor-restricted endowment fund is considered net assets with donor restrictions until those amounts are appropriated for expenditure by the SPCA in a manner consistent with the standard of prudence prescribed by the relevant state law.

Unless specifically defined by a donor-restricted endowment fund required by donor stipulation, the SPCA considered the following factors in making a determination to accumulate or appropriate endowment funds:

1. The duration and preservation of the fund
2. The purpose of the SPCA and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the SPCA
7. The investment policies of the SPCA

Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy: The SPCA currently has no donor-restricted investments requiring a spending policy. The spending of the Board designated funds is at the Board of Directors' discretion. The Board of Directors approves annual disbursements from the funds on a specific need basis with no annual disbursement of more than 4% of average market value for preceding twelve quarters. The Board of Directors, however, can approve a change to the spending rate in certain circumstances. The SPCA's endowment assets also include beneficial interests in perpetual trusts and interest in net assets of a community foundation whose distribution and spending are determined by the trustees and those trusts and the foundation.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 7. Endowment (Continued)

The following schedules represent the Endowment net asset composition by type of endowment fund as of December 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 3,321,008	\$ -	\$ 3,321,008
Donor restricted endowment funds	-	1,288,405	1,288,405
	<u>\$ 3,321,008</u>	<u>\$ 1,288,405</u>	<u>\$ 4,609,413</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 3,860,199	\$ -	\$ 3,860,199
Donor restricted endowment funds	-	1,673,229	1,673,229
	<u>\$ 3,860,199</u>	<u>\$ 1,673,229</u>	<u>\$ 5,533,428</u>

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 7. Endowment (Continued)

The following schedules represent the changes in endowment net assets for the years ended December 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,860,199	\$ 1,673,229	\$ 5,533,428
Investment return:			
Interest and dividends, net of fees	77,003	-	77,003
Net losses (realized and unrealized)	(616,194)	(384,824)	(1,001,018)
Endowment net assets, end of year	<u>\$ 3,321,008</u>	<u>\$ 1,288,405</u>	<u>\$ 4,609,413</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,427,114	\$ 1,586,435	\$ 5,013,549
Investment return:			
Interest and dividends, net of fees	39,246	-	39,246
Net gains (realized and unrealized)	393,839	86,794	480,633
Endowment net assets, end of year	<u>\$ 3,860,199</u>	<u>\$ 1,673,229</u>	<u>\$ 5,533,428</u>

Note 8. Line-of-Credit

The SPCA has available for operations a line-of-credit of \$500,000 with no borrowings outstanding on December 31, 2022 and 2021. The line-of-credit bears interest at the New York Prime rate, which was 7.5% and 3.25% as of December 31, 2022 and 2021, respectively. The line-of-credit is secured with a first lien mortgage on the property at 3159 Susquehanna Trail North, York, PA 17406.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 9. Leases

The SPCA leases a copier under operating lease agreements that has an initial term of 63 months. The lease includes one or more options to renew, generally at the SPCA's sole discretion, with renewal terms that can extend the lease term up to 1 year. In addition, certain leases contain termination options, where the rights to terminate are held by either the SPCA, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the SPCA will exercise that option. The SPCA's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

The Company also leases certain equipment under a finance lease agreement with a term of six years. The SPCA's finance leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

	Amount
Operating lease cost	\$ 401
Short-term operating lease cost	4,622
	<u>5,023</u>
Finance lease cost - amortization of right-of-use assets	7,213
Total lease cost	<u>\$ 12,236</u>

Total rental expenses under the operating lease for the year ended December 31, 2021, was \$2,016.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 9. Leases (Continued)

Supplemental Statement of Financial Position information related to leases as of December 31, is as follows:

	2022	2021
Operating leases:		
Operating lease right-of-use assets	\$ 27,372	\$ -
Operating lease liabilities, current	\$ 4,903	\$ -
Operating lease liabilities, non-current	22,469	-
Total operating lease liabilities	\$ 27,372	\$ -
Finance/capital leases:		
Equipment	43,279	43,279
Accumulated depreciation	(41,476)	(34,263)
Finance/capital lease right-of-use assets, net	\$ 1,803	\$ 9,016
Current maturities of finance/capital lease liabilities	\$ 1,394	\$ 8,023
Finance/capital lease liabilities, non-current	-	2,432
Total finance/capital lease liabilities	\$ 1,394	\$ 10,455
Weighted-average remaining lease term:		
Operating leases	5.17 years	
Finance leases	0.25 years	
Weighted-average discount rate:		
Operating leases	3.7%	
Finance leases	0.0%	

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 9. Leases (Continued)

Future undiscounted cash flows for each of the next five years and a reconciliation to the lease liabilities recognized on the Statement of Financial Position as of December 31, 2022, are as follows:

Year	Operating Leases	Finance Leases
2023	\$ 5,805	\$ 1,394
2024	5,805	-
2025	5,805	-
2026	5,805	-
2027	5,805	-
Thereafter	968	-
Total lease payments	29,993	1,394
Less imputed interest	(2,621)	-
Total present value of lease liabilities	\$ 27,372	\$ 1,394

Future minimum lease commitments, as determined under ASC Topic 840, for leases as of December 31, 2021, were as follows:

Year	Operating Leases	Capital Leases
2022	\$ 2,016	\$ 8,023
2023	2,016	2,432
2024	1,428	-
	\$ 5,460	\$ 10,455

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 10. Note Payable

On August 30, 2012, the SPCA obtained a loan from Fulton Bank, N.A., funded by the General Authority of South Central Pennsylvania. The loan proceeds were used to construct a spay and neuter wing on the side of the existing animal shelter and for related costs. The loan is collateralized by the service agreement described in detail below. The interest rate is fixed at 2.61% for the first ten years and after that is set at 70% of the bank's prime rate. The spay and neuter wing was completed in August 2013, and the SPCA began making monthly principal payments in September 2013. Interest rate was 4.9% and 2.61% as of December 31, 2022 and 2021.

The formalized service agreement, between the County of York and the SPCA calls for the County to provide annual service payments of \$136,000 commencing June 1, 2013, and continuing over a twelve-year period. Receipt of the annual service payments is dependent upon the SPCA continuing to operate the spay and neuter facilities for the benefit of the residents of York County.

The Service Agreement requires that the SPCA measure the excess receipts over expenditures directly and solely related to the operation of the spay and neuter facilities. If the excess revenue exceeds \$143,000, the excess funds are to be used to pay additional principal on the project financing. There were no excess funds in the years ended December 31, 2022 and 2021.

Note payable balance is net of loan origination fees related to the issuance of debt. Principal and loan origination fees breakdown as of December 31, 2022, are as follows:

	Loan		
	Principal	Origination Fee	Net Principal
Current portion of note payable	\$ 143,587	\$ (3,193)	\$ 140,394
Long-term portion of note payable	79,784	(5,060)	74,724
	<u>\$ 223,371</u>	<u>\$ (8,253)</u>	<u>\$ 215,118</u>

Note payable balance is net of loan origination fees related to the issuance of debt. Principal and loan origination fees breakdown as of December 31, 2021, are as follows:

	Loan		
	Principal	Origination Fee	Net Principal
Current portion of note payable	\$ 144,258	\$ (3,193)	\$ 141,065
Long-term portion of note payable	215,505	(8,253)	207,252
	<u>\$ 359,763</u>	<u>\$ (11,446)</u>	<u>\$ 348,317</u>

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 10. Note Payable (Continued)

Following are the future minimum payments on the note payable:

Year	Amount
2023	\$ 143,587
2024	79,784
	<u>\$ 223,371</u>

Note 11. Paycheck Protection Program Loan and Advances

On April 23, 2020, the SPCA received loan proceeds in the amount of \$295,763 under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the PPP provided for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintained its payroll levels and used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount would have been reduced if the borrower terminated employees or reduced salaries during the covered period. Any unforgiven portion of a PPP loan would have been payable over two or five years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period. The SPCA intended to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

If the application for forgiveness was not made within 10 months of the end of the covered period, payments of principal and interest would be required through the maturity date of April 23, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties and insolvency events. The PPP loan could have been accelerated upon the occurrence of a default event.

The SPCA initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. The SPCA recognized \$298,392 of loan forgiveness income for the year ended December 31, 2021, which included accrued interest forgiven of \$2,629.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 12. Net Assets

The SPCA's net assets without donor restrictions consist of undesignated and Board designated amounts for the following purposes as of December 31:

	2022	2021
Undesignated	\$ 3,576,060	\$ 4,173,110
Board designated for endowment	3,321,008	3,860,199
Board designated for future operation costs	1,001,076	-
	<u>\$ 7,898,144</u>	<u>\$ 8,033,309</u>

The SPCA's net assets with donor restrictions consist of the following as of December 31:

	2022	2021
Subject to expenditures for specific purpose:		
Second chance program	\$ 32,228	\$ 107,260
Equine care program	60,558	58,787
Wildside program	27,640	27,636
Lobby renovation	-	125,000
Community cat program	-	20,000
Dogs rule initiative	-	59,074
Subject to the passage of time:		
Beneficial interest in charitable remainder trusts	134,855	185,058
Pledges receivable - operations	72,378	92,951
Perpetual in nature		
Beneficial interest in perpetual trusts	1,153,550	1,488,171
	<u>\$ 1,481,209</u>	<u>\$ 2,163,937</u>

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 12. Net Assets (Continued)

2022 and 2021 net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by realization of events specified by donors as follows:

	2022	2021
Satisfaction of purpose restrictions:		
Pledges receivable - operations	\$ 20,573	\$ 11,066
Second chance program	94,525	111,164
Lobby renovation	125,000	-
Community cat program	20,000	-
Dogs rule initiative	59,074	-
	<u>\$ 319,172</u>	<u>\$ 122,230</u>

Note 13. In-Kind Contributions

The SPCA receives various types of in-kind contributions. The SPCA receives contributed materials, including contributed equipment, food, pet supplies, blankets, towels and medical supplies. The materials are valued using a publicly available website for similar items. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses. All donated supplies were utilized in the SPCA's programs. There were no donor-imposed restrictions associated with the donated supplies.

The SPCA holds an Annual Gala each year to support their programs. Items are donated for this event. During this event, the donated items are raffled off or given away to attendees. The contributed items are valued using a publicly available website for similar items. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

The SPCA receives point-based awards based on purchases made from a select vendor. The rewards are used to cover lease payments and are tracked as in-kind contributions. The value of the in-kind amount is equivalent to the fair value of the lease payment. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by a reduction in the finance/capital lease liability.

During the years ended December 31, 2022 and 2021, a substantial number of individual volunteers and businesses have donated significant amounts of time to the SPCA's programs and administrative functions. These services do not meet the criteria for recognition as contributed services and are not reflected on the accompanying financial statements.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 13. In-Kind Contributions (Continued)

The SPCA received the following in-kind contributions during the years ended December 31, 2022 and 2021:

	2022	2021
Supplies	\$ 8,454	\$ 9,320
Fundraising events	11,921	-
Lease payments	9,061	8,364
	<u>\$ 29,436</u>	<u>\$ 17,684</u>

Note 14. Retirement Plan

The SPCA sponsors a defined contribution retirement plan covering employees who meet certain age and length of service requirements. Contributions to the retirement plan are based on compensation and employees' contributions. Retirement expenses for the years ended December 31, 2022 and 2021, amounted to \$35,345 and \$29,449, respectively.

Note 15. Related Parties

The SPCAs' related party transactions are with members of its Board of Directors and management as detailed below during the years ended December 31:

	2022	2021
Contributions	<u>\$ 258,263</u>	<u>\$ 272,312</u>

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 16. Commitments

Capital Asset Purchase Commitments

The SPCA is undergoing building renovations on the main facility. Total project costs are expected to exceed \$395,000. At December 31, estimated future cash flows on contracts and commitments entered into during 2022 are \$383,000.

Note 17. Subsequent Event

Subsequent to year-end, the SPCA entered into an agreement to lease office space with a commencement date of April 1, 2023. The term of the lease is three years with annual payments ranging from \$19,200 to \$20,400.