Humane Society
FOR SOUTHWEST WASHINGTON

FINANCIAL STATEMENTS

Year Ended December 31, 2023

with

Independent Auditors' Report

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HOFFMAN,
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& SCHMIDT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

The Board of Directors
Vancouver Humane Society & SPCA dba
Humane Society for Southwest Washington

Opinion

We have audited the accompanying financial statements of Vancouver Humane Society & SPCA dba Humane Society for Southwest Washington (the Organization), which comprise the statement of financial position as of December 31, 2023, 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 the Organization as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Correction of Error

As discussed in *Note 15* to the financial statements, management determined that certain donor restricted net assets were improperly classified at December 31, 2022. Accordingly, management has adjusted the net asset classifications as previously reported. Our opinion is not modified with respect to this matter.

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.

Responsibilities of Management for the Financial Statements - Continued

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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
August 15, 2024

HUMANE SOCIETY FOR SOUTHWEST WASHINGTON
Statement of Financial Position

December 31, 2023

ASSETS

Cash and cash equivalents	$ 1,617,796
Certificates of deposit	25,466
Operating investments *(Notes 6 and 11)*	792,486
Accounts receivable	132,665
Employee retention tax credit receivable *(Note 5)*	839,537
Contributions receivable - net *(Note 4)*	4,600,782
Inventories	131,500
Prepaid expenses and other assets	58,988
Restricted cash	1,675,180
Restricted investments *(Notes 6 and 11)*	204,142
Investments held for endowment *(Notes 10 and 11)*	2,097,491
Property and equipment - net *(Note 7)*	6,868,450
Operating lease right-of-use asset *(Note 9)*	1,899,498
Total assets	**$ 20,943,981**

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	$ 132,272
Accrued payroll liabilities	263,419
Deferred revenue	6,250
Operating lease liability *(Note 9)*	1,955,165
Total liabilities	**2,357,106**
Commitment *(Note 12)*	
Net assets:	
Without donor restrictions	14,474,836
With donor restrictions *(Note 8)*	4,112,039
Total net assets	**18,586,875**
Total liabilities and net assets	**$ 20,943,981**

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

HUMANE SOCIETY FOR SOUTHWEST WASHINGTON
Statement of Activities

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Grants and contributions	$ 6,855,411	$ 285,104	$ 7,140,515
Contract services	1,126,297	-	1,126,297
Adoption services	545,405	-	545,405
Retail sales	68,441	-	68,441
Contributions of nonfinancial assets *(Note 14)*	1,890,881	50,000	1,940,881
Investment return - net	99,860	107,418	207,278
Other service fees and miscellaneous - net	179,003	-	179,003
Thrift Shop:			
Inventory sales	1,725,957	-	1,725,957
Cost of goods sold	(1,725,957)	-	(1,725,957)
Gross profit	-	-	-
Special events:			
Revenues	843,526	-	843,526
Expenses	(261,879)	-	(261,879)
Net special events	581,647	-	581,647
Net assets released from restrictions *(Note 8)*	430,919	(430,919)	-
Total operating revenue and support (carried forward)	**11,777,864**	**11,603**	**11,789,467**

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

HUMANE SOCIETY FOR SOUTHWEST WASHINGTON
Statement of Activities - Continued

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Total operating revenue and support (brought forward)	**$ 11,777,864**	**$ 11,603**	**$ 11,789,467**
Operating expenses:			
Program services	6,234,120	-	6,234,120
Management and general	742,175	-	742,175
Fundraising	846,628	-	846,628
Total operating expenses	**7,822,923**	**-**	**7,822,923**
Change in net assets from operations	**3,954,941**	**11,603**	**3,966,544**
Non-operating activities:			
Employee retention tax credit revenue *(Note 5)*	839,537	-	839,537
Contributions restricted for capital campaign	-	177,775	177,775
Net assets released from restrictions *(Note 8)*	32,294	(32,294)	-
Total non-operating activities	**871,831**	**145,481**	**1,017,312**
Change in net assets	**4,826,772**	**157,084**	**4,983,856**
Net assets, beginning of year, as reclassified *(Note 15)*	9,648,064	3,954,955	13,603,019
Net assets, end of year	**$ 14,474,836**	**$ 4,112,039**	**$ 18,586,875**

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

HUMANE SOCIETY FOR SOUTHWEST WASHINGTON
Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services										
	Adoption	Animal Shelter	Clinic	Population Management	ReTails Thrift Store	Other	Total	Management and General	Shared Expenses	Fundraising	Total
Salaries and wages	$ 204,182	$ 1,221,047	$ 774,372	$ 298,605	$ 594,322	$ 157,175	$ 3,249,703	$ 462,717	$ 172,892	$ 533,885	$ 4,419,197
Cost of goods sold	-	-	-	-	1,725,957	-	1,725,957	-	-	-	1,725,957
Employee taxes and benefits	85,593	277,962	166,182	66,223	131,062	44,708	771,730	88,785	65,364	99,723	1,025,602
Dues and subscriptions	808	4,304	3,975	-	565	1,192	10,844	4,913	5,619	7,253	28,629
Professional fees	-	5,809	20,818	15	5,188	650	32,480	91,039	88,830	46,314	258,663
Occupancy	-	-	-	-	435,731	-	435,731	-	-	-	435,731
Office expense	5,218	16,452	6,436	770	17,544	3,812	50,232	14,885	43,878	41,357	150,352
Animal food, supplies and care	19,042	317,840	158,315	759	-	86,637	582,593	-	-	-	582,593
Advertising	-	-	282	-	14,245	-	14,527	433	-	6,093	21,053
Facility, auto & maintenance	1,950	43,482	32,134	831	70,464	4,885	153,746	571	250,921	7,392	412,630
Meetings and travel	3,195	6,619	3,473	1,233	655	3,819	18,994	9,977	3,700	5,513	38,184
Taxes and fees	13,645	37,164	2,969	-	31,890	-	85,668	8,775	1,651	41,917	138,011
Depreciation							-				
and amortization	-	244,871	-	-	1,642	-	246,513	-	-	-	246,513
Other expenses	-	-	-	-	57,765	8,000	65,765	-	-	-	65,765
Total expenses before allocation of shared expenses	**333,633**	**2,175,550**	**1,168,956**	**368,436**	**3,087,030**	**310,878**	**7,444,483**	**682,095**	**632,855**	**789,447**	**9,548,880**
Allocation of shared expenses	51,618	248,988	136,361	54,121	-	24,506	515,594	60,080	(632,855)	57,181	-
Total expenses	**385,251**	**2,424,538**	**1,305,317**	**422,557**	**3,087,030**	**335,384**	**7,960,077**	**742,175**	**-**	**846,628**	**9,548,880**
Less: Expenses netted with revenue on statement of activities	-	-	-	-	(1,725,957)	-	(1,725,957)	-	-	-	(1,725,957)
Total expenses per statement of activities	**$ 385,251**	**$ 2,424,538**	**$ 1,305,317**	**$ 422,557**	**$ 1,361,073**	**$ 335,384**	**$ 6,234,120**	**$ 742,175**	**$ -**	**$ 846,628**	**$ 7,822,923**

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

HUMANE SOCIETY FOR SOUTHWEST WASHINGTON
Statement of Cash Flows

Year Ended December 31, 2023

Cash flows from operating activities:	
Increase in net assets	$ 4,983,856
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net realized and unrealized gain on investments	(80,853)
Depreciation and amortization	246,513
Donated property and equipment	(29,176)
Gain on disposal of property and equipment	(1,132)
Contributions restricted for capital campaign	(177,775)
Net change in operating lease right-of-use asset and liability	(22,932)
Net change in:	
Accounts receivable	111,273
Employee retention tax credit receivable	(839,537)
Contributions receivable - net	(4,043,084)
Inventories	(16,118)
Prepaid expenses and other assets	(8,313)
Accounts payable and accrued expenses	12,893
Accrued payroll liabilities	(4,082)
Deferred revenue	5,380
Net cash provided by operating activities	**136,913**
Cash flows from investing activities:	
Proceeds from sale of investments	290,000
Proceeds from disposal of property and equipment	3,050
Purchases of certificates of deposit	(25,466)
Purchases of investments	(116,622)
Purchases of property and equipment	(185,068)
Net cash used by investing activities	**(34,106)**
Cash flows from financing activities:	
Proceeds from contributions restricted for capital campaign	207,775
Net cash provided by investing activities	**207,775**
Net increase in cash, cash equivalents, and restricted cash (carried forward)	**310,582**

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

HUMANE SOCIETY FOR SOUTHWEST WASHINGTON
Statement of Cash Flows- Continued

Year Ended December 31, 2023		
Net increase in cash, cash equivalents, and restricted cash (brought forward)	**$**	**310,582**
Cash, cash equivalents, and restricted cash, beginning of year		2,982,394
Cash, cash equivalents, and restricted cash, end of year	**$**	**3,292,976**
As presented in the accompanying statement of financial position:		
Cash and cash equivalents	$	1,617,796
Restricted cash		1,675,180
Total cash, cash equivalents, and restricted cash	**$**	**3,292,976**
Supplemental disclosure of noncash investing and financing activity:		
Additions to property and equipment included in accounts payable and accrued expenses	$	12,142

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

1. Nature of Activities

The Vancouver Humane Society & SPCA dba Humane Society for Southwest Washington (the Organization) is an nonprofit corporation founded in 1897 and incorporated in 1965. The Organization enriches the lives of people, pets and our community through adoption and outreach and serves as a resource for animal services and education.

The Organization provides program services in the following major areas:

Adoption - The Organization provides quality adoption services to the Southwest Washington community. The pet-matching program matches pets with potential adopters ensuring the animal and people are a good fit. All animals adopted are vaccinated, treated for parasites, licensed or issued an identification tag, and spayed or neutered prior to adoption. In addition, each adopter is provided animal behavior information and access to online resources.

Animal Shelter - The Organization offers shelter to unwanted, abandoned, lost and homeless animals from Clark and Skamania counties as well as other animals in need that are brought in. All animals receive daily food, water, medication, vaccines, flea preventative, enrichment activity, dry and clean shelter and, if needed, humane euthanasia.

Clinic - The Organization's veterinary clinic provides vital care to shelter animals including spay and neuter surgeries and minor and major medical services. The clinic is staffed by professional veterinarians, technicians, and assistants and is equipped to facilitate surgeries, x-rays, and dental procedures.

Population Management - The Organization provides daily monitoring of its population ensuring the best pathway and outcome for each animal. This department processes the in-take of all animals, facilitates transport of animals from other overburdened shelters when there is capacity and transfers animals out to other shelter and rescue partners when the animal isn't an adoption candidate at our location. The foster program provides another pathway for animals until they are ready for adoption.

ReTails Thrift Store - The Organization operates a retail store in Vancouver, Washington that sells predominately donated items to the public. Volunteers assist by helping in all areas of the ReTails Thrift Store operations

Other - The Organization provides free and low-cost services to low-income pet owners in our community. These include Wellness Clinics for the pets of the houseless, free pet food, funding for emergency medical care, temporary emergency boarding, and low-cost cat spay/neuter. The Organization also offers educational information to the community along with a variety of volunteer activities.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; these restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds are maintained in perpetuity.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Basis of Accounting - The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and other support, and expenses during the year. Actual results could differ from these estimates. Significant estimates made by management include the valuation of donated ReTails Thrift Store inventory, depreciation and amortization expense (based on estimated useful lives of the underlying assets), and the allocation of certain expenses by function.

Cash and Cash Equivalents - For purposes of the financial statements, the Organization considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Certificates of Deposit – Certificates of deposit are valued at cost plus accumulated interest, which approximates fair value. The certificates of deposit have initial maturities greater than three months.

2. Summary of Significant Accounting Policies - Continued

Restricted Cash and Investments - Restricted cash and investments consist of funds received from donors restricted for the capital campaign and other long-term purposes.

Investments - Investments are carried at fair value. Investment income is accrued as earned and is reported net of investment advisory fees.

Accounts Receivable - Accounts receivable are carried at the estimated collectible amounts and are stated at the amount of consideration the Organization has an unconditional right to receive.

Allowance for Credit Losses - At each reporting date, the Organization recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. Management did not believe any allowance for credit losses was necessary at December 31, 2023.

Inventories - The Organization operates a thrift store located in Vancouver, Washington. Donated inventories on hand at year end are valued at estimated fair value. Purchased inventories are valued at the lower of cost or net realizable value.

Property and Equipment - Property and equipment is stated at cost or estimated fair value at date of donation. Expenditures for assets with a cost greater than $500 and those that materially increase the estimated useful lives of assets are capitalized. Depreciation and amortization are provided using the straight-line method over estimated useful lives ranging from 5 to 50 years.

Construction in progress is stated at cost and not depreciated until the related asset is placed into service.

Revenue Recognition - The Organization's major sources of support and revenue and related revenue recognition policies are summarized as follows:

Grants and Contributions - The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. 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. Conditional contributions to be recognized as contributions support once certain restrictions are satisfied totaled $2,795,858 at December 31, 2023.

Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, 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.

2. Summary of Significant Accounting Policies - Continued

Revenue Recognition - Continued

Contributions to be received after one year may be discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions of assets other than cash are recorded at their estimated fair value. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Absent explicit donor stipulations about how long these donated assets must be maintained, the Organization considers the restriction to be satisfied when the donated assets are placed in service.

Significant services received which create or enhance a nonfinancial asset or require specialized skills the Organization would have purchased if not donated are recognized at estimated fair value in the statement of activities. In addition, the Organization regularly receives contributed services from volunteers who assist in fundraising and program assistance initiatives, but do not meet the reporting standards for recognition in financial statements.

Contract Services Revenue - The Organization has service contracts with several entities to provide animal shelter services. The contracts extend for multiple years with service fees based on the volume of services provided. Revenue is recognized at the time the service is provided and revenues are considered earned. Contact service fees received in advance of being earned are reported as deferred revenue in the accompanying statement of financial position.

Adoption services, Retail Sales and Other Service Fees - Revenue from adoption services, retail sales, and other service fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for goods or services provided. Revenue is recognized as performance obligations are satisfied, which is upon purchase of goods or services.

Thrift Shop Sales - Revenue from thrift shop sales are recognized at a point in time when control is transferred to the customer. The amount recorded as revenue reflects the consideration the Organization receives in exchange for its inventory.

Receivables from contracts with customers totaled $243,938 at December 31, 2022. There were no other contract assets or contract liabilities requiring disclosure as of December 31, 2022.

2. Summary of Significant Accounting Policies - Continued

Functional Allocation of Expenses - Costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages and employee taxes and benefits, which are allocated on the basis of estimates of time and effort.

Advertising - Advertising costs are charged to expense as incurred.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation.

GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and provides guidance on various related materials such as interest, penalties, and required disclosures. Management does not believe the Organization has any uncertain tax positions. The Organization has not incurred any interest or penalties associated with its tax positions, and there are currently no examinations for any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

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 those items attributable to the Organization's ongoing activities. Non-operating activities are limited to contributions restricted for the capital campaign and other activities of a more unusual or non-recurring nature.

Adoption of New Accounting Standard - In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption is not considered material to the financial statements and primarily resulted in enhanced disclosures only.

3. Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following at December 31, 2023:

Cash and cash equivalents	$ 1,617,796
Certificates of deposit	25,466
Operating investments	792,486
Accounts receivable	132,665
Employee retention tax credit receivable	839,537
Contributions receivable due within one year	4,524,241
	7,932,191
Less: donor restricted financial assets	(220,035)
	$ 7,712,156

4. Contributions Receivable - Net

Contributions receivable represent unconditional promises to give, and are expected to be collected as follows as of December 31, 2023:

Within one year	$ 4,524,241
One year to five years	86,400
Gross contributions receivable	4,610,641
Less discount to present value (2.50 discount rate)	(5,518)
Net present value	4,605,123
Less allowance for uncollectible contributions	(4,341)
	$ 4,600,782

5. Employee Retention Tax Credits

During the year ended December 31, 2023, the Organization received Employee Retention Tax Credits (ERTC) as part of the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The ERTC provides fully refundable credits against certain Social Security taxes for qualified wages of certain employees retained during the COVID-19 pandemic.

The Organization has elected to account for the ERTC as a government grant using accounting guidance provided by Accounting Standards Codification 958-605: *Not-for-Profit Entities - Revenue Recognition*. The Organization's management determined the Organization qualified for ERTC during the year ended December 31, 2023, and recognized ERTC non-operating revenue of $839,537 in the statement of activities for the year ended December 31, 2023. At December 31, 2023, the Organization had a refundable ERTC outstanding of $839,537.

6. Investments

Investments were composed of the following at December 31, 2023:

Money market funds	$ 737,093
Equity mutual funds	1,703,051
Fixed income mutual funds	260,114
Exchange traded funds	53,393
Common stock	204,142
US Treasuries	94,777
Cash held for investment purposes	41,549
	3,094,119
Less restricted investments	(204,142)
Less investments held for endowment	(2,097,491)
Operating investments	$ 792,486

7. Property and Equipment - Net

Property and equipment consists of the following at December 31, 2023:

Land	$ 717,765
Buildings and improvements	7,840,843
Furniture and Equipment	843,534
Vehicles	236,927
Leasehold improvments	51,555
Construction in progress	15,498
	9,706,122
Less: accumulated depreciation and amortization	(2,837,672)
	$ 6,868,450

8. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2023:

Subject to expenditure for a specified purpose:	
Animal care	$ 137,511
Leaps and Bounds capital campaign	1,685,916
Capital improvements	108,597
Wellness clinics	67,015
Other	15,509
	2,014,548
Endowments:	
Earnings subject to appropriation and expenditure and available for general use	33,816
Earnings subject to appropriation and expenditure for donor restricted activities	55,055
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:	
General endowment	1,398,470
Building endowment	360,150
Clinic endowment	250,000
Total endowments	2,097,491
Total net assets with donor restrictions	$ 4,112,039

During the year ended December 31, 2023, net assets of $463,213 were released from donor restrictions by either incurring expenses related to the restricted purposes specified by the donors or by the passage of time.

9. Leases

The Organization determines if an arrangement is a lease or a service contract at inception. A contract is determined to be or contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. When an arrangement is a lease, the Organization determines whether it is an operating or a finance lease.

Leases result in recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments, measured on a discounted basis. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability, adjusted for any direct costs, prepaid or deferred rent, and lease incentives. The Organization has elected not to separate components from non-lease components, and to apply the short-term lease exception, which does not require the capitalization of leases with a term of 12 months or less. Short-term leases are recognized as expense on a straight-line basis over the term of the lease. Variable lease payments, if any, are recognized as expense in the period in which the obligation for payment is incurred. The Organization considers any options to extend or terminate a lease when determining the lease term, and only options that the Organization believes are reasonably certain to be exercised are included in the measurement of the ROU assets and lease liabilities.

The Organization leases its thrift shop facilities under an operating lease with a 5 year initial term. This lease includes renewal options which can extend the lease term. The exercise of the renewal options are generally at the discretion of the Organization, and only lease options that the Organization believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. The lease agreement does not include any residual value guarantees or restrictive covenants. The Organization has elected to use the risk-free rate of return as the discount rate as neither the rate implicit in the lease nor the Organization’s incremental borrowing rate are readily available.

9. Leases - Continued

Lease expense was composed of the following for the year ended December 31, 2023:

Operating lease expense	$	307,919
Short-term lease expense		15,644
Variable lease expense		127,812
	$	451,375

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liability for operating lease included in operating cash flows	$	284,225

Weighted average lease term and discount rate were as follows at December 31, 2023:

Weighted-average remaining lease term (in years) for operating leases	6.50
Weighted-average discount rate for operating leases	1.55%

9. Leases - Continued

The maturities of the operating lease liability was as follows at December 31, 2023:

Years Ending December 31,	Amount
2024	$ 292,752
2025	300,056
2026	309,058
2027	318,330
2028	327,879
Thereafter	509,068
	2,057,143
Less present value discount	(101,978)
Operating lease liability	$ 1,955,165

10. Endowment Funds

The Organization's endowment consists of three individual funds. The Organization manages its endowment in accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board has interpreted UPMIFA as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift agreement. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board.

As a result of this interpretation, the Organization classifies as net assets with restrictions: (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Amounts appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA are classified as net assets without restrictions.

10. Endowment Funds – Continued

Endowment funds are subject to the investment policies of the Organization with an overall goal of long-term capital appreciation with preservation of capital. The strategy of the Organization is to maintain a balanced, diversified portfolio with specific asset allocation targets.

The Organization has adopted a spending policy, which allows management to appropriate 4 percent of the average market value of the endowment investments as of year-end for the previous six quarters.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

At December 31, 2023, the Organization's endowment funds consist of the following:

	With Donor Restrictions
Original donor-restricted gift amounts required to be maintained in perpetuity	$ 2,008,620
Accumulated investment gains	88,871
	$ 2,097,491

10. Endowment Funds - Continued

The changes in endowment net assets for the year ended December 31, 2023 were as follows:

	With Donor Restrictions
Endowment net assets, December 31, 2022 (as reclassified - *Note 15*)	1,844,257
Investment return - net	253,234
Endowment net assets, December 31, 2023	2,097,491

The Organization's endowment funds include amounts funded by donor restricted contributions. From time to time, certain donor restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2023, funds with original gift values of $250,000, fair values of $245,836, and deficiencies of $4,164, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations.

11. Fair Value Measurements

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, and Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

11. Fair Value Measurements - Continued

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs, other than quoted prices, that are observable for the asset; and
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

In determining the fair value of its investments, the Organization uses appropriate valuation techniques based on available inputs. The Organization maximizes its use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Accordingly, when available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. If market data is not readily available, fair value is based upon other significant unobservable inputs such as inputs that reflect the Organization's own assumptions about the inputs market participants would use in valuing the investment. As required, investments valued using unobservable inputs are classified to the lowest level of any input that is most significant to the valuation. Thus, a valuation may be classified as Level 3 even though the valuation may include significant inputs that are readily observable.

11. Fair Value Measurements - Continued

The following table sets forth by level, within the fair value hierarchy, the Organization's assets that are measured at fair value on a recurring basis as of December 31, 2023:

	Quoted Prices in Active Markets (Level 1)
Money market funds	$ 737,093
Equity mutual funds	1,703,051
Fixed income mutual funds	260,114
Exchange traded funds	53,393
Common stock	204,142
US Treasuries	94,777
	$ 3,052,570

Level 1 Measurements: Fair value of Level 1 assets described above is determined by reference to quoted market prices or other relevant market data as provided by the broker.

12. Employee Benefit Plan

The Organization offers its employees a 401(k) plan (the Plan). Eligible salaried and hourly non-bargaining employees may start participating in the plan on the first day of the calendar month following the date of hire. The Organization makes contributions to the Plan based on a 50 percent match up to six percent of employee contributions. The Organization made an employer contribution totaling $83,228 for the year ended December 31, 2023.

13. Financial Instruments with Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, restricted cash, investments, accounts receivable and contributions receivable. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured amounts.

The Organization's investments (including restricted investments) are exposed to various risks, such as interest rate, market, and credit risk. The value, liquidity, and related income of these assets are sensitive to changes in economic conditions and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of such assets will occur in the near-term, and such changes could materially affect account balances and amounts reported in the financial statements.

During the year ended December 31, 2023, one donor accounted for approximately 57 percent of total grants and contributions revenue. One donor accounted for approximately 90 percent of contributions receivable at December 31, 2023.

14. Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the year ended December 31, 2023:

	Amount
ReTails Thrift Store	$ 1,725,957
Animal food and supplies	24,724
Event room and catering	111,024
Property and equipment	29,176
Professional services	50,000
	$ 1,940,881

The Organization estimates the value of donated goods received at the ReTails Thrift Store based on their expected selling price. Professional services are valued at standard hourly rates normally charged by the provider for those services.

Donated animal food and supplies and property and equipment are valued at estimated fair value based on prices for identical or similar products in the marketplace. Donated event room and catering are valued at the amounts normally charged by the providers of the event room and catering for similar services.

14. Contributed Nonfinancial Assets - Continued

Donated ReTails Thrift Store inventory will be sold to third-parties. The donated property and equipment was capitalized, while animal food and supplies and professional services were utilized in the Organization's Animal Shelter program. Contributed event room and catering was used in the Organization's special events.

All contributed nonfinancial assets received during the year ended December 31, 2023 were without donor restrictions.

15. Reclassification of Net Assets

During the year ended December 31, 2023, management determined certain donor restricted net assets were incorrectly classified at December 31, 2022. As such, the Organization reclassified certain amounts related to the Organization's endowment and the Leaps and Bounds capital campaign as previously reported from net assets with donor restrictions to net assets without donor restrictions. Other reclassification entries were also made to correct previous classification errors.

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets at December 31, 2022, as as previously reported	$ 9,415,552	$ 4,187,467	$ 13,603,019
Reclassification to endowment funds	81,499	(81,499)	-
Reclassification to Leaps and Bounds	150,713	(150,713)	-
Other reclassifications	300	(300)	-
Net assets at December 31, 2022, as as reclassified	$ 9,648,064	$ 3,954,955	$ 13,603,019

16. Subsequent Events

Management has evaluated subsequent events through August 15, 2024, the date the financial statements were available for issue.