

Woods Humane Society, Inc.

Financial Statements

June 30, 2025 and 2024



C O N T E N T S

	<u><i>Page(s)</i></u>
<i>Independent Auditors' Report on the Financial Statements</i>	1 – 2
<i>Financial Statements</i>	
Statements of financial position	3
Statements of activities	4 – 5
Statements of functional expenses	6 – 7
Statements of changes in net assets	8
Statements of cash flows	9
Notes to financial statements	10 – 23



Independent Auditors' Report on the Financial Statements

To the Board of Directors
Woods Humane Society, Inc.
San Luis Obispo, California

Opinion

We have audited the accompanying financial statements of the Woods Humane Society, Inc. ("the Organization"), a California non-profit organization, which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, and the results of its operations 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. 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 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Independent Auditors' Report on the Financial Statements – Continued

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 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Caliber Audit & Attest, LLP

San Luis Obispo, California
September 19, 2025

Woods Humane Society, Inc.

*Statements of Financial Position
June 30, 2025 and 2024*

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 1,164,817	\$ 817,286
Investments	10,896,421	10,128,985
Investment held at agency organization	40,864	36,916
Accounts receivable	13,662	11,098
Inventory of supplies, at cost	16,494	15,928
Prepaid expenses	79,543	27,399
Property and equipment, net of accumulated depreciation	4,432,767	4,756,482
Promise-to-give land lease receivable	307,813	326,563
Total assets	<u>\$ 16,952,381</u>	<u>\$ 16,120,657</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 47,622	\$ 27,693
Accrued expenses	3,198	6,928
Accrued compensation	129,077	120,202
Accrued vacation	135,927	126,171
Total liabilities	<u>315,824</u>	<u>280,994</u>
Commitments and Contingencies		
Net Assets		
Without donor restrictions		
Undesignated	1,128,678	575,861
Board-designated for operating and capital outlay reserves	9,378,125	8,757,657
Invested in property and equipment	4,432,767	4,756,482
Total without donor restrictions	<u>14,939,570</u>	<u>14,090,000</u>
With donor restrictions		
Purpose restrictions	57,054	90,980
Time-restricted for future periods	307,813	326,563
Restricted in perpetuity - endowment	1,332,120	1,332,120
Total with donor restrictions	<u>1,696,987</u>	<u>1,749,663</u>
Total net assets	<u>16,636,557</u>	<u>15,839,663</u>
Total liabilities and net assets	<u>\$ 16,952,381</u>	<u>\$ 16,120,657</u>

See Notes to Financial Statements.

Woods Humane Society, Inc.

*Statement of Activities
Year Ended June 30, 2025*

	<i><u>Without Donor Restrictions</u></i>	<i><u>With Donor Restrictions</u></i>	<i><u>Total</u></i>
<i>Public Support and Revenue:</i>			
<i>Public support:</i>			
Contributions	\$ 3,245,416	\$ 94,667	\$ 3,340,083
In-kind goods	1,855	-	1,855
In-kind services	17,137	-	17,137
Fundraising events, net of direct costs of \$77,553	270,255	-	270,255
Total support	<u>3,534,663</u>	<u>94,667</u>	<u>3,629,330</u>
<i>Revenue:</i>			
Program revenue	926,495	-	926,495
Interest and dividend income	336,384	-	336,384
Gain on investments	925,552	-	925,552
Total revenue	<u>2,188,431</u>	<u>-</u>	<u>2,188,431</u>
Net assets released from restrictions	147,343	(147,343)	-
Total public support and revenues	<u>5,870,437</u>	<u>(52,676)</u>	<u>5,817,761</u>
<i>Functional Expenses:</i>			
Program services	4,243,826	-	4,243,826
Management and general	469,796	-	469,796
Fundraising	307,245	-	307,245
Total functional expenses	<u>5,020,867</u>	<u>-</u>	<u>5,020,867</u>
Change in net assets	<u>\$ 849,570</u>	<u>\$ (52,676)</u>	<u>\$ 796,894</u>

See Notes to Financial Statements.

Woods Humane Society, Inc.

*Statement of Activities
Year Ended June 30, 2024*

	<i><u>Without Donor Restrictions</u></i>	<i><u>With Donor Restrictions</u></i>	<i><u>Total</u></i>
<i>Public Support and Revenue:</i>			
<i>Public support:</i>			
Contributions	\$ 2,957,640	\$ 80,636	\$ 3,038,276
In-kind goods	7,967	-	7,967
In-kind services	17,000	-	17,000
Fundraising events, net of direct costs of \$80,132	290,610	-	290,610
Total support	<u>3,273,217</u>	<u>80,636</u>	<u>3,353,853</u>
<i>Revenue:</i>			
Program revenue	911,457	-	911,457
Interest and dividend income	318,011	-	318,011
Gain on investments	835,349	-	835,349
Total revenue	<u>2,064,817</u>	<u>-</u>	<u>2,064,817</u>
Net assets released from restrictions	110,369	(110,369)	-
Total public support and revenues	<u>5,448,403</u>	<u>(29,733)</u>	<u>5,418,670</u>
<i>Functional Expenses:</i>			
Program services	3,948,307	-	3,948,307
Management and general	369,405	-	369,405
Fundraising	263,425	-	263,425
Total functional expenses	<u>4,581,137</u>	<u>-</u>	<u>4,581,137</u>
Change in net assets	<u>\$ 867,266</u>	<u>\$ (29,733)</u>	<u>\$ 837,533</u>

See Notes to Financial Statements.

Woods Humane Society, Inc.

*Statement of Functional Expenses
Year Ended June 30, 2025*

	<i>Program Services</i>	<i>Supporting Services</i>		<i>Total</i>
		<i>Management and General</i>	<i>Fundraising</i>	
Personnel costs:				
Salaries and wages	\$ 1,510,085	\$ 177,657	\$ 88,829	\$ 1,776,571
Employee benefits	166,572	19,597	9,798	195,967
Payroll taxes	112,516	13,237	6,619	132,372
Total personnel costs	<u>1,789,173</u>	<u>210,491</u>	<u>105,246</u>	<u>2,104,910</u>
Advertising and promotion	-	-	37,852	37,852
Bank and credit card fees	35,525	8,881	-	44,406
Computer	53,159	9,381	-	62,540
Conference and staff training	23,405	-	-	23,405
Depreciation	192,235	33,924	-	226,159
Design fees	-	112,756	-	112,756
Insurance	116,628	20,582	-	137,210
Miscellaneous	51,857	5,419	35,001	92,277
Occupancy	210,658	11,087	-	221,745
Office supplies	7,293	5,834	1,458	14,585
Postage and printing	-	13,083	111,465	124,548
Professional fees	106,097	15,023	8,985	130,105
Repairs and maintenance	39,141	6,907	-	46,048
Retirement plan contributions	42,494	4,999	2,500	49,993
Spay/neuter/rabies	1,402,949	-	-	1,402,949
Supplies	151,104	6,692	-	157,796
Telephone	22,108	4,737	4,738	31,583
Total functional expenses	<u>\$ 4,243,826</u>	<u>\$ 469,796</u>	<u>\$ 307,245</u>	<u>\$ 5,020,867</u>

See Notes to Financial Statements.

Woods Humane Society, Inc.

*Statement of Functional Expenses
Year Ended June 30, 2024*

	<i>Program Services</i>	<i>Supporting Services</i>		<i>Total</i>
		<i>Management and General</i>	<i>Fundraising</i>	
Personnel costs:				
Salaries and wages	\$ 1,546,151	\$ 181,900	\$ 90,950	\$ 1,819,001
Employee benefits	143,518	16,885	8,442	168,845
Payroll taxes	114,129	13,427	6,713	134,269
Total personnel costs	<u>1,803,798</u>	<u>212,212</u>	<u>106,105</u>	<u>2,122,115</u>
Advertising and promotion	-	-	39,110	39,110
Bank and credit card fees	30,557	7,640	-	38,197
Computer	50,274	8,872	-	59,146
Conference and staff training	19,528	-	-	19,528
Depreciation	200,036	35,300	-	235,336
Insurance	108,986	19,232	-	128,218
Interest	1	-	-	1
Miscellaneous	62,801	7,342	3,654	73,797
Occupancy	197,543	10,397	-	207,940
Office supplies	8,197	6,558	1,639	16,394
Postage and printing	-	23,359	93,436	116,795
Professional fees	90,803	13,049	7,226	111,078
Repairs and maintenance	17,912	3,161	-	21,073
Retirement plan contributions	41,671	4,903	2,451	49,025
Spay/neuter/rabies	1,164,723	-	-	1,164,723
Supplies	139,204	5,796	-	145,000
Telephone	11,437	11,437	9,804	32,678
Travel	836	147	-	983
Total functional expenses	<u>\$ 3,948,307</u>	<u>\$ 369,405</u>	<u>\$ 263,425</u>	<u>\$ 4,581,137</u>

See Notes to Financial Statements.

Woods Humane Society, Inc.

*Statements of Changes in Net Assets
Years Ended June 30, 2025 and 2024*

	<i><u>Without Donor Restrictions</u></i>	<i><u>With Donor Restrictions</u></i>	<i><u>Total</u></i>
<i>Year Ended June 30, 2023</i>	\$ 13,222,734	\$ 1,779,396	\$ 15,002,130
Change in net assets	<u>867,266</u>	<u>(29,733)</u>	<u>837,533</u>
<i>Year Ended June 30, 2024</i>	14,090,000	1,749,663	15,839,663
Change in net assets	<u>849,570</u>	<u>(52,676)</u>	<u>796,894</u>
<i>Year Ended June 30, 2025</i>	<u>\$ 14,939,570</u>	<u>\$ 1,696,987</u>	<u>\$ 16,636,557</u>

See Notes to Financial Statements.

Woods Humane Society, Inc.

*Statements of Cash Flows
Years Ended June 30, 2025 and 2024*

	<i>2025</i>	<i>2024</i>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 796,894	\$ 837,533
<i>Adjustments to reconcile the change in net assets to net cash provided by operating activities:</i>		
Depreciation	226,159	235,336
Net gain on investments	(925,552)	(835,349)
Amortization of promise-to-give receivable, land lease	18,750	18,750
<i>Changes in operating assets and liabilities:</i>		
Investment held at agency organization	(3,948)	(4,621)
Accounts receivable	(2,564)	6,684
Prepaid expenses	(52,144)	(18,904)
Inventory of supplies	(566)	(5,133)
Accounts payable	19,929	11,721
Accrued expenses	(3,730)	4,781
Accrued compensation	8,875	13,271
Accrued vacation	9,756	33,650
Net cash provided by operating activities	91,859	297,719
<i>Cash flows from investing activities:</i>		
Purchase of property and equipment	97,556	(29,547)
Purchase of investments	(323,291)	(286,312)
Proceeds from sale of investments	481,407	66,809
Net cash provided by (used in) investing activities	255,672	(249,050)
<i>Net increase in cash and cash equivalents</i>	347,531	48,669
<i>Cash and cash equivalents, beginning of year</i>	817,286	768,617
<i>Cash and cash equivalents, end of year</i>	\$ 1,164,817	\$ 817,286
<i>Noncash financing activities:</i>		
In-kind donations of goods and services	\$ 18,992	\$ 24,967
In-kind use of facilities	\$ 18,750	\$ 18,750

See Notes to Financial Statements.

Woods Humane Society, Inc.

Notes to Financial Statements

Note 1. Operations and Summary of Significant Accounting Policies

Nature of operations:

The Woods Humane Society, Inc. (“the Organization”) is a California non-profit corporation, organized to provide for the treatment, housing, and placement of unwanted animals, and to further humane education and responsible pet ownership in the County of San Luis Obispo, California. The Organization solicits donations to facilitate its purpose. It also provides adoptions for which it charges a fee to individuals. The Organization was established in May 1955 and is located at 875 Oklahoma Avenue, San Luis Obispo, California. There is also a location at 2300 Ramona Road, Atascadero, California, that was acquired in January 2017.

The Organization is governed by an elected board of directors and officers responsible for the development of policies. Staff conduct the Organization’s activities in accordance with board-established policy.

Basis of accounting:

The financial statements are presented on an accrual basis, which recognizes income when performance obligations are met, and expenses when incurred, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial statement presentation and net assets:

The Organization has presented its financial statements in accordance with GAAP for not-for profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions or with donor restrictions.

The Organization reports gifts of cash 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 a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor 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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and a capital outlay reserve.

Net Assets With Donor Restrictions: Net assets subject to donor 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 perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the

Woods Humane Society, Inc.

Notes to Financial Statements

acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Support revenue and contributions:

All public support revenue is considered to be available for use without donor restriction unless specifically restricted by the donor or the terms of a grant. Revenue from public support is recognized at the time an unconditional promise to give or transfer of assets is made.

Contributions of assets other than cash, which are primarily donated investment securities, are recorded at estimated fair market value at the time of receipt and are liquidated as soon as feasible. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Revenues from grant agreements that represent exchange transactions are recognized as the revenue is earned over the grant term, if any. The Organization currently does not have any grants that are considered exchange transactions.

Program revenue:

The Organization follows the five step, principles-based method to recognize revenue upon the transfer of promised goods or services to individuals and in an amount that reflects the consideration for which the Organization expects to be entitled in exchange for those goods and services.

Revenues from program services provided, such as spay and neuter, adoption fees, and sale of adoption related supplies, are recognized in the period the service or good is provided, which is when the performance obligation is met and is at the point-in-time that the animal receives the service or is adopted. Program revenue by program for the years ended June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Spay and neuter clinic fees	\$ 444,930	\$ 465,170
Placement adoption fees	428,147	381,578
Training	37,981	42,883
Other	15,437	21,826
Total program revenue	<u>\$ 926,495</u>	<u>\$ 911,457</u>

Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in the revenue recognition guidance, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Woods Humane Society, Inc.

Notes to Financial Statements

Under GAAP accounting, program fees are recognized ratably over the period the program service is provided on a straight-line basis in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. All the Organization's revenue from contracts with customers is from performance obligations satisfied over time or at a point in time. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. Program fees paid to the Foundation in advance represent contract liabilities and should be recorded as other deferred revenue, if any. Amounts billed but unpaid are contract assets and should be recorded as accounts receivable.

The beginning and ending contract balances were as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Accounts receivable	\$ 13,662	\$ 11,098	\$ 17,782

Donated services and assets:

Donated services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed. The Organization was provided audit and tax, executive training, and utility services at reduced or no cost. Based on current market rates for these services, the Organization would have paid \$17,137 and \$17,000 for the years ended June 30, 2025 and 2024, respectively. For the years ended June 30, 2025 and 2024, there were also amounts that did not meet the criteria for recognition as described above, despite the considerable value of donated time by volunteers and board members to the mission of the Organization.

In-kind donations of facilities and goods used directly by the Organization are valued at their estimated fair values at the time of the donation. The fair value of donated facilities is determined based on the amount of rent charged for comparative facilities in the area. The amortization of the amount totaled \$18,750 for both years ended June 30, 2025 and 2024. Donated supplies for the years ended June 30, 2025 and 2024 were \$1,855 and \$7,967, which were provided at no cost to the Organization and valued based on the estimated market value of the goods.

All gifts-in-kind received by the Organization for the years ended June 30, 2025 and 2024 were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are charged directly to the

Woods Humane Society, Inc.

Notes to Financial Statements

program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Use of estimates:

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents:

The Organization considers cash equivalents to be all short-term securities purchased with a maturity of three months or less.

Concentrations of credit risk:

The Organization maintains cash balances with financial institutions located in California. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The cash balances from time to time can exceed this limit.

Balance at brokerage firms are insured up to \$500,000 (with a limit of \$100,000 for cash) by SPIC. During June 30, 2025 and 2024, the securities balance exceeded the SPIC insurance limitations.

Investment valuation and income recognition:

The Organization's investments are stated at fair market value in the statement of financial position, with all gains and losses included in the statement of activities. 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 4 for discussion of fair value measurement.

Investments acquired by gift are recorded at their fair market value at the date of the gift.

Investments are made according to the Investment Policy adopted by the Organization's Board of Directors. These guidelines provide for a balanced diversified portfolio with investments in equities and fixed income securities with performance measured against appropriate indices with a minimum goal of total return of 2 – 3% after inflation over a full market cycle. These guidelines are periodically reviewed and modified.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year, or since the acquisition date, if acquired during the year.

Woods Humane Society, Inc.

Notes to Financial Statements

Investment held at agency organization:

The investment held at agency organization is carried at the allocated fair market value of the pooled investments held by the Community Foundation of San Luis Obispo County.

Accounts receivable:

Accounts receivable relate to amounts for program revenue. Accounts receivable is stated at the amount management expects to collect from outstanding balances. At each balance sheet date, if applicable, the Organization recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. Management believes that the composition of accounts receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly and has not identified any current conditions or supportable forecasts that would have a material impact on the expected credit losses. Management has determined that an allowance for credit losses is zero based on all of the considerations.

Promise-to-give land lease receivable:

The promise-to-give land lease receivable is based on the 40-year land lease with the County of San Luis Obispo and represents donated use of facilities (See Note 6).

The donated services, assets, and use of facilities recorded by the Organization have been recorded at fair values, based on management's estimate of fair value on a non-recurring basis from comparisons of similar assets or services or from the value as provided by the donor. This is considered Level 2 of the fair value hierarchy (see fair value Level descriptions in Note 4).

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain donated use of facilities could result in a different fair value measurement at the reporting date.

Inventory of adoption related supplies:

Inventory (mainly consists of adoption related supplies) is stated at the lower of cost or net realizable value using the average cost method.

Woods Humane Society, Inc.

Notes to Financial Statements

Property and equipment:

Purchased property and equipment are stated at cost and donated assets are valued at their estimated fair value on the date donated. Property and equipment additions over \$2,500 are recorded. All assets are depreciated over estimated useful lives on a straight line basis. Repairs and maintenance and small equipment purchases are expensed as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are included on the statement of activities.

Estimated useful lives are as follows:

	<u>Years</u>
Vehicles	5 – 7
Equipment	3 – 10
Facilities	7 – 39

Compensated absences:

The Organization allows all employees to receive compensation for vacation leave. The estimate related to compensated absences is based on vacation hours available and current pay rates. The obligation for compensated absences has been recorded to accrued vacation.

Income tax status:

The Organization's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Franchise Tax Code. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense. The Organization is not a private foundation. Management is not aware of any transactions that would impact the Organization's tax-exempt status.

For the years ended June 30, 2025 and 2024, management of the Organization is not aware of any material uncertain tax positions to be accounted for in the financial statements under the principles of the *Income Taxes* topic of the FASB (*ASC*). The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes.

Advertising:

The Organization expenses advertising costs as incurred. Advertising costs totaled \$37,852 and \$39,110 for the years ended June 30, 2025 and 2024, respectively.

Woods Humane Society, Inc.

Notes to Financial Statements

Note 2. *Liquidity and Availability*

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, including reserves, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,164,817
Investments - board-designated reserves	9,378,125
Investment held at agency organization	40,864
Accounts receivable	13,662
	<u>\$ 10,597,468</u>

As part of the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments that are considered board-designated reserves for purposes of operations and capital outlay. For the board-designated reserve funds, the board of directors has approved a goal of no more than a five-percent annual draw on investments that can be used to cover the Organization's needs for general expenditure. This figure is represented above as Investments – board-designated reserves.

Note 3. *Property and Equipment*

Major classes of property and equipment and accumulated depreciation are as follows at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Land	\$ 52,425	\$ 52,425
Vehicles	110,924	110,924
Equipment	519,338	504,139
Facilities	6,971,031	6,971,031
Construction in progress	-	112,756
	<u>7,653,718</u>	<u>7,751,275</u>
Less accumulated depreciation	(3,220,951)	(2,994,793)
Total property and equipment	<u>\$ 4,432,767</u>	<u>\$ 4,756,482</u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$226,159 and \$235,336, respectively.

Woods Humane Society, Inc.

Notes to Financial Statements

Note 4. Investments and Fair Value Measurements

Investments consist of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash - invested	\$ 244,973	\$ 223,418
Mutual funds	10,651,448	9,571,767
Exchange traded funds	-	333,800
Total investments	<u>\$ 10,896,421</u>	<u>\$ 10,128,985</u>

GAAP establishes a framework for measuring fair value. That framework provides 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 unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes to the methodologies used at June 30, 2025 and 2024.

Cash - invested: Fair values of money market funds, or bank sweep accounts, are estimated to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Woods Humane Society, Inc.

Notes to Financial Statements

Exchange traded funds (ETFs): Valued at the last sales price or official closing price on the exchange or primary market on which they trade. ETFs hold assets such as stock, commodities, or bonds and are designed to trade close to their net asset value. The fair values of exchange-traded funds are determined by obtaining quoted prices on nationally recognized securities exchanges.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain donated services, assets and use of facilities could result in a different fair value measurement at the reporting date.

The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2025 and 2024:

	<i>2025</i>	<i>2024</i>
	<i>Level 1</i>	<i>Level 1</i>
Cash - invested	\$ 244,973	\$ 223,418
Mutual funds	10,651,448	9,571,767
Exchange traded funds	-	333,800
Total investments	<u>\$ 10,896,421</u>	<u>\$ 10,128,985</u>

Note 5. Endowment Funds

The Organization's endowment (the Endowment) consists of 2 individual funds. Endowment funds are maintained in separate investment custodial accounts. Funds to be held in perpetuity are established by donors in order for the earnings to provide funding for specific activities and general operations.

Woods Humane Society, Inc.

Notes to Financial Statements

The Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Investment and Spending Policies:

The Organization's investment policy is based on fundamental financial principles that include prudent asset allocation, risk assessment and long-term planning. The investment policy emphasizes total return, which allows the funds to utilize current income (dividend and interest) and aggregate return from capital appreciation, in an 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. Within this framework, specific investment objectives for endowment investments include liquidity, preservation of capital, preservation of purchasing power, and long-term growth of capital.

The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to produce a minimum annual compound total rate of return in excess of inflation in order to support the Organization's spending needs.

Although the donor fund agreements do not restrict the use of earnings, the Organization's overall spending policy is 5% based on a selected month investment values and a three year moving average to calculate the annual payouts.

The Organization's investment policy includes a spending policy for the North County spay/neuter endowment for cats that outlines at 5% annual payout strategy for spay and neuter programs in North County. The fund agreement for this endowment allows the fund to be accessed in an emergency for purposes other than spay/neutering by a 2/3 vote of the board. However, the board intends to continue to treat the fund as a permanent endowment.

Woods Humane Society, Inc.

Notes to Financial Statements

At June 30, 2025 and 2024, the Organization's endowment net asset composition by type of fund is as follows:

Endowment Net Assets as of June 30, 2025:

	<u>Original Gift</u>	<u>Available, Subject to Spending Policy</u>	<u>Total Endowment</u>
Endowment for spay/neuter - cats	\$ 332,120	\$ 33,775	\$ 365,895
Endowment for dogs	1,000,000	152,401	1,152,401
Total	<u>\$ 1,332,120</u>	<u>\$ 186,176</u>	<u>\$ 1,518,296</u>

Endowment Net Assets as of June 30, 2024:

	<u>Original Gift</u>	<u>Available, Subject to Spending Policy</u>	<u>Total Endowment</u>
Endowment for spay/neuter - cats	\$ 332,120	\$ 10,126	\$ 342,246
Endowment for dogs	1,000,000	29,082	1,029,082
Total	<u>\$ 1,332,120</u>	<u>\$ 39,208</u>	<u>\$ 1,371,328</u>

The changes in endowment net assets for the years ended June 30, 2025 and 2024, are as follows:

Endowment net assets, June 30, 2023	\$ 1,258,909
Investment return, net	131,396
Appropriation of endowment for expenditure	(18,977)
Endowment net assets, June 30, 2024	<u>1,371,328</u>
Investment return, net	170,090
Appropriation of endowment for expenditure	(23,122)
Endowment net assets, June 30, 2025	<u>\$ 1,518,296</u>

From time to time, certain donor-restricted endowment funds may have fair market values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The excess amounts were not underwater for the years ended June 30, 2025 and 2024.

Woods Humane Society, Inc.

Notes to Financial Statements

Note 6. Commitments and Contingencies

Operating leases and donated land lease:

The Organization entered into an agreement on December 11, 2001 with the County of San Luis Obispo to build a new facility on land currently owned by the County. Cash rent is waived in exchange for the Organization furnishing services to the San Luis Obispo County Sheriff's Department, Animal Services Division. The lease was amended on June 4, 2013 to extend the lease to 40 years from the date of the original lease December 11, 2001, with two five year renewal options. The valuation is based on the estimated fair value of the donated use of facilities for the lease term at the time of the donation. The original contribution was recorded as donor restricted, due to the time restriction. As the time restrictions are met, an amount is reclassified on the statement of activities and changes in net assets as net assets released from restrictions. The rent expense related to this land lease for both years ended June 30, 2025 and 2024 was \$18,750. The promise to give land lease receivable balance related to this land lease was \$307,813 and \$326,563 as of June 30, 2025 and 2024, and is expected to be collected through use of the land as follows:

	<u>2025</u>	<u>2024</u>
Within one year	\$ 18,750	\$ 18,750
In one to five years	93,750	93,750
Thereafter	195,313	214,063
Total land lease receivable	<u>\$ 307,813</u>	<u>\$ 326,563</u>

Legal proceedings:

The Organization has labor related claims related to the ordinary course of business. The Organization cannot estimate the ultimate settlements or insurance coverage with respect to these labor related legal proceedings, if any. As such, the liability and expense for these claims has not been recorded to the financial statements of the Organization.

Woods Humane Society, Inc.

Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions

As of June 30, 2025 and 2024, net assets with donor restrictions are restricted for the following purposes or periods:

	2025	2024
Restricted in perpetuity - endowments:		
Dog rescue, maintenance, and placement	\$ 1,000,000	\$ 1,000,000
North County spay/neuter - cats	332,120	332,120
	1,332,120	1,332,120
Subject to expenditure for specified purpose:		
Project Meow	26,672	28,736
Fahsing spay/neuter program (non-endowed)	6,312	9,037
Spay/neuter surgeries	11,197	10,818
Non spay/neuter surgeries	12,873	42,389
	57,054	90,980
Subject to the passage of time:		
Promise-to-give land lease	307,813	326,563
Total net assets with donor restrictions	\$ 1,696,987	\$ 1,749,663

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2025 and 2024:

	2025	2024
Expiration of time restrictions - land lease	\$ 18,750	\$ 18,750
Satisfaction of purpose restrictions:		
Medical improvements and equipment	-	8,820
Emergency preparedness	-	1,566
Critter Camp scholarships	-	3,075
Project Meow	41,950	44,775
Fahsing spay/neuter program (non-endowed)	2,725	2,925
Spay/neuter surgeries	11,771	12,331
Non spay/neuter surgeries	40,627	15,113
General operations	31,520	3,014
	\$ 147,343	\$ 110,369

Woods Humane Society, Inc.

Notes to Financial Statements

Note 8. Functionalized Expenses – Methods Used for Allocations

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include insurance, depreciation, contract services, promotion and publication, salaries, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Most expenses are directly tracked by program or function.

Note 9. Retirement Savings Plan

The Organization offers a 403(b) plan that covers all eligible employees. Employees are eligible to participate in the salary deferrals into the plan upon hire. The Organization implemented a 3% match effective July 1, 2022. Employees are eligible to receive the match if they work 1,000 hours during the year. Matching contributions totaled \$49,993 and \$49,025 for the years ended June 30, 2025 and 2024, respectively.

Note 10. Commitments and Contingencies

The Organization receives funds through grants from various agencies. Grants can be subject to audit by the corresponding oversight agency as to allowable costs paid with the funds.

Note 11. Related Party Transactions

As of June 30, 2025, the Organization held funds in accounts at a bank where a board member during the year was an executive. For the years ended June 30, 2025 and 2024, the Organization received donations from board of director members, who are considered related parties, totaling \$23,181 and \$30,801, respectively.

Note 12. Subsequent Events

The date to which events occurring after June 30, 2025 have been evaluated for possible adjustment to the financial statements or disclosure is September 19, 2025, which is the date on which the financial statements were available to be issued.