

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

FINANCIAL REPORT

DECEMBER 31, 2023

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1 - 2
---	-------

FINANCIAL STATEMENTS	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9 - 10
Notes to Financial Statements	11 - 32

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, 2023, and 2022, 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, 2023, and 2022, 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 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 9, 2024

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 185,558	\$ 1,128,922
Pledges receivable	53,992	72,378
Bequests receivable	-	72,594
Investment income receivable	862	2,100
Accounts receivable	3,509	3,353
Inventory	1,255	2,769
Prepaid expenses	30,293	33,809
	<hr/>	<hr/>
Total current assets	275,469	1,315,925
Other Assets		
Property and equipment, net	4,679,013	3,169,094
Operating lease right of use asset	70,576	27,372
Finance lease right of use asset, net	-	1,803
Investments	4,435,293	4,285,144
Interest in net assets of a community foundation	39,510	36,940
Beneficial interest in perpetual and remainder trusts	1,425,918	1,288,405
Total other assets	10,650,310	8,808,758
	<hr/>	<hr/>
Total assets	\$ 10,925,779	\$ 10,124,683

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2023	2022
Current Liabilities		
Accounts payable	\$ 42,027	\$ 159,908
Accrued payroll	80,043	61,543
Payroll taxes withheld and accrued	8,678	5,979
Accrued expenses	-	97
Current portion of note payable	86,883	140,394
Current portion of operating lease liability	24,869	4,903
Current portion of finance lease liability	-	1,394
Deferred revenue	381,974	273,919
	<hr/>	<hr/>
Total current liabilities	624,474	648,137
	<hr/>	<hr/>
Long-Term Liabilities		
Operating lease liability, net of current portion	46,157	22,469
Note payable, net of current portion	-	74,724
Total long-term liabilities	46,157	97,193
	<hr/>	<hr/>
Total liabilities	670,631	745,330
	<hr/>	<hr/>
Net Assets		
Without donor restrictions	8,646,512	7,898,144
With donor restrictions	1,608,636	1,481,209
Total net assets	10,255,148	9,379,353
	<hr/>	<hr/>
Total liabilities and net assets	\$ 10,925,779	\$ 10,124,683
	<hr/> <hr/>	<hr/> <hr/>

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

**STATEMENT OF ACTIVITIES
Year Ended December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions			
Cash and other financial assets	\$ 2,459,563	\$ 503	\$ 2,460,066
In-kind	25,357	-	25,357
Bequests	285,746	-	285,746
Grant income	62,099	-	62,099
Program fees	416,025	-	416,025
Low cost spay/neuter income	847,849	-	847,849
Income from municipalities	352,172	-	352,172
Special events, net of expenses	221,259	-	221,259
Investment income, net	183,534	-	183,534
Trusts	55,182	-	55,182
Second chance	69,228	23,192	92,420
Miscellaneous income	3,591	-	3,591
Sale of pet supplies, net of expenses	(2,753)	-	(2,753)
Net assets released from restrictions	33,781	(33,781)	-
Total support and revenue	5,012,633	(10,086)	5,002,547
Expenses			
Program services	4,027,696	-	4,027,696
Support services			
Management and general	407,243	-	407,243
Fundraising	276,540	-	276,540
Total expenses	4,711,478	-	4,711,478
Net change from operations	301,155	(10,086)	291,069
Non-Operating Income and Gains (Losses)			
Change in value of trusts	-	137,513	137,513
Change in interest in net assets of a community foundation	2,570	-	2,570
Unrealized gain on investments	444,643	-	444,643
Total non-operating gains - net	447,213	137,513	584,726
Changes in net assets	748,368	127,427	875,795
Net Assets - January 1, 2023	7,898,144	1,481,209	9,379,353
Net Assets - December 31, 2023	\$ 8,646,512	\$ 1,608,636	\$ 10,255,148

See Notes to Financial Statements.

**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 (Losses)			
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 income - 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 FUNCTIONAL EXPENSES
Year Ended December 31, 2023**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Functional Expenses				
Salaries	\$ 2,250,791	\$ 238,319	\$ 158,879	\$ 2,647,989
Animal maintenance	637,146	-	-	637,146
Depreciation and amortization	194,011	9,388	5,215	208,614
Insurance - group	206,385	21,852	14,568	242,805
Payroll taxes	178,414	18,891	12,594	209,899
Information technology support	58,998	6,246	4,165	69,409
Utilities	84,072	4,068	2,260	90,400
Insurance - general	76,423	3,698	2,054	82,175
Miscellaneous	32,323	1,981	13,373	47,677
Repairs and maintenance	62,494	3,024	1,680	67,198
Rent Expenses	8,698	4,349	8,698	21,745
Professional fees	7,239	47,331	511	55,081
Newsletter	-	-	26,129	26,129
Interest	13,362	501	-	13,863
Retirement	42,014	4,448	2,966	49,428
Office expenses	54,981	5,822	3,881	64,684
Dues, subscriptions and publications	1,320	4,019	250	5,589
Telephone	3,288	-	-	3,288
Uniforms	5,063	536	357	5,956
Second chance expenses	69,227	-	-	69,227
Auto expenses	11,850	-	-	11,850
Employee development	1,650	16,049	1,998	19,697
Licenses and permits	888	100	-	988
Printing, graphic design, video	2,753	14,047	15,246	32,046
Employee recruitment and retention	24,306	2,574	1,716	28,595
Total functional expenses	\$ 4,027,696	\$ 407,243	\$ 276,540	\$ 4,711,478

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**

**STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022**

	2023	2022
Cash Flows From Operating Activities		
Changes in net assets	\$ 875,795	\$ (817,893)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	208,614	176,557
Amortization of loan origination fees	3,193	3,193
Realized loss (gain) on sale of investments	(46,920)	113,273
Restricted contributions - property and equipment	(1,389,000)	-
In-kind contributions - capital lease payments	(1,394)	(9,061)
Change in value of interest in net assets of a community foundation	(2,570)	6,417
Change in value of perpetual and remainder trusts	(137,513)	384,824
Unrealized loss (gains) on investments	(444,643)	495,428
Amortization of right-of-use assets - operating lease included in lease expense	19,308	401
Changes in assets:		
Investment income receivable	1,238	(676)
Accounts receivable	(156)	378
Inventory	1,514	1,798
Prepaid expenses	3,516	(2,011)
Pledges receivable	18,386	20,573
Bequests receivable	72,594	1,044,723
Changes in liabilities:		
Accounts payable	(7,419)	4,938
Accrued payroll	18,500	16,457
Payroll taxes withheld and accrued	2,699	(5,571)
Deferred revenue	108,055	83,838
Accrued expenses	(97)	(1,079)
Operating lease liability	(18,858)	(401)
Net cash provided by (used in) operating activities	(715,158)	1,516,106
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,827,192)	(134,553)
Purchase of investments	(1,778,965)	(2,695,715)
Proceeds from sale of investments	2,120,379	1,618,712
Net cash used in investing activities	(1,485,778)	(1,211,556)

(Continued)

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

**STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2023 and 2022**

	2023	2022
Cash Flows Financing Activities		
Restricted contributions - property and equipment	1,389,000	-
Payments on note payable	(131,428)	(136,392)
Net cash provided by (used in) financing activities	1,257,572	(136,392)
Net (decrease) increase in cash and cash equivalents	(943,364)	168,158
Cash and Cash Equivalents:		
Beginning	1,128,922	960,764
Ending	\$ 185,558	\$ 1,128,922
Supplementary Cash Flows Information:		
Interest paid	\$ 9,893	\$ 9,055
Noncash Operating Activities:		
Right-of-use asset and operating lease liability	\$ 62,512	\$ 27,773
Noncash Financing Activities:		
Payment of capital lease with points	\$ 1,394	\$ 9,061
Right-of-use asset, net reclassified from property and equipment	\$ -	\$ 9,016
Capital expenditures in accounts payable	\$ -	\$ 110,462

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, 2023, and 2022.

Accounts Receivable: Accounts receivables are carried out at original invoice amounts less an estimate for potential credit losses. Management determines the allowance for credit losses by evaluating individual accounts and considering the customer's financial condition, credit history, and current and expected future economic conditions.

Based on the SPCA's collection history and management's expectation of consistency of that trend in the future, an allowance for credit losses has not been provided on December 31, 2023.

Receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written-off are recognized as income when received or as an offset to credit loss expense.

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 on December 31, 2023.

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 \$2,500 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, 2023, and 2022. Accumulated amortization amounts to \$33,261 and \$30,068 as of December 31, 2023, and 2022, respectively. Total amortization expense recognized in interest expense amounted to \$3,193 for each of the years ended December 31, 2023, and 2022.

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 leases buildings and equipment under long-term lease agreements. At the lease commencement date, the SPCA classifies its leases as either finance or operating based on the lease agreement terms. A lease is classified as a finance lease if certain criteria are met. If none of the lease classification criteria are met, the lease is classified as an operating lease. Leases with initial terms of 12 months or more are accounted for on the SPCA's statement of financial position as a financial liability with a corresponding right-of-use asset (ROU). Improvements to leased property are capitalized as assets and are amortized over the shorter of (1) the economic useful life of the asset or (2) the lease term including reasonably assured renewal periods. Leasehold improvements to property under related party arrangements are amortized over the economic useful life of the leasehold improvement.

The initial measurement of the lease liability, regardless of the lease's classification, is comprised of the discounted lease payments over the lease term, using the discount rate at the lease commencement date. The initial measurement of the ROU asset, regardless of the lease's classification, is comprised of the lease liability adjusted for prepayments, initial direct costs incurred by the lessee, and any lease incentive received from the lessor before commencement of the lease. Subsequently, the lease liability, regardless of the lease's classification, is amortized over the lease term using the discount rate used to initially measure the lease liability. For finance leases, the ROU asset is amortized on the straight-line basis over the lease term. For operating leases, amortization of the ROU asset is equal to the amortization of the lease liability. Periodic lease expense for financing leases is comprised of the amortization of the ROU asset and the accretion of the lease liability. Periodic lease expense for operating leases is based on amortizing the remaining lease costs over the remaining lease term on a straight-line basis. Executory costs, such as insurance, taxes, maintenance, and repairs, are charged to expense as incurred.

The SPCA has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the SPCA, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

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.

Adoption of New FASB Accounting Standards: In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Subsequent Events: In preparing these financial statements, the SPCA has evaluated events and transactions for potential recognition or disclosure through April 9, 2024 the date the financial statements were available to be issued.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 2. Concentrations

The SPCA's cash balances in financial institutions, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. Management regularly monitors the financial condition of the financial institution, along with their cash balances, and tries to keep risks to a minimum. The SPCA has not experienced any losses and believes it is not exposed to significant credit risk.

Revenue from one donor totaled approximately 31% of total revenue in 2023 and 18% of total revenue was received from one donor 2022.

Note 3. Liquidity and Availability

The following table reflects the SPCA's financial assets as of December 31, 2023, and 2022, 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.

	2023	2022
Financial assets at year-end:		
Cash	\$ 185,558	\$ 1,128,922
Pledges receivable	53,992	72,378
Bequests receivable	-	72,594
Investment income receivable	862	2,100
Other receivables	3,509	3,353
Investments	4,435,293	4,285,144
Distributions from beneficial interest in perpetual trusts	53,000	64,000
Distributions from interest in net assets of a community foundation	1,786	1,732
Total Financial Assets	<u>4,734,000</u>	<u>5,630,223</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	128,726	120,426
Net assets with Board designations	4,297,293	4,155,144
	<u>4,426,019</u>	<u>4,275,570</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 307,981</u>	<u>\$ 1,354,653</u>

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 3. Liquidity and Availability (Continued)

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.

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 4. Pledges Receivable

Unconditional pledges receivable as of December 31, 2023, and 2022, are \$53,992 and \$72,378, respectively. All pledges are considered current and fully collectible in one year.

Note 5. Property and Equipment

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

	2023	2022
Building and improvements	\$ 4,398,598	\$ 3,918,389
Land	1,706,449	370,749
Office and miscellaneous equipment	479,022	471,753
Kennel	109,289	109,289
Vehicles and equipment	110,340	84,776
Recovery rooms	39,803	39,803
Medic rooms	238,240	238,240
Euthanasia room	2,500	2,500
Construction-in-process*	-	132,012
	<u>7,084,241</u>	<u>5,367,511</u>
Less accumulated depreciation	(2,405,228)	(2,198,417)
Total property and equipment, net	<u>\$ 4,679,013</u>	<u>\$ 3,169,094</u>

* Not depreciated

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 6. 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, 2023 and 2022.

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, 2023, and 2022.

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, 2023, 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, 2023, and 2022 the fair value of the SPCA's interest in net assets of a community foundation amounted to \$39,510 and \$36,940, 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 6. Investments (Continued)

The following table summarizes the investments as of December 31:

	2023		2022	
	Cost	Market	Cost	Market
General Investments				
Common stocks	\$ 826,437	\$ 873,138	\$ 973,510	\$ 961,422
Mutual funds	11,857	12,612	5,866	5,605
Other investments	5,248	4,193	7,539	7,504
Money market	44,263	44,263	26,545	26,545
Total general investments	887,805	934,206	1,013,460	1,001,076
Endowments				
Common stocks	773,753	1,057,892	652,551	881,828
Equity mutual funds	851,071	1,116,515	926,071	972,317
Fixed income - U.S. Treasuries	197,588	180,744	214,377	201,596
Fixed income - corporate securities	166,818	171,997	242,830	212,737
Fixed income - mutual funds	759,856	687,720	663,478	584,762
Other investments	166,818	171,997	166,818	162,372
Money market	114,222	114,222	268,456	268,456
Total endowments	3,030,126	3,501,087	3,134,581	3,284,068
Total Investments	\$ 3,917,931	\$ 4,435,293	\$ 4,148,041	\$ 4,285,144
Beneficial interests in perpetual and remainder trusts	\$ 1,229,288	\$ 1,425,918	\$ 1,237,398	\$ 1,288,405
Interest in net assets of a community foundation	\$ 25,100	\$ 39,510	\$ 25,100	\$ 36,940

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

	2023	2022
Interest and dividends - Net of investment fees	\$ 136,614	\$ 77,066
Realized (losses) gains on investments	46,920	(113,273)
	\$ 183,534	\$ (36,207)

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 7. 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 on December 31, 2023 and 2022:

- 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 7. 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, 2023:

Assets at Fair Value as of December 31, 2023				
	Level 1	Level 2	Level 3	Total
General Investments				
Common stocks	\$ 873,138	\$ -	\$ -	\$ 873,138
Mutual funds	12,612	-	-	12,612
Other investments	4,193	-	-	4,193
Money market	44,263	-	-	44,263
Total general investments	934,206	-	-	934,206
Endowments				
Common stocks	1,057,892	-	-	1,057,892
Equity mutual funds	1,116,515	-	-	1,116,515
Fixed income - U.S. Treasuries	180,744	-	-	180,744
Fixed income - corporate securities	171,997	-	-	171,997
Fixed income - mutual funds	687,720	-	-	687,720
Other investments	171,997	-	-	171,997
Money market	114,222	-	-	114,222
Total endowments	3,501,087	-	-	3,501,087
Total Investments	4,435,293	-	-	4,435,293
Beneficial interests in perpetual and remainder trusts				
	-	-	1,425,918	1,425,918
Interest in net assets of a community foundation				
	-	-	39,510	39,510
Total Investments at Fair Value	\$ 4,435,293	\$ -	\$ 1,465,428	\$ 5,900,721

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 7. 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
Total Investments	4,285,144	-	-	4,285,144
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
Total Investments at Fair Value	\$ 4,285,144	\$ -	\$ 1,325,345	\$ 5,610,489

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 8. 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.

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 deciding 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

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 8. Endowment (Continued)

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.

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 3,540,597	\$ -	\$ 3,540,597
Donor restricted endowment funds	-	1,425,918	1,425,918
	<u>\$ 3,540,597</u>	<u>\$ 1,425,918</u>	<u>\$ 4,966,515</u>
	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>

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 8. Endowment (Continued)

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,321,008	\$ 1,288,405	\$ 4,609,413
Investment return:			
Interest and dividends, net of fees	74,453	-	74,453
Net gains (realized and unrealized)	420,136	137,513	557,649
Disbursements	(275,000)	-	(275,000)
Endowment net assets, end of year	\$ 3,540,597	\$ 1,425,918	\$ 4,966,515

	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	\$ 3,321,008	\$ 1,288,405	\$ 4,609,413

Note 9. Line-of-Credit

The SPCA has available for operations a line-of-credit of \$500,000 with no borrowings outstanding on December 31, 2023, and 2022. The line-of-credit bears interest at the New York Prime rate, which was 8.5% and 7.5% as of December 31, 2023, and 2022, 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 10. Leases

The SPCA leases copiers under operating lease agreements that each have initial terms 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.

The SPCA also leases office space under an operating lease agreement that has an initial term of 36 months, with renewal terms that can extend the lease term up to 2 years. 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 SPCA also leased 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. The finance lease ended in March 2023.

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 years ended December 31, 2023, and 2022:

	2023	2022
Operating lease cost	\$ 21,745	\$ 401
Short-term operating lease cost	-	4,622
	<u>21,745</u>	<u>5,023</u>
Finance lease cost - amortization of right-of-use assets	1,803	7,213
Total lease cost	<u>\$ 23,548</u>	<u>\$ 12,236</u>

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 10. Leases (Continued)

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

Operating leases:

Operating lease right-of-use assets	\$ 70,576	\$ 27,372
Operating lease liabilities, current	\$ 24,869	\$ 4,903
Operating lease liabilities, non-current	46,157	22,469
Total operating lease liabilities	<u>\$ 71,026</u>	<u>\$ 27,372</u>

Finance leases:

Equipment	43,279	43,279
Accumulated depreciation	(43,279)	(41,476)
Finance lease right-of-use assets, net	<u>\$ -</u>	<u>\$ 1,803</u>
Current maturities of finance lease liabilities	\$ -	\$ 1,394
Total finance lease liabilities	<u>\$ -</u>	<u>\$ 1,394</u>

Weighted-average remaining lease term:

Operating leases	3.67 years	5.17 years
Finance leases	N/A	0.25 years

Weighted-average discount rate:

Operating leases	3.6%	3.7%
Finance leases	N/A	0.0%

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 10. 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, 2023, are as follows:

Year	Leases
2023	\$ 27,015
2024	27,615
2025	12,015
2026	6,765
2027	1,528
Thereafter	-
Total lease payments	<u>74,938</u>
Less imputed interest	(3,912)
Total present value of lease liabilities	<u>\$ 71,026</u>

Note 11. 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 5.95% and 4.90% as of December 31, 2023, and 2022.

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, 2023, and 2022.

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 11. Note Payable (Continued)

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, 2023, are as follows:

	Loan		
	Principal	Origination Fee	Net Principal
Current portion of note payable	\$ 91,943	\$ (5,060)	\$ 86,883
	\$ 91,943	\$ (5,060)	\$ 86,883

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
	\$ 223,371	\$ (8,253)	\$ 215,118

Future minimum payments on the note payable amount to \$91,943 and is payable through December 31, 2024

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:

	2023	2022
Undesignated	\$ 4,171,708	\$ 3,576,060
Board designated for endowment	3,540,597	3,321,008
Board designated for future operation costs	934,207	1,001,076
	<u>\$ 8,646,512</u>	<u>\$ 7,898,144</u>

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

	2023	2022
Subject to expenditures for specific purpose:		
Second chance program	\$ 40,025	\$ 32,228
Equine care program	61,061	60,558
Wildside program	27,640	27,640
Subject to the passage of time:		
Beneficial interest in charitable remainder trusts	151,291	134,855
Pledges receivable - operations	53,992	72,378
Perpetual in nature		
Beneficial interest in perpetual trusts	1,274,627	1,153,550
	<u>\$ 1,608,636</u>	<u>\$ 1,481,209</u>

YORK COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

Note 12. Net Assets (Continued)

2023 and 2022 net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by realization of events specified by donors as follows:

	2023	2022
Satisfaction of purpose restrictions:		
Pledges receivable - operations	\$ 18,386	\$ 20,573
Second chance program	15,395	94,525
Lobby renovation	-	125,000
Community cat program	-	20,000
Dogs rule initiative	-	59,074
	<u>\$ 33,781</u>	<u>\$ 319,172</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, 2023, and 2022, 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 in 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, 2023, and 2022:

	2023	2022
Supplies	\$ 5,203	\$ 8,454
Fundraising events	18,760	11,921
Lease payments	1,394	9,061
	<u>\$ 25,357</u>	<u>\$ 29,436</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, 2023, and 2022, amounted to \$49,428 and \$35,345, 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:

	2023	2022
Contributions	<u>\$ 1,605,366</u>	<u>\$ 258,263</u>