

SPCA INTERNATIONAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

SPCA INTERNATIONAL, INC.

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
SPCA International, Inc.
New York, New York

We have audited the accompanying financial statements of SPCA International, Inc., which comprise the statements of financial position at December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPCA International, Inc. at December 31, 2021 and 2020, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SPCA International, Inc. 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.

Management's Responsibility for the Financial Statements

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

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 SPCA International, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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 auditors' 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, including omissions, 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 SPCA International, Inc.'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 SPCA International, Inc.'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.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
May 26, 2022

SPCA INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,499,296	\$ 2,218,438
Accounts receivable	549,465	296,777
Prepaid expenses and other assets	159,146	180,088
Property and equipment, net (Note 4)	<u>11,442</u>	<u>22,204</u>
 TOTAL ASSETS	 <u>\$ 6,219,349</u>	 <u>\$ 2,717,507</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,195,509	\$ 1,510,031
Refundable advance (Note 6)	<u>-</u>	<u>112,500</u>
 TOTAL LIABILITIES	 <u>1,195,509</u>	 <u>1,622,531</u>
 COMMITMENTS AND CONTINGENCIES		
Net assets:		
Without donor restrictions	4,475,357	421,747
With donor restrictions (Note 5)	<u>548,483</u>	<u>673,229</u>
 TOTAL NET ASSETS	 <u>5,023,840</u>	 <u>1,094,976</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,219,349</u>	 <u>\$ 2,717,507</u>

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

SPCA INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions and grants	\$ 15,638,315	\$ 2,123,459	\$ 17,761,774	\$ 14,526,261	\$ 1,921,523	\$ 16,447,784
In-kind contributions (Note 5)	9,043,368	-	9,043,368	8,999,938	-	8,999,938
Bequests and legacies	2,959,960	-	2,959,960	947,347	-	947,347
Other income	2,364	-	2,364	1,532	-	1,532
Net assets released from restrictions	2,248,205	(2,248,205)	-	1,931,053	(1,931,053)	-
Total Support and Revenue	29,892,212	(124,746)	29,767,466	26,406,131	(9,530)	26,396,601
EXPENSES:						
Program services	16,761,777	-	16,761,777	16,048,042	-	16,048,042
Supporting services:						
Management and general	869,581	-	869,581	737,614	-	737,614
Fundraising	8,207,243	-	8,207,243	7,847,053	-	7,847,053
Total Expenses	25,838,602	-	25,838,602	24,632,709	-	24,632,709
CHANGE IN NET ASSETS	4,053,610	(124,746)	3,928,864	1,773,422	(9,530)	1,763,892
NET ASSETS (DEFICIT), BEGINNING OF YEAR	421,747	673,229	1,094,976	(1,351,675)	682,759	(668,916)
NET ASSETS, END OF YEAR	\$ 4,475,357	\$ 548,483	\$ 5,023,840	\$ 421,747	\$ 673,229	\$ 1,094,976

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

SPCA INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Payroll	\$ 217,560	\$ 205,722	\$ 219,457	\$ 642,739
Payroll taxes and benefits	37,994	35,927	38,325	112,246
Program expenses and supplies	453,556	-	-	453,556
In-kind donation - veterinary supply aid	8,565,733	-	-	8,565,733
In-kind donation - marketing	-	-	477,635	477,635
Marketing and media costs	4,978,009	-	7,466,739	12,444,748
Shipping and processing costs	510,055	-	-	510,055
Professional fees	294,683	262,862	3,773	561,318
OMP grants	283,750	-	-	283,750
Shelter grants	1,208,936	-	-	1,208,936
Travel and transportation	24,987	4,404	-	29,391
Office and other expenses	50,007	116,571	-	166,578
Bank fees	84,414	198,851	-	283,265
Occupancy	27,583	41,375	-	68,958
Operational expenses	2,420	1,897	-	4,317
Depreciation and amortization	9,857	1,972	1,314	13,144
Insurance	12,233	-	-	12,233
Total Expenses	\$ 16,761,777	\$ 869,581	\$ 8,207,243	\$ 25,838,602

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

SPCA INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll	\$ 218,006	\$ 167,882	\$ 191,819	\$ 577,707
Payroll taxes and benefits	42,473	32,708	37,372	112,553
Program expenses and supplies	413,771	-	-	413,771
In-kind donation - veterinary supply aid	8,522,240	-	-	8,522,240
In-kind donation - marketing	-	-	477,698	477,698
Marketing and media costs	4,702,042	-	7,135,928	11,837,970
Shipping and processing costs	463,351	-	-	463,351
Professional fees	280,868	199,271	2,863	483,002
OMP grants	236,000	-	-	236,000
Shelter grants	1,015,605	-	-	1,015,605
Travel and transportation	23,181	11,292	-	34,473
Office and other expenses	12,890	119,871	-	132,761
Bank fees	67,449	156,464	-	223,913
Occupancy	28,672	43,007	-	71,679
Operational expenses	1,687	5,058	-	6,745
Depreciation and amortization	10,300	2,061	1,373	13,734
Insurance	9,507	-	-	9,507
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 16,048,042</u>	<u>\$ 737,614</u>	<u>\$ 7,847,053</u>	<u>\$ 24,632,709</u>

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

SPCA INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,928,864	\$ 1,763,892
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	13,144	13,734
Forgiveness of debt - Paycheck Protection Program	(112,500)	-
Changes in assets (increase) decrease:		
Accounts receivable	(252,688)	(39,261)
Prepaid expenses and other assets	20,942	(102,997)
Changes in liabilities (decrease):		
Accounts payable and accrued expenses	<u>(314,522)</u>	<u>(987,040)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,283,240</u>	<u>648,328</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(2,382)</u>	<u>(14,013)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,382)</u>	<u>(14,013)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from refundable advance	<u>-</u>	<u>112,500</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>112,500</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,280,858	746,815
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,218,438</u>	<u>1,471,623</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,499,296</u>	<u>\$ 2,218,438</u>
NONCASH FINANCING ACTIVITIES:		
Forgiveness of debt - Paycheck Protection Program	<u>\$ 112,500</u>	<u>\$ -</u>

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

SPCA INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 1 - Nature of Organization

SPCA International, Inc. (the "SPCAI") is a not-for-profit organization incorporated in the State of Delaware in May 2006. The SPCAI's purpose is to advance the safety and well-being of animals through education, outreach programs, and to support animal shelters in need. The primary sources of support are contributions and grants, in-kind contributions, and bequests and legacies. The SPCAI is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Operation Military Pets

The SPCAI has helped military families' pets through the Operation Military Pets program since 2013. When military families are ordered to a new base in the U.S. or around the world, moving bills can be substantial. The military pays for many moving costs, but they do not help relocate their beloved pets. The cost for pet transportation can be significant. Military families are being torn apart due to financial constraints. All over the U.S., animal shelters near military bases report high surrender rates when military families cannot afford to relocate their dogs or cats. To help keep military families together and animals out of shelters, Operation Military Pets provides financial assistance to military families for pet relocation costs. Total expenses for the years ended December 31, 2021 and 2020 were \$283,750 and \$236,000, respectively.

Operation Baghdad Pups Worldwide

U.S. troops deployed around the world befriend local animals as a way to cope with the emotional hardships they endure every day far from home and loved ones. These animals, often called military mascots or patriot pets, not only help our heroes while stationed overseas, but also help them readjust to life when they return home. This highly successful and celebrated program has been reuniting U.S. service members with their companions since 2008. Operation Baghdad Pups provides veterinary care and coordinates complicated logistics and transportation requirements in order to reunite these beloved pets with their service men and women back in the U.S. Total expenses for the years ended December 31, 2021 and 2020 were \$967,610 and \$861,914, respectively.

Shelter and Emergency Grants

The SPCAI gives direct support by awarding shelter grants to many animal organizations in need of assistance throughout the U.S. and all over the world. These much needed funds go toward helping many shelters improve their facilities, fund basic needs, support spay and neuter initiatives and ultimately reduce euthanasia rates. Animal shelters always try to plan for an influx of animals, an emergency situation or an unforeseen expense, but many times organizations become overwhelmed. In light of this, the SPCAI also distributes emergency grants to shelters when they need it the most, in urgent crisis situations. Total expenses for the years ended December 31, 2021 and 2020 were \$2,062,900 and \$1,823,096, respectively.

Global Animal Veterinary Assistance

Each year, the SPCAI distributes critical veterinary medical supplies to animal shelters throughout the world. As a result, organizations in developing countries have been able to treat more sick and injured animals. These donations, along with financial grants, have allowed organizations to provide successful spay and neuter events throughout the year. Through this program, the SPCAI has distributed millions of dollars in veterinary medical supplies to shelters on almost every continent. Total expenses for the years ended December 31, 2021 and 2020 were \$8,565,733 and \$8,522,240, respectively.

SPCA INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 1 - Nature of Organization (cont'd.)

Education Programs

The SPCAI's education outreach reaches hundreds of thousands of pet parents and animal activists every year. Both online and through other media resources, the SPCAI serves as an information and referral resource for animal lovers throughout the world. Skilled staff research questions, find answers, offer advice and connect those requesting assistance. Every year, the SPCAI provides support and help to thousands of individuals in need of animal assistance. The SPCAI's educational programs reduce animal suffering and abuse by raising awareness and facilitating action among like-minded advocates. Total expenses for the years ended December 31, 2021 and 2020 were \$4,881,784 and \$4,604,792, respectively.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with initial maturities, when acquired, of three months or less.

Property and Equipment

Property and equipment is recorded at cost. Leasehold improvements are amortized over the lesser of the remaining term of the lease or the useful life of the improvement utilizing the straight-line method. Repairs and maintenance are charged to expense in the period incurred. Contributions of donated property and equipment are recorded at their fair values in the period received. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation and amortization of property and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

Website	5 to 7 years
Office equipment	2 to 5 years
Automobile	6 years
Leasehold improvements	5 years

SPCA INTERNATIONAL, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Refundable Advance

SPCAI recognizes assets received with conditions as refundable advances until the conditions have been substantially met or explicitly waived by the donor. Refundable advances at December 31, 2021 and 2020 are \$0 and \$112,500, respectively.

Net Assets

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose.

Contributions

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

<u>Nature of Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the SPCAI overcoming a donor-imposed barrier to be entitled to the funds.	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

SPCA INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions (cont'd.)

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

In-Kind Contributions

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of services are recognized if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

The SPCAI donates veterinary medications and supplies through its Global Animal Veterinary Assistance Program, which provides critical aid to animals in shelters. These medications and supplies are distributed worldwide and are an integral part of the SPCAI's commitment and efforts to fulfill its mission. The SPCAI has contracted with an organization to administer this program, including the procurement, shipping and delivery of these supplies. The organization also provides the fair value of the donation at the date the supplies are shipped, based on the average of three valuation values for warehouse acquisition costs and average wholesale price. For both years ended December 31, 2021 and 2020, the SPCAI recognized approximately \$8.5 million of in-kind donations for medications and supplies, respectively.

The SPCAI received donated marketing and media costs of approximately \$478,000 for both years ended December 31, 2021 and 2020, respectively.

Bequests and Legacies

Bequests and legacies are recognized in the period received, as there is no certainty as to the amount and the length of time or the value of the corpus of the deceased donor's estate. For the years ended December 31, 2021 and 2020, the SPCAI recorded donor bequests and legacies of approximately \$2,960,000 and \$947,000, respectively. Currently, the SPCAI is the named beneficiary of various legacies, but due to either a specific event, such as the passing of the donor, or the estate not being adjudicated and approved by a court for distribution, the funds or the bequest have not been recognized by the SPCAI in the current year financial statements.

Marketing and Media Costs

Marketing and media costs are expensed as incurred. Marketing and media costs approximated \$12.4 million and \$11.8 million for the years ended December 31, 2021 and 2020, respectively.

SPCA INTERNATIONAL, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the SPCAI. Those expenses include program administration, including staff and consultant time, marketing and media, and fundraising. Program administration is based on the ratio value of program expenses and staff and consultant time spent on program administration and supporting services. Marketing and media and fundraising are based on the percentage of materials created attributable to program information and calls to action. Careful vetting, multiple bid procedures, and best practice policies are used by SPCA International to identify, negotiate, and contract all vendors and services, including but not limited to supplies, transportation, direct mail, delivery, and others.

Accounting for Uncertainty in Income Taxes

The SPCAI has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The SPCAI is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The SPCAI believes it is no longer subject to income tax examinations prior to 2018.

Allocated Joint Costs

The SPCAI conducted activities that included requests for contributions as well as program components and incurred joint costs. These activities included Operation Baghdad Pups and Shelter and Emergency Grants. Joint costs were allocated between program services and fundraising as follows:

	<u>2021</u>	<u>2020</u>
Program services	\$ 4,978,009	\$ 4,702,042
Fundraising	<u>7,466,739</u>	<u>7,135,928</u>
	<u>\$ 12,444,748</u>	<u>\$ 11,837,970</u>

SPCA INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements

ASU No. 2020-07

In September 2020, the FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU increases transparency and provides financial clarity with the reporting of noncash contributions, known as gifts-in-kind. The guidance in this ASU provides for new presentation and disclosure requirements regarding contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. It requires not-for-profit entities to present contributed nonfinancial assets separately in the statement of activities apart from contributions of cash or other financial assets.

The amendments of ASU No. 2020-07 are effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board (“IASB”) to increase transparency and the comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards (“IFRS”). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, based on the decision in ASU No. 2020-05 to defer the implementation dates.

The SPCAI has not yet determined if these ASUs will have a material effect on its financial statements.

Note 3 - Concentration of Credit Risk

The SPCAI maintains cash balances in several financial institutions. Such balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$250,000 per institution. From time to time, the SPCAI’s balances may exceed these limits.

SPCA INTERNATIONAL, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021 AND 2020

Note 4 - Property and Equipment

Property and equipment, net, at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Website	\$ 140,688	\$ 140,688
Office equipment	46,688	44,306
Leasehold improvements	41,142	41,142
Automobile	-	-
	<u>228,518</u>	<u>226,136</u>
Less: Accumulated depreciation and amortization	217,076	203,932
Property and equipment, net	<u>\$ 11,442</u>	<u>\$ 22,204</u>

For the years ended December 31, 2021 and 2020, depreciation and amortization expense was \$13,144 and \$13,734, respectively.

Note 5 - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Military Program	\$ 268,970	\$ 435,293
Shelter Program	279,513	237,936
	<u>\$ 548,483</u>	<u>\$ 673,229</u>

Net assets with donor restrictions were released from restrictions in 2021 and 2020 by incurring expenses satisfying the following:

	<u>2021</u>	<u>2020</u>
Military Program	\$ 909,036	\$ 815,314
Shelter Program	1,339,169	1,115,739
	<u>\$ 2,248,205</u>	<u>\$ 1,931,053</u>

SPCA INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 6 - Refundable Advance

In May 2020, the SPCAI received proceeds of \$112,500 from a financial institution under the Paycheck Protection Program (“PPP”), established by the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, administered by the Small Business Administration with support from the Department of the Treasury. Under the terms of CARES and the PPP, the SPCAI can apply for and be granted forgiveness for all or a portion of the proceeds issued to the extent the proceeds are used in accordance with the PPP. During April 2021, the SPCAI received full forgiveness by the SBA, for which the amount is recognized as contributions and grants on the statements of activities.

Note 7 - Commitments

Fundraising

In October 2006, the SPCAI entered into a 10-year agreement with a direct mail service provider (“DM”) to administer its fundraising and marketing activities. Services covered under this agreement include the production of direct mail awareness and educational materials, organization development, and processing of cash receipts. In addition, the DM incurred startup costs on behalf of the SPCAI. The SPCAI is obligated to reimburse the DM for all costs incurred on behalf of the SPCAI. As of May 31, 2018, the contract is self-renewing for one-year terms barring cancellation of the contract by either party.

Rental

In September 2016, the SPCAI entered into a rental agreement for office space in New York City, NY. In November 2021, SPCAI renewed their initial rental agreement and added additional space. The lease agreement expires on October 31, 2026. In addition, the SPCAI entered into a rental agreement for office space in Seattle, WA in May 2019. The lease agreement expired on April 30, 2021 and has not been renewed. The future minimum lease payments are as follows:

Years Ending December 31:

2022	\$	97,327
2023		104,809
2024		107,953
2025		111,192
2026		94,965
		<hr/>
	\$	<u>516,246</u>

For the years ended December 31, 2021 and 2020, rent expense was approximately \$69,000 and \$72,000, respectively.

SPCA INTERNATIONAL, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021 AND 2020

Note 8 - Related Party Transactions

One family member of a director of the SPCAI's Board of Directors works for the organization. The compensation and fringe benefits totaled \$95,886 and \$88,191 for the years ended December 31, 2021 and 2020, respectively.

Note 9 - Contingencies

As a result of the continued spread of COVID-19, economic uncertainties have arisen which may impact the collection of receivables and receipt of contribution income, though such potential impact is unknown at this time.

Note 10 - Available Resources and Liquidity

The SPCAI regularly monitors liquidity required to meet its operating needs and other contractual commitments. The following reflects the SPCAI's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,499,296	\$ 2,218,438
Accounts receivable	549,465	296,777
Current assets, excluding non-financial assets	6,048,761	2,515,215
Less: Donor restrictions for specific purposes	548,483	673,229
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,500,278	\$ 1,841,986

Note 11 - Retirement Plan

The SPCAI sponsors a SIMPLE IRA retirement plan. All employees are eligible to make pre-tax salary contributions after six months of service up to regulatory limits. Employees that are over the age of 18, have completed six months of service, and work 30 hours per week, are eligible for employer matching contributions of 3%. Contributions for the years ended December 31, 2021 and 2020 were \$14,031 and \$11,435, respectively.

Note 12 - Subsequent Events

The SPCAI has evaluated all events or transactions that occurred after December 31, 2021 through May 26, 2022, the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.