

Michigan Humane

Financial Statements

September 30, 2025 and 2024

Michigan Humane

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Independent Auditors' Report

To the Board of Directors of
Michigan Humane

Opinion

We have audited the financial statements of Michigan Humane (the Organization), which comprise the statement of financial position as of September 30, 2025 and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Other Matter

The financial statements of the Organization as of September 30, 2024 were audited by other auditors whose report dated January 13, 2025 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP 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.

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 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.

Baker Tilly US, LLP

Southfield, Michigan
January 30, 2026

Michigan Humane

Statements of Financial Position
September 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Assets | | |
| Assets | | |
| Cash and cash equivalents | \$ 5,139,111 | \$ 5,823,708 |
| Investments | 18,929,961 | 13,074,230 |
| Amounts receivable: | | |
| Operational accounts receivable | 105,052 | 90,420 |
| Legacies and bequests receivable | 1,284,532 | 2,308,976 |
| Investment-related and other accounts receivable | 95,076 | 114,252 |
| Pledges receivable, capital campaign and other, net | 1,742,024 | 2,812,955 |
| Inventory | 1,069,746 | 754,096 |
| Prepaid expenses and other | 633,673 | 585,881 |
| Right-of-use operating lease assets, net | 2,462,701 | 2,913,817 |
| Property and equipment, net | 16,108,745 | 15,981,464 |
| | <u>\$ 47,570,621</u> | <u>\$ 44,459,799</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and other | \$ 1,248,762 | \$ 996,805 |
| Accrued salaries, wages and employee benefits payable | 1,362,059 | 1,256,536 |
| Lease liabilities, operating | 2,341,402 | 2,731,727 |
| Lease liabilities, finance | 617,344 | 311,511 |
| | <u>5,569,567</u> | <u>5,296,579</u> |
| Total liabilities | | |
| Net Assets | | |
| Without donor restrictions | 32,585,683 | 27,841,179 |
| With donor restrictions | 9,415,371 | 11,322,041 |
| | <u>42,001,054</u> | <u>39,163,220</u> |
| Total net assets | | |
| Total liabilities and net assets | <u>\$ 47,570,621</u> | <u>\$ 44,459,799</u> |

See notes to financial statements

Michigan Humane

Statements of Activities

Years Ended September 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Changes in Net Assets Without Donor Restrictions | | |
| Revenue and Support: | | |
| Contributions | \$ 8,428,378 | \$ 7,266,036 |
| Legacies and bequests | 7,956,147 | 3,981,337 |
| In-kind donations | 7,099,106 | 6,881,230 |
| Adoption center and charitable veterinary hospital | 4,436,741 | 3,615,546 |
| Retail | 10,627 | 13,122 |
| Special event revenue | 1,216,963 | 1,156,156 |
| Investment income, net | 764,510 | 1,648,710 |
| Net gain (loss) on disposal of property and equipment | (43,309) | 1,265,762 |
| Net assets released from restrictions | 5,046,806 | 3,550,267 |
| | <u>34,915,969</u> | <u>29,378,166</u> |
| Expenses: | | |
| Program services | 21,647,154 | 24,100,486 |
| Support services: | | |
| Management and general | 4,083,610 | 2,972,245 |
| Fundraising | 4,440,701 | 3,410,332 |
| | <u>30,171,465</u> | <u>30,483,063</u> |
| Change in net assets without donor restrictions | 4,744,504 | (1,104,897) |
| Changes in Net Assets With Donor Restrictions | | |
| Contributions | 1,722,354 | 2,402,860 |
| Legacies and bequests | 943,559 | 2,157,848 |
| Investment income, net | 474,223 | 1,109,215 |
| Net assets released from restrictions | (5,046,806) | (3,550,267) |
| Change in net assets with donor restrictions | <u>(1,906,670)</u> | <u>2,119,656</u> |
| Change in net assets | 2,837,834 | 1,014,759 |
| Net Assets, Beginning | <u>39,163,220</u> | <u>38,148,461</u> |
| Net Assets, Ending | <u>\$ 42,001,054</u> | <u>\$ 39,163,220</u> |

See notes to financial statements

Michigan Humane

Statements of Functional Expenses Years Ended September 30, 2025 and 2024

| | 2025 | | | | 2024 | | | |
|-------------------------------------|---------------|------------------------|--------------|---------------|---------------|------------------------|--------------|---------------|
| | Program | Management and General | Fundraising | Total | Program | Management and General | Fundraising | Total |
| Salaries | \$ 9,121,891 | \$ 1,642,867 | \$ 1,293,987 | \$ 12,058,745 | \$ 9,404,209 | \$ 1,611,552 | \$ 1,181,561 | \$ 12,197,322 |
| Employee benefits | 1,148,253 | 166,457 | 122,185 | 1,436,895 | 1,032,143 | 139,384 | 113,126 | 1,284,653 |
| Payroll taxes | 714,265 | 114,895 | 93,888 | 923,048 | 737,122 | 108,371 | 86,659 | 932,152 |
| Total salaries and related expenses | 10,984,409 | 1,924,219 | 1,510,060 | 14,418,688 | 11,173,474 | 1,859,307 | 1,381,346 | 14,414,127 |
| Animal care | 1,811,420 | - | - | 1,811,420 | 1,993,002 | 25 | 38 | 1,993,065 |
| Facility | 195,838 | 963 | - | 196,801 | 328,202 | 16,238 | - | 344,440 |
| Insurance | 135,047 | - | - | 135,047 | 149,605 | - | - | 149,605 |
| Vehicle | 36,499 | - | - | 36,499 | 91,973 | 1,494 | 3,513 | 96,980 |
| Rental | 318,769 | 262,569 | - | 581,338 | 303,374 | 287,513 | - | 590,887 |
| Repairs and maintenance | 210,618 | 5,214 | - | 215,832 | 282,799 | 6,445 | - | 289,244 |
| Utilities | 487,787 | 3,274 | - | 491,061 | 476,486 | 5,966 | - | 482,452 |
| Telephone | 196,546 | 11,502 | - | 208,048 | 210,292 | 11,061 | - | 221,353 |
| Fundraising and special event costs | 54,216 | 13,508 | 1,979,533 | 2,047,257 | 65,649 | 20,326 | 1,256,973 | 1,342,948 |
| Public relations and marketing | 121,130 | 80,753 | 121,130 | 323,013 | 107,702 | 71,733 | 107,949 | 287,384 |
| Postage | 10,771 | 804 | 317,176 | 328,751 | 9,718 | 692 | 192,627 | 203,037 |
| Printing | 23,968 | 15,535 | 26,573 | 66,076 | 17,752 | 13,683 | 41,643 | 73,078 |
| Professional fees | 155,237 | 240,999 | 65,830 | 462,066 | 344,273 | 195,691 | 63,588 | 603,552 |
| Office supplies and expenses | 67,896 | 7,283 | 455 | 75,634 | 69,254 | 14,306 | 660 | 84,220 |
| Meetings | 1,039 | 8,428 | 5,401 | 14,868 | 2,313 | 12,350 | 3,819 | 18,482 |
| Employee | 92,454 | 57,466 | 16,560 | 166,480 | 90,452 | 75,467 | 15,044 | 180,963 |
| Cost of sales | 14,123 | - | - | 14,123 | 16,855 | - | - | 16,855 |
| Investment and banking fees | 36,656 | 107,253 | 113,384 | 257,293 | 25,076 | 157,877 | 94,415 | 277,368 |
| IT licenses and support | 307,801 | 112,892 | 104,123 | 524,816 | 536,702 | 165,175 | 116,271 | 818,148 |
| Support of collaborative efforts | - | - | - | - | 1,118 | 117 | 176 | 1,411 |
| Depreciation | 957,809 | 48,355 | - | 1,006,164 | 975,571 | 54,520 | - | 1,030,091 |
| Other | 1,706 | 81,826 | 1,632 | 85,164 | 77,323 | 1,717 | 3,103 | 82,143 |
| In-kind goods and services | 5,425,415 | 1,100,767 | 178,844 | 6,705,026 | 6,751,521 | 542 | 129,167 | 6,881,230 |
| Total functional expenses | \$ 21,647,154 | \$ 4,083,610 | \$ 4,440,701 | \$ 30,171,465 | \$ 24,100,486 | \$ 2,972,245 | \$ 3,410,332 | \$ 30,483,063 |

See notes to financial statements

Michigan Humane

Statements of Cash Flows

Years Ended September 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Cash Flow From Operating Activities | | |
| Change in net assets | \$ 2,837,834 | \$ 1,014,759 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 1,006,164 | 1,030,091 |
| Net realized and unrealized gains on investments | (677,963) | (2,308,716) |
| Loss (gain) on sale of property and equipment | 43,309 | (1,265,762) |
| Changes in operating assets and liabilities that (used) provided cash and cash equivalents: | | |
| Operational accounts receivable | (14,632) | (22,840) |
| Legacies and bequests receivable | 1,024,444 | (1,122,561) |
| Investment-related and other accounts receivable | 19,176 | (45,100) |
| Pledges receivable, capital campaign and other | 1,070,931 | (615,378) |
| Inventory | (315,650) | (3,874) |
| Prepaid expenses and other | (47,792) | (118,385) |
| Accounts payable and other | 251,957 | 107,020 |
| Accrued salaries, wages and employee benefits payable | 105,523 | 136,132 |
| Operating lease assets and liabilities | 60,791 | (208,007) |
| Net cash flows from operating activities | <u>5,364,092</u> | <u>(3,422,621)</u> |
| Cash Flows From Investing Activities | | |
| Purchase of property and equipment | (758,563) | (479,678) |
| Proceeds from disposition of property and equipment | 7,000 | 3,154,503 |
| Purchases of investments | (11,966,207) | (10,678,559) |
| Proceeds from sales and maturities of investments | 6,788,439 | 10,387,604 |
| Net cash flows from investing activities | <u>(5,929,331)</u> | <u>2,383,870</u> |
| Cash Flows From Financing Activities | | |
| Payments on finance leases | (119,358) | (150,739) |
| Net change in cash and cash equivalents | (684,597) | (1,189,490) |
| Cash and Cash Equivalents, Beginning | <u>5,823,708</u> | <u>7,013,198</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 5,139,111</u> | <u>\$ 5,823,708</u> |
| Noncash Investing and Financing Activities | | |
| Finance leases funded with finance lease liabilities | \$ 425,191 | \$ 59,101 |
| Operating leases funded with operating lease liabilities | <u>\$ -</u> | <u>\$ 1,867,081</u> |

See notes to financial statements

Michigan Humane

Notes to Financial Statements
September 30, 2025 and 2024

1. Nature of Organization

Michigan Humane (the Organization) is a not-for-profit corporation dedicated to improving and saving lives through compassionate care, community engagement and advocacy for animals. The Organization advances its mission by operating multiple adoption centers and charitable veterinary hospitals, providing emergency animal rescue and cruelty investigation services, and offering humane education and community programs. Michigan Humane prioritizes the well being of animals by providing free pet food and supplies, low cost community veterinary care, and resources that help keep pets with their families. The Organization also facilitates companion animal adoptions at various offsite locations and special events. Its primary service area is Southeastern Michigan.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash Equivalents

The Organization considers all investments with an original maturity of three months or less when purchased to be cash equivalents, except for certain money market mutual funds that are included in the Organization's investment portfolio. The balances in the Organization's deposit accounts may, from time to time, exceed the amounts covered by Federal Deposit Insurance Corporation (FDIC) insurance. The Organization believes that, due to dollar amounts of cash deposits and the limits of the FDIC insurance, it is sometimes impractical to insure all deposits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable consist of operational accounts receivable, capital campaign and other pledges receivable, legacies and bequests receivable and investment-related and other accounts receivable.

Operational accounts receivable are stated at invoice amounts from services provided. Contracts from revenues that are considered exchange transactions are recorded at an amount that management expects to receive from the net transaction price. The Organization recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. The Organization pools these receivables based on similar risk characteristics in estimating expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Organization measures those receivables individually. As of September 30, 2025 and 2024, the Organization did not individually assess any accounts receivable.

The Organization utilizes the loss rate method in determining its lifetime expected credit losses on accounts receivable. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness and the effect of other external forces, such as economic conditions and legal and regulatory requirements. No allowance for credit losses was considered necessary as of September 30, 2025 and 2024.

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Unconditional pledges are recorded when received, net of an allowance for bad debts. Legacies and bequests receivable consist of wills and bequests for which the donor and all other life beneficiaries are deceased and are, therefore, irrevocable. Payment on these receivables is expected in the next year. Pledges receivable expected to be collected beyond one year are recorded at their present value, discounted at a risk free rate based on the duration until the date the pledge is received (discount rate used was 3.74% and 3.58% for the years ended September 30, 2025 and 2024, respectively). Conditional pledges, legacies and bequests, that is, those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are met.

The allowance for bad debts is maintained at a level that is management's best estimate of probable bad debts incurred as of the statements of financial position date. Management's determination of the adequacy of the allowance is based on an evaluation of the pledges, legacies and bequests receivables, past collection experience, current economic conditions, volume, growth and composition of the grants and pledges receivables and other relevant factors. Receivables are charged to expense when the individual balances are determined to be uncollectible. The allowance for bad debt related to pledges receivable at September 30, 2025 and 2024 was 37,400 and 62,600, respectively. No allowance for bad debts has been made related to legacies and bequests receivable at September 30, 2025 and 2024, as management considers all amounts fully collectible.

The investment-related and other accounts receivable consist primarily of interest and dividend income receivable and are considered fully collectible.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). The Organization records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the statements of activities net of fees as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

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

Inventory

Inventory consists primarily of medical supplies and donated animal food and supplies. Purchased inventory is stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method of valuation. Donated goods are recorded at fair value on the date of donation, and subsequent declines in fair value, if any, are recognized at fiscal year end.

Investments consist of the following:

| | <u>September 30, 2025</u> | <u>September 30, 2024</u> |
|----------------------|-------------------------------|-------------------------------|
| Inventory, purchased | \$ 190,187 | \$ 268,217 |
| Inventory, donated | 879,559 | 485,879 |
| Total | <u>\$ 1,069,746</u> | <u>\$ 754,096</u> |

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives, which range from 2 to 40 years depending on the type of asset. Costs of maintenance and repairs are charged to expense when incurred.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property and equipment must be maintained, the Organization reports expirations of donor restrictions when placed in service.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Leases

The Organization has operating leases for its administrative office space, food warehouse and Rochester Veterinary Hospital, along with finance lease agreements primarily for several vehicles. The Organization recognizes expense for operating leases on a straight-line basis over the lease term. The Organization made a policy election not to separate lease and nonlease components for its leases. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Organization has minimal operating leases with a lease term of one year or less that the Organization elected to account for as short-term leases. As these leases are short-term leases, they are not included in the right-of-use asset and lease liability.

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

Contributions

Unconditional contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions without donor-imposed restrictions are reported revenue without donor restrictions. Restricted gifts are reported as revenue with donor restrictions. 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 are reported in the statements of activities as net assets released from restrictions. In the absence of donor specification or law that income and gains on donated funds are restricted, such income and gains are reported as support without donor restrictions.

Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met. Intentions to give are donations that are non-binding declarations of a donor's desire to make a future charitable gift and are not recognized until the donations become unconditional. Total conditional contributions and intentions to give in support of Michigan Humane's endowment as of September 30, 2025 is \$10,000,000.

In-kind donations are recorded at fair value. Unless otherwise specified by donors, all donations are recorded as unrestricted.

Revenue Recognition

During the years ended September 30, 2025 and 2024, the Organization recognized revenue from contracts with customers of \$4,447,368 and \$3,628,669, respectively. These amounts consist of adoption center and charitable veterinary hospital (operations) and retail sales on the statement of activities. The Organization did not recognize any impairment losses on trade receivables for the years ended September 30, 2025 and 2024. Contract receivables at September 30, 2025; September 30, 2024 and October 1, 2023 were \$105,052, \$90,420 and \$67,580, respectively.

Typically, the Organization does not recognize revenue before its right to some or all consideration becomes unconditional; therefore, contract assets were not recorded at September 30, 2025 and 2024. The Organization does not collect cash prior to the satisfaction of the performance obligation except for surgery deposits. The balance of surgery deposits payable at September 30, 2025; September 30, 2024 and October 1, 2023 totaled \$50, \$50 and \$150, respectively, and is included on the statements of financial position within accounts payable and other.

Operations and Retail Sales

The Organization recognizes revenue from operations and retail sales during the year in which the related services and sales are provided to customers, typically individuals or groups of individuals, totaling \$3,956,992 and \$3,146,948 for the years ended September 30, 2025 and 2024, respectively.

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

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

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

Contract Revenue

The Organization recognized revenue from contracts with municipalities during the year in which the related services are provided to the municipalities totaling \$490,376 and \$481,721 for the years ended September 30, 2025 and 2024, respectively. Contract revenue is included within adoption center and charitable veterinary hospital on the statement of activities and changes in net assets.

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

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

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

Special Events

Special events consist of fundraising events held by the Organization. The revenue from special events is recorded in revenue and support in the statements of activities. Any direct benefit to donors, if significant, is recorded in the statements of functional expenses as fundraising.

Classification of Net Assets

The Organization reports information regarding its financial position and activities according to the following two classes of net assets that are based upon the existence or absence of restrictions that are placed by its donors:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed stipulations. The Organization's Board of Directors can designate net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time

Net Assets With Donor Restrictions: Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations or are required to be maintained in perpetuity by the Organization.

Board Designated Net Assets

The Organization's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. The Organization's Board of Directors has not designated any amounts as of September 30, 2025 and 2024.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various program and support services based on estimates determined by management. Corporate headquarters, information technology, support services and marketing are estimated following an internal cost center allocation based primarily on estimates of employees' time in each function. Depreciation is allocated primarily to program expense, as the majority of depreciation expense relates to programming activities, such as vet centers and their associated depreciation. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

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Reclassification

For comparability, certain 2024 amounts have been reclassified to conform with classifications adopted in 2025. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation.

To account for any uncertain tax positions, the Organization determines whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has concluded there are no uncertain tax positions at September 30, 2025 and 2024.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 30, 2026, which is the date the financial statements were available to be issued.

3. Pledges Receivable, Capital Campaign and Other

Included in pledges receivable, capital campaign and other at September 30, 2025 and 2024 are several unconditional promises to give generated from a capital campaign that began during 2013 and other pledges receivable. They are included as follows:

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Gross promises to give before unamortized discount | \$ 1,868,924 | \$ 3,128,655 |
| Less allowance for uncollectible contributions | (37,400) | (62,600) |
| Less discount to net present value | <u>(89,500)</u> | <u>(253,100)</u> |
| Net contributions receivable | <u>\$ 1,742,024</u> | <u>\$ 2,812,955</u> |
| Amounts due in: | | |
| Less than one year | \$ 1,456,924 | \$ 1,696,008 |
| One to five years | <u>412,000</u> | <u>1,432,647</u> |
| Total | <u>\$ 1,868,924</u> | <u>\$ 3,128,655</u> |

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Notes to Financial Statements
September 30, 2025 and 2024

The Organization receives contributions from related parties, such as board members and management. For the years ended September 30, 2025 and 2024, such contributions were approximately \$83,000. Related-party contribution receivables were approximately \$570,000 and \$1,090,000 as of September 30, 2025 and 2024, respectively, which represents approximately 30% and 35% of the pledges receivable balance as of September 30, 2025 and 2024, respectively.

4. Fair Value Measurements

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

The following tables present information about the Organization's assets measured at fair value on a recurring basis at September 30, 2025 and 2024 and the valuation techniques used by the Organization to determine those fair values.

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

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

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

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at September 30, 2025

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at September 30, 2025 |
|--------------------------------|---|---|--|-------------------------------------|
| Assets | | | | |
| Investments: | | | | |
| U.S. treasury bills | \$ 5,288,414 | \$ - | \$ - | \$ 5,288,414 |
| Equities | 6,729,435 | - | - | 6,729,435 |
| Corporate bonds | - | 4,927,889 | - | 4,927,889 |
| Exchange traded funds | 970,762 | - | - | 970,762 |
| Total | <u>\$ 12,988,611</u> | <u>\$ 4,927,889</u> | <u>\$ -</u> | 17,916,500 |
| Cash and money market funds | | | | <u>1,013,461</u> |
| Total investments | | | | <u>\$ 18,929,961</u> |

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Notes to Financial Statements
September 30, 2025 and 2024

Assets Measured at Fair Value on a Recurring Basis at September 30, 2024

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at September 30, 2025 |
|-----------------------------|---|---|--|-------------------------------------|
| Assets | | | | |
| Investments: | | | | |
| U.S. treasury bills | \$ 374,224 | \$ - | \$ - | \$ 374,224 |
| Equities | 8,525,356 | - | - | 8,525,356 |
| Corporate bonds | - | 2,534,313 | - | 2,534,313 |
| Exchange traded funds | 21,041 | - | - | 21,041 |
| Total | <u>\$ 8,920,621</u> | <u>\$ 2,534,313</u> | <u>\$ -</u> | <u>11,454,934</u> |
| Cash and money market funds | | | | 1,619,296 |
| Total investments | | | | <u>\$ 13,074,230</u> |

U.S. treasury bills, equities and exchange traded funds are valued using quoted market prices. Corporate bonds are valued based on CUSIP information available or other inputs that are observable at commonly quoted intervals.

5. Community Foundation Endowment Fund

Certain funds donated by outside donors for the benefit of the Organization (originally for the benefit of Humane Society of Livingston County, which was acquired in 2019) are managed by the Community Foundation for Southeastern Michigan (the Foundation). The Foundation maintains variance power, which, as a result, requires the assets it holds not be recorded as assets of the Organization. The fair market value of these funds is approximately \$206,300 and \$203,900 at September 30, 2025 and 2024, respectively. These funds are not reflected in the financial statements. Earnings are available for distribution to the Organization at the discretion of the Foundation and, therefore, are not reflected as revenue in the financial statements until received by the Organization.

The Foundation also holds and manages funds transferred through a reciprocal transfer directly from the Organization. In accordance with not-for-profit accounting standards, the fair market value of these funds is recorded as an asset by the Organization. The fair market value of these funds reflected in the financial statements is approximately \$28,900 and \$28,600 at September 30, 2025 and 2024, respectively.

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Notes to Financial Statements
September 30, 2025 and 2024

6. Property and Equipment

Property and equipment are summarized as follows:

| | <u>2025</u> | <u>2024</u> |
|---------------------------------|----------------------|----------------------|
| Land | \$ 904,595 | \$ 904,595 |
| Land improvements | 391,658 | 391,658 |
| Buildings | 18,806,665 | 18,806,665 |
| Building improvements | 1,728,464 | 1,633,649 |
| Medical and other equipment | 6,032,222 | 5,975,483 |
| Transportation equipment | 1,320,720 | 1,169,554 |
| Furniture and fixtures | 1,175,795 | 1,254,560 |
| Computer equipment and software | 450,612 | 528,074 |
| Leasehold improvements | 118,781 | 204,939 |
| Construction in progress | 331,732 | 8,942 |
| Total cost | 31,261,244 | 30,878,119 |
| Accumulated depreciation | <u>(15,152,499)</u> | <u>(14,896,655)</u> |
| Total, net | <u>\$ 16,108,745</u> | <u>\$ 15,981,464</u> |

Depreciation expense for the years ended September 30, 2025 and 2024 was \$1,006,164 and \$1,030,091, respectively.

During the fiscal year ended September 30, 2024, the Organization sold two buildings. The Rochester property was sold for \$1,150,000 and resulted in a gain on sale of \$1,077,588. The Howell location was sold for \$1,950,000 and resulted in a gain on sale of \$197,141. The gain on the sale of these properties is included in net gain (loss) on disposal of property and equipment on the statements of activities for the year ended September 30, 2024.

7. Leases

The Organization is obligated under operating leases primarily for office and warehouse space, expiring at various dates through November 2034. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 3.52% to 4.69%. The leases require the Organization to pay taxes, insurance, utilities and maintenance costs.

The Organization leases vehicles and office equipment under long-term lease arrangements that are classified as finance leases. Under the terms of the lease agreements, payments ranging from \$153 to \$1,927 are due monthly through fiscal year 2030. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 1.60% to 8.32%.

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Notes to Financial Statements
September 30, 2025 and 2024

Expenses recognized under these leases for the years ended September 30, 2025 and 2024 consist of the following:

| | 2025 | 2024 |
|--|---------------------|---------------------|
| Right-of-use operating lease assets, net | \$ 2,462,701 | \$ 2,913,817 |
| Right-of-use financing lease assets, net | 669,692 | 302,675 |
| | 2025 | 2024 |
| Current operating lease liabilities | \$ 455,592 | \$ 390,324 |
| Long-term operating lease liabilities | 1,885,810 | 2,341,403 |
| Total operating lease liabilities | <u>\$ 2,341,402</u> | <u>\$ 2,731,727</u> |
| | 2025 | 2024 |
| Current finance lease liabilities | \$ 156,658 | \$ 103,220 |
| Long-term finance lease liabilities | 460,686 | 208,291 |
| Total finance lease liabilities | <u>\$ 617,344</u> | <u>\$ 311,511</u> |
| | 2025 | 2024 |
| Finance lease cost: | | |
| Amortization of right-of-use assets | \$ 119,666 | \$ 147,848 |
| Interest on lease liabilities | 22,231 | 21,150 |
| Operating lease cost | <u>562,367</u> | <u>600,401</u> |
| Total lease cost | <u>\$ 704,264</u> | <u>\$ 769,399</u> |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 501,549 | \$ 431,098 |
| Financing cash flows from finance leases | 119,358 | 150,739 |
| Right-of-use assets obtained in exchange for new finance lease liabilities | 425,191 | 59,101 |
| Right-of-use assets obtained in exchange for new operating lease liabilities | - | 1,867,081 |
| Weighted-average remaining lease term (years), finance leases | 4.7 | 3.6 |
| Weighted-average remaining lease term (years), operating leases | 7.3 | 8.2 |
| Weighted-average discount rate, finance leases | 7.7 % | 6.5 % |
| Weighted-average discount rate, operating leases | 4.4 % | 4.3 % |

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Notes to Financial Statements
September 30, 2025 and 2024

The future minimum lease payments are as follows:

| <u>Years Ending September 30,</u> | <u>Operating Leases</u> | <u>Finance Leases</u> |
|---|-----------------------------|---------------------------|
| 2026 | \$ 550,002 | \$ 197,185 |
| 2027 | 565,344 | 183,991 |
| 2028 | 231,758 | 145,512 |
| 2029 | 219,581 | 110,089 |
| 2030 | 223,609 | 83,344 |
| Thereafter | 975,018 | - |
| Total | 2,765,312 | 720,121 |
| Less amount representing interest | (423,910) | (102,777) |
| Present value of net minimum lease payments | <u>\$ 2,341,402</u> | <u>\$ 617,344</u> |

8. Net Assets With Donor Restrictions

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

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|----------------------|
| Subject to time and purpose restrictions: | | |
| Pledges receivable for pet pantry | \$ 500,000 | \$ 1,000,000 |
| Humane communities initiative | 343,319 | 709,647 |
| Direct care of animals and other | 1,025,605 | 1,417,954 |
| Total subject to time and purpose restrictions | <u>1,868,924</u> | <u>3,127,601</u> |
| Subject to purpose restrictions: | | |
| Direct care of animals | 745,980 | 669,631 |
| Field services | - | 8,335 |
| Other programs | 94,745 | 260,531 |
| Total subject to purpose restrictions | <u>840,725</u> | <u>938,497</u> |
| Subject to time restrictions, other estate receivables | <u>1,284,532</u> | <u>2,308,976</u> |
| Subject to spending policy restrictions and appropriation by the governing body: | | |
| Endowment gifts | 2,615,216 | 2,615,216 |
| Accumulated endowment earnings | 2,805,974 | 2,331,751 |
| Total subject to spending policy and appropriation | <u>5,421,190</u> | <u>4,946,967</u> |
| Total net assets with donor restrictions | <u>\$ 9,415,371</u> | <u>\$ 11,322,041</u> |

9. Donor-Restricted Endowment

The Organization's endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of initial and subsequent gifts donated to the fund and (b) accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. In accordance with 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 purpose 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

**Endowment Net Asset
Composition by Type of Fund
as of September 30**

| | 2025 | 2024 |
|--|--------------|--------------|
| Donor-restricted endowment funds: | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor | \$ 2,615,216 | \$ 2,615,216 |
| Accumulated investment gains | 2,805,974 | 2,331,751 |
| Total | \$ 5,421,190 | \$ 4,946,967 |

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Notes to Financial Statements
September 30, 2025 and 2024

| | Changes in Endowment Net Assets for the Fiscal Year Ended September 30 | |
|---------------------------------|--|---------------------|
| | 2025 | 2024 |
| Endowment Net Assets, Beginning | \$ 4,946,967 | \$ 3,837,752 |
| Investment return, net | <u>474,223</u> | <u>1,109,215</u> |
| Endowment Net Assets, Ending | <u>\$ 5,421,190</u> | <u>\$ 4,946,967</u> |

Funds With Deficiencies

As of September 30, 2025 and 2024, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under the investment policy, approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the market index or blended market index, net of fees selected and agreed upon by the Organization's board that most closely correspond to the style of investment management, while displaying an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified. The Organization expects its endowment funds, over time, to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Distribution Policy and How the Investment Objectives Relate to Distribution Policy

Income available for distribution will be up to 5% of its 12-quarter rolling average fair market value. The income that is not distributed will be reinvested. During the years ended September 30, 2025 and 2024, the Organization did not distribute assets from its endowment fund.

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Notes to Financial Statements
September 30, 2025 and 2024

10. Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of September 30, 2025 and 2024 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date:

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Cash and cash equivalents | \$ 5,139,111 | \$ 5,823,708 |
| Investments | 18,929,961 | 13,074,230 |
| Operational, legacy and bequest, investment-related and other accounts receivable | 1,484,660 | 2,513,648 |
| Pledges receivable, capital campaign and other | <u>1,742,024</u> | <u>2,812,955</u> |
| Financial assets, ending | 27,295,756 | 24,224,541 |
| Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions: | | |
| Pledges receivable, not collectible within one year | 412,000 | 1,432,647 |
| Perpetual endowment fund gifts | 2,615,216 | 2,615,216 |
| Accumulated endowment earnings not yet appropriated | <u>2,805,974</u> | <u>2,331,751</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 21,462,566</u> | <u>\$ 17,844,927</u> |

The Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 180 days of normal operating expenses, which were, on average, approximately \$11.1 million and \$11.2 million for the years ended September 30, 2025 and 2024, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization also has a line of credit, further disclosed in Note 14.

The Organization also realizes there could be unanticipated liquidity needs.

The Organization's endowment funds consist of donor-restricted endowments of \$5,421,190 and \$4,946,967, including \$2,805,974 and \$2,331,751 of unappropriated earnings, at September 30, 2025 and 2024, respectively. Earnings from donor-restricted endowments are not restricted and are available for general expenditure. The endowment distribution policy is described in Note 9.

11. Adoption Center and Charitable Veterinary Hospital Revenue

Adoption center and charitable veterinary hospital revenue for the years ended September 30, 2025 and 2024 is reported net of discounts as follows:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Adoption center and charitable veterinary hospital revenue, gross | \$ 5,240,594 | \$ 4,655,806 |
| Clinic discounts and other | <u>(803,853)</u> | <u>(1,040,260)</u> |
| Total | <u>\$ 4,436,741</u> | <u>\$ 3,615,546</u> |

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Notes to Financial Statements
September 30, 2025 and 2024

Clinic discounts represent services provided for free or at reduced fees, including sterilizations performed for free or below cost, treatment and care provided to animals during their stay at the Organization, treatment of animals postadoption, treatment of animals from cruelty situations and services provided to clients with limited financial capability at reduced prices.

12. Net Investment Return

Net investment return consisted of the following for the years ended September 30, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|-----------------------------------|---------------------|---------------------|
| Interest and dividend income | \$ 624,094 | \$ 503,323 |
| Net realized and unrealized gains | 677,963 | 2,308,716 |
| Investment expenses | <u>(63,324)</u> | <u>(54,114)</u> |
| Total | <u>\$ 1,238,733</u> | <u>\$ 2,757,925</u> |

13. Employee Benefit Plan

The Organization has a 403(b) retirement plan (the Plan). Under the Plan, employees can elect to defer a portion of their compensation. The Organization made matching contributions of approximately \$218,000 and \$210,000 to the Plan for the years ended September 30, 2025 and 2024, respectively.

14. Line of Credit

The Organization has a line of credit agreement with a bank. The Organization has available borrowings of \$3,100,000. Interest is payable monthly at a rate of 2.10% above the Secured Overnight Financing Rate (SOFR) (6.38% and 7.30% at September 30, 2025 and 2024, respectively). The line of credit is collateralized by certain investment accounts. There was no outstanding balance on the line at September 30, 2025 and 2024.

15. Allocation of Joint Costs

The Organization's newsletter and certain event activities include requests for contributions, as well as education and retail components. Total joint costs for these activities were \$715,157 and \$540,614 for the years ended September 30, 2025 and 2024, respectively. These costs are not specifically attributable to fundraising or education activities and were allocated as follows:

| | <u>2025</u> | <u>2024</u> |
|-------------|-------------------|-------------------|
| Fundraising | \$ 314,669 | \$ 237,870 |
| Education | <u>400,488</u> | <u>302,744</u> |
| Total | <u>\$ 715,157</u> | <u>\$ 540,614</u> |

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Notes to Financial Statements
September 30, 2025 and 2024

16. Contributed Nonfinancial Assets

The Organization receives donations of various goods and services. In-kind donations that met the criteria for recording in accordance with accounting principles generally accepted in the United States of America and have been recorded in the statement of activities and changes in net assets by the Organization for the years ended September 30, 2025 and 2024 are as follows:

| | <u>2025</u> | <u>2024</u> |
|-----------------------|---------------------|---------------------|
| Pet food | \$ 5,022,161 | \$ 5,938,757 |
| Pet supplies | 414,835 | 761,119 |
| Professional services | 1,105,836 | 57,440 |
| Other | <u>556,274</u> | <u>123,914</u> |
| Total | <u>\$ 7,099,106</u> | <u>\$ 6,881,230</u> |

Contributed pet food and pet supplies received by the Organization are recorded as in-kind contribution revenue with a corresponding increase to inventory and then expensed once utilized. Pet food and pet supplies were valued using market prices, primarily using methods that include (1) current price located on a publicly available website if the inventory item is a match for the website item when donated and (2) percentage of the price located on a publicly available website if the item donated has been used but the item located online is new. A wholesale percentage discount is also applied. At September 30, 2025 and 2024, there was approximately \$879,559 and \$485,879, respectively, of donated pet supplies and food not yet disbursed to community members and recorded in inventory. Pet food and supplies were used for program purposes, in which they were then donated to community members.

The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation of professional services. Donated professional services consist primarily of consulting, legal and event planning services, which are valued using current rates for similar services. Donated professional services and other supplies were used by the Organization for assistance in operations and fundraising areas.

Other contributed nonfinancial assets primarily represent nonpet food or supply donations and items donated for auction at special events. The Organization recognizes in-kind contribution revenue and a corresponding expense based on the estimated fair value of the items received using published prices for similar items.

The Organization receives volunteer services that are not recordable under generally accepted accounting principles. The value of the volunteer services is not disclosed, since no objective basis is available to measure the value of such services.