

**HAMILTON COUNTY
SOCIETY FOR THE PREVENTION
OF CRUELTY TO ANIMALS
d.b.a. SPCA CINCINNATI**

FINANCIAL STATEMENTS

For the Year Ending December 31, 2022

HAMILTON COUNTY
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FINANCIAL STATEMENTS

For the Year Ending December 31, 2022

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Independent Auditor's Report

**The Board of Trustees of the
Hamilton County Society for the Prevention of Cruelty to Animals
d.b.a. SPCA Cincinnati
Cincinnati, Ohio**

Opinion

We have audited the accompanying financial statements of the Hamilton County Society for the Prevention of Cruelty to Animals, doing business as and hereafter referred to as SPCA Cincinnati (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statement of activities, functional expenses, and cash flows for the year 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 SPCA Cincinnati as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with accounting 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 SPCA Cincinnati 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 these 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 SPCA Cincinnati'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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 Cincinnati'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 Cincinnati'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.

Chamberlin Owen & Co., Inc.

Chamberlin Owen, & Co., Inc.

Erlanger, Kentucky

May 18, 2023

SPCA CINCINNATI STATEMENT OF FINANCIAL POSITION December 31, 2022
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	<u>2022</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 976,958
Estates/Trusts receivable	80,083
Total current assets	<u>1,057,041</u>
Property and equipment	12,062,573
Less: Accumulated depreciation	<u>(4,605,177)</u>
Total property and equipment, net	<u>7,457,396</u>
Restricted & board designated assets	
Restricted cash endowment	939,276
Restricted cash & equivalents	609,695
Board designated cash & equivalents	8,102,521
Board designated investments	<u>5,649,295</u>
Total restricted & designated assets	<u>15,300,787</u>
Other assets	
Beneficial interests in trusts	1,153,904
Prepaid expenses	26,635
Pet supply store inventory	<u>8,599</u>
Total other assets	<u>1,189,138</u>
Total assets	<u><u>\$ 25,004,362</u></u>
Liabilities and net assets	
Liabilities	
Current liabilities	
Accounts payable	\$ 34,360
Accrued expenses	171,305
Current portion of debt	<u>156,612</u>
Total current liabilities	<u>362,277</u>
Long term liabilities	
Commercial notes payable	12,000
Promissary note	1,048,412
Capital leases	<u>8,031</u>
Total long term liabilities	<u>1,068,443</u>
Total liabilities	<u>1,430,720</u>
Net assets	
With donor restrictions	16,454,692
Without donor restrictions	<u>7,118,950</u>
Total net assets	<u>23,573,642</u>
Total liabilities and net assets	<u><u>\$ 25,004,362</u></u>

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

SPCA CINCINNATI STATEMENT OF ACTIVITIES For the Year Ending December 31, 2022
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	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gain, and other support			
Cash contributions	\$ 553,962	\$ 1,433,896	\$ 1,987,858
Estate and trust income	711,038	5,445,959	6,156,997
Investment income	54,423	134,321	188,744
Animal sales, net	78,661	-	78,661
Animal calls	32,754	-	32,754
Other fees/income	21,661	-	21,661
In-kind donations	277,945	-	277,945
Net (losses) gains on investments	(921,018)	-	(921,018)
Northside lease income	219,600	-	219,600
Grant income	307,750	-	307,750
Special event revenue - net of direct expenses of \$294,550	339,163	-	339,163
Net assets released from restrictions			
Satisfaction of program restrictions	1,237,769	(1,237,769)	-
Total revenues, gains, and other support	<u>2,913,708</u>	<u>5,776,407</u>	<u>8,690,115</u>
Expenses			
Program services			
Shelter services	1,360,809	-	1,360,809
Shelter veterinary services	912,675	-	912,675
Shelter to shelter transfer program	649,514	-	649,514
Humane investigations	196,336	-	196,336
Farm education center	159,344	-	159,344
Total program services	<u>3,278,678</u>	<u>-</u>	<u>3,278,678</u>
Supporting services			
Management and general	212,881	-	212,881
Development	976,715	-	976,715
Depreciation	321,664	-	321,664
Total expenses	<u>4,789,938</u>	<u>-</u>	<u>4,789,938</u>
Change in net assets	(1,876,230)	5,776,407	3,900,177
Net assets at beginning of year	<u>8,995,180</u>	<u>10,678,285</u>	<u>19,673,465</u>
Net assets at end of year	<u>\$ 7,118,950</u>	<u>\$ 16,454,692</u>	<u>\$23,573,642</u>

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

SPCA CINCINNATI
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ending December 31, 2022

	Program Services							Totals		
	Shelter Services	Shelter Veterinary Services	Shelter to Shelter Transfer Program	Humane Investigations	Farm Education Center	Total Programs	Management and General	Development	2022	Memo Only 2021
Salaries	\$ 623,981	\$ 289,556	\$ 279,825	\$ 100,650	\$ 57,081	\$ 1,351,093	\$ 147,681	\$ 291,581	\$ 1,790,355	\$ 1,491,071
Benefits and taxes	192,799	89,183	86,186	31,000	17,581	416,749	45,486	89,807	552,042	452,820
Total salaries and related costs	816,780	378,739	366,011	131,650	74,662	1,767,842	193,167	381,388	2,342,397	1,943,891
Building/maintenance	80,605	43,067	41,378	14,074	34,137	213,261	4,490	6,735	224,486	123,707
Communications	21,428	10,996	10,565	3,593	2,265	48,847	504	1,007	50,358	37,199
Contracted services	17,684	8,319	7,992	2,966	1,483	38,444	2,060	687	41,191	38,414
Development expenses	-	-	-	-	-	-	-	72,193	72,193	58,454
Insurance expense	29,182	13,731	13,192	4,894	2,440	63,439	1,322	1,322	66,083	64,974
Interest	19,676	9,340	8,974	3,300	1,485	42,775	892	892	44,559	48,599
Clinic supplies	-	370,770	-	-	-	370,770	-	-	370,770	267,119
Kennel Supplies	178,188	-	116,292	2,500	1,291	298,271	-	-	298,271	203,860
Miscellaneous	36,714	19,718	18,944	6,157	283	81,816	1,704	1,704	85,224	79,963
Printing/postage	11,713	-	-	-	-	11,713	-	7,809	19,522	19,595
Professional fees	73,246	24,883	23,780	9,145	29,753	160,807	5,132	5,132	171,071	67,423
Supplies	21,654	12,964	12,455	8,548	4,216	59,837	-	-	59,837	62,157
Special events expenses	-	-	-	-	-	-	-	254,619	254,619	168,593
Third party fund raising	-	-	-	-	-	-	-	532,104	532,104	507,967
Travel/vehicles	13,060	-	10,574	1,762	-	25,396	1,719	-	27,115	18,429
Uniforms	4,238	-	-	4,238	-	8,476	-	-	8,476	3,509
Utilities	36,641	20,148	19,357	3,509	7,329	86,984	1,891	5,673	94,548	73,521
Bad debt expense	-	-	-	-	-	-	-	-	-	38,689
Less expense included with revenue on the statement of activities and changes in net assets	-	-	-	-	-	-	-	(294,550)	(294,550)	(214,521)
Total expenses before depreciation	1,360,809	912,675	649,514	196,336	159,344	3,278,678	212,881	976,715	4,468,274	3,611,543
Depreciation, unallocated	-	-	-	-	-	-	-	-	321,664	317,865
Total expenses	<u>\$ 1,360,809</u>	<u>\$ 912,675</u>	<u>\$ 649,514</u>	<u>\$ 196,336</u>	<u>\$ 159,344</u>	<u>\$ 3,278,678</u>	<u>\$ 212,881</u>	<u>\$ 976,715</u>	<u>\$ 4,789,938</u>	<u>\$ 3,929,408</u>

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

SPCA CINCINNATI STATEMENT OF CASH FLOWS For the Year Ending December 31, 2022
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	<u>2022</u>
Cash flows from operating activities	
Change in net assets	\$ 3,900,177
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:	
Depreciation and amortization	321,664
Unrealized (gain)/loss on investments	921,018
Change in operating assets:	
Other assets and deposits	279,961
Estates/Trusts receivable	(76,083)
Accounts receivable	224,479
Change in operating liabilities:	
Accounts payable	8,984
Other liabilities	51,935
Net change in cash from operating activities	<u>5,632,135</u>
Cash flows from investing activities	
Purchases and sales of investment securities	(1,146,511)
Proceeds from disposal of property and equipment	15,596
Purchase of property and equipment	(176,648)
Net change in cash from investing activities	<u>(1,307,563)</u>
Cash flows from financing activities	
(Increase) decrease in board designated funds	(5,919,383)
Payments on notes payable	(151,578)
Payments on capital leases	(4,564)
Net change in cash from financing activities	<u>(6,075,525)</u>
Net change in cash and cash equivalents	(1,750,953)
Beginning cash and cash equivalents	<u>2,727,911</u>
Ending cash and cash equivalents	<u><u>\$ 976,958</u></u>
Supplemental data	
Interest paid	<u>\$ 44,559</u>
Non-cash in-kind contributions	<u><u>\$ 277,945</u></u>

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

SPCA CINCINNATI NOTES TO FINANCIAL STATEMENTS December 31, 2022
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ORGANIZATION

Founded in 1907, the Hamilton County Society for the Prevention of Cruelty to Animals, doing business as SPCA Cincinnati (Organization) is a not-for-profit corporation organized to provide a means to prevent cruelty to animals throughout Hamilton County and the State of Ohio. The Organization's mission is to be a driving force in promoting animal welfare, strengthening the human-animal bond, providing humane education and eliminating pet overpopulation.

The Organization is a non-profit organization exempt from tax under Internal Revenue Code Section 501(c)(3) and the Internal Revenue Service has determined the Organization is not a "private foundation" within the meaning of Section 509(a) of the Code.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Concentration of Credit Risk

The Organization maintains its cash in bank deposits, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in these accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Interest Rate Risk

In accordance with the Organization's policy, interest rate risk is limited by investing in diversified portfolios with a combination of the highest rate of return and the lowest risk to ensure maximum security of principal. Investments are undertaken in a manner that seeks to ensure the preservation of capital in its portfolio.

Credit Risk

Seventy-two percent (72%) of the Organization's designated investment account is held in one security. The Board has analyzed this security over a period of years and has determined that this security performs at or above market performance over the years analyzed. The Board has determined that this risk is acceptable to the Organization.

The remainder of the Organization's investments are limited to diversified, managed portfolios which contain funds with varying credit ratings applied. Because of the diversity of these funds, the credit risk of the investments, in the aggregate, is reduced to an acceptable level.

SPCA CINCINNATI NOTES TO FINANCIAL STATEMENTS December 31, 2022
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Custodial Credit Risk

For deposits, this is the risk that, in the event of a bank failure, the Organization's deposits will not be returned. The cash and cash equivalents balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2022, the Organization had collected balances of approximately \$618,189 at Miami Savings Bank and \$477,817 at Northside Bank & Trust in excess of the FDIC insured limits.

Contributions

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, those net assets are reported in the statement of activities as net assets released from restrictions. Unconditional promises to give are recorded at their net realizable value. Gifts are considered to be available for unrestricted use or designation by the governing board unless specifically restricted by the donor. Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated fair values at date of receipt.

Allowance for Doubtful Accounts

The Organization had pledges receivable of \$0 at December 31, 2022. The Organization does not utilize an allowance for doubtful accounts.

Property and Equipment

Property and equipment are stated at cost except for donated property, which is capitalized at the estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over 5 – 40 years.

Net Assets

Resources are classified into two net asset categories according to the existence or absence of donor-imposed restrictions. A description of the two net asset categories, as applied to the Organization is as follows:

- 1) Net assets without donor restrictions – Net assets available for general use and not subject to donor restrictions:
 - Undesignated net assets include the assets and liabilities associated with the principal mission of the Organization, including its net property and equipment. Board designated net assets can be an internally tracked subset of this category. This includes net assets which the board has determined should be invested for future needs of the Organization.
- 2) Net assets with donor restrictions:
 - Include grants and contributions subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Organization and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

Functional Expense Allocation

The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program and support services categories based on specific identification and Organization staff time spent within each functional area.

SPCA CINCINNATI NOTES TO FINANCIAL STATEMENTS December 31, 2022
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Inventories

Inventories are stated at cost. Cost is determined under the First-In, First-Out (FIFO) method.

In-Kind Donations

The Organization receives donations of pet food, pet medications, and pet supplies, as well as professional services on an in-kind basis. The amounts of these donations were estimated to be \$277,945 as of December 31, 2022 and are recorded as revenues and as offsetting expenses of the same amount.

NOTE B – INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2022, the Organization had investments consisting of various public company stock equities. The market value of these investments was \$8,906,381 with \$1,759,409 of this amount classified as cash or cash equivalents on the balance sheet for a net investment balance of \$7,146,972.

Investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments are Level 1 investments. Level 1 investments are investments that have readily observable prices, are bought and sold on an open market, and whose prices have a reliable fair market value. There are no Level 2 or Level 3 investments.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2022, are as follows:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Equity securities:				
Cincinnati Financial	\$ 5,611,855	\$ 5,611,855	\$ -	\$ -
Procter and Gamble Co.	35,101	35,101	-	-
Johnson Investments	1,500,016	1,500,016	-	-
Total equity securities	<u>7,146,972</u>	<u>7,146,972</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents:				
Fifth Third	1,235,560	1,235,560	-	-
PNC Money Fund	523,849	523,849	-	-
Total cash and cash equivalents	<u>1,759,409</u>	<u>1,759,409</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 8,906,381</u>	<u>\$ 8,906,381</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE C – ENDOWMENT

The Organization's endowment consists of one individual fund, established in 2019, to support the mission, program, and activities of SPCA Cincinnati's Pet Behavioral Department. The endowment includes a donor-restricted endowment fund. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the State of Ohio Uniform Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this

SPCA CINCINNATI NOTES TO FINANCIAL STATEMENTS December 31, 2022
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interpretation, the Organization classifies as net assets with donor restriction to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of Organization

The composition of net assets by endowment fund at December 31, 2022 were:

	FMV at December 31, 2021	Additions	Deletions	FMV at December 31, 2022
Robinson Endowment	\$ 211,459	\$ -	\$ -	\$ 211,459
Brooks Estate Endowment	726,154	1,663	-	727,817
	<u>\$ 937,613</u>	<u>\$ 1,663</u>	<u>\$ -</u>	<u>\$ 939,276</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation. No deficiencies of this nature are reported at December 31, 2022.

The Organization has adopted investment and spending policies for endowment assets which, similar to investment assets, attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity. Under the Organization's policies, endowment assets are invested in a manner that is intended to produce results that exceed spending plus inflation while assuming a moderate level of investment risk. The Organization expects its endowment funds to provide an average rate of return of approximately 1.5% over time. Actual returns in any given year may vary from this amount.

NOTE D – BOARD DESIGNATED INVESTMENTS

The Organization holds \$5,649,955 as board designated investments. These long-term investments are being held in anticipation of future needs of the Organization. These funds are not available for operating expenses of the Organization.

SPCA CINCINNATI NOTES TO FINANCIAL STATEMENTS December 31, 2022
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NOTE E – BENEFICIAL INTEREST IN TRUST FUND ASSETS HELD BY OTHERS

The Organization has unconditional rights to distributions from the following trusts. The fair values of these beneficial interest trusts at December 31, 2022 are as follows:

Trust Name	Trust Type	Fair Value at December 31, 2022
Eliabeth Miller Irrevocable Charitable Trust	Perpetual	\$ 372,611
Carole C. & Charles Kehrer Charitable Trust	Perpetual	178,153
Alex C. Young Charitable Trust	Perpetual	603,140
Total Beneficial Interest in Trusts		<u>\$ 1,153,904</u>

Perpetual Trusts – The Organization is the recipient of investment income from four perpetual trusts:

The Elizabeth Miller Irrevocable Charitable Trust – The Miller Trust was established in the early 1900’s and is permanently in trust, currently with PNC Bank, with the Organization as its sole beneficiary. The Organization receives quarterly interest payments on the corpus of this trust. The market value and the beneficial interest of this trust at December 31, 2022 was \$372,611. During 2022, the unrestricted income received from this trust was \$17,979.

The Carole C. & Charles A. Kehrer Charitable Trust – The Kehrer Trust was established in 2012 and is permanently in trust, currently with Raymond James Financial, with the Organization as a 5% beneficiary. The Organization receives quarterly interest payments on the corpus of this trust. The market value of this trust at December 31, 2022 was \$3,563,067 and the beneficial interest was \$178,153. During 2022, the unrestricted income received from this trust was \$14,305.

The Alex C. Young Charitable Trust – The Alex C. Young Trust was funded in 2019 and is permanently in trust, currently with Comerica Bank, with the Organization as a 7.78% beneficiary. In 2020, this trust was merged with the Elizabeth Young Charitable Trust. The Organization receives bi-monthly interest payments on the corpus of this trust. The market value of this trust at December 31, 2022 was \$7,752,442 and the beneficial interest was \$603,140. During 2022, the unrestricted income received from this trust was \$34,572.

Other Trusts – The Organization has also been named as the beneficiary in three other remainder trusts whose value cannot currently be ascertained due to conditions in the individual trust documents. The following amounts are for disclosure purposes only and are not yet recognized in the financial statements:

The Flora R. Ploss Remainder Trust – The Organization has been designated to receive 100% of trust balance on the death of a designated family member. This amount is currently estimated to be \$1,190,537 and the estimated beneficial interest is \$1,190,537.

SPCA CINCINNATI NOTES TO FINANCIAL STATEMENTS December 31, 2022
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NOTE F – PROPERTY AND EQUIPMENT

The Organization has elected to capitalize assets with a cost of \$500 or more. Capital assets are depreciated using the straight-line method and charged as an expense against operations; total capital assets and accumulated depreciation are reported on the statement of net position. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40 years
Vehicles	5 years
Furniture and equipment	5 years

Property and Equipment includes:

Asset	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Construction in progress	\$ -	\$ -	\$ -	\$ -
Colerain Facility				
Land	75,000	-	-	75,000
Buildings	1,310,724	-	-	1,310,724
Furniture and equipment	77,569	-	-	77,569
Conrey Road Facility				
Land	400,000	-	-	400,000
Buildings	8,203,479	-	-	8,203,479
Furniture and equipment	899,234	55,000	-	954,234
Simmonds Farm				
Land	176,750	-	-	176,750
Buildings	429,235	-	-	429,235
Furniture and equipment	79,965	-	-	79,965
Vehicles	304,770	121,648	(70,801)	355,617
Subtotal	11,956,726	176,648	(70,801)	12,062,573
Less: Accum. Depreciation	(4,342,905)	(321,664)	59,392	(4,605,177)
Property and equipment, net	<u>\$ 7,613,821</u>	<u>\$ (145,016)</u>	<u>\$ (11,409)</u>	<u>\$ 7,457,396</u>

NOTE G – RETIREMENT PLAN

The Organization maintains a contributory retirement plan under Section 403(b) of the Internal Revenue Code. Employee contributions are discretionary. The Organization has elected to match employee contributions up to a maximum of 6% of gross pay. The Organization made \$20,013 in contributions to the plan for the year ended December 31, 2022.

SPCA CINCINNATI NOTES TO FINANCIAL STATEMENTS December 31, 2022
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NOTE H – LEASES

Capital Leases

The Organization has both vehicles and equipment under capital leases at December 31, 2022. These vehicles and equipment are included at cost as fixed assets on the balance sheet and are depreciated based on their respective asset category.

The following is a listing of the vehicles and equipment under capital lease and the remaining lease balances:

<u>Item Leased</u>	<u>Lease Date</u>	<u>Maturity Date</u>	<u>Asset Cost</u>	<u>Term (Mo.)</u>	<u>Remaining Balance</u>
Colerain Front Office HVAC	7/6/2018	7/9/2023	\$ 11,900	60	\$ -
2020 Subaru Ascent	6/1/2020	6/1/2026	24,000	60	13,065
				Capital Lease Balance	<u>\$ 13,065</u>

The 2020 Subaru leased in June of 2020 has a balloon payment at the end of the lease period of \$12,000. At the end of the 60-month maturity period, this amount will be eligible for a follow-on lease, a note, or full payment. This balloon payment is currently held as a long-term liability.

The following is a summary of future lease payments required to fulfill the leasing contracts:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2023	\$ 5,034	\$ 1,062	\$ 6,096
2024	5,552	543	6,095
2025	2,479	61	2,540
Totals	<u>\$ 13,065</u>	<u>\$ 1,666</u>	<u>\$ 14,731</u>

NOTE I – LINE OF CREDIT

The Organization has a revolving line of credit with PNC Bank, for \$325,000, which is secured by the Organization investment funds. At December 31, 2022, the total amount drawn on the lines of credit was \$0 leaving an available balance of \$325,000.

NOTE J – PROMISSORY NOTES

On November 14, 2020, the Organization converted a construction line of credit with PNC Bank for \$1,800,000 to a loan for \$1,515,777 to finance the K-9 expansion. The loan has monthly payments of \$12,631. The terms of the note are 10 years at a fixed interest rate of 3.31%. The note is secured by the Organization investment funds.

SPCA CINCINNATI NOTES TO FINANCIAL STATEMENTS December 31, 2022
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NOTE K – DEBT SUMMARY

The following is a summary of the changes in the Organization’s debt during 2022, and the balances that exist at December 31, 2022:

Debt type	Balance at December 31, 2021	Additions	Principal Payments	Balance at December 31, 2022	Current Portion
Capital leases	\$ 17,629	\$ -	\$ (4,564)	\$ 13,065	\$ 5,034
Lease balloon payments	12,000	-	-	12,000	-
Promissory notes	1,351,569	-	(151,579)	1,199,990	151,578
Totals	\$ 1,381,198	\$ -	\$ (156,143)	\$ 1,225,055	\$ 156,612

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 are restricted for the following purposes or periods:

Restricted Purpose	Balance at December 31, 2021	Restricted Contributions	Released from Restrictions	Balance at December 31, 2022
Cincinnati Financial at PNC	\$ 5,752,169	\$ -	\$ (582,639)	\$ 5,169,530
Cincinnati Financial at 5/3	492,178	-	(49,853)	442,325
P&G Asset Account	-	1,667	-	1,667
P&G held at PNC	-	33,434	-	33,434
Vanguard	720,106	11,178	-	731,284
MSB Savings	516,732	527	-	517,259
NSB&T CDs	-	600,000	-	600,000
MSB CDs	351,088	-	(150,431)	200,657
Equities in Stock Gift Account	-	2,339	-	2,339
5/3 Lockbox Account for transfer	-	3,005,355	-	3,005,355
5/3 Stock Gift Account	-	1,139,206	-	1,139,206
5/3 Asset Account Money Market	-	96,354	-	96,354
Johnson Investment Counsel	-	1,288,557	-	1,288,557
PNC Money Fund	-	523,849	-	523,849
Endowment	937,613	1,663	-	939,276
MSB Savings Other	160	-	(160)	-
PNC Farm Checking	-	7,105	-	7,105
PNC Farm Savings	-	151,780	-	151,780
Simmonds Farm-MSB Checking	16,900	151,162	(21,626)	146,436
Simmonds Farm-MSB Savings	204,495	-	-	204,495
Bernard Foundation grant	245,315	-	(145,435)	99,880
Beneficial interest in trusts	1,441,529	-	(287,625)	1,153,904
	\$ 10,678,285	\$ 7,014,176	\$ (1,237,769)	\$ 16,454,692

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

SPCA CINCINNATI NOTES TO FINANCIAL STATEMENTS December 31, 2022
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NOTE M – FUND RAISING

The Organization received total solicited revenues of \$1,597,025 from its fund raising and direct mail activities and \$633,713 from special events activities. The Organization incurred direct, related expenses from both activities of \$786,724 for the year ended December 31, 2022.

NOTE N – DONATED SERVICES

The Organization receives services of volunteers who donate their time to administrative and oversight services to the Organization. These contributed services do not meet the requirements for recognition in the financial statements.

NOTE O – RELATED PARTY TRANSACTIONS

A board member for the Organization is a member of the Board of Directors of a publicly traded for-profit corporation. The Organization leases equipment and vehicles, under capital leases as described in NOTE H above, from a finance company which is a subsidiary of that corporation. Additionally, the board member is also a member of the board of an insurance company and the Chief Executive Officer of an insurance brokerage company. The Organization purchases insurance through the brokerage, which is written by the insurance company. During 2022, insurance premiums in the amount of \$66,083 were paid to the insurance brokerage. The Organization's board believes that the pricing of the policies and the financial leases described above were compatible to the pricing from other sources for similar lease financing and insurance coverage available at the time of purchase.

NOTE P – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by the amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date. As part of the Organization's liquidity management, it invests cash in investments, typically equity securities.

The Organization has the following amounts that are available for use within one year for general purposes:

	<u>2022</u>
Cash and cash equivalents	\$ 976,958
Estates/Trusts receivable	80,083
Restricted & board designated assets	<u>15,300,787</u>
Subtotal financial assets, at year end	16,357,828
Less assets unavailable for general expenditures within one year, due to:	
Board imposed restrictions:	(13,751,816)
Restricted cash and cash equivalents:	<u>(1,549,421)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u><u>\$ 1,056,591</u></u>

SPCA CINCINNATI NOTES TO FINANCIAL STATEMENTS December 31, 2022
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The Organization receives grants and contributions that are restricted by donors and considers revenues restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization's endowment funds consist of a donor-restricted endowment. Income from the donor-restricted endowment is restricted for specific programming purposes. Donor-restricted endowment funds are not available for general expenditure.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization maintains current financial assets less current liabilities at a minimum of 30 days operating expenses. The Organization regularly monitors cash flows and monitors its reserves annually. In addition, the Organization's Board reviews the summarized financial reports quarterly.

NOTE Q – IMPLEMENTATION OF NEW FASB ACCOUNTING STANDARD

Effective January 1, 2022, the Organization adopted the requirements of Accounting Standards Update 2016-02 – *Leases* (Topic 842).

Topic 842 eliminates "operating leases" and requires entities to recognize, on the balance sheet, both a "right of use" asset that is amortized over the lease term and a lease liability, initially measured at the present value of the future lease payments. The standard only applies to leases longer than 1 year.

NOTE R – SUBSEQUENT EVENTS

The Organization's management has evaluated events through May 18, 2023, the date on which the financial statements were available for issue. The Organization has no events subsequent to December 31, 2022 through May 18, 2023, to disclose.