

Humane Society of Sonoma County

(a California Not-for-Profit Corporation)

Financial Statements

For the Years Ended June 30, 2024 and 2023

Together with Independent Auditors' Report

Humane Society of Sonoma County

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Independent Auditors' Report

To the Board of Directors of
Humane Society of Sonoma County
Santa Rosa, California

Opinion

We have audited the financial statements of Humane Society of Sonoma County (the "Society"), which comprise the statements of financial position as of June 30, 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 Humane Society of Sonoma County as of June 30, 2024 and 2023, and the changes in its net assets and its 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other 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 Society's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Society'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 Society'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.

Dillwood Burkel + Millar, LLP

Santa Rosa, California

December 19, 2024

Humane Society of Sonoma County

Statements of Financial Position

As of June 30, 2024 and 2023

	2024			2023		
	Operations	Endowment	Total	Operations	Endowment	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 898,621	\$ -	\$ 898,621	\$ 2,596,693	\$ -	\$ 2,596,693
Accounts receivable	39,899	-	39,899	53,697	-	53,697
Interfund receivable (payable)	79,454	(79,454)	-	-	-	-
Prepaid expenses and other current assets	151,574	-	151,574	131,305	-	131,305
Total current assets	1,169,548	(79,454)	1,090,094	2,781,695	-	2,781,695
Restricted cash and cash equivalents	350,000	238,198	588,198	1,049,947	222,615	1,272,562
Investments	1,519,002	1,551,853	3,070,855	197,151	1,434,278	1,631,429
Leasehold interest	930,937	-	930,937	953,603	-	953,603
Deferred tax assets	3,000	-	3,000	3,000	-	3,000
Property and improvements, net	5,671,921	-	5,671,921	5,632,014	-	5,632,014
Total assets	<u>\$ 9,644,408</u>	<u>\$ 1,710,597</u>	<u>\$ 11,355,005</u>	<u>\$ 10,617,410</u>	<u>\$ 1,656,893</u>	<u>\$ 12,274,303</u>

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See accompanying Notes to Financial Statements

Humane Society of Sonoma County

Statements of Financial Position

As of June 30, 2024 and 2023

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	2024			2023		
	Operations	Endowment	Total	Operations	Endowment	Total
Liabilities						
Current liabilities						
Accounts payable	\$ 38,433	\$ -	\$ 38,433	\$ 71,226	\$ -	\$ 71,226
Accrued expenses	282,486	-	282,486	260,458	-	260,458
Deferred revenue	121,532	-	121,532	155,662	-	155,662
Notes payable, current portion, net	2,129,747	-	2,129,747	98,515	-	98,515
Total current liabilities	2,572,198	-	2,572,198	585,861	-	585,861
Notes payable, non-current portion, net	-	-	-	2,130,490	-	2,130,490
Total liabilities	2,572,198	-	2,572,198	2,716,351	-	2,716,351
Net assets						
Net assets without donor restrictions						
Undesignated	4,946,768	-	4,946,768	5,647,616	-	5,647,616
Board designated	402,742	-	402,742	402,742	-	402,742
Total net assets without donor restrictions	5,349,510	-	5,349,510	6,050,358	-	6,050,358
Net assets with donor restrictions	1,722,700	1,710,597	3,433,297	1,850,701	1,656,893	3,507,594
Total net assets	7,072,210	1,710,597	8,782,807	7,901,059	1,656,893	9,557,952
Liabilities and net assets	<u>\$ 9,644,408</u>	<u>\$ 1,710,597</u>	<u>\$ 11,355,005</u>	<u>\$ 10,617,410</u>	<u>\$ 1,656,893</u>	<u>\$ 12,274,303</u>

See accompanying Notes to Financial Statements

Humane Society of Sonoma County

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Operations</u>	<u>Endowment</u>	<u>Operations</u>	<u>Endowment</u>	
Support and revenue					
Contributions and grants of financial assets	\$ 2,560,737	\$ -	\$ 519,244	\$ -	\$ 3,079,981
Contributions of nonfinancial assets	155,477	-	-	-	155,477
Program revenue, net	1,304,460	-	-	-	1,304,460
Investment income					
Interest and dividends, net of fees	75,267	-	-	36,142	111,409
Net realized and unrealized gains	51,015	-	-	151,252	202,267
Special events	241,060	-	-	-	241,060
Rental income	61,051	-	-	-	61,051
Loss on disposal of property and equipment	(3,303)	-	-	-	(3,303)
Net assets released from restrictions	647,245	-	(647,245)	-	-
Endowment draw utilized for operations	133,690	-	-	(133,690)	-
Total support and other revenue	5,226,699	-	(128,001)	53,704	5,152,402
Expenses					
Program services	4,447,019	-	-	-	4,447,019
General and administrative	477,334	-	-	-	477,334
Development and fundraising	1,003,194	-	-	-	1,003,194
Total expenses	5,927,547	-	-	-	5,927,547
Changes in net assets	(700,848)	-	(128,001)	53,704	(775,145)
Net assets at beginning of year	6,050,358	-	1,850,701	1,656,893	9,557,952
Net assets at end of year	<u>\$ 5,349,510</u>	<u>\$ -</u>	<u>\$ 1,722,700</u>	<u>\$ 1,710,597</u>	<u>\$ 8,782,807</u>

See accompanying Notes to Financial Statements

Humane Society of Sonoma County

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2023

	Without Donor Restrictions		With Donor Restrictions		Total
	Operations	Endowment	Operations	Endowment	
Support and revenue					
Contributions and grants of financial assets	\$ 2,585,146	\$ -	\$ 928,101	\$ -	\$ 3,513,247
Contributions of nonfinancial assets	22,467	-	-	-	22,467
Program revenue, net	1,158,311	-	-	-	1,158,311
Government grant	909,305	-	-	-	909,305
Investment income					
Interest and dividends, net of fees	19,910	-	-	25,445	45,355
Net realized and unrealized gains	17,316	-	-	143,379	160,695
Special events	333,884	-	-	-	333,884
Rental income	52,884	-	-	-	52,884
Other revenue	101,082	-	-	-	101,082
Net assets released from restrictions	444,386	-	(444,386)	-	-
Endowment draw utilized for operations	86,000	-	-	(86,000)	-
Total support and other revenue	5,730,691	-	483,715	82,824	6,297,230
Expenses					
Program services	4,133,303	-	-	-	4,133,303
General and administrative	463,512	-	-	-	463,512
Development and fundraising	888,865	-	-	-	888,865
Total expenses	5,485,680	-	-	-	5,485,680
Changes in net assets	245,011	-	483,715	82,824	811,550
Net assets at beginning of year	5,805,347	-	1,366,986	1,574,069	8,746,402
Net assets at end of year	\$ 6,050,358	\$ -	\$ 1,850,701	\$ 1,656,893	\$ 9,557,952

See accompanying Notes to Financial Statements

Humane Society of Sonoma County

Statement of Functional Expenses

For the Year Ended June 30, 2024

	Program Services				Support Services		
	Veterinary	Shelter	Education and Public Programs	Total	General and Administrative	Development and Fundraising	Total
Personnel expenses	\$ 1,596,864	\$ 1,156,352	\$ 184,880	\$ 2,938,096	\$ 344,109	\$ 520,152	\$ 3,802,357
Program expenses	239,555	239,041	5,618	484,214	-	161	484,375
Utilities	78,678	115,739	19,044	213,461	20,756	7,329	241,546
Events	-	-	-	-	-	205,257	205,257
Maintenance and repairs	44,579	65,064	22,990	132,633	12,508	26,620	171,761
Printing and postage	3,013	2,255	157	5,425	397	130,704	136,526
Insurance	34,032	42,509	13,813	90,354	22,574	3,256	116,184
Interest expense	26,023	32,964	7,102	66,089	7,967	2,706	76,762
Professional fees	4,626	4,760	664	10,050	31,223	28,880	70,153
Bank and credit card fees	14,169	5,001	3,621	22,791	159	25,100	48,050
Outside services	4,724	8,336	1,289	14,349	18,381	490	33,220
Dues and subscriptions	10,902	833	117	11,852	5,593	15,725	33,170
Equipment rental	13,827	7,769	269	21,865	678	3,346	25,889
Amortization	7,709	9,765	2,104	19,578	2,287	801	22,666
Office supplies	5,200	5,848	685	11,733	1,293	8,297	21,323
Telephone and internet	5,253	11,104	1,362	17,719	1,644	1,625	20,988
Taxes and licenses	2,805	3,560	5,781	12,146	764	6,096	19,006
Vehicle expense	1,168	3,193	11,935	16,296	261	-	16,557
Advertising and promotion	12,676	-	1,210	13,886	-	2,554	16,440
Other expenses	4,573	4,365	438	9,376	292	1,583	11,251
Computer expenses	3,443	5,001	939	9,383	1,021	358	10,762
Travel and training	1,336	1,620	38	2,994	2,236	902	6,132
	<u>2,115,155</u>	<u>1,725,079</u>	<u>284,056</u>	<u>4,124,290</u>	<u>474,143</u>	<u>991,942</u>	<u>5,590,375</u>
Depreciation	<u>118,864</u>	<u>174,403</u>	<u>29,462</u>	<u>322,729</u>	<u>3,191</u>	<u>11,252</u>	<u>337,172</u>
Total expenses	<u>\$ 2,234,019</u>	<u>\$ 1,899,482</u>	<u>\$ 313,518</u>	<u>\$ 4,447,019</u>	<u>\$ 477,334</u>	<u>\$ 1,003,194</u>	<u>\$ 5,927,547</u>

See accompanying Notes to Financial Statements.

Humane Society of Sonoma County

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services				Support Services		
	Veterinary	Shelter	Education and Public Programs	Total	General and Administrative	Development and Fundraising	Total
Personnel expenses	\$ 1,356,243	\$ 1,212,705	\$ 200,463	\$ 2,769,411	\$ 336,351	\$ 488,711	\$ 3,594,473
Program expenses	197,002	240,494	5,398	442,894	-	-	442,894
Utilities	76,409	113,384	5,067	194,860	21,773	6,291	222,924
Printing and postage	4,002	4,499	248	8,749	468	147,747	156,964
Maintenance and repairs	35,462	51,987	14,794	102,243	11,103	22,426	135,772
Events	-	-	-	-	-	124,935	124,935
Interest expense	29,439	38,858	2,195	70,492	9,500	2,720	82,712
Professional fees	-	-	-	-	38,817	23,134	61,951
Insurance	12,944	17,504	9,240	39,688	15,799	2,499	57,986
Bank and credit card fees	13,842	1,943	3,179	18,964	75	23,999	43,038
Dues and subscriptions	11,907	1,181	234	13,322	441	16,505	30,268
Outside services	5,126	8,276	382	13,784	15,824	474	30,082
Equipment rental	10,793	9,129	822	20,744	1,553	1,141	23,438
Amortization	8,067	10,649	601	19,317	2,603	746	22,666
Advertising and promotion	11,982	-	590	12,572	-	6,733	19,305
Office supplies	5,201	5,261	773	11,235	1,426	5,944	18,605
Telephone and internet	3,245	9,212	1,253	13,710	1,022	958	15,690
Taxes and licenses	5,773	3,752	4,274	13,799	970	419	15,188
Travel and training	4,739	5,283	1,002	11,024	1,891	1,389	14,304
Vehicle expense	-	1,574	6,428	8,002	512	341	8,855
Computer expenses	3,114	4,110	232	7,456	1,005	287	8,748
Other expenses	1,335	3,160	272	4,767	203	874	5,844
	<u>1,796,625</u>	<u>1,742,961</u>	<u>257,447</u>	<u>3,797,033</u>	<u>461,336</u>	<u>878,273</u>	<u>5,136,642</u>
Depreciation	<u>146,118</u>	<u>184,758</u>	<u>5,394</u>	<u>336,270</u>	<u>2,176</u>	<u>10,592</u>	<u>349,038</u>
Total expenses	<u>\$ 1,942,743</u>	<u>\$ 1,927,719</u>	<u>\$ 262,841</u>	<u>\$ 4,133,303</u>	<u>\$ 463,512</u>	<u>\$ 888,865</u>	<u>\$ 5,485,680</u>

See accompanying Notes to Financial Statements.

Humane Society of Sonoma County

Statements of Cash Flows

For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
	<i>Increase (decrease) in cash and cash equivalents</i>	
Cash flows from operating activities		
Changes in net assets	\$ (775,145)	\$ 811,550
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	337,172	349,038
Amortization	22,666	22,666
Loss on disposal of property and equipment	3,303	-
Amortization of debt issuance costs	3,242	3,227
Unrealized gain on investments	(211,162)	(178,583)
Realized losses on investments	8,895	17,888
Contributed stocks	(10,074)	(51,337)
Interest income reinvested	(52,673)	(44,388)
Changes in assets and liabilities affecting operating activities:		
Decrease (increase) in assets:		
Accounts receivable	13,798	(3,663)
Pledges and grants receivable	-	130,000
Prepaid expense and other current assets	(20,269)	(45,381)
Increase (decrease) in liabilities:		
Accounts payable	(32,793)	(13,846)
Accrued expenses	22,028	16,802
Deferred revenue	(34,130)	6,925
Net cash and cash equivalents provided by (used in) operating activities	<u>(725,142)</u>	<u>1,020,898</u>
Cash flows from investing activities		
Acquisition of investments	(1,457,310)	(356,269)
Proceeds from sale of investments	282,898	1,272,077
Proceeds from disposal of property and improvements	1,000	-
Acquisition of property and improvements	(381,382)	(62,042)
Net cash and cash equivalents provided by (used in) investing activities	<u>(1,554,794)</u>	<u>853,766</u>
Cash flows from financing activities		
Payments of principal	(102,500)	(110,051)
Net cash and cash equivalents used in financing activities	<u>(102,500)</u>	<u>(110,051)</u>
Net increase (decrease) in cash and cash equivalents	(2,382,436)	1,764,613
Balance at beginning of year	3,869,255	2,104,642
Balance at end of year	<u>\$ 1,486,819</u>	<u>\$ 3,869,255</u>

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Humane Society of Sonoma County

Statements of Cash Flows

For the Years Ended June 30, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
Unrestricted cash and cash equivalents	\$ 898,621	\$ 2,596,693
Restricted cash and cash equivalents	<u>588,198</u>	<u>1,272,562</u>
Total cash and cash equivalents	<u>\$ 1,486,819</u>	<u>\$ 3,869,255</u>

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 1. Nature of Activities

The Humane Society of Sonoma County (the "Society") is a California not-for-profit corporation that has been serving the community since 1931. The Society is a donor-supported safe haven for animals that is dedicated to bringing people and companion animals together for a lifetime of love. The Society's mission is to prevent cruelty to animals, advance their welfare and protection, encourage the relationship between people and animals, and improve the quality of life for both. The Society operates a no-kill shelter with two locations in Sonoma County; the primary Center for Animals is located in Santa Rosa, California with a secondary location in Healdsburg, California. The Society achieves its mission through its various programs, which include:

The Shelter – The Society's shelter provides a sanctuary for abandoned, injured, abused, and rescued animals. Through its veterinary services and animal behavior counselors, these animals receive expert medical care and are prepared for adoption. The goal is to have all animals find a loving and lifelong home.

Community Services and Education – The Society offers a wide range of services to the public aimed at enhancing the bond between people and animals, especially children and youth. These services include classroom instruction for school age children, summer camps for children in grades two through seven, education seminars, spay/neuter services, pet assisted therapy in hospitals and hospice situations, and dog behavior training programs.

Community Veterinary Clinic – The Community Veterinary Clinic (the "CVC") provides compassionate veterinary care to low-income pet owners.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are without donor restrictions include revenues generated from all activities other than grants and contributions, which are purpose or time restricted. Net assets without donor restrictions are available for all operations conducted by the Society, for future use in operations in accordance with a board approved plan of action, and investment in property and equipment.

Net assets with donor restrictions - Net assets with restrictions include unconditional contributions and grant revenues with purpose or time restrictions with regards to how the funds can be used. Such restrictions can be temporary or permanent. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 2. Summary of Significant Accounting Policies, *continued*

Basis of Presentation, *continued*

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Society, the accompanying financial statements are presented in separate funds for operations and endowment. The restrictions on such funds are consistent with the classifications described above.

Cash and Cash Equivalents

The Society considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents, except for those short-term investments managed by the Society's investment managers as part of their long-term investment strategies or when a restriction is imposed which limits the investment's use to long-term, in which case they would be included in investments in the Statements of Financial Position.

As of June 30, 2024 and 2023, the Society held cash and cash equivalents due to donor restrictions placed on the assets, and a debt service reserve fund required by a lender (Note 11). Such restricted cash and cash equivalents are reported as non-current assets on the Statements of Financial Position.

Cash is held in demand accounts at banks, and cash balances may exceed the federally insured amounts during the year. The Society has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts due from customers relating to veterinary and aftercare services provided by the Society as well as contracts with local agencies. The obligations are uncollateralized and are stated at the amount Society expects to collect. The Society maintains allowances for credit losses for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Society's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Society provides for estimated uncollectable amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Society has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Interest is not charged on accounts receivable balances. As of June 30, 2024 and 2023 management expects the accounts receivable balance to be fully collected and therefore has not recorded an expected credit loss.

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 2. Summary of Significant Accounting Policies, *continued*

Pledges and Grants Receivable

Verifiable pledges for unconditional contributions are recorded as contributions receivable and are recognized as support in the year such pledges are made by the donor. Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are made. Amortization of the discount is included in contribution revenue in the Statements of Activities and Changes in Net Assets. The Society uses the allowance method to reserve for uncollectable accounts. Management periodically evaluates the allowance. As of June 30, 2024 and 2023, the Society had no pledges or grants receivable.

Investments

The Society carries investments, which can include certificates of deposit, equity stocks, mutual funds, and alternative investments, at their fair values, in the Statements of Financial Position. Donated investments are recorded at their fair value at the date of donation. Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities and Changes in Net Assets.

Fair Value Measurements

The Society's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by accounting standards for fair value measurements. Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1:* Valuation based on quoted market prices in active markets for identical assets or liabilities that the Society has the ability to access.
- Level 2:* Valuation based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable.
- Level 3:* Valuation derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Society's perceived risk of that investment.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the short maturity of those instruments.

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 2. Summary of Significant Accounting Policies, *continued*

Leasehold Interest

The Society receives discounted use of facilities from the City of Healdsburg. The fair value of the lease is amortized annually over the life of the lease. Net assets with donor restrictions related to the promised use of facilities are released to net assets without donor restrictions over the period of use.

Property and Improvements

Property, equipment, and improvements are stated at cost. It is the Society's policy to capitalize all expenditures for property, equipment, and improvements costing \$1,000 or more in the Statements of Financial Position. Depreciation is computed using the straight-line method over the lesser of the estimated useful lives of the assets or the capital lease period. The lives usually range from five to forty years. Ongoing repair and maintenance expenses are recognized as current period expenses on the Statements of Activities and Changes in Net Assets.

The Society reviews the carrying value of property, equipment, and improvements for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at June 30, 2024 and 2023.

Revenue Recognition

Revenues and expenses from the Society's veterinary services, animal training, camp fees and other services are recognized as they are earned or incurred. Grants are recognized as support when earned in accordance with the terms of each grant or agreement. Fees for services that have been received but not yet earned are reported as deferred revenue.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Society reports gifts and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restriction.

Donated property and equipment are recorded at fair value at the date of donation. In the absence of donor stipulations, all contributions of property and equipment are recorded as unrestricted support and depreciated over the assets' estimated useful lives. Contributions of personal property are recorded at fair value, which is both measurable and objective. Long-lived assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless otherwise stated by the donor, the Society releases restrictions when the donated or acquired assets are placed in service.

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 2. Summary of Significant Accounting Policies, *continued*

Revenue Recognition, *continued*

Contributions of donated services are recognized at fair value in the year received if they meet all three of the following criteria: 1) services create or enhance non-financial assets or that require specialized skills, 2) services are provided by individuals possessing those skills, and 3) services would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed to the Society's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since they do not require specialized skills.

The Society's retail revenue is recognized upon the sale of donated inventory. Special event revenue and expenses are recognized in the year that the event occurs. Rental income is recognized in the period earned per the lease agreement.

Functional Expense Allocation

Expenses that are specifically identifiable are charged directly to the appropriate functional category. All other expenses are charged based on a reasonable allocation based upon detailed estimates and assumptions made by management which consider employee time spent on various functions, and square footage of occupied space. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Society.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled \$16,440 and \$19,305 for the years ended June 30, 2024 and 2023, respectively.

Income Taxes

The Society is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701(d); however, income from certain activities not directly related to the Society's tax-exempt purpose could be subject to taxation as unrelated business income. The Internal Revenue Service has determined the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Income tax provisions have been calculated for the years ended June 30, 2024 and 2023 for the rental of a portion of the Society's debt financed facility, which are considered unrelated business income and therefore taxable under the Internal Revenue Code and the California Revenue and Taxation Code. As of June 30, 2024, the Society has a deferred tax asset resulting from a prior year tax loss. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will fail to be fully realized. As of June 30, 2024, Management has determined no such valuation allowance is necessary.

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 2. Summary of Significant Accounting Policies, *continued*

Income Taxes, *continued*

The Society determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of June 30, 2024, the Society has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. The Society's exempt organization information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for state.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relates to the collectability of accounts receivable, pledges and grants receivable, valuation of deferred tax assets, and depreciable lives of property, equipment, and improvements. Actual results could differ from those estimates.

Endowment Funds

The Society is subject to the State of California's enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The board of directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets with permanent restrictions (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment, and (c) additions to the endowment in accordance with donor directions. The remaining portion of donor-restricted endowment funds are also classified and reported as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- 1) The duration and preservation of the fund;
- 2) The purposes of the Society and the endowment funds;
- 3) General economic conditions;
- 4) The possible effects of inflation and deflation;
- 5) The expected total return from income and the appreciation of investments; and
- 6) The investment policies of the Society.

The Society's board allocates a portion of the cumulative investment return for support of current pay/neuter operations. The remainder is retained to support operations of future years and to offset potential market declines. The Society calculates the amount available to be spent annually up to 5% of the average fair market value of the endowment fund averaged over the prior 3 years.

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 2. Summary of Significant Accounting Policies, *continued*

Endowment Funds, *continued*

Investment policy – The endowment funds are invested according to the Society’s investment policy, which is designed to preserve principal while earning returns relative to the overall market consistent with a prudent level of risk.

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 Society to retain as a fund of perpetual duration. Net unrealized losses on permanently restricted endowment funds are classified as a reduction to unrestricted net assets until such time as the fair value equals or exceeds book value. The fair value of the permanently restricted endowment fund, which is required to be maintained in perpetuity, had no deficiency as of June 30, 2024 and 2023.

Pronouncements Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU requires the use of the current expected credit loss (CECL) impairment model, which is based on expected losses rather than incurred losses. Under the new guidance, when an organization acquires a financial instrument, including account receivables and notes receivables, it immediately recognizes an allowance equal to its estimate or expected credit losses over the life of the financial instrument. The likely result is that the organization will record an allowance for expected credit losses on notes receivable earlier under a CECL model than it would under the prior incurred loss model. CECL does not apply to contributions or pledges receivable. The Society applied Topic 326 to reporting periods beginning on July 2023. Topic 326 did not have a material impact on the financial statements of the Society.

Reclassification

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. The reclassifications had no effect on previously reported results of operations or net asset balances.

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 3. Liquidity and Availability of Financial Assets

The following reflects the Society's financial assets as of June 30, reduced by amounts not available for general use because of contractual, donor imposed or board designated restrictions within one year of the Statement of Financial Position date:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,486,819	\$ 3,869,255
Accounts receivable	39,899	53,697
Investments	<u>3,070,855</u>	<u>1,631,429</u>
Total financial assets, at year end	4,597,573	5,554,381
Less those unavailable for general expenditures within one year, due to:		
Donor restricted funds	(791,763)	(897,098)
Board designated funds	(402,742)	(402,742)
Donor restricted endowments	<u>(1,710,597)</u>	<u>(1,656,893)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,692,471</u>	<u>\$ 2,597,648</u>

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash in excess of daily requirements is invested in short-term investments and money market funds. Cash needs are met primarily from daily service revenue streams and donations, with any shortfalls being met by drawing on savings and short-term investments.

Note 4. Concentration Risk

Cash and Cash Equivalents

At various times during the year, the Society had deposit amounts with a financial institution in excess of the \$250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limit. The Society had approximately \$358,000 and \$13,500 in excess of the FDIC insured amount as of June 30, 2024 and 2023, respectively.

Significant Revenue Sources

There were no significant revenue sources during the year ended June 30, 2024. During the year ended June 30, 2023 there was a government grant received in the amount of \$909,305 which accounted for 14% of the Society's total support for the year.

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 5. Fair Value Measurements

The following provides information about the Society's fair value measurements as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments			
Certificates of deposit	\$ 1,266,956	\$ -	\$ 1,266,956
Equity stocks	1,180,024	8,885	1,188,909
Mutual funds	338,027	276,963	614,990

The following provides information about the Society's fair value measurements as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments			
Equity stocks	\$ 1,065,790	\$ -	\$ 1,065,790
Mutual funds	556,015	9,624	565,639

All investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, and the level of uncertainty related to changes in the value of these investments including the alternative investments, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the Statements of Financial Position.

Note 6. Investments

Investments stated at fair value as of June 30 include:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
Certificates of deposit	\$ 1,250,000	\$ 1,266,956	\$ -	\$ -
Equity stocks	983,977	1,188,909	1,052,930	1,065,790
Mutual funds	617,238	614,990	551,655	565,639
	<u>\$ 2,851,215</u>	<u>\$ 3,070,855</u>	<u>\$ 1,604,585</u>	<u>\$ 1,631,429</u>

Investment income is expendable to support elderly vet care and spay/neuter programs. Investment income, net, consisted of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 127,940	\$ 61,095
Net realized loss	(8,895)	(17,888)
Net unrealized gain	211,162	178,583
Management fees	(16,531)	(15,740)
	<u>\$ 313,676</u>	<u>\$ 206,050</u>

Investment income includes \$31,269 and \$12,420 as of June 30, 2024 and 2023, respectively, of interest income earned from operating checking accounts.

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 7. Leasehold Interest

The Society entered into a 50-year lease with the City of Healdsburg (the “City”) in 2014 to use the Healdsburg Shelter facility. The lease calls for a nominal \$1 per year lease payment. The value of the leasehold interest was determined to be \$1,147,415, and is amortized over the life of the lease. Annual amortization of the leasehold interest was \$22,666 for each year ended June 30, 2024 and 2023. Future annual amortization is \$22,666 through the year ending June 30, 2064.

Note 8. Property and Improvements

Property and improvements consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land and buildings, pledged	\$ 9,072,538	\$ 9,072,538
Improvements	1,620,023	1,277,988
Equipment and machinery	395,014	452,170
Vehicles, pledged	186,208	164,446
	11,273,783	10,967,142
Accumulated depreciation	<u>(5,601,862)</u>	<u>(5,335,128)</u>
	<u>\$ 5,671,921</u>	<u>\$ 5,632,014</u>

Depreciation expense was \$337,172 and \$349,038 for years ended June 30, 2024 and 2023, respectively. Property and vehicles were pledged as collateral for notes payable (see Note 11). The vehicles were fully depreciated as of June 30, 2023. Depreciation expense for the vehicles was \$8,695 for the year ended June 30, 2023.

Note 9. Accrued Expenses

Accrued expenses consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Accrued payroll	\$ 147,945	\$ 112,514
Accrued vacation	117,991	127,697
Other accrued expenses	16,550	20,247
	<u>\$ 282,486</u>	<u>\$ 260,458</u>

Note 10. Deferred Revenue

Deferred revenue consists of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Gala	\$ 70,707	\$ 110,889
Camps and classes	41,392	40,687
Other deferred revenue	9,433	4,086
	<u>\$ 121,532</u>	<u>\$ 155,662</u>

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 11. Notes Payable

Notes payable consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Note payable to a financial institution, first deed of trust to the facility pledged as collateral, monthly payments of \$14,205, maturity June 2041.	\$ 2,217,821	\$ 2,313,277
Note payable to a financial institution, Ford vehicle pledged as collateral, \$490 per month at zero interest rate, matured in January 2024.	-	3,582
Note payable to a financial institution, Ford vehicle pledged as collateral, \$483 per month at zero interest rate, matured in January 2024.	-	3,462
	<u>2,217,821</u>	<u>2,320,321</u>
Less unamortized debt issuance costs	<u>(88,074)</u>	<u>(91,316)</u>
	2,129,747	2,229,005
Less current portion of debt	<u>(2,129,747)</u>	<u>(98,515)</u>
	<u>\$ -</u>	<u>\$ 2,130,490</u>

Amortization of debt issuance costs is included in interest expense on the Statements of Functional Expenses in the amount of \$3,242 and \$3,227 for the years ended June 30, 2024 and 2023, respectively.

The facility's note payable has a fixed interest rate of 3.25% through June 30, 2031, at which point the Society has the ability to select between two different options of interest rates for the remaining term of the loan. The note requires a minimum balance of \$350,000 to be maintained in a checking account. The Society is subject to certain financial covenants under this loan agreement. As of June 30, 2024, the Society was out of compliance with one of these covenants. Subsequent to year-end, the Society is in discussions with the financial institution to receive a waiver for this non-compliance, but a written waiver has not been received as of the date the financial statements were available to be issued. Due to this, the Society is reflecting the full balance of the loan as a current liability. The Society continues to make its contractual payments as scheduled.

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 11. Notes Payable, *continued*

With the assumption that a waiver will be received, the following are the scheduled future maturities of notes payable as of June 30, 2024:

	Future Minimum Payments	Debt Issuance Costs	Net
2025	\$ 98,601	\$ (4,038)	\$ 94,563
2026	101,902	(4,144)	97,758
2027	105,314	(4,253)	101,061
2028	108,840	(4,365)	104,475
2029	112,484	(4,481)	108,003
Thereafter	<u>1,690,680</u>	<u>(66,793)</u>	<u>1,623,887</u>
	<u>\$ 2,217,821</u>	<u>\$ (88,074)</u>	<u>\$ 2,129,747</u>

Note 12. Net Assets

Net Assets without Donor Restrictions

All general operating revenues and expenses related to the program activities of the Society are included in the change in net assets without donor restrictions. From time to time donations received without donor restrictions are designated by the Society's board as board designated funds. The board-designated funds consist of funds with no donor or legal restrictions, but through board resolutions, have been set aside for specific purposes. As of June 30, 2024 and 2023, the Society's Board of Directors designated \$402,742 of net assets. This consists of funds to provide for operating reserves for the Community Vet Clinic in the amount of \$52,742, and \$350,000 for a loan covenant.

Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following as of June 30:

	2024	2023
Operating funds	\$ 1,722,700	\$ 1,850,701
Endowment funds	<u>1,710,597</u>	<u>1,656,893</u>
Total net assets with donor restrictions	<u>\$ 3,433,297</u>	<u>\$ 3,507,594</u>

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 12. Net Assets, *continued*

Net Assets with Donor Restrictions, continued

The above net assets with donor restrictions are comprised of the following assets as of June 30:

	<u>2024</u>	<u>2023</u>
Restricted cash	\$ 238,198	\$ 922,562
Investments	2,264,162	1,631,429
Leasehold interest, net	<u>930,937</u>	<u>953,603</u>
	<u>\$ 3,433,297</u>	<u>\$ 3,507,594</u>

Net assets released from restriction for the year ended June 30 are as follows:

	<u>2024</u>	<u>2023</u>
Program	\$ 624,579	\$ 421,720
Time	<u>22,666</u>	<u>22,666</u>
	<u>\$ 647,245</u>	<u>\$ 444,386</u>

Note 13. Endowment Funds

The Society's endowment funds were established to improve the financial stability of the Organization. The endowment funds held by the Society contain donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor imposed restrictions. The Society's endowment funds totaled \$1,710,597 and \$1,656,893 as of June 30, 2024 and 2023, respectively.

The activities of the Society's endowment funds as of June 30, 2024 and 2023 are presented as follows:

	<u>With Temporary Restrictions</u>	<u>With Permanent Restrictions</u>	<u>Total Endowment Funds</u>
Balance as of July 01, 2022	\$ 332,840	\$ 1,241,229	\$ 1,574,069
Interest and dividends, net of fees	25,445	-	25,445
Net realized and unrealized losses	143,379	-	143,379
Transfer to operating funds	<u>(86,000)</u>	<u>-</u>	<u>(86,000)</u>
Balance as of June 30, 2023	415,664	1,241,229	1,656,893
Interest and dividends, net of fees	36,142	-	36,142
Net realized and unrealized gains	151,252	-	151,252
Transfer to operating funds	<u>(133,690)</u>	<u>-</u>	<u>(133,690)</u>
Balance as of June 30, 2024	<u>\$ 469,368</u>	<u>\$ 1,241,229</u>	<u>\$ 1,710,597</u>

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 14. Operating Funds

The Society's operating funds are used to account for its general operations. The operating funds consist of funds without donor restrictions, board designated funds, and funds with temporary donor restrictions. The composition of the Society's operating funds as of June 30 are presented as follows:

	<u>2024</u>	<u>2023</u>
Operating funds without donor restrictions, undesignated	\$ 4,946,768	\$ 5,647,616
Operating funds without donor restrictions, designated	402,742	402,742
Operating funds with temporary donor restrictions	<u>1,722,700</u>	<u>1,850,701</u>
	<u>\$ 7,072,210</u>	<u>\$ 7,901,059</u>

The activities of the Society's operating funds as of June 30, 2024 and 2023 are presented as follows:

	<u>Without Donor Restrictions</u>	<u>With Temporary Restrictions</u>	<u>Total Operating Funds</u>
Balance at July 01, 2022	\$ 5,805,347	\$ 1,366,986	\$ 7,172,333
Revenues, gains and other support	5,200,305	928,101	6,128,406
Net assets released from restrictions	444,386	(444,386)	-
Endowment fund draws	86,000	-	86,000
Expenses	<u>(5,485,680)</u>	<u>-</u>	<u>(5,485,680)</u>
Balance at June 30, 2023	6,050,358	1,850,701	7,901,059
Revenues, gains and other support	4,445,764	519,244	4,965,008
Net assets released from restrictions	647,245	(647,245)	-
Endowment fund draws	133,690	-	133,690
Expenses	<u>(5,927,547)</u>	<u>-</u>	<u>(5,927,547)</u>
Balance at June 30, 2024	<u>\$ 5,349,510</u>	<u>\$ 1,722,700</u>	<u>\$ 7,072,210</u>

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 15. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets recognized in the Statements of Activities and Changes in Net Assets as of June 30, 2024 included:

<u>Category</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs or Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques</u>
Auction supplies	\$ 82,304	Fundraising	No associated donor restrictions	Supplies were valued at readily available retail market value.
Vehicles	47,462	Policy to sell all contributed vehicles immediately upon receipt unless the vehicle is restricted for use in a specific program by the donor. All vehicles received were sold.	No associated donor restrictions	Determined according to the actual cash proceeds on their disposition.
Animal supplies	11,934	Adoptions program	No associated donor restrictions	Determined according to the actual cash proceeds on their sale.
Food	6,902	Fundraising	No associated donor restrictions	Value determined by readily available retail market value.
Marketing	6,375	General operations and fundraising	No associated donor restrictions	Determined by the regular market rate for the services provided.
Facilities	500	Fundraising	No associated donor restrictions	Determined by the regular market rate for facility rented.
	<u>\$ 155,477</u>			

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 15. Contributions of Nonfinancial Assets, *continued*

Contributions of nonfinancial assets recognized in the Statements of Activities and Changes in Net Assets as of June 30, 2023 included:

<u>Category</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs or Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques</u>
Vehicles	\$ 16,268	Policy to sell all contributed vehicles immediately upon receipt, unless the vehicle is restricted for use in a specific program by the donor. All vehicles received were sold.	No associated donor restrictions	Determined according to the actual cash proceeds on their disposition.
Supplies	6,199	Adoptions program	No associated donor restrictions	Supplies were valued at readily available retail market value.
	<u>\$ 22,467</u>			

Note 16. Rental Income

The Society rents a space in its facility in Santa Rosa to an unrelated third party, which is leased under a month-to-month lease. Rental income amounted to \$18,600 for each of the years ended June 30, 2024 and 2023.

The Society also rents out parts of its facility to other nonprofit organizations for short-term use. During the year ended June 30, 2024 rental income from these rentals amounted to \$4,381. There was no short-term rentals during the year ended June 30, 2023.

The Society rents to a nonprofit organization a separate part of its facility in Santa Rosa. During the year ended June 30, 2023, the rental was on a month-to-month basis and rental income amounted to \$34,284. Commencing July 2023, the rental converted to a 10-year lease with escalating payments that approximate straight-line rents. Rental income amounted to \$38,070 for the year ended June 30, 2024.

Future expected rental income from the long-term lease is as follows:

2025	\$	36,924
2026		37,848
2027		38,784
2028		39,708
2029		39,756
Thereafter		<u>169,224</u>
	\$	<u>362,224</u>

Humane Society of Sonoma County

Notes to Financial Statements

For the Years Ended June 30, 2024 and 2023

Note 17. Unrelated Business Income

The Society generates unrelated business income from the leasing of its debt-financed facility to a for-profit entity as discussed in Note 16. The unrelated business activities incurred during the years ended June 30 are summarized as the following:

	<u>2024</u>	<u>2023</u>
Rental income	\$ 18,600	\$ 18,600
Reportable percentage	<u>52.41%</u>	<u>53.29%</u>
Reportable rental income	9,749	9,913
Less:		
Reportable occupancy costs	<u>(2,126)</u>	<u>(1,882)</u>
Net reportable income	<u>\$ 7,623</u>	<u>\$ 8,031</u>

The Society applied their net operating loss (NOL) carryforward from prior years and, as such, no material tax liability was recorded for the years ended June 30, 2024 and 2023. As of June 30, 2024 and 2023, the Society has deferred tax assets in the amount of \$3,000, all generated from NOL carryforward from prior years.

At June 30, 2024 and 2023, the Society had NOL carryforwards of approximately \$13,000 and \$20,000, respectively, for federal and state purposes. If not utilized, the NOL carryforwards will begin to expire in 2037.

Note 18. Subsequent Events

The Society evaluated subsequent events from July 1, 2024 through December 19, 2024 the date which the financial statements were available to be issued, and determined that other than the non-compliance with the loan covenant in Note 11, there are no material subsequent events that required recognition or additional disclosure in these financial statements.