

Humane Society
FOR SOUTHWEST WASHINGTON

FINANCIAL STATEMENTS

Year Ended December 31, 2025

with

Independent Auditors' Report

Table of Contents

Page

Independent Auditors' Report 1

Financial Statements

Statement of Financial Position 3

Statement of Activities 4

Statement of Functional Expenses 6

Statement of Cash Flows 7

Notes to Financial Statements 9

Aprio

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, 2025, 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, 2025, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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.

Summarized Comparative Information

The financial statements as of December 31, 2024 were audited by Hoffman, Stewart, & Schmidt, P.C., who merged with Aprio, LLP as of January 2, 2026, and whose report dated August 27, 2025, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Aprio, LLP

Lake Oswego, Oregon
September 4, 2026

HUMANE SOCIETY FOR SOUTHWEST WASHINGTON
Statement of Financial Position

December 31, 2025 *(With Comparative Amounts for 2024)*	**2025**	**2024**
ASSETS		
Cash and cash equivalents	$ 4,800,899	$ 3,073,859
Certificates of deposit	27,448	26,555
Operating investments *(Notes 5 and 10)*	5,721,368	5,246,882
Accounts receivable	350,315	173,741
Employee retention tax credit receivable	-	839,537
Contributions receivable - net *(Note 4)*	291,044	1,404,887
Inventories	197,230	146,670
Prepaid expenses and other assets	135,818	66,828
Restricted cash	-	3,131,479
Restricted investments *(Notes 5 and 10)*	2,374,805	302,442
Investments held for endowment *(Notes 5, 7, 9 and 10)*	2,772,454	2,454,818
Property and equipment - net *(Note 6)*	10,330,854	6,546,318
Operating lease right-of-use assets *(Note 8)*	2,341,270	1,736,340
Total assets	**$ 29,343,505**	**$ 25,150,356**
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 384,396	$ 113,571
Accrued payroll liabilities	436,359	281,439
Deferred revenue	81,852	30,632
Refundable advances	-	136,112
Operating lease liabilities *(Note 8)*	2,620,397	1,794,202
Total liabilities	**3,523,004**	**2,355,956**
Commitments *(Notes 8 and 11)*		
Net assets:		
Without donor restrictions:		
Board designated operating reserve	4,000,000	4,000,000
Net investment in property and equipment	10,330,854	6,546,318
Undesignated	5,685,497	5,231,971
	20,016,351	15,778,289
With donor restrictions *(Note 7)*	5,804,150	7,016,111
Total net assets	**25,820,501**	**22,794,400**
Total liabilities and net assets	**$ 29,343,505**	**$ 25,150,356**

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

HUMANE SOCIETY FOR SOUTHWEST WASHINGTON
Statement of Activities

Year Ended December 31, 2025 *(With Comparative Totals for 2024)*

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
Revenue and support:				
Grants and contributions	$ 4,149,869	$ 836,095	$ 4,985,964	$ 4,091,495
Contract services	2,262,765	-	2,262,765	1,386,353
Adoption services	767,059	-	767,059	525,656
Veterinary services	740,237	-	740,237	189,387
Retail sales	81,442	-	81,442	94,673
Contributions of nonfinancial assets *(Note 13)*	3,978,432	-	3,978,432	2,113,270
Investment return - net	669,126	315,636	984,762	599,417
Other service fees and miscellaneous - net	183,420	-	183,420	70,075
Thrift Shop:				
Inventory sales	2,169,027	-	2,169,027	1,913,346
Cost of goods sold	(2,169,027)	-	(2,169,027)	(1,913,346)
Gross profit	-	-	-	-
Special events:				
Revenues	1,569,413	-	1,569,413	1,219,136
Expenses	(389,432)	-	(389,432)	(244,736)
Net special events	1,179,981	-	1,179,981	974,400
Net assets released from restrictions *(Note 7)*	354,452	(354,452)	-	-
Total operating revenue and support (carried forward)	**14,366,783**	**797,279**	**15,164,062**	**10,044,726**

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

HUMANE SOCIETY FOR SOUTHWEST WASHINGTON
Statement of Activities - Continued

Year Ended December 31, 2025 *(With Comparative Totals for 2024)*

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
Total operating revenue and support (brought forward)	**$ 14,366,783**	**$ 797,279**	**$ 15,164,062**	**$ 10,044,726**
Operating expenses:				
Program services	9,182,749	-	9,182,749	6,503,339
Management and general	1,990,812	-	1,990,812	1,393,211
Fundraising	1,103,550	-	1,103,550	816,488
Total operating expenses	**12,277,111**	**-**	**12,277,111**	**8,713,038**
Change in net assets from operations	**2,089,672**	**797,279**	**2,886,951**	**1,331,688**
Non-operating activities:				
Contributions restricted for capital campaign and endowment	-	139,150	139,150	2,883,637
Loss on uncollectible contributions receivable	-	-	-	(7,800)
Net assets released from restrictions *(Note 7)*	2,148,390	(2,148,390)	-	-
Total non-operating activities	**2,148,390**	**(2,009,240)**	**139,150**	**2,875,837**
Change in net assets	**4,238,062**	**(1,211,961)**	**3,026,101**	**4,207,525**
Net assets, beginning of year	15,778,289	7,016,111	22,794,400	18,586,875
Net assets, end of year	**$ 20,016,351**	**$ 5,804,150**	**$ 25,820,501**	**$ 22,794,400**

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

HUMANE SOCIETY FOR SOUTHWEST WASHINGTON
Statement of Functional Expenses

Year Ended December 31, 2025 *(With Comparative Totals for 2024)*

	Program Services							Management and General	Fundraising	Total	
	Adoption	Animal Shelter	Clinic	Population Management	ReTails Thrift Store	Other	Total			2025	2024
Salaries and related expenses	$ 334,952	$ 1,869,568	$ 2,099,074	$ 651,348	$ 936,881	$ 312,725	$ 6,204,548	$ 1,251,685	$ 799,857	$ 8,256,090	$ 5,861,978
Cost of goods sold	-	-	-	-	2,169,027	-	2,169,027	-	-	2,169,027	1,913,346
Professional fees	14,433	45,157	102,142	8,205	72,466	36,207	278,610	243,972	139,660	662,242	544,580
Occupancy	1,090	11,277	62,158	4,771	592,384	8,109	679,789	9,443	613	689,845	533,857
Office expense	15,908	28,107	54,277	19,222	11,428	11,026	139,968	127,531	95,103	362,602	352,039
Operating supplies	61,488	320,593	535,701	32,267	34,649	24,026	1,008,724	49,770	34,849	1,093,343	489,997
Facility, auto & maintenance	29,143	276,178	86,462	17,846	73,736	12,720	496,085	201,075	10,967	708,127	462,056
Meetings and travel	5,265	30,020	25,532	12,524	1,193	4,363	78,897	29,283	6,971	115,151	31,296
Depreciation and amortization	11,018	109,558	99,280	11,538	4,448	4,490	240,332	63,156	2,560	306,048	373,107
Other expenses	14,532	12,616	19,101	717	8,581	249	55,796	14,897	12,970	83,663	64,128
Total expenses	**$ 487,829**	**$ 2,703,074**	**$ 3,083,727**	**$ 758,438**	**$ 3,904,793**	**$ 413,915**	**$ 11,351,776**	**$ 1,990,812**	**$ 1,103,550**	**$ 14,446,138**	**$ 10,626,384**
Less: Expenses netted with revenue on statement of activities	-	-	-	-	(2,169,027)	-	(2,169,027)	-	-	(2,169,027)	(1,913,346)
Total expenses per statement of activities	**$ 487,829**	**$ 2,703,074**	**$ 3,083,727**	**$ 758,438**	**$ 1,735,766**	**$ 413,915**	**$ 9,182,749**	**$ 1,990,812**	**$ 1,103,550**	**$ 12,277,111**	**$ 8,713,038**

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

HUMANE SOCIETY FOR SOUTHWEST WASHINGTON
Statement of Cash Flows

Year Ended December 31, 2025 *(With Comparative Totals for 2024)*	**2025**	**2024**
Cash flows from operating activities:		
Increase in net assets	$ 3,026,101	$ 4,207,525
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(262,834)	(212,882)
Depreciation and amortization	306,048	373,107
Donated real property, property and equipment and land held for sale	(1,602,152)	-
Loss on disposal of property and equipment	750	18,334
Contributions restricted for capital campaign and endowment	(139,150)	(2,883,637)
Loss on uncollectible contributions receivable	-	7,800
Net change in:		
Accounts receivable	(176,574)	(41,076)
Employee retention tax credit receivable	839,537	-
Contributions receivable - net	(172,794)	4,385,333
Inventories	(50,560)	(15,170)
Prepaid expenses and other assets	(68,990)	(7,840)
Operating lease right-of-use assets	496,647	258,630
Accounts payable and accrued expenses	161,747	(22,599)
Accrued payroll liabilities	154,920	18,020
Deferred revenue	51,220	24,382
Refundable advances	(136,112)	136,112
Operating lease liabilities	(275,382)	(256,435)
Net cash provided by operating activities	**2,152,422**	**5,989,604**
Cash flows from investing activities:		
Proceeds from sale of land held for sale	240,000	-
Additions to certificates of deposit	(893)	(1,089)
Purchases of investments	(2,601,651)	(4,697,141)
Purchases of property and equipment	(2,620,104)	(65,411)
Net cash used by investing activities	**(4,982,648)**	**(4,763,641)**
Cash flows from financing activities:		
Proceeds from contributions restricted for capital campaign and endowment	1,425,787	1,686,399
Net cash provided by financing activities	**1,425,787**	**1,686,399**
Net increase (decrease) in cash, cash equivalents, and restricted cash (carried forward)	**(1,404,439)**	**2,912,362**

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, 2025 *(With Comparative Totals for 2024)*	**2025**	**2024**
Net increase (decrease) in cash, cash equivalents, and restricted cash (brought forward)	**$ (1,404,439)**	**$ 2,912,362**
Cash, cash equivalents, and restricted cash, beginning of year	6,205,338	3,292,976
Cash, cash equivalents, and restricted cash, end of year	**$ 4,800,899**	**$ 6,205,338**
As presented in the accompanying statement of financial position:		
Cash and cash equivalents	$ 4,800,899	$ 3,073,859
Restricted cash	-	3,131,479
Total cash, cash equivalents, and restricted cash	**$ 4,800,899**	**$ 6,205,338**
Supplemental disclosure of noncash investing and financing activity:		
Additions to property and equipment included in accounts payable and accrued expenses	$ 125,118	$ 16,040

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 a 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 intake 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 that 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, 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, valuation of donated real property, 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. 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. The allowance for expected credit losses is estimated using historical collection experience adjusted for current conditions as of the statement of financial position date. Management did not believe any allowance for credit losses was necessary at December 31, 2025.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or as an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy decision.

Effective January 1, 2025, the Organization adopted Accounting Standards Update (ASU) 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This ASU provides a practical expedient and an accounting policy election intended to simplify the applicable of the current expected credit loss (CECL) model to current accounts receivable arising from transaction accounted for under Topic 606, *Revenue from Contracts with Customers*.

The Organization elected to only adopt the practical expedient offered under the ASU, and as such the Organization assumes that current conditions as of the reporting date will not change for the remaining life of the applicable assets. This expedient was applied consistently across all current accounts receivable derived from exchange transactions.

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.

2. Summary of Significant Accounting Policies - Continued

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 $5,000 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. At December 31, 2025, the Organization had conditional grants of $94,063. The amount is conditioned on the Organization incurring qualifying expenditures.

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.

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.

2. Summary of Significant Accounting Policies - Continued

Revenue Recognition - Continued

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. Contract service fees received in advance of being earned are reported as deferred revenue in the accompanying statement of financial position. Deferred revenue (considered contract liabilities) totaled $81,852 and $30,632 at December 31, 2025 and 2024, respectively.

Adoption services, Veterinary Services, Retail Sales and Other Service Fees - Revenue from adoption services, veterinary 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 is 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.

Valuation of Long-lived Assets - Long-lived assets are reviewed for impairment whenever events or changes indicate that the carrying amount of an asset may not by fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the estimated fair value of assets. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Assets to be disposed of are reported at the lower of the carrying amount of fair value, less costs to sell. The Organization did not recognize an impairment charge on its long-lived assets during the year ended December 31, 2025.

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 related expense, which are allocated on the basis of estimates of time and effort.

2. Summary of Significant Accounting Policies - Continued

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.

Advertising - Advertising costs are charged to expense as incurred, and totaled $12,319 for the year ended December 31, 2025.

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.

2. Summary of Significant Accounting Policies - Continued

Summarized Financial Information for 2024 - The financial statements include certain prior year summarized comparative information. Such information does not contain sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to the 2024 information to conform to the 2025 presentation.

Subsequent Events - Management has evaluated subsequent events through September 4, 2026, the date the financial statements were available for issue.

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:

	2025	2024
Cash and cash equivalents	$ 4,800,899	$ 3,073,859
Certificates of deposit	27,448	26,555
Operating investments	5,721,368	5,246,882
Accounts receivable	350,315	173,741
Employee retention tax credit receivable	-	839,537
Contributions receivable due within one year	232,105	60,319
	11,132,135	9,420,893
Less: donor restricted financial assets	(617,432)	(135,789)
Less: board designated operating reserve	(4,000,000)	(4,000,000)
	$ 6,514,703	$ 5,285,104

As part of the Organization's liquidity management, Management has a practice to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Board of Directors has also established a designated operating reserve that could be used with Board approval to help manage unanticipated liquidity needs.

4. Contributions Receivable - Net

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

	2025	2024
Within one year	$ 268,007	$ 1,352,857
One year to five years	27,000	57,000
Gross contributions receivable	295,007	1,409,857
Less discount to present value (2.5% discount rate)	(2,170)	(2,322)
Net present value	292,837	1,407,535
Less allowance for uncollectible contributions	(1,793)	(2,648)
	$ 291,044	$ 1,404,887

5. Investments

Investments were composed of the following at December 31:

	2025	2024
Money market funds	$ 8,424,654	$ 5,754,031
Equity mutual funds	1,611,170	1,414,866
Fixed income mutual funds	230,810	214,790
Exchange traded funds	595,141	505,884
Common stock	-	5,388
Cash held for investment purposes	6,852	109,183
	10,868,627	8,004,142
Less restricted investments	(2,374,805)	(302,442)
Less investments held for endowment	(2,772,454)	(2,454,818)
Operating investments	$ 5,721,368	$ 5,246,882

6. Property and Equipment - Net

Property and equipment consists of the following at December 31:

	2025	2024
Land	$ 1,267,765	$ 717,765
Buildings and improvements	8,588,715	7,832,065
Furniture and Equipment	1,096,524	375,335
Vehicles	364,375	236,604
Leasehold improvements	1,519,485	42,225
Construction in progress	484,304	40,840
	13,321,168	9,244,834
Less: accumulated depreciation and amortization	(2,990,314)	(2,698,516)
	$ 10,330,854	$ 6,546,318

7. Net Assets with Donor Restrictions

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

	2025	2024
Subject to expenditure for a specified purpose:		
Capital campaign	$ 2,414,264	$ 4,425,504
Capital improvements	308,020	94,846
Animal care	307,468	27,411
Other	1,944	13,532
	3,031,696	4,561,293
Endowments:		
Earnings subject to appropriation and expenditure and available for general use	421,167	205,008
Earnings subject to appropriation and expenditure for donor restricted activities	233,667	134,190
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
General endowment	1,507,470	1,505,470
Building endowment	360,150	360,150
Clinic endowment	250,000	250,000
Total endowments	2,772,454	2,454,818
Total net assets with donor restrictions	$ 5,804,150	$ 7,016,111

During the year ended December 31, 2025, net assets of $2,502,842 were released from donor restrictions by either incurring expenses related to the restricted purposes specified by the donors or by the passage of time.

8. Leases

The Organization leases its thrift shop facilities and veterinary clinic under operating leases with 5 to 10 year initial terms. Certain leases include 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.

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

	2025	2024
Operating lease expense	$ 424,044	$ 315,395
Short-term lease expense	27,491	19,934
Variable lease expense	226,193	198,945
	$ 677,728	$ 534,274

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2025:

	2025	2024
Cash paid for amounts included in the measurement of lease liability for operating lease included in operating cash flows	$ 373,705	$ 292,752
Operating lease right-of-use assets obtained in exchange for operating lease liabilities (net of lease incentive of $150,176 and $-0-, respectively)	$ 951,101	$ 95,472

8. Leases - Continued

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

	2025	2024
Weighted-average remaining lease term (in years) for operating leases	6.54	5.50
Weighted-average discount rate for operating leases	4.32%	4.22%

The maturities of the operating lease liability was as follows at December 31, 2025:

Years Ending December 31,	Amount
2026	$ 466,643
2027	495,815
2028	518,083
2029	533,624
2030	340,650
Thereafter	672,469
	3,027,284
Less present value discount	(406,887)
Operating lease liability	$ 2,620,397

9. 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.

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.

9. Endowment Funds - Continued

The Organization's donor-restricted endowment funds consist of the following at December 31:

	2025	2024
Original donor-restricted gift amounts required to be maintained in perpetuity	$ 2,117,620	$ 2,115,620
Accumulated investment gains	654,834	339,198
	$ 2,772,454	$ 2,454,818

The changes in donor-restricted endowment net assets for the year ended December 31, 2025, were as follows:

Endowment net assets, December 31, 2024	$ 2,454,818
Investment return, net - 2025	315,636
Contributions - 2025	2,000
Endowment net assets, December 31, 2025	$ 2,772,454

10. 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.

10. 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.

10. 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, 2025:

	Quoted Prices in Active Markets (Level 1)
Money market funds	$ 8,424,654
Equity mutual funds	1,611,170
Fixed income mutual funds	230,810
Exchange traded funds	595,141
	$ 10,861,775

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.

11. 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 $103,519 and $67,569 for the years ended December 31, 2025 and 2024, respectively.

12. 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 and cash equivalents with two commercial financial institutions, whose aggregate balances may exceed, at time, the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per financial institution. At December 31, 2025, the Organization's cash and cash equivalent balances held at these commercial banks exceeded the insured limit by approximately $4,200,000. Management monitors the financial stability of the institutions holding these funds and believes the Organization is not exposed to significant credit risk on these deposits.

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.

Concentrations of risk with respect to accounts receivable are limited by monitoring procedures performed by Organization management.

During the year ended December 31, 2025, one donor accounted for approximately 15 percent of total grants and contributions revenue. Two donors accounted for approximately 55 percent of contributions receivable at December 31, 2025.

13. Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the years ended December 31:

	2025	2024
ReTails Thrift Store	$ 2,217,986	$ 1,928,516
Real property	1,237,360	-
Land held for sale	240,000	-
Property and equipment	124,792	-
Event room and catering	111,753	111,000
Professional services	26,644	64,813
Animal food and supplies	18,147	6,467
Other	1,750	2,474
	$ 3,978,432	$ 2,113,270

On January 1, 2025, the Organization received a donation of certain real property (consisting of land and building) located in Longview, Washington at an estimated fair value of $1,237,360. The Organization estimated the value of the real property received based on comparable sales in the Longview, Washington market and consideration of the condition of the real property received. The donated real property was capitalized as a component of property and equipment and will be used by the Organization to expand high-quality, affordable, veterinary care for residents of Longview and the greater Cowlitz County, Washington geographic area.

Also on January 1, 2025, the Organization also received a donation of real property that at the date of donation was listed for sale. The Organization continued holding this property for sale upon receipt of the property title, and during the year ended December 31, 2025, sold this property for $240,000.

13. Contributed Nonfinancial Assets - Continued

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 other donated 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.

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, 2025, were without donor restrictions.