NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2024

PBMares[SM]

ASSURANCE, TAX & ADVISORY SERVICES

NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
National Humane Education Society and Affiliate

Opinion

We have audited the consolidated financial statements of National Humane Education Society and Affiliate (Organization), which comprise the consolidated statement of financial position as of June 30, 2024, the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's 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.

Other Matter

The financial statements of the Organization, as of and for the year ended June 30, 2023, were audited by other auditors, whose report, dated March 27, 2024, expressed an unmodified opinion on those statements.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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.

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 an audit 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.

In performing an audit in accordance with GAAS, 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.

PBMares, LLP

Fairfax, Virginia
February 27, 2025

CONSOLIDATED FINANCIAL STATEMENTS

NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2024

ASSETS	
Current Assets	
Cash and cash equivalents	$ 481,826
Investments	1,636,426
Contributions receivable	222,845
Inventory	1,483
Prepaid expenses	44,318
Total current assets	2,386,898
Property and Equipment	
Buildings and improvements	3,080,941
Furniture and equipment	500,217
Vehicles	113,353
Construction in progress	58,286
	3,752,797
Less accumulated depreciation	(2,235,469)
	1,517,328
Land	150,313
Property and equipment, net	1,667,641
Total assets	$ 4,054,539

See Notes to Consolidated Financial Statements.

NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
June 30, 2024

LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	$ 110,214
Accrued salaries and related benefits	63,031
Deferred revenue	8,100
Mortgage payable, current portion	69,034
Total current liabilities	250,379
Noncurrent Liabilities	
Mortgage payable, net of current portion	694,077
Total liabilities	944,456
Net Assets	
Without donor restrictions	2,254,202
With donor restrictions	855,881
Total net assets	3,110,083
Total liabilities and net assets	$ 4,054,539

NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	$ 1,036,011	$ 78,695	1,114,706
Estates and bequests	995,839	-	995,839
Realized and unrealized investment gain	101,069	78,361	179,430
Foundations and trusts	68,809	-	68,809
Interest and dividends, net	31,257	13,577	44,834
Adoption fees	36,423	-	36,423
Contributed nonfinancial assets	31,519	-	31,519
Special events, net	25,982	-	25,982
Lease income	6,718	-	6,718
Merchandise sales, net cost of goods sold of $858	1,684	-	1,684
Other revenue	205	-	205
Spay Today program contracted veterinary services, net cost of goods sold of $457,452	(32,909)	-	(32,909)
Net assets released from donor restrictions	103,743	(103,743)	-
Total support and revenue	2,406,350	66,890	2,473,240
Expenses			
Program Services			
Humane Education	503,400	-	503,400
Alliance Partnership	31,028	-	31,028
Briggs Animal Adoption	1,424,866	-	1,424,866
Member Services	92,906	-	92,906
Spay Today	75,062	-	75,062
Peace Plantation	1,081	-	1,081
Total program services	2,128,343	-	2,128,343
Supporting Services			
Management and general	294,543	-	294,543
Fundraising	262,178	-	262,178
Total supporting services	556,721	-	556,721
Total expenses	2,685,064	-	2,685,064
Change in net assets	(278,714)	66,890	(211,824)
Net Assets, beginning of year	2,532,916	788,991	3,321,907
Net Assets, end of year	$ 2,254,202	$ 855,881	$ 3,110,083

See Notes to Consolidated Financial Statements.

NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2024

	Program Services							Supporting Services			
	Humane Education	Alliance Partnerships	Briggs Animal Adoption	Member Services	Spay Today	Peace Plantation	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and Wages	$ 87,991	$ -	$ 790,533	$ 24,635	$ 56,701	$ -	$ 959,860	$ 136,328	$ 71,875	$ 208,203	$ 1,168,063
Employee Benefits	22,835	-	73,101	1,210	1,217	-	98,363	6,689	3,385	10,074	108,437
Payroll Taxes	5,961	-	64,172	1,994	4,936	-	77,063	10,926	5,692	16,618	93,681
Accounting	-	-	-	-	-	-	-	36,790	-	36,790	36,790
Advertising	-	-	-	-	-	-	-	702	-	702	702
Alliance Partnerships	-	14,028	-	-	-	-	14,028	-	-	-	14,028
Animal Foods	-	-	49,109	-	-	-	49,109	-	-	-	49,109
Bank Charges	-	-	-	-	-	-	-	7,127	11,179	18,306	18,306
Computer Services	2,944	-	7,935	443	1,549	-	12,871	2,114	3,556	5,670	18,541
Continuing Education	110	-	-	-	-	-	110	707	50	757	867
Contributions and grants	-	17,000	-	-	-	-	17,000	-	-	-	17,000
Depreciation	10,981	-	111,360	1,906	1,879	-	126,126	5,570	1,573	7,143	133,269
Direct Mail Processing (caging)	-	-	-	-	-	-	-	29,859	-	29,859	29,859
Dues and Subscriptions	135	-	679	-	-	-	814	244	125	369	1,183
Eblasts	-	-	-	-	-	-	-	-	3,510	3,510	3,510
Education Materials	367	-	-	-	-	-	367	-	-	-	367
Emergency Animal Care	-	-	1,898	-	-	-	1,898	-	-	-	1,898
Equipment Rental and Maintenance	-	-	6,966	-	-	-	6,966	-	-	-	6,966
Groundskeeping	-	-	5,718	-	-	-	5,718	-	-	-	5,718
Insurance	2,320	-	23,531	403	397	-	26,651	1,178	332	1,510	28,161
Interest	2,311	-	23,433	401	395	-	26,540	1,173	331	1,504	28,044
Internet Connection	309	-	1,294	309	1,294	-	3,206	308	308	616	3,822
Legal	-	-	-	-	-	-	-	3,600	-	3,600	3,600
License and Fees	-	-	1,423	-	-	-	1,423	476	1,207	1,683	3,106
Marketing	-	-	-	-	-	-	-	-	13,610	13,610	13,610
Membership List	33,404	-	-	2,609	-	-	36,013	3,166	18,249	21,415	57,428
Miscellaneous	-	-	448	-	-	1,081	1,529	1,210	-	1,210	2,739
Office	575	-	13,780	963	1,242	-	16,560	6,649	459	7,108	23,668
Postage	111,283	-	970	20,035	14	-	132,302	10,638	39,714	50,352	182,654
Printing	1,507	-	655	35	-	-	2,197	118	142	260	2,457
Production Costs	189,578	-	-	32,070	-	-	221,648	14,924	56,695	71,619	293,267
Public Education	21,693	-	-	3,893	-	-	25,586	2,112	8,302	10,414	36,000
Registration Fees	-	-	-	-	-	-	-	-	12,222	12,222	12,222
Shelter Maintenance	-	-	40,165	-	-	-	40,165	-	-	-	40,165
Shelter Supplies	-	-	69,159	-	-	-	69,159	-	-	-	69,159
Telephone	1,157	-	3,500	1,157	3,500	-	9,314	1,156	1,157	2,313	11,627
Trash Removal	187	-	2,008	33	32	-	2,260	95	27	122	2,382
Travel	2,137	-	938	-	62	-	3,137	7,478	-	7,478	10,615
Uniforms	442	-	1,426	-	281	-	2,149	283	-	283	2,432
Utilities	4,185	-	42,466	726	716	-	48,093	2,124	599	2,723	50,816
Vehicles	904	-	16,750	-	-	-	17,654	211	30	241	17,895
Veterinary Medical Supplies and Services	-	-	70,360	-	-	-	70,360	-	-	-	70,360
Website	84	-	1,089	84	847	-	2,104	588	7,849	8,437	10,541
Total expenses	$ 503,400	$ 31,028	$ 1,424,866	$ 92,906	$ 75,062	$ 1,081	$ 2,128,343	$ 294,543	$ 262,178	$ 556,721	$ 2,685,064

NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2024

Cash Flows from Operating Activities		
Change in net assets	$	(211,824)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		133,269
Realized and unrealized investment gain		(179,430)
(Increase) decrease in:		
Contributions receivable		(19,767)
Inventory		597
Prepaid expenses		(2,119)
Increase in :		
Accounts payable		40,198
Deferred revenue		6,831
Accrued salaries and related benefits		1,145
Net cash used in operating activities		(231,100)
Cash Flows from Investing Activities		
Purchases of fixed assets		(106,842)
Purchase of investments		(88,685)
Proceeds from sale of investments		92,000
Net cash used in investing activities		(103,527)
Cash Flows from Financing Activities		
Principal payments on long-term debt		(66,599)
Net cash used in financing activities		(66,599)
Net decrease in cash and cash equivalents		(401,226)
Cash and Cash Equivalents, beginning of year		883,052
Cash and Cash Equivalents, end of year	$	481,826
Supplemental Disclosure of Cash Flow Information		
Interest paid	$	28,044

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of organization: The National Humane Education Society (NHES) was founded in 1948 as a private, nonprofit organization with a central mission to "foster a sentiment of kindness to animals in children and adults." NHES achieves this mission through its programs that consist of (i) Humane Education & Advocacy, (ii) The Briggs Animal Adoption Center, (iii) Spay Today, (iv) Alliance Partnerships, and (v) Peace Plantation Animal Sanctuary, New York (PPAS), an Affiliate. For decades, NHES provided the majority share of PPAS' operating funds. In 2014, NHES underwent an organizational restructuring that resulted in the sale of the NHES property on which PPAS had been operating and all PPAS' operations were consolidated into NHES' facility, The Briggs Animal Adoption Center, that is located on the NHES campus. This consolidation was undertaken to minimize NHES' operating costs. (PPAS continues to exist and coordinate with NHES to operate the cattery at The Briggs Animal Adoption Center, in Charles Town, West Virginia).

A summary of NHES' and PPAS' significant accounting policies follows:

Basis of accounting: The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), whereby revenues are recorded when earned and expenses are recorded when obligations are incurred.

Principles of consolidation: The financial statements include the accounts of NHES and PPAS (collectively, the Organization). All intercompany transactions and balances have been eliminated.

Cash and cash equivalents: The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains its cash in checking and savings accounts with financial institutions. Such deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. The Organization has not experienced losses in any accounts and does not believe it is exposed to significant credit risk with these deposits.

Investments: Investments consist of corporate stocks, corporate bonds, and mutual funds held at an investment brokerage firm. Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements. Investment income is included as a change in net assets in the accompanying consolidated statement of activities and change in net assets. These investments are federally insured by the Securities Investor Protector Corporation (SIPC) at a maximum of $500,000. Amounts in excess of insured limits were $1,153,734 at June 30, 2024.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Organization's policy is to liquidate all gifts of investments as soon as possible after the gift.

Contributions receivable: Contributions receivable are recorded as support when pledged unless designated otherwise. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. There were no receivables expected to be collected in greater than one year at June 30, 2024.

Inventory: Inventory consists of shirts and is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-11, *Simplifying the Measurement of Inventory*.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are recorded at cost. Property and equipment with a cost of $2,000 or greater and an estimated useful life extending beyond one year is capitalized and depreciated on the straight-line method over the estimated useful lives, generally 3 to 40 years. The cost of maintenance and repairs is recorded as expenses as incurred.

Impairment of long-lived assets: Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the consolidated statement of activities and change in net assets, to its current fair value.

Leases, as lessee: The Organization records leases in accordance with FASB Accounting Standards Codification (ASC) Topic 842, *Leases*. The standard requires lessees to recognize most leases on their balance sheet as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. The Organization does not have any leases with a term greater than 12 months, thus no right of use asset or lease liability were recorded.

Net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are permanent in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue recognition: Revenue from contracts with customers is derived primarily from adoption fees, contracted veterinary services, special events, and merchandise sales. Economic factors are driven by customer confidence, employment, inflation and other world events that impact the timing and level of cash received and revenue recognized by the Organization. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Organization.

The Organization did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

The following is a summary of the Organization's revenue from contracts with customers:

Contracted veterinary services: The Organization's Spay Today program works collaboratively with participating veterinarians who are willing to offer reduced fees for spay/neuter services for companion animal owners who utilize Spay Today's reduced-cost spay/neuter program. When doing so, Spay Today schedules the spay/neuter procedure with the patron and participating veterinarian, and collects the reduced-cost fees from the patrons, then pays the participating veterinarians for the procedures. Revenue is recorded when the right to the spay/neuter service is transferred to the customer. Contracted veterinary services are recorded net of cost of goods sold on the statement of activities.

Special events: Meeting and conference registration and special function fees are recognized over the period of time that the related meeting or conference takes place. These fees are generally collected in advance of the meeting or conference and are recorded as deferred revenue until the meeting or conference occurs.

Adoption fees and merchandise sales: Adoption fees and merchandise sales revenue is recorded at the time the adoption or sale takes place.

The timing of revenue recognition may not align with the right to invoice the customer. The Organization records accounts receivable when it has the unconditional right to issue an invoice and receive payment. For any amounts received in advance and for which performance obligations have not been satisfied, a contract liability (deferred revenue) is recorded. Substantially all of deferred revenue at the end of each fiscal year is recognized in the subsequent year. The opening balances of accounts receivable and deferred revenue related to contracts with customers as of July 1, 2023 were $0 and $1,269, respectively.

Support: The Organization follows FASB ASU 2018-08 – *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* This ASU requires that an entity determine whether a revenue source is an exchange transaction covered under ASU 2014-09 or a contribution covered under ASU 2018-08. If it is determined to be a contribution, the next step is to determine if it is a conditional or unconditional contribution which affects the timing of the revenue recognized. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributed nonfinancial assets: All contributed nonfinancial assets (donated services, equipment, materials) are recorded as contribution revenue and expensed at their fair value at the date of donation. Contributed services are recognized if the services rendered either create or enhance nonfinancial assets and the services require special skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions are recorded as support without donor restrictions. Contributed nonfinancial assets consisted of shelter supplies totaling $31,519 for the year ended June 30, 2024. The donated supplies benefited the Briggs Animal Adoption Center. There were no donor-imposed restrictions associated with contributed nonfinancial assets during the year ended June 30, 2024.

Functional expense allocations: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Directly identifiable expenses are allocated to program services, management and general, or fundraising. Expenses related to more than one function are charged to program services, management and general, and fundraising classifications based on estimates made by management. Allocations are based on estimated time and effort and other reasonable methodologies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income taxes: NHES and PPAS are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and have been determined to be exempt charities which qualify donations to NHES and PPAS as charitable contributions for tax purposes. However, NHES and PPAS may be subject to unrelated business tax on certain types of income.

The Organization has adopted the provisions of accounting for uncertainty in income tax positions as required by the IRC; however, management does not believe it is exposed to any such positions as defined in this guidance, nor do they expect this to change significantly over the next 12 months. NHES and PPAS file Form 990, *Return of Organization Exempt from Income Tax* annually with the United States Department of the Treasury. Such returns are subject to examination by taxing authorities, generally for a period of three years from the date the returns are filed.

Use of estimates: The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adopted accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments*. This update, along with ASU 2018-19, *Codification Improvements to* Topic 326, *Financial Instruments – Credit Losses* changed the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Organization holds no financial assets that are subject to the guidance in FASB ASC 326. The Organization adopted the standard effective July 1, 2023. The impact of the adoption had no impact on the financial statements.

Subsequent events: Management has evaluated subsequent events through February 27, 2025, the date that these financial statements were available to be issued.

Note 2. Liquidity and Availability

Financial assets available for use for general expenditures within one year of the consolidated statement of financial position date comprise the following:

Cash and Cash Equivalents	$ 481,826
Investments	1,636,426
Contributions Receivable	222,845
Subtotal Financial Assets Available within One Year	2,341,097
Less: donor restricted funds	(855,881)
Less: board designated funds	(415)
Total financial assets available to meet cash needs for general expenditure within one year	$ 1,484,801

The Organization receives a significant amount of support from donors and considers contributions with donor restrictions related to ongoing programs as available to meet cash needs for general expenditures. The Organization manages their cash flows using the following three guiding principles: (i) operating within a prudent range of financial soundness and stability, (ii) maintaining adequate liquid assets to fund near-term operating needs, and (iii) maintaining sufficient reserves so that long-term obligations will be discharged.

Note 3. Investments

FASB ASC 820, *Fair Value Measurement*, provides the framework for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

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

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.

Level 3 Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

The Corporation uses appropriate valuation methodologies based on the available inputs to measure the fair value of its investments. When available, the Corporation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs were not available. There have been no changes in the methodologies and inputs used at June 30, 2024.

Note 3. Investments (Continued)

The following is a description of the valuation methodologies used for instruments measured at fair value:

Corporate stocks: Valued at the closing price reported on the active market in which the individual securities are traded.

Municipal bonds: Valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Organization are deemed to be actively traded.

The table below summarizes the investments measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Operating Investments				
Corporate stocks	$ 670,285	$ -	$ -	$ 670,285
Municipal bonds	55,411	-	-	55,411
Mutual funds	174,646	-	-	174,646
Total operating investments	900,342	-	-	900,342
Endowment Fund Investments				
Corporate stocks	520,610	-	-	520,610
Mutual funds	215,474	-	-	215,474
Total endowment fund investments	736,084	-	-	736,084
Total investments	$ 1,636,426	$ -	$ -	$ 1,636,426

Note 4. Endowment

The Organization's endowment consists of donor-restricted endowment funds. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions.

Note 4. Endowment (Continued)

Most of those net assets are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (i) the original value of initial and subsequent gift amounts donated to the fund and (ii) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriated or accumulate donor-restricted endowment funds:

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

Endowment net asset composition by type of fund as of June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 743,284	$ 743,284

Changes in endowment net assets for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	$ -	$ 679,960	$ 679,960
Investment income	-	91,938	91,938
Amounts appropriated for expenditure	-	(28,614)	(28,614)
Endowment Net Assets, end of year	$ -	$ 743,284	$ 743,284

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature exist when the fair value of the Organization's endowment fund fall below the original gift value. As of June 30, 2024, no such deficiency existed.

Return objectives and risk parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a balanced portfolio that is evaluated quarterly.

Note 4. Endowment (Continued)

Spending policy and how the investment objectives relate to spending policy: Each fiscal year, the Organization will be entitled to use the greater of (i) 75% of the annual earned income, or (ii) $35,000, to help spay/neuter cats and dogs:

1. Rescued by the Organization's flagship facility, The Briggs Animal Adoption Center,
2. Served by the Organization's Spay Today program (a reduced cost spay/neuter assistance program), and
3. To provide grants to other nonprofit animal welfare organizations for the express purpose of spaying and neutering animals.

The remaining net income will be reinvested (for growth) in The Caspersen Spay and Neuter Endowment Fund.

Note 5. Mortgage Payable

In April 2015, the Organization entered into a $1,362,000 real estate mortgage payable with a local bank. The annual interest rate is 3.50%. The maturity date is March 17, 2035. The note is collateralized by land and improvements.

Future principal payments on the mortgage payable consisted of the following at June 30, 2024:

Year(s) Ending June 30,	Amount
2025	$ 69,034
2026	71,490
2027	74,033
2028	76,666
2029	79,392
Thereafter	392,496
	$ 763,111

Note 6. Line of Credit

The Organization has an uncollateralized revolving line of credit in the amount of $300,000. The line has a variable interest rate equal to the prime rate as published in The Wall Street Journal. The interest rate at June 30, 2024 was 8.5%. There was no outstanding balance at June 30, 2024.

Note 7. Board Designated Net Assets

As of June 30, 2024, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

Anne's Fund	$	415

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2024:

Subject to Expenditure for Specified Purpose		
Spay and neuter endowment - initial gift	$	700,000
Spay and neuter endowment - accumulated investment losses		43,284
Pets for life program		60,000
Capital building projects		21,433
Rehabilitation pool		14,039
Phase II walking path		10,000
Spay and neuter		5,867
Pet cemetery		669
Aussie dogs hip surgery		564
Adoption fees		25
Total net assets with donor restrictions	$	855,881

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose Restrictions Accomplished		
Lifetime care suites	$	35,929
Spay and neuter endowment		28,614
Rehabilitation pool		25,961
Spay and neuter		6,266
Kennel heater		4,000
Aussie dogs hip surgery		1,998
Adoption fees		975
Net assets released from donor restrictions	$	103,743

Note 9. Allocation of Joint Costs

For the year ended June 30, 2024, the Organization incurred joint costs of $986,032 for informational materials and activities that included fundraising appeals. These costs were allocated as follows:

Program Services	
Humane education	$ 355,920
Member services	57,966
Total program services	413,886
Supporting Services	
Management and general	59,932
Fundraising	121,892
Total supporting services	181,824
Total expenses	$ 595,710

Note 10. Employee Retention Credits

During the year ended June 30, 2021, the Organization applied for Employee Retention Credits for a portion of calendar year 2021 totaling $60,724. Accrued interest receivable at June 30, 2024 totaled $11,797. The employee retention credits and accrued interest have been recorded as contributions receivable on the statement of financial position. The interest accrued during the year ended June 30, 2024 is included in interest income on the statement of activities and change in net assets.