

**THE PLACER COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 18

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Placer County Society for the  
Prevention of Cruelty to Animals  
Roseville, California

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We have audited the accompanying statements of financial position of The Placer County Society for the Prevention of Cruelty to Animals ("Placer SPCA") as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Placer SPCA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Placer SPCA, as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Propp Christensen Caniglia LLP*

September 21, 2011  
Roseville, California

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

ASSETS		
	2010	2009
Current assets:		
Cash and cash equivalents	\$ 836,644	\$ 512,402
Accounts receivable	99,475	51,796
Investments	2,890,398	2,626,091
Other current assets	196,488	2,132
Total current assets	4,023,005	3,192,421
Property and equipment, net	498,095	349,913
Total assets	\$ 4,521,100	\$ 3,542,334
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 108,120	\$ 59,484
Accrued expenses	41,790	32,965
Current maturities of capital lease payable	-	7,334
Total current liabilities	149,910	99,783
Net assets:		
Unrestricted	3,274,384	3,353,892
Unrestricted, board designated building fund	1,000,000	-
Temporarily restricted	96,806	88,659
Total net assets	4,371,190	3,442,551
Total liabilities and net assets	\$ 4,521,100	\$ 3,542,334

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

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2010 and 2009

	Unrestricted	Temporarily Restricted	2010 Total
Support and revenue:			
Public support	\$ 836,502	\$ -	\$ 836,502
Restricted contributions and grants	-	160,877	160,877
Fundraising events, net of direct fundraising costs of \$58,161	216,480	-	216,480
Shelter operation revenue	994,951	-	994,951
In-kind revenue	89,940	-	89,940
Interest	54,339	-	54,339
Net realized gains and losses on investments	609	-	609
Net unrealized gains and losses on investments	279,728	-	279,728
Net assets released from restriction	152,730	(152,730)	-
	<u>2,625,279</u>	<u>8,147</u>	<u>2,633,426</u>
Total support and revenue			
Expenses:			
Program services:			
Animal care and shelter operations	735,649	-	735,649
Adoption services	221,859	-	221,859
PetMobile	41,778	-	41,778
Behavior program	77,667	-	77,667
Shelter transfer	13,849	-	13,849
Animal lost and found	11,698	-	11,698
Humane education	162,112	-	162,112
Spay/neuter services and subsidies	203,337	-	203,337
	<u>1,467,949</u>	<u>-</u>	<u>1,467,949</u>
Total program services			
Support services:			
Management, general and administrative	90,299	-	90,299
Fundraising	146,539	-	146,539
	<u>236,838</u>	<u>-</u>	<u>236,838</u>
Total support services			
Total expenses	<u>1,704,787</u>	<u>-</u>	<u>1,704,787</u>
Change in net assets	920,492	8,147	928,639
Net assets, beginning of year	<u>3,353,892</u>	<u>88,659</u>	<u>3,442,551</u>
Net assets, end of year	<u>\$4,274,384</u>	<u>\$ 96,806</u>	<u>\$4,371,190</u>

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

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended December 31, 2010 and 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Total</u>
Support and revenue:			
Public support	\$ 619,603	\$ -	\$ 619,603
Restricted contributions and grants	-	158,519	158,519
Fundraising events, net of direct fundraising costs of \$50,210	144,467	-	144,467
Shelter operation revenue	920,196	-	920,196
Interest	58,375	-	58,375
Net realized gains and losses on investments	(201,844)	-	(201,844)
Net unrealized gains and losses on investments	538,886	-	538,886
Net assets released from restriction	163,084	(163,084)	-
	<u>2,242,767</u>	<u>(4,565)</u>	<u>2,238,202</u>
Total support and revenue			
Expenses:			
Program services:			
Animal care and shelter operations	612,928	-	612,928
Adoption services	204,432	-	204,432
PetMobile	39,801	-	39,801
Behavior program	70,912	-	70,912
Shelter transfer	15,472	-	15,472
Animal lost and found	17,556	-	17,556
Humane education	171,243	-	171,243
Spay/neuter services and subsidies	169,604	-	169,604
	<u>1,301,948</u>	<u>-</u>	<u>1,301,948</u>
Total program services			
Support services:			
Management, general and administrative	75,242	-	75,242
Fundraising	130,844	-	130,844
	<u>206,086</u>	<u>-</u>	<u>206,086</u>
Total support services			
Total expenses	<u>1,508,034</u>	<u>-</u>	<u>1,508,034</u>
Change in net assets	734,733	(4,565)	730,168
Net assets, beginning of year	<u>2,619,159</u>	<u>93,224</u>	<u>2,712,383</u>
Net assets, end of year	<u>\$3,353,892</u>	<u>\$ 88,659</u>	<u>\$3,442,551</u>

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

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended December 31, 2010 and 2009

	Program Services								Support Services			
	Animal Care and Shelter Operations	Adoption Services	PetMobile	Behavior Program	Shelter Transfer	Animal Lost and Found	Humane Education	Spay/Neuter Services and Subsidies	2010 Total Program Services	Management, General and Administrative	Fundraising	2010 Total Support Services
Advertising	\$ 6,959	\$ 17,398	\$ 1,740	\$ 1,740	\$ -	\$ -	\$ 3,480	\$ 1,740	\$ 33,057	\$ -	\$ 1,740	\$ 1,740
Automotive expenses	1,874	1,047	1,510	142	302	121	1,491	302	6,789	1,113	971	2,084
Compensation, director	4,800	4,800	4,800	4,800	4,800	4,800	14,401	4,800	48,001	24,001	24,001	48,002
Consulting/outside services	15,719	6,254	1,203	2,277	397	333	4,424	4,000	34,607	3,041	4,128	7,169
Depreciation	21,946	8,872	-	4,669	467	467	4,202	2,335	42,958	934	934	1,868
Education expenses	-	-	-	-	-	-	2,294	-	2,294	-	-	-
Insurance	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	10,200	1,275	1,275	2,550
Interest expense	12	12	12	12	12	12	12	12	96	12	12	24
Occupancy	43,774	19,585	3,637	9,092	909	909	8,568	4,546	91,020	1,895	1,818	3,713
Other salaries and wages	344,092	130,844	21,376	46,493	3,852	2,012	77,095	82,566	708,330	46,218	69,224	115,442
Payroll taxes	28,065	10,921	2,107	4,130	697	548	7,366	7,034	60,868	5,653	7,506	13,159
Postage and shipping	1,260	1,260	756	756	504	504	8,823	1,260	15,123	1,260	8,823	10,083
Printing and office	1,171	955	414	829	166	249	24,973	1,103	29,860	476	16,189	16,665
Supplies	3,527	4,388	380	570	380	380	2,851	380	12,856	4,182	7,908	12,090
Telephone	4,146	1,676	353	882	88	88	794	441	8,468	176	176	352
Veterinary spay/neuter	-	-	-	-	-	-	-	91,543	91,543	-	-	-
Veterinary/animal care	257,029	12,572	2,215	-	-	-	63	-	271,879	63	1,834	1,897
<b>Total functional expenses</b>	<b>\$ 735,649</b>	<b>\$ 221,859</b>	<b>\$ 41,778</b>	<b>\$ 77,667</b>	<b>\$ 13,849</b>	<b>\$ 11,698</b>	<b>\$ 162,112</b>	<b>\$ 203,337</b>	<b>\$ 1,467,949</b>	<b>\$ 90,299</b>	<b>\$ 146,539</b>	<b>\$ 236,838</b>

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

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Years Ended December 31, 2010 and 2009

	Program Services								Support Services			
	Animal Care and Shelter Operations	Adoption Services	PetMobile	Behavior Program	Shelter Transfer	Animal Lost and Found	Humane Education	Spay/Neuter Services and Subsidies	2009 Total Program Services	Management, General and Administrative	Fundraising	2009 Total Support Services
Advertising	\$ 664	\$ 1,661	\$ 166	\$ 166	\$ -	\$ -	\$ 332	\$ 166	\$ 3,155	\$ -	\$ 166	\$ 166
Automotive expenses	1,442	768	540	93	166	166	1,101	134	4,410	1,074	948	2,022
Compensation, director	5,030	5,030	5,030	5,030	5,030	5,030	20,121	5,030	55,331	20,121	25,151	45,272
Consulting/outside services	14,742	6,391	1,259	2,187	449	373	5,864	3,802	35,067	2,570	4,682	7,252
Depreciation	21,410	8,655	1,822	4,552	456	2,278	4,100	456	43,729	911	911	1,822
Education expenses	-	-	-	-	-	-	1,701	-	1,701	-	-	-
Insurance	1,337	1,337	1,337	1,337	1,337	1,337	1,337	1,337	10,696	1,337	1,337	2,674
Interest expense	64	64	64	64	64	64	64	64	512	64	64	128
Occupancy	43,906	17,749	3,737	9,342	934	4,671	8,408	934	89,681	1,868	1,868	3,736
Other salaries and wages	316,138	134,313	20,579	42,057	5,300	1,743	81,272	78,158	679,560	37,012	54,788	91,800
Payroll taxes	24,681	10,708	1,968	3,618	794	521	7,792	6,393	56,475	4,390	6,143	10,533
Postage and shipping	986	986	592	592	395	395	6,905	983	11,834	986	6,905	7,891
Printing and office	299	411	76	152	30	45	28,153	312	29,478	97	19,929	20,026
Supplies	3,545	5,143	413	620	413	413	3,101	413	14,061	4,548	7,688	12,236
Telephone	4,890	1,977	416	1,040	104	520	936	104	9,987	208	208	416
Veterinary spay/neuter	-	-	-	-	-	-	-	71,318	71,318	-	-	-
Veterinary/animal care	173,794	9,239	1,802	62	-	-	56	-	184,953	56	56	112
<b>Total functional expenses</b>	<b>\$ 612,928</b>	<b>\$ 204,432</b>	<b>\$ 39,801</b>	<b>\$ 70,912</b>	<b>\$ 15,472</b>	<b>\$ 17,556</b>	<b>\$ 171,243</b>	<b>\$ 169,604</b>	<b>\$ 1,301,948</b>	<b>\$ 75,242</b>	<b>\$ 130,844</b>	<b>\$ 206,086</b>

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

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 928,639	\$ 730,168
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(280,337)	(337,041)
Depreciation	44,826	45,551
Changes in operating assets and liabilities:		
Accounts receivable	(47,679)	(3,939)
Other current assets	(194,356)	1,030
Accounts payable	48,636	(16,018)
Accrued expenses	8,825	16,243
Net cash provided by operating activities	<u>508,554</u>	<u>435,994</u>
Cash flows from investing activities:		
Purchase of investments	(145,807)	(1,341,800)
Proceeds from sale of investments	161,837	695,610
Purchase of property and equipment	<u>(193,008)</u>	<u>(7,270)</u>
Net cash used in investing activities	<u>(176,978)</u>	<u>(653,460)</u>
Cash flows from financing activities:		
Principal payments on capital lease payable	<u>(7,334)</u>	<u>(6,816)</u>
Net increase (decrease) in cash	324,242	(224,282)
Cash, beginning of year	<u>512,402</u>	<u>736,684</u>
Cash, end of year	<u>\$ 836,644</u>	<u>\$ 512,402</u>
<u>Supplemental disclosure of cash flow information</u>		
Cash paid for interest	<u>\$ 120</u>	<u>\$ 640</u>

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

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 1: ORGANIZATION

The Placer County Society for the Prevention of Cruelty to Animals (the "Placer SPCA") was established in 1973 and opened the shelter in Roseville, California in 1995. The mission of the Placer SPCA is to enhance the lives of companion animals and support the human animal bond through adoption, reunification, education and affordable spay and neuter services.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Placer SPCA have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Placer SPCA presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 205, *Not-for-Profit Entities – Presentation of Financial Statements* (FASB ASC 958-205). Under FASB ASC 958-205, the Placer SPCA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Placer SPCA is required to present a statement of cash flows. Accordingly, the net assets of the Placer SPCA and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Placer SPCA and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Placer SPCA.

Revenues and gains and losses on investments are reported as changes in unrestricted net assets unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. There were no permanently restricted net assets as of December 31, 2010 and 2009. During the year ended December 31, 2010, the Placer SPCA board of directors designated \$1,000,000 of unrestricted net assets to be set aside for the purchase of a building to house the main shelter operations.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

In accordance with the provisions of FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition* (FASB ASC 958-605), unconditional contributions are generally recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give (pledges) are recognized as revenues once a valid pledge has been received. The receivable and the corresponding revenue are recognized concurrently. Conditional contributions and pledges are recorded when the conditions have been met.

Unrestricted grants are recognized as support in the statement of activities upon receipt or accrual. The Placer SPCA reports certain grants as restricted support if they are received with grantor stipulations that limit their use.

The Placer SPCA solicits pledges and promises to give. Revenue from contributions is recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Placer SPCA also receives revenue through fundraising activities and shelter operations.

Measure of Operations

In its statement of activities, the Placer SPCA includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting services.

Program Services

The following is a description of the Placer SPCA's programs:

*Animal Care and Shelter Operations* - The Placer SPCA provides shelter, specialized care, and medical treatment to thousands of homeless and abandoned animals each year at its Companion Animal Care Center. For companion animals owned by residents of Placer County, the Placer SPCA offers free emergency pet food and financial assistance to make it possible for loved pets to stay with their owners. The Placer SPCA also offers monthly low-cost rabies vaccination clinics to the public to help pets stay healthy.

*Adoption Services* - Through innovative programs and services, the Placer SPCA focuses on finding every adoptable animal in its care a loving forever home. Creative strategies are used to bring special attention to long-term or hard-to-adopt animals. Senior citizens (over age 55) can adopt an animal four years and older with no fee.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*PetMobile* - The Pet Mobile is a state-of-the-art, 20 foot custom trailer that travels to areas throughout the county to showcase some of the wonderful animals available for adoption and the programs and services the Placer SPCA has available to the public.

*Behavior Program* - Through independent evaluations, the Placer SPCA's Behavior Department strives to understand an animal's behavior and then take the necessary steps to modify unsatisfactory behavior. Offering free consultations as a resource to all dog and cat owners in Placer County, the Behavior Department helps to promote happy, healthy human-animal relationships. Long-term canine residents of the Placer SPCA receive positive training to keep them occupied and engaged, and to prepare them for life with their permanent families.

*Shelter Transfer* - The Placer SPCA envisions a day when every adoptable companion animal in Placer County has a home. The Placer SPCA therefore supports other local animal welfare and sheltering entities by transferring animals from their facilities into its Companion Animal Care Center for medical care and to facilitate adoptions.

*Animal Lost and Found* - The Placer SPCA strives to reunite every lost companion animal in Placer County with the original owner. All dogs and cats adopted from the Placer SPCA are microchipped to facilitate them being found if ever lost. The Placer SPCA offers low-cost microchipping services to the public during all business hours. When owners redeem lost animals, they are offered microchipping at no additional cost. When a stray animal arrives at the Placer SPCA, staff and volunteers perform research to match lost animal reports or track down a new address for an existing microchip.

*Humane Education* - The Placer SPCA seeks a day when every animal is treated with kindness and respect, offering a variety of educational programs for youth and adults. Through the Humane Education Department, school-age youth and others can perform service projects that benefit the animals and provide lifelong lessons about compassion.

*Spay/Neuter Services and Subsidies* - The Placer SPCA envisions every Placer County resident having access to affordable spay and neuter services. The Placer SPCA partners with local veterinarians to offer a subsidized spay and neuter program. The Spay and Neuter Clinic, operated within the Placer SPCA's Companion Animal Care Center, allows the organization to perform on-site spay and neuter surgeries for adoptable animals.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified, with no effect to change in net assets, to conform to the 2010 financial statement presentation.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Placer SPCA.

Volunteers, businesses and others contribute goods and a substantial amount of services toward the fulfillment of projects initiated by the Placer SPCA. Services donated include assistance with animal care, shelter operations and fundraising events. Contributed materials consist mainly of supplies used in the shelter. Volunteers donated approximately 85,800 and 69,500 hours of service, during 2010 and 2009, respectively. These items are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958-605 are not met.

Cash and Cash Equivalents

Cash equivalents consist of all highly liquid investments with original maturities of three months or less.

Concentration of Credit Risk

The Placer SPCA maintains its cash and cash equivalents in multiple bank deposit accounts which, at times, exceed the \$250,000 per depositor Federal Deposit Insurance Corporation insured limits. For those accounts where bank deposits exceed federally insured limits, the Placer SPCA has required the banking institution to provide an insurance policy to cover the excess deposit amounts. The Placer SPCA also has cash and cash equivalent funds invested with an investment company that is protected up to \$500,000 against institution failure by the Securities Investor Protection Corporation. As of December 31, 2009, the uninsured portion was \$72,228. There was no uninsured portion as of December 31, 2010.

Credit risk for accounts receivable is concentrated because substantially all of the balance is receivable from one entity.

Accounts Receivable

Accounts receivable are believed to be fully collectible by management; therefore, no allowance for uncollectible accounts has been established.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment, carried at cost if purchased or estimated fair market value if donated, is depreciated over the estimated useful life of the asset. The Placer SPCA's policy is to capitalize all assets valued at \$500 or more. Depreciation is computed on the straight-line method. Estimated useful lives are as follows:

	<u>Life in Years</u>
Furniture and equipment	3 to 6
Leasehold improvements	3 to 24

Fair Value Measurements

The Placer SPCA has adopted the provisions of FASB ASC 820-10, *Fair Value Measurements and Disclosures* (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Placer SPCA determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Placer SPCA has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Placer SPCA's own suppositions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Placer SPCA's own data.

The carrying amounts of cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued expenses approximate fair values due to the short-term nature of these financial instruments.

The fair values of investments are based on unadjusted quoted market prices within active markets.

The fair value of the capital lease payable is based on the total remaining payments due to the lessor less the amounts representing interest.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Placer SPCA's policy is to expense advertising costs when the advertising first takes place. Advertising expense for the years ended December 31, 2010 and 2009, was \$34,796 and \$3,322, respectively.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities and disclosures at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income Taxes

The Placer County SPCA is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Accordingly, no provision is made for federal or state income taxes. After they are filed, the Placer SPCA's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Functional Expense Reporting

The costs of providing program and supporting services have been summarized by function, based on estimates developed by management. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3: INVESTMENTS

Investments consist of cash on deposit with an investment company, equities and bond funds, and certificates of deposit with original maturities of more than 90 days. The investments are intended to provide investment income to be used for the Placer SPCA's programs and operations. All investments are unrestricted and presented at fair market value.

At December 31, 2010 and 2009, investments consisted of the following:

	2010		2009	
	Cost	Market Value	Cost	Market Value
Money accounts	\$ 127,773	\$ 127,773	\$ 12,136	\$ 12,136
Bond funds	738,281	912,159	711,413	854,405
Equity funds	1,368,727	1,635,755	1,385,589	1,286,683
Certificates of deposit	214,711	214,711	472,867	472,867
Total investments	<u>\$ 2,449,492</u>	<u>\$ 2,890,398</u>	<u>\$ 2,582,005</u>	<u>\$ 2,626,091</u>

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 4: OTHER CURRENT ASSETS

At December 31, 2010, \$196,488 in other current assets consists of amounts due from the City of Roseville (the "City") to be used as a land purchase credit as outlined in the 2010 contract with the City. At December 31, 2009, other current assets represents various prepaid assets.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 209,882	\$ 201,681
Leasehold improvements	<u>860,581</u>	<u>675,774</u>
Total	1,070,463	877,455
Less accumulated depreciation	<u>572,368</u>	<u>527,542</u>
Property and equipment, net	<u>\$ 498,095</u>	<u>\$ 349,913</u>

NOTE 6: CAPITAL LEASE PAYABLE

In March 2006, the Placer SPCA entered into a lease purchase option with Portable Facilities Leasing for a used portable building that is located at 150 Corporation Yard Road, Roseville, California. The lease term is for five years and expires in March 2011 with annual principal and interest payments of \$7,453. Title to the portable building transfers to the Placer SPCA at the expiration of the lease. There was no amount due on this lease purchase option as of December 31, 2010.

Leasehold improvements made on the capital lease property are depreciated over the term of the lease for the land on which the portable building is located. Included in property and equipment are assets held under a capital lease as follows:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 32,359	\$ 32,359
Less accumulated depreciation	<u>11,499</u>	<u>8,944</u>
Total	<u>\$ 20,860</u>	<u>\$ 23,415</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 7: OPERATING LEASE OBLIGATION

The Placer SPCA is obligated under the following operating leases:

Land and improvements thereon from the City of Roseville. This lease has a term commencing July 10, 2002 and expiring June 30, 2020. The lease, as amended in June 2003, calls for initial monthly rental payments of \$1,915. Either party may terminate the lease, without cause, upon 120 days notice. The lease contains a provision for leasehold improvement reimbursement if the City of Roseville terminates without cause.

Space for the operations of the Placer SPCA Thrift Store. This lease has a term commencing May 5, 2010 and expiring July 31, 2013, at an allocated monthly rent of \$2,660.

Space for the operations of the Placer SPCA Pet Adoption and Resource Center in Auburn. This lease has a term commencing July 1, 2010 and expiring October 31, 2015, at an allocated monthly rent of \$1,310. This lease contains one five-year renewal option.

Office equipment with leases expiring from May 2012 through December 2013. The monthly rental obligation on these leases totals \$348 and allows for the option to purchase the leased equipment at fair market value at the end of the term.

Operating lease expenses for the years ended December 31, 2010 and 2009, were \$20,037 and \$25,968, respectively.

Future minimum lease payments at December 31, 2010, under agreements classified as operating leases with noncancelable terms, are as follows:

<u>Year Ending December 31:</u>	
2011	\$ 31,914
2012	31,914
2013	<u>18,617</u>
Total	<u>\$ 82,445</u>

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 8: FAIR VALUE MEASUREMENTS

The following tables set forth by level, within the fair value hierarchy, the Placer SPCA's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2010 and 2009:

<u>December 31, 2010</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments	\$ 2,890,398	\$ -	\$ -	\$ 2,890,398
<u>December 31, 2009</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments	\$ 2,626,091	\$ -	\$ -	\$ 2,626,091
Liabilities:				
Capital lease	\$ -	\$ 7,334	\$ -	\$ 7,334

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Net assets temporarily restricted for the following purposes consist of the following as of December 31:

	<u>2010</u>	<u>2009</u>
SOS Fund	\$ 35,862	\$ 48,558
Education	2,881	1,549
Fixed Assets	7,000	-
Building Fund	10,888	10,888
Guardian Angel	40,175	23,339
Training/Consulting	-	4,325
Total	<u>\$ 96,806</u>	<u>\$ 88,659</u>

Net assets released from restrictions due to payments satisfying the purpose restrictions totaled \$152,730 and \$163,084, for the years ended December 31, 2010 and 2009, respectively.

THE PLACER COUNTY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 10: RELATED PARTY TRANSACTIONS

The Placer SPCA contracts for veterinary services with an animal hospital that is owned by a board member. The total veterinary care expenses paid to this board member were \$38,332 and \$51,141, during the years ended December 31, 2010 and 2009, respectively. There was also \$1,637 and \$2,291 included in accounts payable as of December 31, 2010 and 2009, respectively.

The Placer SPCA also contracted with a past board member for veterinary services during the years ending December 31, 2010 and 2009, in the amounts of \$4,763 and \$5,138, respectively. There was also \$639 included in accounts payable as of December 31, 2009.

During 2010, the Placer SPCA contracted design and fit-out services for the Placer SPCA Pet Adoption and Resource Center in Auburn with a board member who is the president of the construction company awarded the work. The amount paid for these services during the period ended December 31, 2010, was \$103,618. There was also \$63,297 included in accounts payable as of December 31, 2010.

Three board members of the Placer SPCA hold presidential positions within banks and financial services companies with which the Placer SPCA has relationships. The total value of assets on deposit managed by or at these institutions as of December 31, 2010 and 2009, was \$2,842,285 and \$2,565,077, respectively.

NOTE 11: CONCENTRATIONS

For years ended December 31, 2010 and 2009, approximately 34% and 38%, respectively, of the Placer SPCA's revenue, excluding in-kind contributions, was earned under a contract with the City of Roseville, California. The Placer SPCA's market is concentrated in the Placer County, California geographical area.

NOTE 12: EMPLOYEE RETIREMENT PLAN

The Placer SPCA established a Simple IRA plan for its employees effective January 1, 2006. Employees are eligible to enroll one year after their date of hire provided that they have earned \$5,000 in gross wages during the preceding year. The Placer SPCA matches employee contributions up to 3% of their salary. During the years ended December 31, 2010 and 2009, the Placer SPCA made contributions to the plan of \$17,073 and \$8,685, respectively.

NOTE 13: SUBSEQUENT EVENT

Events and transactions have been evaluated for potential recognition or disclosure through September 21, 2011, the date that the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 13: SUBSEQUENT EVENT (CONTINUED)

The Placer SPCA has entered into a Purchase Agreement and Deposit Receipt (the "Purchase Agreement") to purchase a parcel of land and the improvements thereon located at 99 Yosemite Street, Roseville, California, from SureWest Communications (the "Seller"). The Purchase Agreement is dated May 2, 2011, and is for a total purchase price of \$1,900,000. As of the date this report, the contract was in full force and effect and all milestones have been met. The Placer SPCA is in the process of performing its due diligence to satisfy the waiver of remaining contingencies. If the contract proceeds as expected, the closing date will be in September 2011. The terms of the purchase require the Placer SPCA to provide \$400,000 in cash and finance the remaining \$1,500,000 with the Seller. Upon title transfer and necessary renovations to suit the needs of the Placer SPCA, this property will replace the space that is currently rented from the City of Roseville as referenced in Note 7 hereof.