

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

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

**YEARS ENDED
DECEMBER 31, 2023 AND 2022**

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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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

June 12, 2024

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

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,041,044	\$ 761,067
Accounts receivable	58,381	91,298
Contributions and bequests receivable	3,225,495	299,309
Inventories	58,867	59,613
Prepaid expenses	<u>161,450</u>	<u>221,752</u>
Total current assets	4,545,237	1,433,039
NONCURRENT ASSETS:		
Investments	22,049,427	21,420,533
Property and equipment, net	13,453,792	14,005,295
Contributions receivable, net	659,401	
Split-interest agreement assets	<u>1,116,490</u>	<u>3,476,739</u>
TOTAL ASSETS	<u>\$ 41,824,347</u>	<u>\$ 40,335,606</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 165,626	\$ 230,275
Accrued expenses and other liabilities	580,789	553,477
Debt	<u>6,078,639</u>	<u>6,978,645</u>
Total current liabilities	<u>6,825,054</u>	<u>7,762,397</u>
NET ASSETS:		
Without donor restrictions	32,006,521	27,887,877
With donor restrictions	<u>2,992,772</u>	<u>4,685,332</u>
Total net assets	<u>34,999,293</u>	<u>32,573,209</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 41,824,347</u>	<u>\$ 40,335,606</u>

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

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OF CRUELTY TO ANIMALS**

**STATEMENTS OF ACTIVITIES (Page 1 of 2)
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT:		
Program revenues:		
Veterinary services	\$ 2,418,223	\$ 1,891,670
Less: Discounts for free and reduced fee veterinary services	<u>(496,960)</u>	<u>(292,798)</u>
Veterinary services, net	1,921,263	1,598,872
Shelter and adoption services	<u>1,186,215</u>	<u>1,038,010</u>
Total program revenue	<u>3,107,478</u>	<u>2,636,882</u>
Public support:		
Contributions	3,014,472	2,914,910
In-kind contributions	36,837	2,351,614
Bequests	3,892,826	2,263,532
Net assets released from restrictions	<u>341,898</u>	<u>434,707</u>
Total public support	<u>7,286,033</u>	<u>7,964,763</u>
Other income (loss):		
Investment income (loss)	3,799,743	(3,620,430)
Rental income	79,592	93,411
Other income	<u>35,062</u>	<u>25,293</u>
Total other income (loss)	<u>3,914,397</u>	<u>(3,501,726)</u>
Total revenues and support	<u>14,307,908</u>	<u>7,099,919</u>
EXPENSES:		
Program services:		
Shelter and adoption services	5,382,110	4,515,932
Veterinary services	<u>3,061,178</u>	<u>2,764,802</u>
Total program services	<u>8,443,288</u>	<u>7,280,734</u>
Supporting services:		
General and administrative	1,061,651	971,759
Fundraising	<u>684,325</u>	<u>779,872</u>
Total supporting services	<u>1,745,976</u>	<u>1,751,631</u>
Total expenses	<u>10,189,264</u>	<u>9,032,365</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>4,118,644</u>	<u>(1,932,446)</u>

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

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**STATEMENTS OF ACTIVITIES (Page 2 of 2)
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and bequests	1,009,587	416,195
Change in value of split-interest agreement assets	(2,360,249)	8,605
Net assets released from restrictions	<u>(341,898)</u>	<u>(434,707)</u>
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(1,692,560)</u>	<u>(9,907)</u>
INCREASE (DECREASE) IN NET ASSETS	2,426,084	(1,942,353)
NET ASSETS, Beginning of Year	<u>32,573,209</u>	<u>34,515,562</u>
NET ASSETS, End of Year	<u>\$ 34,999,293</u>	<u>\$ 32,573,209</u>

**EAST BAY SOCIETY FOR THE PREVENTION
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**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	<u>Program services</u>		<u>Supporting services</u>		<u>Total</u>
	<u>Shelter and adoption services</u>	<u>Veterinary services</u>	<u>General and administrative</u>	<u>Fundraising</u>	
Salaries	\$ 2,436,869	\$ 1,355,108	\$ 705,775	\$ 177,231	\$ 4,674,983
Payroll taxes and benefits	476,446	314,920	100,411	39,321	931,098
Supplies	327,624	394,344	5,807	2,806	730,581
Depreciation and amortization	517,876	170,781	5,222	5,300	699,179
Occupancy	341,483	142,197	3,054	3,587	490,321
Interest expense	337,514	84,379			421,893
Repair and maintenance	217,980	98,744	11,996	2,619	331,339
Outside services	127,842	152,402	1,678	1,607	283,529
Professional fees	41,639	16,349	181,943	21,352	261,283
Printing and postage	17,607	20,804	274	200,748	239,433
Insurance	162,149	45,382	1,898	1,818	211,247
Advertising	97,088	97,087			194,175
Events	51,524			112,143	163,667
Bank charges	20,595	78,803		46,639	146,037
Non-depreciable equipment	38,840	28,053	5,587	40,879	113,359
Outreach services	66,961				66,961
Miscellaneous expense	102,073	61,825	38,006	28,275	230,179
Total	<u>\$ 5,382,110</u>	<u>\$ 3,061,178</u>	<u>\$ 1,061,651</u>	<u>\$ 684,325</u>	<u>\$ 10,189,264</u>

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

**EAST BAY SOCIETY FOR THE PREVENTION
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**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	<u>Program services</u>		<u>Supporting services</u>		<u>Total</u>
	<u>Shelter and adoption services</u>	<u>Veterinary services</u>	<u>General and administrative</u>	<u>Fundraising</u>	
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
Supplies	221,615	419,027	6,693	2,203	649,538
Depreciation and amortization	513,120	168,926	4,467	5,288	691,801
Occupancy	304,067	128,282	2,319	3,153	437,821
Interest expense	178,054	44,514			222,568
Repair and maintenance	210,392	62,937	112,420	1,965	387,714
Outside services	125,045	159,250	2,738	1,438	288,471
Professional fees	35,447	21,978	127,384	57,491	242,300
Printing and postage	10,115	18,035	635	314,445	343,230
Insurance	148,587	41,728	1,726	1,653	193,694
Advertising	37,148	37,148			74,296
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
Outreach services	66,841				66,841
Miscellaneous expense	78,197	73,955	22,946	28,041	203,139
Total	<u>\$ 4,515,932</u>	<u>\$ 2,764,802</u>	<u>\$ 971,759</u>	<u>\$ 779,872</u>	<u>\$ 9,032,365</u>

**EAST BAY SOCIETY FOR THE PREVENTION
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**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 2,426,084	\$ (1,942,353)
Reconciliation to net cash and cash equivalents provided (used) by operating activities:		
Depreciation and amortization	699,179	691,801
Receipt of donated investments	(39,506)	(17,382)
Net realized and unrealized (gain) loss on investments	(3,369,682)	3,989,768
Donated property and equipment		(2,327,383)
Net loss on disposal of assets	11,998	
Changes in:		
Accounts receivable	32,917	(54,095)
Contributions and bequests receivable	(3,585,587)	445,499
Inventories	746	9,880
Prepaid expenses	60,302	(73,511)
Split-interest agreement assets	2,360,249	263,809
Accounts payable	(64,649)	103,103
Accrued expenses and other liabilities	<u>27,312</u>	<u>(94,878)</u>
Net cash and cash equivalents provided (used) by operating activities	<u>(1,440,637)</u>	<u>994,258</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(796,562)	(2,803,212)
Proceeds from sale of investments	3,576,856	2,980,181
Purchases of property and equipment	<u>(159,674)</u>	<u>(791,495)</u>
Net cash and cash equivalents provided (used) by investing activities	<u>2,620,620</u>	<u>(614,526)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt	<u>(900,006)</u>	<u>(1,131,008)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	279,977	(751,276)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>761,067</u>	<u>1,512,343</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,041,044</u>	<u>\$ 761,067</u>
SUPPLEMENTAL ACTIVITY:		
Cash paid for interest	<u>\$ 421,893</u>	<u>\$ 222,568</u>

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, 2023 AND 2022

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, 2023, 2022, and 2021 were \$58,381, \$91,298, and \$37,203, 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, 2023, 2022, and 2021, were \$109,187, \$130,876, and \$116,910, 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.

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.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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 \$453,400 and \$244,907 for the years ending December 31, 2023 and 2022, 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, 2023 and 2022 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.

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

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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.

Subsequent events have been evaluated through June 12, 2024, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2023 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,041,044	\$ 761,067
Investments	22,049,427	21,420,533
Accounts receivable	58,381	91,298
Contributions and bequests receivable, current	3,225,495	299,309
Split-interest agreement assets	<u>1,116,490</u>	<u>3,476,739</u>
Total financial assets	27,490,831	26,048,946
Less amounts unavailable for general expenditures within one year, due to:		
Purpose and time restrictions by donors (see Note 10)	<u>(2,992,772)</u>	<u>(4,685,332)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 24,498,059</u>	<u>\$ 21,363,614</u>

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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. CONTRIBUTIONS AND BEQUESTS RECEIVABLE

The Organization recognizes contributions at their estimated 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. The discount rate used in determining the net present value of long-term contributions receivable was 6.885% at December 31, 2023.

Contributions and bequests receivable consist of the following:

	<u>2023</u>	<u>2022</u>
Gross contributions and bequests receivable	\$ 4,130,495	\$ 299,309
Less:		
Discount on contributions and bequests receivable	<u>(245,599)</u>	<u> </u>
Contributions and bequests receivable, net	<u>\$ 3,884,896</u>	<u>\$ 299,309</u>

Contributions and bequests receivable are due to be collected as follows:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 3,225,495	\$ 299,309
In one to five years	415,963	
More than five years	<u>243,438</u>	<u> </u>
Contributions and bequests receivable, net	<u>\$ 3,884,896</u>	<u>\$ 299,309</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 20,784,752	\$ 20,743,782
Land	1,074,811	1,074,811
Equipment	1,629,202	1,517,385
Memorial gardens	19,545	19,545
Website	14,563	14,563
Construction in progress		<u>11,113</u>
Total	<u>23,522,873</u>	<u>23,381,199</u>
Less accumulated depreciation and amortization	<u>(10,069,081)</u>	<u>(9,375,904)</u>
Total	<u>\$ 13,453,792</u>	<u>\$ 14,005,295</u>

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

6. 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>2023</u>	<u>2022</u>
Mutual funds:		
Bonds	\$ 6,489,590	\$ 6,672,166
Large blend	5,393,728	4,477,936
Value	3,518,742	3,075,679
Growth	2,919,082	2,397,682
Technology	1,881,107	1,773,668
Natural resources	756,376	929,626
Communications	605,048	404,032
Industrials	422,707	538,497
Utilities	13,370	58,445
Consumer goods		284,975
Health		268,114
Financial		230,237
Basic materials		47,622
Real estate		37,430
Total mutual funds	21,199,750	21,196,109
Money market funds	49,677	224,424
Total	\$ 22,049,427	\$ 21,420,533

Investment income (loss) consists of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends, net of fees	\$ 430,067	\$ 369,338
Net unrealized and realized gain (loss)	3,369,682	(3,989,768)
Total	\$ 3,799,743	\$ (3,620,430)

7. 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 3.11% to 7.73% as of December 31, 2023 and 2022.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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.

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 3,476,739	\$ 3,740,548
Final payout of split-interest agreement received		(272,414)
Change in fair value of split-interest agreement assets	<u>(2,360,249)</u>	<u>8,605</u>
Ending balance	<u>\$ 1,116,490</u>	<u>\$ 3,476,739</u>

8. 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 (5.38% and 1.06% at December 31, 2023 and 2022, 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, 2023 and 2022 was \$6,078,639 and \$6,728,645, respectively.

The Organization had a fixed rate loan totaling \$250,000. Interest payments were due quarterly, and principal was due in total upon maturity. The loan had a rate of 4.074% and matured on March 8, 2023.

9. 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:

Year ending December 31,	
2024	\$ 85,072
2025	<u>10,686</u>
Total	<u>\$ 95,758</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 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.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Time restricted:		
Split-interest agreement assets	\$ 95,352	\$ 88,621
Long-term pledge	734,723	
Purpose restricted:		
Veterinary clinic funds	257,439	
Senior cat assistance	101,728	105,952
Veterinary assistance program	89,718	258,479
Shelter funds	59,081	
Spay & neuter	36,606	70,990
Humane Education programs	20,877	
Behavior & training programs	15,000	
Second Chance fund		95,841
Miscellaneous programs	5,000	121,221
Restricted into perpetuity:		
Donor restricted endowment fund	556,110	556,110
Split-interest agreement asset – interest in a perpetual trust	<u>1,021,138</u>	<u>3,388,118</u>
Total	<u>\$ 2,992,772</u>	<u>\$ 4,685,332</u>

In 2023, the Organization received a pledge from a donor of \$1,000,000 in recognition of the Organization's 150th anniversary. The pledge is to be paid over ten years and has been recorded as a time-restricted contribution. The funds have no restrictions as to use when received.

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, 2023 and 2022.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

11. IN-KIND CONTRIBUTIONS

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

	<u>2023</u>	<u>2022</u>
Shelter and vet supplies	\$ 27,007	\$ 8,161
Building and land		2,327,383
Other	<u>9,830</u>	<u>16,070</u>
Total	<u>\$ 36,837</u>	<u>\$ 2,351,614</u>

Shelter and vet supplies include donated food, toys, and treats. Other in-kind contributions include medications and miscellaneous adoption supplies. All items were valued upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor.

The Organization's policy related to in-kind contributions is to utilize the assets given to carry out their mission. All in-kind contributions received by the Organization for the years ended December 31, 2023 and 2022 were considered without donor restrictions.

12. 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 2023 or 2022. 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 \$90,007 and \$83,978 in December 31, 2023 and 2022, respectively. Funding for the contribution is accumulated in an interest-bearing cash account and is remitted to the plan annually.