

**Audited Financial Statements**



**December 31, 2022**

**Quigley & Miron**

**Santa Paula Animal Rescue Center, Inc.**  
**Audited Financial Statements**  
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**December 31, 2022**

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# Quigley & Miron

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Certified Public Accountants

Suite 1660  
3550 Wilshire Boulevard  
Los Angeles, California 90010

Telephone: (213) 639-3550  
Facsimile: (213) 639-3555

Suite 700  
1999 South Bascom Avenue  
Campbell, California 95008

Telephone: (408) 869-6108  
Facsimile: (213) 639-3555

## Independent Auditor's Report

Board of Directors

**Santa Paula Animal Rescue Center, Inc.**

Santa Paula, California

### Opinion

We have audited the accompanying financial statements of Santa Paula Animal Rescue Center, Inc. (SPARC), a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements 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 SPARC as of December 31, 2022, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of SPARC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 SPARC's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink, reading "Zigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California  
January 3, 2024

**Santa Paula Animal Rescue Center, Inc.**  
**Statement of Financial Position**  
**December 31, 2022**

**Assets**

Cash and cash equivalents	\$	669,809
ERC grants receivable—Note 5		426,407
Prepaid expenses		6,069
Operating lease right-of-use asset—Note 7		421,386
Property and equipment, net—Note 4		79,286
		<hr/>
<b>Total Assets</b>	<b>\$</b>	<b><u>1,602,957</u></b>

**Liabilities and Net Assets**

Accounts payable and accrued liabilities	\$	42,346
Operating lease liability—Note 7		421,386
		<hr/>
<b>Total Liabilities</b>		<b>463,732</b>

**Net Assets**

Without donor restrictions		1,109,453
With donor restrictions—Note 6		29,772
		<hr/>
<b>Total Net Assets</b>		<b><u>1,139,225</u></b>

<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u>1,602,957</u></b>
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See notes to the financial statements.

Santa Paula Animal Rescue Center, Inc.  
Statement of Activities  
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities</b>			
<b>Support and Revenues</b>			
Grants and contributions	\$ 1,895,160	\$ 29,772	\$ 1,924,932
Government grants	170,000		170,000
Store sales of donated items	252,696		252,696
ERC grants—Note 5	426,407		426,407
Other income	2,725		2,725
Net assets released from restrictions	12,925	(12,925)	
<b>Total Support, Revenue, and Releases from Restrictions</b>	<b>2,759,913</b>	<b>16,847</b>	<b>2,776,760</b>
<b>Expenses</b>			
Animal rescue program services	1,182,121		1,182,121
Supporting services			
Management and general	276,712		276,712
Store and fund development	290,428		290,428
<b>Total Expenses</b>	<b>1,749,261</b>		<b>1,749,261</b>
<b>Change in Net Assets from Operations</b>	<b>1,010,652</b>	<b>16,847</b>	<b>1,027,499</b>
<b>Net Assets at Beginning of Year</b>	<b>98,801</b>	<b>12,925</b>	<b>111,726</b>
<b>Net Assets at End of Year</b>	<b>\$ 1,109,453</b>	<b>\$ 29,772</b>	<b>\$ 1,139,225</b>

See notes to financial statements.

**Santa Paula Animal Rescue Center, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2022**

		<b>Supporting Services</b>			
	<b>Animal Rescue Program Services</b>	<b>Management and General</b>	<b>Store and Fund Development</b>	<b>Total Supporting Services</b>	<b>Total</b>
Salaries	\$ 451,712	\$ 152,785	\$ 59,785	\$ 212,570	\$ 664,282
Payroll taxes	53,811	18,201	7,122	25,323	79,134
<b>Total Personnel Expenses</b>	<b>505,523</b>	<b>170,986</b>	<b>66,907</b>	<b>237,893</b>	<b>743,416</b>
Professional veterinary support	352,073		32,778	32,778	384,851
Occupancy	101,059		141,431	141,431	242,490
Shelter supplies	117,819		1,870	1,870	119,689
Insurance	37,252	37,252		37,252	74,504
Legal and professional fees	26,376	37,627	1,034	38,661	65,037
Licenses, fees, and permits	2,356	13,606	28,506	42,112	44,468
Repairs and maintenance	11,235	11,235	3,083	14,318	25,553
Office expenses	13,025	4,406	1,724	6,130	19,155
Travel	3,532		8,653	8,653	12,185
Depreciation expense	8,391				8,391
Miscellaneous expenses	3,480	1,600		1,600	5,080
Advertising and promotion			4,442	4,442	4,442
<b>Total Expenses</b>	<b>\$ 1,182,121</b>	<b>\$ 276,712</b>	<b>\$ 290,428</b>	<b>\$ 567,140</b>	<b>\$ 1,749,261</b>

See notes to financial statements.

**Santa Paula Animal Rescue Center, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

**Cash Flows from Operating Activities**

Change in net assets	\$ 1,027,499
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	8,391
Noncash lease expenses	102,479
Changes in operating assets and liabilities:	
ERC grants receivable	(426,407)
Prepaid expenses	(2,733)
Accounts payable and accrued liabilities	6,157
Operating lease liability	(102,479)
<b>Net Cash Provided by Operating Activities</b>	<b>612,907</b>

**Cash Flows from Investing Activities**

Purchases of property and equipment	(39,380)
<b>Net Cash Used in Investing Activities</b>	<b>(39,380)</b>

**Net Increase in Cash and Cash Equivalents** **573,527**

**Cash and Cash Equivalents at Beginning of Year**

**96,282**

**Cash and Cash Equivalents at End of Year** **\$ 669,809**

**Supplemental Disclosures**

Income taxes paid	\$
Interest paid	\$



**Santa Paula Animal Rescue Center, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 1—Organization**

Santa Paula Animal Rescue Center, Inc.<sup>®</sup> (SPARC), founded in 2011, is a California nonprofit corporation formed as an alternative to the current “Pound System” used by most other shelters. SPARC is a “No Kill – No Excuses” shelter; to that end, every animal coming through our doors is given the medical condition, care, and training, they need with the ultimate goal of being rehomed. Each year SPARC keeps the doors open, we succeed!

SPARC believes every animal has value, and endeavors to save as many lives possible regardless of how broken, injured, unwanted, or abused they may be. SPARC provides a safe space where no animal is at risk of being killed, rescuing unwanted and homeless animals as well as taking in animals from kill shelters.

During the COVID-19 pandemic, an unprecedented number of family pets were surrendered due to economic burdens that the community continues to face, and SPARC spend 2022 bursting at the seams with animals. During 2022, SPARC took in a total of 1,266 animals, 234 who were surrendered family pets. SPARC successfully adopted out 934 animals, an only 66 died of old age or in surgery while in their care.

SPARC paid over \$139,000 in medical expenses to veterinary hospitals for standard and emergency services and received additional funding specifically to help the community pay veterinary bills for their family pets, paying up to \$3,000 per family pet.

Animal Rescue Program Services:

Spay and Neuter—An important part of SPARC’s mission is to educate our community in the importance of Spay Neuter and vaccinations for their pets. In 2022, SPARC spent a record \$79,000 on spay neuters. With the help of a Community Foundation Grant, SPARC was able to offer free spay neuters to community pets through a monthly visit from Simi Valley’s spay mobile unit; additional grant money helped SPARC pay for the spays of animals in their care.

Medical Clinic Equipment—SPARC’s goal is to continue outfitting the clinic with medical equipment so that the clinic can perform operations which are currently contracted out to other vet hospitals, and significant new strides were made to this end in 2022. The most significant clinic equipment improvement was the purchase of new, steel shorelines to replace the existing plastic ones; these new kennels can be cleaned and sanitized more thoroughly, helping to more effectively curb the spread of infectious diseases. SPARC purchased additional medical equipment including a Midmark Multi-Parameter with printer, two Heska Fluid Pumps, and a clinic heater.

SPARC’s Second Chance Store:

An important part of SPARC’s fundraising operations is its secondhand store which carries the best for shoppers, including clothing, handbags, jewelry, artwork, housewares, crystal, collectibles, books, lamps, and more. Shopping helps support SPARC’s programs. SPARC receives in-kind donated items which are subsequently sold at the second chance store.

**Note 2—Summary of Significant Accounting Policies**

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. SPARC recognizes grants and contributions as revenue in the period received if a right of return and barrier does not exist. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of SPARC and changes therein are classified and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of SPARC. These net assets may be used at the discretion of SPARC’s management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions may or will be met either by actions of the Organization and/or the passage of time.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of SPARC to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires during the reporting period recognized.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of SPARC’s animal rescue activities. Nonoperating activities are other activities considered to be of a more unusual or nonrecurring nature. There were no nonoperating activities during the year ended December 31, 2022.

Income Taxes—SPARC is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, SPARC has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for liability for any positions that would not be considered ‘more likely than not’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2022. Generally, SPARC’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—SPARC considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment—Property and equipment are stated at cost when purchased or estimated fair market value at the date of gift or bequest. SPARC depreciates its property and equipment using the straight-line-method over the following estimated useful lives.

Equipment	5 to 10 years
Improvements	39 years

SPARC follows the practice of capitalizing all expenditures for property in excess of \$5,000.

**Note 2—Summary of Significant Accounting Policies—Continued**

Concentration of Credit Risk—Financial instruments which potentially subject SPARC to concentrations of credit risk consist of cash and cash equivalents.

SPARC places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Such cash balances are normally not in excess of FDIC insurance limits.

While SPARC is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, SPARC's management has assessed the credit risk associated with its cash deposits at December 31, 2022 and believes it is not exposed to any significant credit risk with its cash and cash equivalents. However, due to the current risk and uncertainties affecting financial institutions (see Note 8), the potential related impact cannot be reasonably estimated at this time.

ERC grants receivable at December 31, 2022 are due from government entities well-known to SPARC, with favorable past payment histories. Management of SPARC has assessed the credit risk associated with these accounts receivable and has determined that an allowance for potential uncollectible amounts is not necessary.

Recently Adopted Accounting Principles

Gifts-in-Kind—In September 2020, the Financial Accounting Standards Board (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*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. Additional disclosures are required regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. SPARC has adopted ASU No. 2020-07 for the year ended December 31, 2022 on a retrospective basis, which resulted in no change to revenue previously reported and no effect on revenue reported for the year ended December 31, 2022.

Leases—In February 2016, FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), *Leases (Topic 842)*. This standard requires lessees to recognize the assets and liabilities that arise from leases in the statement of financial position. Additionally, in July 2018, FASB issued ASU 2018-11 *Leases (Topic 842)—Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjustment to the opening balance of net assets without donor restrictions in the period of adoption. SPARC adopted ASU 2016-02 and its related amendments on a modified retrospective approach as of January 1, 2022, which resulted in the recognition of an operating right-of-use asset totaling \$523,865, and an operating lease liability totaling \$523,865. SPARC elected to adopt the transition relief provisions from ASU 2018-11 as of January 1, 2022 for the year ended December 31, 2022, without restating any prior year amounts or disclosures.

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted good or service. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

**Note 2—Summary of Significant Accounting Policies—Continued**

Grants and Contributions—All contributions are considered to be available for unrestricted use unless specifically restricted by the grantor/donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, that is when a 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 statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are satisfied in the same reporting period are reported as net assets without donor restrictions.

Government Grants—Revenues from the City of Santa Paula are reported as increases in net assets without donor restrictions as allowable expenditures under such agreements are incurred.

In-Kind Contributions—SPARC records the value of donated items and services at the value of the sale price of the donation under the *store sales of donated items* caption of the statement of activities. In-kind services are recognized only if they (a) create or enhance nonfinancial assets, or (b) specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Salaries, payroll taxes, and office expenses are allocated on the basis of time studies. All other functional expenses are charged directly to programs or function benefitted.

Use of Estimates—The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America 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.

Advertising and Promotion—Advertising and promotion costs are expensed as incurred and amounted to \$4,442 for the year ended December 31, 2022.

**Note 3—Availability and Liquidity**

SPARC's goal is generally to maintain cash to meet two to three months of operating expenses (approximately \$400,000-\$500,000).

The following represents the availability and liquidity of SPARC's financial assets at December 31, 2022, to cover operating expenses for the next fiscal year:

Cash and cash equivalents, net of donor restrictions	\$ 640,037
ERC grants receivable	426,407
<b>Current Availability of Financial Assets</b>	<b><u>\$ 1,066,444</u></b>

**Santa Paula Animal Rescue Center, Inc.**  
**Notes to Financial Statements—Continued**

**Note 4—Property and Equipment, Net**

Net property and equipment at December 31, 2022, consists of the following:

Equipment	\$	88,916
Improvements		<u>44,778</u>
<b>Property and Equipment</b>		<b>133,694</b>
Less accumulated depreciation		<u>(54,408)</u>
<b>Property and Equipment, Net</b>	<b>\$</b>	<b><u>79,286</u></b>

Total depreciation expense recorded for the year ended December 31, 2022 was \$8,391.

**Note 5—ERC Grants**

During the year ended December 31, 2022, SPARC applied for employee retention credits (ERC) through the IRS after determining its eligibility. The ERC amount totaled \$426,407 and is reflected on the statement of financial position under the ERC grants receivable caption and on the statement of activities under the ERC grants caption.

**Note 6—Net Assets with Donor Restrictions**

Net assets with donor restrictions at December 31, 2022 are as follows:

Subject to expenditure for specified purpose Spay and neuter services	\$	<u>29,772</u>
<b>Total Net Assets with Donor Restrictions</b>	<b>\$</b>	<b><u>29,772</u></b>

Net assets released from donor restrictions for the year ended December 31, 2022 are as follows:

Satisfaction of purpose restrictions: Spay and neuter services	\$	<u>12,925</u>
<b>Total Net Assets Released from Donor Restrictions</b>	<b>\$</b>	<b><u>12,925</u></b>

**Note 7—Commitments and Contingencies**

In October 2021, SPARC signed a lease agreement for its store space under a non-cancellable operating lease agreement which expires October 2026. The lease calls for monthly payments of \$9,000 over the term of the lease. Future minimum rental commitments by year for this operating lease with maturity greater than one year from December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 108,000
2024	108,000
2025	108,000
2026	108,000
	<hr/>
<b>Gross Rental Payments</b>	<b>432,000</b>
Less effect of discounting at 1.2%	(10,614)
	<hr/>
<b>Operating Lease Liability</b>	<b>\$ 421,386</b>

SPARC also currently leases various locations for its headquarters and storage on a monthly basis with no rental commitment terms greater than one year.

In the ordinary course of business, SPARC may be involved in legal proceedings. Management believes that the outcome of any such matters existing at December 31, 2022 will be resolved without material adverse effect on SPARC's future financial position, changes in net assets, or cash flows.

**Note 8—Risks and Uncertainties**

In March 2023, subsequent to year-end, the shutdown of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As noted in Note 2, the Organization maintains cash balances of federally-insured limits. Given the uncertainty of the situation, the related financial impact cannot be reasonably estimated at this time.

**Note 9—Subsequent Events**

Management evaluated all activities of Santa Paula Animal Rescue Center, Inc. through January 3, 2024, which is the date the financial statements were available to be issued, and concluded that other than the banking crisis described in Note 8, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.