# Humane Society of Huron Valley

**Financial Report**

**December 31, 2025**

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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, 2025 and 2024 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, 2025 and 2024 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

August 5, 2026

# Balance Sheet

**December 31, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 1,544,330 | $ 1,449,154 |
| Investments (Note 3) | 15,855,637 | 12,581,238 |
| Receivables: | | |
| Accounts receivable | 211,156 | 346,596 |
| Contributions receivable | 74,361 | 72,113 |
| Employee Retention Credit (Note 4) | 96,986 | 499,211 |
| Bequests receivable | 292,000 | 762,000 |
| Deferred compensation | 613,312 | 450,387 |
| Prepaid expenses and other current assets | 264,524 | 229,751 |
| Total current assets | 18,952,306 | 16,390,450 |
| **Property and Equipment** - Net (Note 5) | 8,763,959 | 7,041,359 |
| **Right-of-use Operating Lease Assets** | 259,586 | 167,412 |
| Total assets | **$ 27,975,851** | **$ 23,599,221** |
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Trade accounts payable | $ 281,640 | $ 257,638 |
| Accrued liabilities and other | 1,311,740 | 1,039,201 |
| Current portion of lease liabilities - Operating (Note 6) | 51,406 | 11,890 |
| Total current liabilities | 1,644,786 | 1,308,729 |
| **Lease Liabilities - Operating** (Note 6) | 129,503 | 72,221 |
| Total liabilities | 1,774,289 | 1,380,950 |
| **Net Assets** | | |
| Without donor restrictions: | | |
| Undesignated | 24,511,308 | 20,703,259 |
| Board designated | 1,690,254 | 1,509,601 |
| With donor restrictions (Note 7) | - | 5,411 |
| Total net assets | 26,201,562 | 22,218,271 |
| Total liabilities and net assets | **$ 27,975,851** | **$ 23,599,221** |

See notes to financial statements.

# Statement of Activities and Changes in Net Assets

## Years Ended December 31, 2025 and 2024

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **Revenue and Support** | | | | | | |
| Contributions | $ 4,452,896 | $ - | $ 4,452,896 | $ 4,134,658 | $ 5,411 | $ 4,140,069 |
| Bequests | 3,674,444 | - | 3,674,444 | 1,863,801 | - | 1,863,801 |
| In-kind donations (Note 8) | 514,933 | - | 514,933 | 498,720 | - | 498,720 |
| Operations | 6,212,822 | - | 6,212,822 | 5,628,939 | - | 5,628,939 |
| Retail sales | 169,588 | - | 169,588 | 177,416 | - | 177,416 |
| Special event revenue and other revenue | 592,852 | - | 592,852 | 540,523 | - | 540,523 |
| Investment income - Net (Note 9) | 1,879,637 | - | 1,879,637 | 1,140,848 | - | 1,140,848 |
| Total revenue and support | 17,497,172 | - | 17,497,172 | 13,984,905 | 5,411 | 13,990,316 |
| **Net Assets Released from Donor Restrictions** (Note 10) | 5,411 | (5,411) | - | 162,900 | (162,900) | - |
| Total revenue, support, and net assets released from donor restrictions | 17,502,583 | (5,411) | 17,497,172 | 14,147,805 | (157,489) | 13,990,316 |
| **Expenses** | | | | | | |
| Program services: | | | | | | |
| Clinic | 3,564,647 | - | 3,564,647 | 3,235,943 | - | 3,235,943 |
| Shelter | 5,155,313 | - | 5,155,313 | 4,603,582 | - | 4,603,582 |
| Support programs | 1,180,862 | - | 1,180,862 | 1,041,580 | - | 1,041,580 |
| Cruelty/Rescue | 584,135 | - | 584,135 | 467,225 | - | 467,225 |
| Total program services | 10,484,957 | - | 10,484,957 | 9,348,330 | - | 9,348,330 |
| Support services: | | | | | | |
| Administration | 1,361,336 | - | 1,361,336 | 1,212,066 | - | 1,212,066 |
| Development | 1,667,588 | - | 1,667,588 | 1,590,067 | - | 1,590,067 |
| Total support services | 3,028,924 | - | 3,028,924 | 2,802,133 | - | 2,802,133 |
| Total expenses | 13,513,881 | - | 13,513,881 | 12,150,463 | - | 12,150,463 |
| **Increase (Decrease) in Net Assets** | 3,988,702 | (5,411) | 3,983,291 | 1,997,342 | (157,489) | 1,839,853 |
| **Net Assets** - Beginning of year | 22,212,860 | 5,411 | 22,218,271 | 20,215,518 | 162,900 | 20,378,418 |
| **Net Assets** - End of year | **$ 26,201,562** | **$ -** | **$ 26,201,562** | **$ 22,212,860** | **$ 5,411** | **$ 22,218,271** |

See notes to financial statements.

# Statement of Functional Expenses

### Year Ended December 31, 2025

| | Program Services | | | | | Support Services | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Clinic | Shelter | Support Programs | Cruelty/Rescue | Total | Administration | Development | Total | Total |
| Salaries | $ 1,786,950 | $ 2,678,991 | $ 624,308 | $ 279,788 | $ 5,370,037 | $ 836,043 | $ 654,707 | $ 1,490,750 | $ 6,860,787 |
| Employee benefits | 495,676 | 701,132 | 204,263 | 91,839 | 1,492,910 | 284,025 | 202,555 | 486,580 | 1,979,490 |
| Total salaries and related expenses | 2,282,626 | 3,380,123 | 828,571 | 371,627 | 6,862,947 | 1,120,068 | 857,262 | 1,977,330 | 8,840,277 |
| Professional fees | 30,167 | 106,151 | 11,195 | 27,306 | 174,819 | 175,033 | 8,653 | 183,686 | 358,505 |
| Animal removal, outside vet, and lab | 9,171 | 21,978 | - | - | 31,149 | - | - | - | 31,149 |
| Medical and animal supplies | 606,352 | 335,465 | 607 | 3,137 | 945,561 | - | - | - | 945,561 |
| Vehicle fuel | 669 | 6,155 | 474 | 10,995 | 18,293 | 18 | 43 | 61 | 18,354 |
| Contract labor | 47,674 | 40,800 | 35,880 | 12,115 | 136,469 | 1,262 | 20,676 | 21,938 | 158,407 |
| Supplies | 64,813 | 235,230 | 45,857 | 18,101 | 364,001 | 20,483 | 31,422 | 51,905 | 415,906 |
| Microchips/Trap neuter return | 8,513 | 28,387 | - | - | 36,900 | - | - | - | 36,900 |
| Postage and shipping | 2,211 | 630 | 291 | 83 | 3,215 | 318 | 14,198 | 14,516 | 17,731 |
| Insurance | 33,063 | 101,932 | 20,783 | 11,767 | 167,545 | 12,439 | 8,512 | 20,951 | 188,496 |
| Repair and maintenance | 14,692 | 88,067 | 8,847 | 18,439 | 130,045 | 2,178 | 2,198 | 4,376 | 134,421 |
| Travel | 4,960 | 13,561 | 7,476 | 924 | 26,921 | 1,085 | 4,167 | 5,252 | 32,173 |
| Printing | 807 | 1,381 | 771 | 440 | 3,399 | - | 7,826 | 7,826 | 11,225 |
| Utilities | 11,812 | 103,321 | 10,499 | 6,562 | 132,194 | 2,625 | 2,624 | 5,249 | 137,443 |
| Telephone | 5,729 | 14,253 | 2,104 | 1,219 | 23,305 | 1,410 | 1,685 | 3,095 | 26,400 |
| Memberships and subscriptions | 9,918 | 7,410 | 9,799 | 1,661 | 28,788 | 4,205 | 32,728 | 36,933 | 65,721 |
| Publicity and advertising | 12,372 | 19,812 | 8,819 | 4,949 | 45,952 | - | 4,950 | 4,950 | 50,902 |
| Newsletter | 57,064 | - | 6,338 | - | 63,402 | - | 12,683 | 12,683 | 76,085 |
| Appeals | - | - | - | - | - | - | 447,290 | 447,290 | 447,290 |
| Merchandise | 62,951 | 3,095 | 38,786 | - | 104,832 | - | - | - | 104,832 |
| Licenses and permits | 4,639 | 3,111 | 814 | 72 | 8,636 | 374 | 130 | 504 | 9,140 |
| Miscellaneous | 769 | 9,555 | 152 | 1 | 10,477 | 2,698 | - | 2,698 | 13,175 |
| Uncollectible accounts | 24,419 | - | - | 325 | 24,744 | 2,269 | - | 2,269 | 27,013 |
| Donated goods and services | 128,733 | 205,973 | 77,240 | 51,493 | 463,439 | - | 51,494 | 51,494 | 514,933 |
| Credit card fees | 75,480 | 23,620 | 7,423 | 349 | 106,872 | - | 92,689 | 92,689 | 199,561 |
| Software and support | 25,128 | 29,022 | 22,235 | 3,395 | 79,780 | 6,001 | 51,081 | 57,082 | 136,862 |
| Land lease/Building rental | - | 48,089 | 421 | 17,000 | 65,510 | - | 6,406 | 6,406 | 71,916 |
| Depreciation | 39,915 | 328,192 | 35,480 | 22,175 | 425,762 | 8,870 | 8,871 | 17,741 | 443,503 |
| Total functional expenses | **$ 3,564,647** | **$ 5,155,313** | **$ 1,180,862** | **$ 584,135** | **$ 10,484,957** | **$ 1,361,336** | **$ 1,667,588** | **$ 3,028,924** | **$ 13,513,881** |

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 | **$ 3,235,943** | **$ 4,603,582** | **$ 1,041,580** | **$ 467,225** | **$ 9,348,330** | **$ 1,212,066** | **$ 1,590,067** | **$ 2,802,133** | **$ 12,150,463** |

# Statement of Cash Flows

**Years Ended December 31, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Increase in net assets | $ 3,983,291 | $ 1,839,853 |
| Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities: | | |
| Depreciation | 443,503 | 402,570 |
| Net realized and unrealized gains on investments | (1,310,824) | (790,593) |
| Provision for credit losses | 26,928 | 18,579 |
| Noncash lease expense | 4,624 | 46,619 |
| Changes in operating assets and liabilities that provided (used) cash and cash equivalents: | | |
| Accounts receivable | 108,512 | (99,643) |
| Contributions receivable | (2,248) | (51,432) |
| Employee Retention Credit | 402,225 | - |
| Bequests receivable | 470,000 | 287,000 |
| Prepaid expenses and other current assets | (34,773) | (12,424) |
| Deferred compensation | (84,805) | (83,674) |
| Trade accounts payable | 24,002 | (103,478) |
| Operating lease liabilities | - | (51,750) |
| Accrued liabilities and other | 272,539 | 232,637 |
| Net cash and cash equivalents provided by operating activities | 4,302,974 | 1,634,264 |
| **Cash Flows from Investing Activities** | | |
| Purchase of property and equipment | (2,166,103) | (868,323) |
| Purchases of investments | (8,349,699) | (6,340,604) |
| Proceeds from sales and maturities of investments | 6,308,004 | 4,148,553 |
| Net cash and cash equivalents used in investing activities | (4,207,798) | (3,060,374) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 95,176 | (1,426,110) |
| **Cash and Cash Equivalents** - Beginning of year | 1,449,154 | 2,875,264 |
| **Cash and Cash Equivalents** - End of year | **$ 1,544,330** | **$ 1,449,154** |
| **Supplemental Cash Flow Information** | | |
| Cash paid for interest | $ 7,002 | $ 2,855 |
| Noncash recognition of new leases | 137,520 | - |

## 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 $265,532 as of January 1, 2024.

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. There is no recorded allowance for credit losses as of December 31, 2025 and 2024 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, 2025 and 2024, the Organization recognized revenue from contracts with customers of approximately $6,386,000 and $5,802,000, respectively. These amounts consist of operations and retail sales on the statement of activities and changes in net assets.

## 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, 2025 and 2024. The Organization does not collect cash prior to the satisfaction of the performance obligation; therefore, contract liabilities were not recorded at December 31, 2025 and 2024.

***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 $4,516,736 and $4,001,122 for the years ended December 31, 2025 and 2024, 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 $1,868,904 and $1,800,624 for the years ended December 31, 2025 and 2024, 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.

## 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, 2025 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, 2025 and 2024.

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 162,106 and 160,968 during 2025 and 2024, 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.

## 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 $1,690,254 and $1,509,601 at December 31, 2025 and 2024, 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 $6,501,475 and $5,782,001 at December 31, 2025 and 2024, 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 $246,597 and $231,127 for the years ended December 31, 2025 and 2024, 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).

## Note 2 - Significant Accounting Policies (Continued)

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including August 5, 2026, 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, 2025 and 2024 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, 2025 | | |
|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Balance at December 31, 2025 |
| Investments: | | | |
| Exchange-traded funds: | | | |
| Equity securities | $ 6,631,837 | $ - | $ 6,631,837 |
| Debt securities | 1,662,891 | - | 1,662,891 |
| Total exchange-traded funds | 8,294,728 | - | 8,294,728 |
| U.S. Treasury securities | - | 6,719,904 | 6,719,904 |
| Total investments | 8,294,728 | 6,719,904 | 15,014,632 |
| Deferred compensation asset | 613,312 | - | 613,312 |
| Total assets | $ 8,908,040 | $ 6,719,904 | $ 15,627,944 |

## Note 3 - Fair Value Measurements (Continued)

| | 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 |
| 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 |

Not included in the tables above are cash equivalents totaling $841,005 and $1,441,393 at December 31, 2025 and 2024, respectively.

The fair value of U.S. Treasury securities at December 31, 2025 and 2024 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 the 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 the 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 three to five 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, 2025 and 2024, the Organization has an outstanding Employee Retention Credit receivable. During 2025, the Organization received $402,225 of the ERC claim. The remaining balance is reflected as an outstanding receivable as of December 31, 2025, pending receipt from the Internal Revenue Service.

## Note 5 - Property and Equipment

Property and equipment are summarized as follows:

| | 2025 | 2024 |
|---|---|---|
| Land | $ 932,600 | $ - |
| Building and improvements | 10,034,105 | 9,911,586 |
| Equipment | 1,019,942 | 924,615 |
| Vehicles | 432,836 | 302,806 |
| Computer software | 100,729 | 100,729 |
| Construction in progress | 982,963 | 97,336 |
| Total cost | 13,503,175 | 11,337,072 |
| Accumulated depreciation | 4,739,216 | 4,295,713 |
| Net property and equipment | $ 8,763,959 | $ 7,041,359 |

Depreciation expense for 2025 and 2024 was $443,503 and $402,570, 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.

During 2025, the Organization acquired approximately 25.9 acres of land and related improvements to support future program operations. The total acquisition cost of approximately $1.66 million was allocated between land of approximately $932,000 and construction in progress of approximately $727,000 based on management's estimate of the relative fair values of the land and existing structures at the acquisition date.

## Note 6 - Leases

The Organization is obligated under an operating lease for the property used for the Tiny Lions Lounge and Adoption Center, which was renewed effective February 1, 2025 for a 36-month term at approximately $49,000 per year. The right-of-use asset and related lease liability have been calculated using a discount rate of 7.0 percent and 1.39 percent for the 2025 and 2024 leases, respectively. The lease requires the Organization to pay taxes, if applicable; insurance; utilities; and maintenance costs. Total rent expense under the lease was approximately $49,000 and $46,000 for the years ended December 31, 2025 and 2024, respectively.

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, 2025 and 2024.

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.

## Note 6 - Leases (Continued)

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

| Years Ending December 31 | Amount |
|---|---|
| 2026 | $ 56,865 |
| 2027 | 58,005 |
| 2028 | 12,175 |
| 2029 | 8,000 |
| 2030 | 8,000 |
| Thereafter | 56,036 |
| Total | 199,081 |
| Less amount representing interest | 18,172 |
| Present value of net minimum lease payments | 180,909 |
| Less current obligations | 51,406 |
| Long-term obligations under leases | $ 129,503 |

Expenses recognized under these leases for the years ended December 31, 2025 and 2024 consist of the following:

| | 2025 | 2024 |
|---|---|---|
| Operating lease cost | $ 52,300 | $ 49,500 |
| Other information: | | |
| Operating cash flows from operating leases | $ 55,725 | $ 51,750 |
| Weighted-average remaining lease term (years) - Operating leases | 22.95 | 46.5 |
| Weighted-average discount rate - Operating leases | 3.6 % | 2.8 % |

## 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:

| | 2025 | 2024 |
|---|---|---|
| Subject to expenditures for a specified purpose - Transportation | $ - | $ 5,411 |

## 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 $515,000 and $499,000 during 2025 and 2024, 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, 2025 and 2024 were without donor restrictions.

## Note 9 - Investment Income

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

| | 2025 | 2024 |
|---|---|---|
| Interest and dividends - Net of fees | $ 568,813 | $ 350,255 |
| Realized and unrealized gains | 1,310,824 | 790,593 |
| Total | $ 1,879,637 | $ 1,140,848 |

## Note 10 - Release from Restrictions

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

| | 2025 | 2024 |
|---|---|---|
| Hardship | $ - | $ 5,687 |
| Friends for Life | - | 111,445 |
| Transportation | 5,411 | 45,768 |
| Total purpose restrictions accomplished | $ 5,411 | $ 162,900 |

## 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, 2025 and 2024, 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 $157,379 and $132,552 to the Plan for the years ended December 31, 2025 and 2024, 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. 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 $613,312 and $450,387 as of December 31, 2025 and 2024, respectively, and is included within accrued liabilities and other on the balance sheet.

## 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:

| | 2025 | 2024 |
|---|---|---|
| Cash and cash equivalents | $ 1,544,330 | $ 1,449,154 |
| Investments | 15,855,637 | 12,581,238 |
| Receivables | 674,503 | 1,679,920 |
| Deferred compensation asset | 613,312 | 450,387 |
| Financial assets - At year end | 18,687,782 | 16,160,699 |
| 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 |
| Designated by the board for facility repairs and maintenance | 1,690,254 | 1,509,601 |
| Amounts contractually restricted to fund deferred compensation plan | 613,312 | 450,387 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 16,384,216 | $ 14,195,300 |

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.