

**EAST BAY SOCIETY  
FOR THE PREVENTION OF  
CRUELTY TO ANIMALS**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
East Bay Society for the Prevention  
of Cruelty to Animals  
Oakland, California**

### Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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. 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 Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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.



**GILBERT CPAs**  
**Sacramento, California**

**August 7, 2023**

**EAST BAY SOCIETY FOR THE PREVENTION  
OF CRUELTY TO ANIMALS**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021**

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	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 761,067	\$ 1,512,343
Accounts receivable	91,298	37,203
Contributions and bequests receivable	299,309	744,808
Inventories	59,613	69,493
Prepaid expenses	<u>221,752</u>	<u>148,241</u>
Total current assets	1,433,039	2,512,088
<b>INVESTMENTS</b>	21,420,533	25,569,888
<b>PROPERTY AND EQUIPMENT, Net</b>	14,005,295	11,578,218
<b>SPLIT-INTEREST AGREEMENT ASSETS</b>	<u>3,476,739</u>	<u>3,740,548</u>
<b>TOTAL ASSETS</b>	<u>\$ 40,335,606</u>	<u>\$ 43,400,742</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 230,275	\$ 127,172
Accrued expenses and other liabilities	553,477	648,355
Current portion of debt	<u>6,978,645</u>	<u>7,859,653</u>
Total current liabilities	7,762,397	8,635,180
<b>DEBT, Net</b>		<u>250,000</u>
Total liabilities	<u>7,762,397</u>	<u>8,885,180</u>
<b>NET ASSETS:</b>		
Without donor restrictions	27,887,877	29,820,323
With donor restrictions	<u>4,685,332</u>	<u>4,695,239</u>
Total net assets	<u>32,573,209</u>	<u>34,515,562</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 40,335,606</u>	<u>\$ 43,400,742</u>

**EAST BAY SOCIETY FOR THE PREVENTION  
OF CRUELTY TO ANIMALS**

**STATEMENTS OF ACTIVITIES (Page 1 of 2)  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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	<u>2022</u>	<u>2021</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
REVENUES AND SUPPORT:		
Program revenues:		
Veterinary services	\$ 1,891,670	\$ 2,150,296
Less: Discounts for free and reduced fee veterinary services	<u>(292,798)</u>	<u>(350,958)</u>
Veterinary services, net	1,598,872	1,799,338
Shelter and adoption services	<u>1,038,010</u>	<u>765,156</u>
Total program revenue	<u>2,636,882</u>	<u>2,564,494</u>
Public support:		
Contributions	2,914,910	2,808,701
In-kind contributions	2,351,614	92,779
Bequests	2,263,532	4,659,758
Net assets released from restrictions	<u>434,707</u>	<u>223,235</u>
Total public support	<u>7,964,763</u>	<u>7,784,473</u>
Other income:		
Investment income (loss)	(3,620,430)	3,621,741
Rental income	93,411	60,124
Forgiveness of Paycheck Protection Program loan		1,937,596
Other income	<u>25,293</u>	<u>3,040</u>
Total other income (loss)	<u>(3,501,726)</u>	<u>5,622,501</u>
Total revenues and support	<u>7,099,919</u>	<u>15,971,468</u>
EXPENSES:		
Program services:		
Shelter and adoption services	4,515,932	4,042,004
Veterinary services	<u>2,764,802</u>	<u>3,147,396</u>
Total program services	<u>7,280,734</u>	<u>7,189,400</u>
Supporting services:		
General and administrative	971,759	1,083,176
Fundraising	<u>779,872</u>	<u>697,824</u>
Total supporting services	<u>1,751,631</u>	<u>1,781,000</u>
Total expenses	<u>9,032,365</u>	<u>8,970,400</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>(1,932,446)</u>	<u>7,001,068</u>

**EAST BAY SOCIETY FOR THE PREVENTION  
OF CRUELTY TO ANIMALS**

**STATEMENTS OF ACTIVITIES (Page 2 of 2)  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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	<u>2022</u>	<u>2021</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Contributions and bequests	416,195	215,373
Change in value of split-interest agreement assets	8,605	247,892
Net assets released from restrictions	<u>(434,707)</u>	<u>(223,235)</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>(9,907)</u>	<u>240,030</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(1,942,353)</b>	<b>7,241,098</b>
<b>NET ASSETS, Beginning of Year</b>	<u>34,515,562</u>	<u>27,274,464</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 32,573,209</u>	<u>\$ 34,515,562</u>

**EAST BAY SOCIETY FOR THE PREVENTION  
OF CRUELTY TO ANIMALS**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022**

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	<b>Program services</b>		<b>Supporting services</b>			<b>Total</b>
	<b>Shelter and adoption services</b>	<b>Veterinary services</b>	<b>General and administrative</b>	<b>Fundraising</b>		
Salaries	\$ 2,085,757	\$ 1,206,474	\$ 596,709	\$ 178,017	\$ 4,066,957	
Payroll taxes and benefits	397,390	284,307	85,533	38,313		805,543
Depreciation and amortization	513,120	168,926	4,467	5,288		691,801
Supplies	221,615	419,027	6,693	2,203		649,538
Occupancy	304,067	128,282	2,319	3,153		437,821
Repair and maintenance	210,392	62,937	112,420	1,965		387,714
Printing and postage	10,115	18,035	635	314,445		343,230
Outside services	125,045	159,250	2,738	1,438		288,471
Professional fees	35,447	21,978	127,384	57,491		242,300
Interest expense	178,054	44,514				222,568
Insurance	148,587	41,728	1,726	1,653		193,694
Events	49,240			85,284		134,524
Bank charges	17,893	64,068		38,479		120,440
Non-depreciable equipment	37,024	34,173	8,189	24,102		103,488
Advertising	37,148	37,148				74,296
Outreach services	66,841					66,841
Miscellaneous expense	<u>78,197</u>	<u>73,955</u>	<u>22,946</u>	<u>28,041</u>		<u>203,139</u>
<b>Total</b>	<b>\$ 4,515,932</b>	<b>\$ 2,764,802</b>	<b>\$ 971,759</b>	<b>\$ 779,872</b>		<b>\$ 9,032,365</b>

**EAST BAY SOCIETY FOR THE PREVENTION  
OF CRUELTY TO ANIMALS**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2021**

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	<b>Program services</b>		<b>Supporting services</b>		
	<b>Shelter and adoption services</b>	<b>Veterinary services</b>	<b>General and administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 1,774,109	\$ 1,490,900	\$ 734,332	\$ 213,876	\$ 4,213,217
Payroll taxes and benefits	446,826	387,959	83,104	37,571	955,460
Depreciation and amortization	476,116	116,712	5,161	4,945	602,934
Supplies	185,353	465,351	7,765	594	659,063
Occupancy	254,667	135,174	2,065	2,924	394,830
Repair and maintenance	212,335	64,849	3,938	3,015	284,137
Printing and postage	18,763	25,630	384	231,222	275,999
Outside services	67,299	102,215	889	852	171,255
Professional fees	55,138	47,480	205,437	46,244	354,299
Interest expense	104,058	26,015			130,073
Insurance	132,987	36,990	1,579	1,513	173,069
Events	35,926			53,083	89,009
Bank charges	18,829	70,075		41,842	130,746
Non-depreciable equipment	79,761	41,098	6,686	23,472	151,017
Advertising	46,890	46,890			93,780
Outreach services	52,180				52,180
Miscellaneous expense	<u>80,767</u>	<u>90,058</u>	<u>31,836</u>	<u>36,671</u>	<u>239,332</u>
<b>Total</b>	<b>\$ 4,042,004</b>	<b>\$ 3,147,396</b>	<b>\$ 1,083,176</b>	<b>\$ 697,824</b>	<b>\$ 8,970,400</b>

**EAST BAY SOCIETY FOR THE PREVENTION  
OF CRUELTY TO ANIMALS**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (1,942,353)	\$ 7,241,098
Reconciliation to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	691,801	602,934
Receipt of donated investments	(17,382)	(573,758)
Net realized and unrealized (gain) loss on investments	3,989,768	(3,343,530)
Forgiveness of Paycheck Protection Program loan		(1,937,596)
Donated property and equipment	(2,327,383)	
Changes in:		
Accounts receivable	(54,095)	(9,265)
Contributions and bequests receivable	445,499	872,934
Inventories	9,880	18,475
Prepaid expenses	(73,511)	(44,515)
Split-interest agreement assets	263,809	(247,892)
Accounts payable	103,103	68,466
Accrued expenses and other liabilities	(94,878)	69,000
Net cash and cash equivalents provided by operating activities	994,258	2,716,351
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(2,803,212)	(3,012,231)
Proceeds from sale of investments	2,980,181	677,406
Purchases of property and equipment	(791,495)	(230,996)
Net cash and cash equivalents used by investing activities	(614,526)	(2,565,821)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from debt	150,726	
Proceeds from Paycheck Protection Program loan	968,798	
Principle payments on debt	(1,131,008)	(750,726)
Net cash and cash equivalents provided (used) by financing activities	(1,131,008)	368,798
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(751,276)</b>	<b>519,328</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>1,512,343</b>	<b>993,015</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 761,067</b>	<b>\$ 1,512,343</b>
<b>SUPPLEMENTAL ACTIVITY:</b>		
Cash paid for interest	\$ 222,568	\$ 130,073

The accompanying notes are an integral part of these financial statements.

# EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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### 1. ORGANIZATION AND OPERATIONS

Founded in 1874, East Bay Society for the Prevention of Cruelty to Animals (Organization) is a nonprofit organization committed to the welfare of cats and dogs in Alameda and Contra Costa Counties. The Organization strives to eliminate animal cruelty, neglect, and overpopulation by providing programs, education, and resources at three locations to support people and companion animals. The Organization offers pet adoptions, spay and neuter, a full-service public veterinary clinic, foster care, dog training, humane education programs, volunteer opportunities, and a variety of other services.

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of accounting and financial statement presentation** – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Organization reports information regarding its financial position and activities according to two classes of net assets: *without donor restrictions* and *with donor restrictions*.

**Revenue recognition** – The Organization's revenue from contracts with customers consists of revenue from veterinary, shelter, and adoption services which are recognized when the related services occur.

Contract assets consist of receivables for services performed by the Organization that have not been paid by the customers. The balances of contract assets as of December 31, 2022, 2021, and 2020 were \$91,298, \$37,203, and \$27,938, respectively. Contract liabilities consist of customer deposits for space rental and services to be performed by the Organization at a future date. The balances of contract liabilities as of December 31, 2022, 2021, and 2020, were \$130,876, \$116,910, and \$70,783, respectively.

Private grants and contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. 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 met. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire, or the contributions are used for the restricted purpose. Contributions with donor restrictions whose restrictions are met in the same reporting period are shown as unrestricted. Net assets with donor restrictions also includes those whose use by the Organization is restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of the Organization.

Bequests are recognized when estates are settled, and the amounts can be reasonably estimated. Bequests on unsettled estates are considered conditional promises to give and therefore are not recognized, because the amounts cannot be reasonably estimated, and the dates of distribution are unknown. Bequests receivable represent those amounts for which both amount and timing of payment is known.

# EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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In-kind contributions are recognized at the fair value of contributed services or goods that create or enhance non-financial assets or require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Cash and cash equivalents** – For financial statement purposes, the Organization considers investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term purposes.

The Organization minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institutions. The balance at times may exceed federally insured limits. Balances exceeded federally insured limits by \$244,907 and \$759,192 for the years ending December 31, 2022 and 2021, respectively. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

**Contributions and bequests receivable** are estimated at fair value, on a nonrecurring basis, at the time the promise is made. Fair value is determined by calculating the present value of the estimated future cash flows if the promise is to be received in a period more than one year from year-end. Contributions and bequests receivable at December 31, 2022, and 2021 are expected to be collected within 1 year.

**Inventories** consist of medications and medical supplies and are stated at the lower of cost (first-in, first-out) or market.

**Investments** are stated at fair value and include money market funds that are held for long-term purposes.

**Property and equipment** is stated at cost or, if donated, at fair market value as of the date of donation. The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from 5 to 50 years.

**Split-interest agreement assets** are stated at fair value.

**Functional allocation of expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Shelter, adoption, and veterinary service expenses, repair and maintenance, utilities and outside services have been allocated based on square footage. Personnel expenses are allocated based on employees' time incurred. All other expenses are allocated based on usage of resources.

**Income taxes** – The Organization is publicly supported and exempt from income taxes under Internal Revenue Code Section 501(c)(3) and corresponding California state codes.

# EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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**Fair value measurements** – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Recent accounting pronouncements** – In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Organization adopted the standard effective January 1, 2022. Amounts previously combined with contributions have been separated on the statements of activities. There was no effect on total net assets for the year ended December 31, 2022. The Organization has updated disclosures as necessary.

**Reclassification** – Certain 2021 amounts have been reclassified to conform with the 2022 financial statement presentation.

# EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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**Subsequent events** have been evaluated through August 7, 2023, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2022 that require recognition or disclosure in such financial statements.

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows for:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 761,067	\$ 1,512,343
Investments	21,420,533	25,569,888
Accounts receivable	91,298	37,203
Contributions and bequests receivable	299,309	744,808
Split-interest agreement assets	<u>3,476,739</u>	<u>3,740,548</u>
Total financial assets	<u>26,048,946</u>	<u>31,604,790</u>
Less amounts unavailable for general expenditures within one year, due to:		
Purpose and time restrictions by donors (see Note 9)	<u>(4,685,332)</u>	<u>(4,695,239)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 21,363,614</u>	<u>\$ 26,909,551</u>

As part of the Organization's liquidity management, cash in excess of daily requirements is invested in short-term investments and money market funds. Cash needs are met primarily from service revenue streams daily, with any shortfalls being met by drawings on savings and short-term investments. The Organization also has a line of credit to meet cash flow needs.

### 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 20,743,782	\$ 18,850,873
Land	1,074,811	55,410
Equipment	1,517,385	1,472,063
Memorial gardens	19,545	19,545
Website	14,563	14,563
Construction in progress	<u>11,113</u>	<u>11,113</u>
Total	<u>23,381,199</u>	<u>20,423,567</u>
Less accumulated depreciation and amortization	<u>(9,375,904)</u>	<u>(8,845,349)</u>
Total	<u>\$ 14,005,295</u>	<u>\$ 11,578,218</u>

# EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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### 5. INVESTMENTS

All investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

	<u>2022</u>	<u>2021</u>
Mutual funds:		
Bonds	\$ 6,672,166	\$ 6,796,608
Large blend	4,477,936	5,548,279
Value	3,075,679	4,386,766
Growth	2,397,682	5,070,766
Technology	1,773,668	1,937,433
Natural resources	929,626	666,629
Industrials	538,497	401,520
Communications	404,032	651,378
Consumer goods	284,975	
Health	268,114	
Financial	230,237	
Utilities	58,445	17,074
Basic materials	47,622	
Real estate	37,430	
Total mutual funds	21,196,109	25,476,453
Money market funds	224,424	93,435
Total	<u>\$ 21,420,533</u>	<u>\$ 25,569,888</u>

Investment income (loss) consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends, net of fees	\$ 369,338	\$ 278,211
Net unrealized and realized gain (loss)	<u>(3,989,768)</u>	<u>3,343,530</u>
Total	<u>\$ (3,620,430)</u>	<u>\$ 3,621,741</u>

### 6. SPLIT-INTEREST AGREEMENT ASSETS

Split-interest agreement assets include the estimated fair value of the Organization's interest in various irrevocable charitable remainder trusts held by third-party trustees for which the Organization is the remainder beneficiary as well as a perpetual trust in which the Organization has the irrevocable right to receive income on trust assets in perpetuity. The estimated fair value of these assets was determined with present value techniques using projected investment returns consistent with the composition of the asset portfolios, life expectancies, estimated future cash disbursements and discount rates ranging from 0.6% to 5.7% both December 31, 2022 and 2021.

# **EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021**

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The Organization's charitable remainder trusts are classified within Level 3 of the fair value hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions.

	<b><u>2022</u></b>	<b><u>2021</u></b>
Beginning balance	\$ 3,740,548	\$ 3,492,656
Final payout of split-interest agreement received	(272,414)	
Change in fair value of split-interest agreement assets	8,605	247,892
Ending balance	<u>\$ 3,476,739</u>	<u>\$ 3,740,548</u>

### **7. DEBT**

The Organization has a \$14,500,000 revolving line of credit with UBS Bank which was initially obtained to fund the redemption of the Organization's Bond and to renovate their Baldwin Street facility. The line of credit has a variable interest rate equal to the Bank's SOFR (formerly LIBOR) rate (1.06% and 0.05% at December 31, 2022, and 2021, respectively) plus 1.75% and is due on demand with no established maturity date. Therefore, the line of credit is classified as a current liability on the statements of financial position. There are no required payments under the line of credit; however, the Organization may repay any advance, in whole or part, at any time. The line of credit is secured by all of the Organization's assets. The outstanding balance of December 31, 2022 and 2021 was \$6,728,645 and \$7,859,653, respectively.

The Organization has a fixed rate loan totaling \$250,000. Interest payments are due quarterly, and principal is due in total upon maturity. The loan has a rate of 4.074% and is scheduled to mature March 8, 2023.

### **8. LEASES**

The Organization has a long-term non-cancellable sublease agreement with an unrelated company that expires in February 2025. The minimum annual rental income to be received in the future is as follows:

<b>Year ending December 31,</b>		
2023	\$ 82,590	
2024	85,072	
2025	<u>10,686</u>	
Total	<u>\$ 178,348</u>	

#### **East Alameda County Facility**

The Organization has a 99-year agreement to lease property from the Alameda County Surplus Property Authority (landlord) on which a second facility providing animal adoption and spay and neuter services for the Eastern Alameda County area was constructed. The terms of the lease

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provide for annual rent of \$1 plus property taxes and utilities. Although the lease may be terminated at any time by the Organization after giving a 180-day notice, the landlord has the option to require the Organization to return the property to its original condition at the beginning of the lease. The landlord may only terminate the lease after 50 years.

### 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of unexpended contributions restricted for the following:

	<u>2022</u>	<u>2021</u>
Time restricted:		
Split-interest agreement assets	\$ 88,621	\$ 377,244
Purpose restricted:		
Veterinary assistance program	258,479	283,446
Senior cat assistance	105,952	111,927
Miscellaneous programs	121,221	3,208
Second Chance fund	95,841	
Spay & neuter	70,990	
Restricted into perpetuity:		
Donor restricted endowment fund	556,110	556,110
Split-interest agreement asset – interest in a perpetual trust	<u>3,388,118</u>	<u>3,363,304</u>
Total	<u>\$ 4,685,332</u>	<u>\$ 4,695,239</u>

The Organization has a donor-restricted endowment fund. As required by GAAP, 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.

The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) accumulated unrealized appreciation and depreciation of endowment investments if directed by the donor gift instrument, (c) the original value of subsequent gifts to the permanent endowments, and (d) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Under the investment policy as approved by the Board of Directors, the primary investment objectives are to generate sufficient long-term growth of capital, without undue exposure to risk, to enhance the Organization's ability to meet its present and future financial needs, as well as increase the real (adjusted for inflation) purchasing power of the investments.

There were no changes to the endowment fund during December 31, 2022 and 2021.

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### **10. IN-KIND CONTRIBUTIONS**

The Organization received the following in-kind contributions during the year ending December 31:

	<u>2022</u>	<u>2021</u>
Building and land	\$ 2,327,383	
Shelter and vet supplies	8,161	\$ 10,605
Facilities		68,179
Other	16,070	13,995
Total	<u>\$ 2,351,614</u>	<u>\$ 92,779</u>

In-kind contributions provide support for the Organization's operations.

### **11. RETIREMENT PLAN**

The Organization has established a money purchase pension plan for its employees which allows for a 3% safe harbor non-elective contribution in addition to an elective profit-sharing contribution. There was no profit sharing contribution for 2022 or 2021. Eligible employees of the safe harbor contribution are required to have completed two months of service and be at least 18 years of age. Eligible employees of the profit-sharing contribution are required to be employed by the Organization on the last day of the plan year. The required contributions under the plan were \$83,978 and \$127,612 in December 31, 2022 and 2021, respectively. Funding for the contribution is accumulated in an interest-bearing cash account and is remitted to the plan annually.