
Humane Society of Huron Valley

Financial Report
December 31, 2024

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Independent Auditor's Report

To the Board of Directors
Humane Society of Huron Valley

Opinion

We have audited the financial statements of the Humane Society of Huron Valley (the "Organization"), which comprise the balance sheet as of December 31, 2024 and 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024 and 2023 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audits of the Financial Statements

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

To the Board of Directors
Humane Society of Huron Valley

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

July 23, 2025

Balance Sheet

December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,449,154	\$ 2,875,264
Investments (Note 3)	12,581,238	9,647,405
Receivables:		
Accounts receivable	346,596	265,532
Contributions receivable	72,113	20,681
Employee Retention Credit (Note 4)	499,211	499,211
Bequests receivable	762,000	1,049,000
Deferred compensation	450,387	317,902
Prepaid expenses and other current assets	229,751	217,327
Total current assets	16,390,450	14,892,322
Property and Equipment - Net (Note 5)	7,041,359	6,575,606
Right-of-use Operating Lease Assets	167,412	214,031
Total assets	\$ 23,599,221	\$ 21,681,959
Liabilities and Net Assets		
Current Liabilities		
Trade accounts payable	\$ 257,638	\$ 361,116
Accrued liabilities and other	1,039,201	806,564
Current portion of lease liabilities - Operating (Note 6)	11,890	43,750
Total current liabilities	1,308,729	1,211,430
Lease Liabilities - Operating (Note 6)	72,221	92,111
Total liabilities	1,380,950	1,303,541
Net Assets		
Without donor restrictions:		
Undesignated	20,703,259	18,250,836
Board designated	1,509,601	1,964,682
With donor restrictions (Note 7)	5,411	162,900
Total net assets	22,218,271	20,378,418
Total liabilities and net assets	\$ 23,599,221	\$ 21,681,959

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Contributions	\$ 4,134,658	\$ 5,411	\$ 4,140,069	\$ 3,729,334	\$ 50,436	\$ 3,779,770
Bequests	1,863,801	-	1,863,801	2,488,989	-	2,488,989
In-kind donations (Note 8)	498,720	-	498,720	476,220	-	476,220
Operations	5,628,939	-	5,628,939	4,967,306	-	4,967,306
Retail sales	177,416	-	177,416	189,363	-	189,363
Employee Retention Credit (Note 4)	-	-	-	499,211	-	499,211
Special event revenue	540,523	-	540,523	486,484	-	486,484
Investment income - Net (Note 9)	1,140,848	-	1,140,848	985,268	-	985,268
Loss on sale of property and equipment	-	-	-	(888)	-	(888)
Total revenue and support	13,984,905	5,411	13,990,316	13,821,287	50,436	13,871,723
Net Assets Released from Donor Restrictions (Note 10)	162,900	(162,900)	-	78,524	(78,524)	-
Total revenue, support, and net assets released from donor restrictions	14,147,805	(157,489)	13,990,316	13,899,811	(28,088)	13,871,723
Expenses						
Program services:						
Clinic	3,235,943	-	3,235,943	2,964,241	-	2,964,241
Shelter	4,603,582	-	4,603,582	4,282,560	-	4,282,560
Support programs	1,041,580	-	1,041,580	992,774	-	992,774
Cruelty/Rescue	467,225	-	467,225	488,203	-	488,203
Total program services	9,348,330	-	9,348,330	8,727,778	-	8,727,778
Support services:						
Administration	1,212,066	-	1,212,066	1,105,397	-	1,105,397
Development	1,590,067	-	1,590,067	1,516,173	-	1,516,173
Total support services	2,802,133	-	2,802,133	2,621,570	-	2,621,570
Total expenses	12,150,463	-	12,150,463	11,349,348	-	11,349,348
Increase (Decrease) in Net Assets	1,997,342	(157,489)	1,839,853	2,550,463	(28,088)	2,522,375
Net Assets - Beginning of year	20,215,518	162,900	20,378,418	17,665,055	190,988	17,856,043
Net Assets - End of year	<u>\$ 22,212,860</u>	<u>\$ 5,411</u>	<u>\$ 22,218,271</u>	<u>\$ 20,215,518</u>	<u>\$ 162,900</u>	<u>\$ 20,378,418</u>

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2024

	Program Services					Support Services			
	Clinic	Shelter	Support Programs	Cruelty/Rescue	Total	Administration	Development	Total	Total
Salaries	\$ 1,511,369	\$ 2,332,225	\$ 527,281	\$ 234,132	\$ 4,605,007	\$ 765,604	\$ 662,361	\$ 1,427,965	\$ 6,032,972
Employee benefits	438,365	604,902	172,162	77,734	1,293,163	238,760	184,082	422,842	1,716,005
Total salaries and related expenses	1,949,734	2,937,127	699,443	311,866	5,898,170	1,004,364	846,443	1,850,807	7,748,977
Professional fees	30,719	83,726	10,917	8,614	133,976	163,120	9,504	172,624	306,600
Animal removal, outside vet, and lab	9,901	23,391	-	-	33,292	-	-	-	33,292
Medical and animal supplies	596,157	334,799	3,977	75	935,008	-	-	-	935,008
Vehicle fuel	2,487	5,002	433	9,568	17,490	13	49	62	17,552
Contract labor	138,444	32,240	38,762	9,514	218,960	1,349	16,319	17,668	236,628
Supplies	62,024	189,715	36,448	10,705	298,892	12,161	23,380	35,541	334,433
Microchips/Trap neuter return	6,591	29,989	-	-	36,580	-	-	-	36,580
Postage and shipping	609	298	142	1	1,050	2,133	8,437	10,570	11,620
Insurance	32,777	97,228	16,633	18,523	165,161	622	9,649	10,271	175,432
Repair and maintenance	14,131	71,506	7,404	10,572	103,613	1,850	1,849	3,699	107,312
Travel	1,443	15,501	1,527	18	18,489	2,150	1,065	3,215	21,704
Printing	1,982	3,094	889	548	6,513	-	8,008	8,008	14,521
Utilities	11,355	100,420	10,093	6,308	128,176	2,523	2,525	5,048	133,224
Telephone	5,195	11,941	1,936	998	20,070	1,328	1,697	3,025	23,095
Memberships and subscriptions	5,191	6,044	5,263	1,669	18,167	3,714	33,311	37,025	55,192
Publicity and advertising	12,742	20,388	8,179	5,097	46,406	-	5,098	5,098	51,504
Newsletter	-	47,967	5,328	-	53,295	-	10,661	10,661	63,956
Appeals	-	-	-	-	-	-	405,400	405,400	405,400
Merchandise	76,622	1,044	56,446	-	134,112	-	-	-	134,112
Licenses and permits	4,171	1,814	567	76	6,628	76	129	205	6,833
Miscellaneous	31	207	198	-	436	2,913	-	2,913	3,349
Uncollectible accounts	18,700	79	-	(200)	18,579	-	-	-	18,579
Donated goods and services	124,680	199,488	74,808	49,872	448,848	-	49,872	49,872	498,720
Credit card fees	63,616	22,668	7,998	21	94,303	5	82,087	82,092	176,395
Software and support	30,410	28,531	21,743	3,252	83,936	5,694	56,282	61,976	145,912
Land lease/Building rental	-	41,473	240	-	41,713	-	10,250	10,250	51,963
Depreciation	36,231	297,902	32,206	20,128	386,467	8,051	8,052	16,103	402,570
Total functional expenses	<u>\$ 3,235,943</u>	<u>\$ 4,603,582</u>	<u>\$ 1,041,580</u>	<u>\$ 467,225</u>	<u>\$ 9,348,330</u>	<u>\$ 1,212,066</u>	<u>\$ 1,590,067</u>	<u>\$ 2,802,133</u>	<u>\$ 12,150,463</u>

Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services					Support Services			
	Clinic	Shelter	Support Programs	Cruelty/Rescue	Total	Administration	Development	Total	Total
Salaries	\$ 1,416,466	\$ 2,127,266	\$ 510,032	\$ 247,567	\$ 4,301,331	\$ 737,482	\$ 575,451	\$ 1,312,933	\$ 5,614,264
Employee benefits	348,552	543,539	145,924	79,314	1,117,329	171,852	173,100	344,952	1,462,281
Total salaries and related expenses	1,765,018	2,670,805	655,956	326,881	5,418,660	909,334	748,551	1,657,885	7,076,545
Professional fees	33,433	95,385	10,300	7,973	147,091	151,858	8,311	160,169	307,260
Animal removal, outside vet, and lab	6,668	20,575	-	-	27,243	-	-	-	27,243
Medical and animal supplies	556,473	328,369	3,697	204	888,743	-	-	-	888,743
Vehicle fuel	2,538	7,752	240	10,178	20,708	24	25	49	20,757
Contract labor	120,049	35,500	39,569	6,814	201,932	837	15,297	16,134	218,066
Supplies	50,578	171,592	34,514	11,600	268,284	10,964	18,062	29,026	297,310
Microchips/Trap neuter return	1,228	26,833	-	-	28,061	-	-	-	28,061
Postage and shipping	1,273	127	(380)	3	1,023	383	11,282	11,665	12,688
Insurance	55,780	94,609	24,824	27,947	203,160	9,447	13,487	22,934	226,094
Repair and maintenance	11,520	54,950	5,530	6,079	78,079	1,382	1,382	2,764	80,843
Travel	1,659	11,687	2,930	1,846	18,122	1,062	1,149	2,211	20,333
Printing	3,994	3,795	808	484	9,081	2	5,934	5,936	15,017
Utilities	12,012	104,725	10,678	6,674	134,089	2,669	2,670	5,339	139,428
Telephone	4,472	9,639	1,633	870	16,614	1,036	1,326	2,362	18,976
Memberships and subscriptions	6,921	6,214	5,640	1,532	20,307	2,575	24,269	26,844	47,151
Publicity and advertising	19,078	30,524	11,887	7,631	69,120	-	7,630	7,630	76,750
Newsletter	-	33,836	3,758	-	37,594	-	7,521	7,521	45,115
Appeals	-	-	-	-	-	-	417,299	417,299	417,299
Merchandise	51,992	113	59,190	216	111,511	-	-	-	111,511
Licenses and permits	2,917	1,599	39	54	4,609	80	159	239	4,848
Miscellaneous	(27)	62	-	-	35	104	-	104	139
Uncollectible accounts	22,202	333	-	200	22,735	-	-	-	22,735
Donated goods and services	119,805	190,088	71,283	47,522	428,698	-	47,522	47,522	476,220
Credit card fees	54,408	21,086	9,426	12	84,932	-	69,367	69,367	154,299
Software and support	25,738	32,812	10,575	4,309	73,434	5,970	96,270	102,240	175,674
Land lease/Building rental	332	48,513	295	185	49,325	74	11,064	11,138	60,463
Depreciation	34,180	281,037	30,382	18,989	364,588	7,596	7,596	15,192	379,780
Total functional expenses	<u>\$ 2,964,241</u>	<u>\$ 4,282,560</u>	<u>\$ 992,774</u>	<u>\$ 488,203</u>	<u>\$ 8,727,778</u>	<u>\$ 1,105,397</u>	<u>\$ 1,516,173</u>	<u>\$ 2,621,570</u>	<u>\$ 11,349,348</u>

Statement of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,839,853	\$ 2,522,375
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	402,570	379,780
Net realized and unrealized gains on investments	(790,593)	(742,288)
Provision for credit losses	18,579	23,079
Loss on disposal of property and equipment	-	888
Noncash lease expense	46,619	45,834
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(99,643)	(165,496)
Contributions receivable	(51,432)	42,944
Employee Retention Credit	-	(499,211)
Bequests receivable	287,000	(1,008,600)
Prepaid expenses and other current assets	(12,424)	30,712
Deferred compensation	(83,674)	(79,899)
Trade accounts payable	(103,478)	(18,614)
Operating lease liabilities	(51,750)	(50,068)
Accrued liabilities and other	232,637	131,743
Net cash and cash equivalents provided by operating activities	1,634,264	613,179
Cash Flows from Investing Activities		
Purchase of property and equipment	(868,323)	(430,747)
Purchases of investments	(6,340,604)	(2,457,755)
Proceeds from sales and maturities of investments	4,148,553	3,946,248
Net cash and cash equivalents (used in) provided by investing activities	(3,060,374)	1,057,746
Net (Decrease) Increase in Cash and Cash Equivalents	(1,426,110)	1,670,925
Cash and Cash Equivalents - Beginning of year	2,875,264	1,204,339
Cash and Cash Equivalents - End of year	\$ 1,449,154	\$ 2,875,264
Supplemental Cash Flow Information - Cash paid for interest	\$ 2,855	\$ 3,637

December 31, 2024 and 2023

Note 1 - Nature of Business

The Humane Society of Huron Valley (the "Organization") is a not-for-profit corporation that operates an animal shelter, a veterinary clinic, emergency animal rescue services, a cruelty investigation division, and a support programs division. The Organization was incorporated in 1896 and primarily serves the Washtenaw County, Michigan area.

Note 2 - Significant Accounting Policies

Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents except for temporary investment funds considered part of the investment portfolio. The balances in the Organization's deposit accounts may exceed Federal Deposit Insurance Corporation (FDIC) insurance coverage amounts for those accounts.

Accounts Receivable

Trade accounts receivable are stated at invoice amounts and consist of amounts due from customers. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The opening balance of receivables was \$123,115 as of January 1, 2023.

The Organization collectively evaluates trade receivables to determine the allowance for credit losses based on historical loss experience and adjusted for current and supportable forecasts of economic conditions, specifically the economy within Washtenaw County, the county the Organization primarily operates within. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. The allowance for credit losses was \$0 as of December 31, 2024 and 2023 based on the Organization's assessment of credit risk and historical collections.

Investments

Investments in debt and equity securities are recorded at fair value based on quoted market prices and other inputs, as described in Note 3.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives, ranging from 5 to 30 years. Costs of maintenance and repairs are charged to expense when incurred.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as support without donor restrictions, unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets must be maintained. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Leases

The Organization has operating leases for land and a building that serves as Tiny Lions Lounge and Adoption Center and for land leased for the Organization's main location. The Organization recognizes expense for operating leases on a straight-line basis over the lease term.

The Organization elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for all leases.

Revenue and Support Recognition

During the years ended December 31, 2024 and 2023, the Organization recognized revenue from contracts with customers of approximately \$5,802,000 and \$5,157,000, respectively. These amounts consist of operations and retail sales on the statement of activities and changes in net assets.

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Typically, the Organization does not recognize revenue before its right to some or all consideration becomes unconditional; therefore, contract assets were not recorded at December 31, 2024 and 2023. The Organization does not collect cash prior to the satisfaction of the performance obligation; therefore, contract liabilities were not recorded at December 31, 2024 and 2023.

Operations and Retail Sales

The Organization recognizes revenue from operations and retail sales during the year in which the related services and sales are provided to customers, typically individuals or groups of individuals, totaling \$4,001,122 and \$3,856,496 for the years ended December 31, 2024 and 2023, respectively.

Operations consist of various services provided to customers but primarily relate to clinic services, pet adoption, and educational trainings. Retail sales represent the sale of goods to a customer. These services and sales have one performance obligation, which is the delivery of that service or good to the customer. Revenue is recognized for the sale of goods at a point in time upon completion of the sale. As the duration of each service is trivially short, as a practical matter, revenue is recognized upon completion of the service. In no case does the Organization act as an agent (i.e., the Organization does not provide a service of arranging for another party to transfer goods or services to the customer).

The transaction price of a contract is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised services and goods to a customer. To determine the transaction price, the Organization considers its customary business practices and the terms of the service and stand-alone selling prices of the goods being provided. For the purpose of determining transaction prices, the Organization assumes the services and sales will be provided to the customer as promised in accordance with existing policies and will not be canceled or modified. Any discounts are netted with the transaction price.

Under the typical payment terms, payment is due upon completion of the service. There are no significant refunds related to services being provided or goods being sold to individual customers.

Contract Revenue

The Organization recognized revenue from county contracts during the year in which the related services were provided to the county totaling \$1,800,624 and \$1,300,000 for the years ended December 31, 2024 and 2023, respectively. Contract revenue is included within operations on the statement of activities and changes in net assets.

For county contracts, the Organization has a performance obligation for providing shelter and care services for animals that are brought in from Washtenaw County. The benefits provided to the county are considered one performance obligation and recognized over time using the term of the current contract. The Organization uses the input method and has determined intakes and the effort to fulfill the performance obligation are expended evenly throughout the performance period; therefore, revenue is recognized evenly as time passes during the contract period.

The transaction price of a contract is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised services to the county based on the terms of the contract. For the purpose of determining transaction prices, the Organization assumes the services will be provided to the customer as promised in accordance with the existing contract and the contract will not be canceled, renewed, or modified.

The Organization invoices the county monthly based on agreed-upon payment terms in the contract. Payment is typically due within 30 days after an invoice is sent to the county. The contract does not have a significant financing component.

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Contributions and Bequests

Contributions are recognized at fair value upon the receipt of the gift or a written unconditional promise to give. Contributions that include donor restrictions limiting the use of the gift are recorded as with donor restrictions. When the donor restrictions are fulfilled, net assets with donor restrictions are reclassified as net assets without donor restrictions. For financial statement presentation purposes, management has elected to report net assets with donor restrictions whose requirements were fulfilled in the period in which the gift was received as net assets without donor restrictions.

The Organization raises additional money with direct fundraising events or as a participant at community activities. Special events revenue is recorded when events are held.

The Organization's contributions receivable are primarily composed of amounts committed from various donors for use in the Organization's activities. Bequests receivable consist of wills and estates for which the will was validated by the probate court or trusts that have become irrevocable and for which the Organization has received support allowing reasonable valuation of the interest in assets.

All contributions and bequests receivable at December 31, 2024 are expected to be collected within one year. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. All amounts are considered fully collectible at December 31, 2024 and 2023.

Conditional contributions are not recognized as revenue until barriers prescribed by the agreement are overcome.

Donated Services

The Organization receives donations of various services. In accordance with generally accepted accounting principles, these services are recorded in the statement of activities and changes in net assets when they meet certain criteria.

A substantial number of volunteers have donated significant amounts of their time to the Organization's programs and services, which do not meet the requirements to be recorded. Volunteer hours totaled 160,968 and 139,810 during 2024 and 2023, respectively. This information has not been audited.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated for facility repairs and maintenance. These designations are based on board actions, which can be altered or revoked at a future time by the board. Board-designated net assets were \$1,509,601 and \$1,964,682 at December 31, 2024 and 2023, respectively. The board has a policy where net earnings on specific invested assets are added to board-designated net assets.

Community Foundation

Certain funds donated by outside donors for the benefit of the Organization are held and managed by the Ann Arbor Area Community Foundation (AAACF) and the Community Foundation of Plymouth (CFP). The AAACF and CFP maintain variance power, which, as a result, requires the assets they hold not be recorded as assets of the Organization. The fair market value of these funds was \$5,782,001 and \$5,318,617 at December 31, 2024 and 2023, respectively. Earnings, net of AAACF and CFP fees, are available for distribution to the Organization at the discretion of AAACF and CFP and, therefore, are not reflected as revenue in the financial statements until received by the Organization. Annual distributions from these funds have been shown as contribution revenue in the statement of activities and changes in net assets. These distributions were \$231,127 and \$223,065 for the years ended December 31, 2024 and 2023, respectively.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Depreciation; facility wages and related benefits, supplies, utilities, repairs, and maintenance; other common facility costs; and certain insurance costs are allocated on the basis of square footage for the appropriate area of usage. IT wages and related benefits, professional fees, other identified IT and support costs, and certain insurance costs are allocated on the basis of employee headcount for the usage. Certain advertising, contract labor, and contributed services are allocated on the basis of time, effort, and materials benefiting each function. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the balance sheet.

Use of Estimates

The financial statements of the Organization have been prepared on the basis of accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Federal Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including July 23, 2025, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at December 31, 2024 and 2023 and the valuation techniques used by the Organization to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at December 31, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at December 31, 2024
Assets			
Investments:			
Exchange-traded funds:			
Equity securities	\$ 5,026,977	\$ -	\$ 5,026,977
Debt securities	1,274,955	-	1,274,955
Total exchange-traded funds	6,301,932	-	6,301,932
U.S. Treasury securities	-	4,837,913	4,837,913
Total investments	6,301,932	4,837,913	11,139,845
Deferred compensation asset	450,387	-	450,387
Total assets	\$ 6,752,319	\$ 4,837,913	\$ 11,590,232

Notes to Financial Statements

December 31, 2024 and 2023

Note 3 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2023		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at December 31, 2023
Assets			
Investments:			
Exchange-traded funds:			
Equity securities	\$ 3,383,051	\$ -	\$ 3,383,051
Debt securities	931,942	-	931,942
Total exchange-traded funds	4,314,993	-	4,314,993
U.S. Treasury securities	-	4,185,946	4,185,946
Total investments	4,314,993	4,185,946	8,500,939
Deferred compensation asset	317,902	-	317,902
Total assets	\$ 4,632,895	\$ 4,185,946	\$ 8,818,841

Not included in the tables above are cash equivalents totaling \$1,441,393 and \$1,146,466 at December 31, 2024 and 2023, respectively.

The fair value of U.S. Treasury securities at December 31, 2024 and 2023 were determined based on quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time values and yield curve, as well as other relevant economic measures, and are primarily Level 2 inputs.

Note 4 - Employee Retention Credit

During the year ended December 31, 2023, the Organization amended certain payroll filings with the Internal Revenue Service (IRS) and claimed reimbursement through the Employee Retention Credit (ERC), a credit introduced through the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 and since amended. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under GAAP, government grants are recognized as revenue in the period in which an organization overcomes all measurable barriers to be entitled to the funding. Probability is not able to be used in the assessment of whether a barrier has been overcome. Measurable barriers for ERC include being eligible for the credit due to either meeting thresholds for declines in gross receipts or being subject to full or partial government-ordered suspension of operations during the eligible periods, as well as incurring eligible costs as defined by act and IRS guidance. The Organization believes it has met the eligibility and eligible cost criteria to support filing for the credit and recognizing revenue and a related receivable. The amount claimed through ERC was \$499,211, which was recognized as revenue in 2023. Under the ERC program, the IRS has the right to audit the claim within the applicable statute of limitations, which is a period of approximately 3-5 years from the filing date. If the IRS were to determine the Organization was not eligible for a portion or all of the amount claimed, any dollars received prior to that date would need to be returned, and the Organization could be subject to penalties and interest.

As of December 31, 2024 and 2023, the Organization has an outstanding Employee Retention Credit receivable for which funds have not yet been received.

Notes to Financial Statements

December 31, 2024 and 2023

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2024	2023
Building and improvements	\$ 9,911,586	\$ 8,933,826
Equipment	924,615	862,648
Vehicles	302,806	302,806
Computer software	100,729	78,044
Construction in progress	97,336	300,413
Total cost	11,337,072	10,477,737
Accumulated depreciation	4,295,713	3,902,131
Net property and equipment	<u>\$ 7,041,359</u>	<u>\$ 6,575,606</u>

Depreciation expense for 2024 and 2023 was \$402,570 and \$379,780, respectively.

The Organization owns approximately six acres of land on which part of the operating facility is located. The land was contributed to the Organization in 1951. The land is permanently restricted by deed for use as an animal shelter, and any other use of the land may result in reversion of ownership to the former owner of the land. There is no value assigned to the land in these financial statements.

In 2008, the Organization entered into a 65-year operating land lease with the regents of the University of Michigan for an additional 4.82 acres of vacant land, adjacent to the owned land, on which to construct the new facility. The lease rent is \$8,000 annually for the first 30 years and \$1 annually for the remainder of the lease for total rent payments of \$240,035. See Note 6 for additional disclosure.

Note 6 - Leases

The Organization is obligated under an operating lease for the property used for the Tiny Lions Lounge and Adoption Center, which expired in January 2025. The right-of-use asset and related lease liability have been calculated using a discount rate of 1.39 percent. The lease requires the Organization to pay taxes, if applicable; insurance; utilities; and maintenance costs. Total rent expense under the lease was approximately \$46,000 for the years ended December 31, 2024 and 2023. Subsequent to year end, this lease was extended for 36 months at approximately \$49,000 per year.

The Organization is obligated under an operating lease for the use of land, on which the main facility is located, expiring in July 2073. The right-of-use asset and related lease liability have been calculated using a discount rate of 2.80 percent. The lease requires the Organization to pay taxes, if assessed, on use of the land. Total rent expense under the lease was approximately \$3,700 for the years ended December 31, 2024 and 2023.

The Organization made a policy election not to separate lease and nonlease components for property and land leases. Therefore, the full amount of the lease payment is included in the recorded right-of-use asset and lease liability.

Notes to Financial Statements

December 31, 2024 and 2023

Note 6 - Leases (Continued)

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2025	\$ 11,890
2026	8,000
2027	8,000
2028	8,000
2029	8,000
Thereafter	<u>64,035</u>
Total	107,925
Less amount representing interest	<u>23,814</u>
Present value of net minimum lease payments	84,111
Less current obligations	<u>11,890</u>
Long-term obligations under leases	<u><u>\$ 72,221</u></u>

Expenses recognized under these leases for the years ended December 31, 2024 and 2023 consist of the following:

	2024	2023
Operating lease cost	\$ 49,500	\$ 49,700
Other information:		
Operating cash flows from operating leases	\$ 51,750	\$ 50,066
Weighted-average remaining lease term (years) - Operating leases	46.5	32.7
Weighted-average discount rate - Operating leases	2.8 %	2.4 %

Note 7 - Net Assets with Donor Restrictions

The Organization receives contributions that have certain donor restrictions placed on their use. Below is a summary of the amounts with donor restrictions as of December 31:

	2024	2023
Subject to expenditures for a specified purpose - Friends For Life	\$ -	\$ 111,446
Subject to expenditures for a specified purpose - Hardship	-	5,687
Subject to expenditures for a specified purpose - Transportation	<u>5,411</u>	<u>45,767</u>
Total	<u><u>\$ 5,411</u></u>	<u><u>\$ 162,900</u></u>

Notes to Financial Statements

December 31, 2024 and 2023

Note 8 - In-kind Contributions

Donated services received and utilized by the Organization related to online advertising services valued using clicks, impressions, and cost of exposure contributed. Donated services were valued at approximately \$499,000 and \$476,000 during 2024 and 2023, respectively, and are reflected in the financial statements separately within revenue and program services on the statement of activities and changes in net assets at their estimated fair values provided at fair market prices. All in-kind contributions received during the years ended December 31, 2024 and 2023 were without donor restrictions.

Note 9 - Investment Income

Investment income consists of the following for the years ended December 31:

	2024	2023
Interest and dividends - Net of fees	\$ 350,255	\$ 242,980
Realized and unrealized gains	790,593	742,288
Total	<u>\$ 1,140,848</u>	<u>\$ 985,268</u>

Note 10 - Release from Restrictions

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, the passing of time, or other events specified by donors as follows:

	2024	2023
Hardship	\$ 5,687	\$ -
Friends for Life	111,445	78,524
Transportation	45,768	-
Total purpose restrictions accomplished	<u>\$ 162,900</u>	<u>\$ 78,524</u>

Note 11 - Employee Benefit Plans

The Organization has an employee 401(k) salary deferral plan (the "Plan"). All employees who have reached the age of 18, with at least 1,000 hours and one year of service, are eligible to participate in the Plan. During the years ended December 31, 2024 and 2023, the Organization made a deferral match for eligible participants equal to 100 percent of a participant's elective deferral up to a maximum of 3 percent of gross pay. The Organization made contributions of \$132,552 and \$131,040 to the Plan for the years ended December 31, 2024 and 2023, respectively.

The Organization adopted a 457(b) plan effective January 1, 2019. The 457(b) plan is maintained for the purpose of providing deferred compensation to a select group of management or highly compensated employees. The Organization made contributions of \$83,674 and \$79,900 to the 457(b) plan for the years ended December 31, 2024 and 2023, respectively. Employees participating in this deferred compensation plan are fully vested in all contributions once those contributions are made or allocated. The liability associated with the 457(b) plan was \$450,387 and \$317,902 as of December 31, 2024 and 2023, respectively, and is included within accrued liabilities and other on the balance sheet.

Notes to Financial Statements

December 31, 2024 and 2023

Note 12 - Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	2024	2023
Cash and cash equivalents	\$ 1,449,154	\$ 2,875,264
Investments	12,581,238	9,647,405
Receivables	1,679,920	1,834,424
Deferred compensation asset	450,387	317,902
Financial assets - At year end	16,160,699	14,674,995
Less those unavailable for general expenditures within one year due to:		
Board designations and donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	5,411	162,900
Designated by the board for facility repairs and maintenance	1,509,601	1,964,682
Amounts contractually restricted to fund deferred compensation plan	450,387	317,902
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,195,300</u>	<u>\$ 12,229,511</u>

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet normal operating expenses and planned capital expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests in equity and debt securities that are easily converted into cash. The Organization also realizes there could be unanticipated liquidity needs; if necessary, the board-designated net assets could be undesignated or redesignated for a specific purpose through an action of the board.