

VANDEBURGH HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(With Independent Accountant's Report Thereon)

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INDEPENDENT ACCOUNTANT'S REPORT

Board of Directors
Vanderburgh Humane Society, Inc.

We have reviewed the accompanying financial statements of Vanderburgh Humane Society, Inc. (an Indiana nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Vanderburgh Humane Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Basis for Qualified Conclusion

As disclosed in Note 4 to the financial statements, the Organization has excluded certain beneficial interests in assets held by others in the financial statements due to its inability to obtain fair value information. Accounting principles generally accepted in the United States of America require that such beneficial interests in assets held by others be recorded at fair value at the date of notification of existence. Quantification of the effects on the financial statements of the preceding practice is not practicable.

Qualified Conclusion

Based on our review, except for effect of the matter described in the Basis for Qualified Conclusion paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2023 Financial Statements

The December 31, 2023 financial statements were audited by us, and we expressed a qualified opinion on them in our report dated August 20, 2024, due to excluding certain beneficial interests in assets held by others in the financial statements because of the inability to obtain fair value information. We have not performed any auditing procedures since that date.

Riney Hancock CPAs PSC

Evansville, Indiana

November 14, 2025

VANDEBURGH HUMANE SOCIETY, INC.**STATEMENTS OF FINANCIAL POSITION**

December 31, 2024 (Reviewed) and 2023 (Audited)

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 251,492	\$ 906,701
Contributions receivable	87,917	119,527
Investments	351,193	81,330
Beneficial interest in remainder trust	598,815	-
Operating lease right-to-use assets	41,666	4,053
Other current assets	51,277	45,060
Total current assets	1,382,360	1,156,671
Other assets:		
Property and equipment, net	1,743,327	1,861,115
Beneficial interest in remainder trust	-	531,195
Beneficial interest in perpetual trust	51,804	48,015
Cash surrender value of life insurance	87,509	83,809
Noncurrent operating lease right-to-use assets	77,411	9,152
Total other assets	1,960,051	2,533,286
Total assets	<u>\$ 3,342,411</u>	<u>\$ 3,689,957</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 117,196	\$ 124,886
Accrued expenses	68,524	108,058
Noncurrent lease liabilities	41,666	4,053
Total current liabilities	227,386	236,997
Other liabilities:		
Lease liabilities	77,411	9,152
Long-term debt	150,000	150,000
Total other liabilities	227,411	159,152
Total liabilities	454,797	396,149
Net assets:		
Without donor restrictions	2,236,995	2,714,598
With donor restrictions	650,619	579,210
Total net assets	2,887,614	3,293,808
Total liabilities and net assets	<u>\$ 3,342,411</u>	<u>\$ 3,689,957</u>

See Accountant's Review Report and Notes to Financial Statements.

VANDEBURGH HUMANE SOCIETY, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2024 (Reviewed) and 2023 (Audited)

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions	\$ 1,378,275	\$ -	\$ 1,378,275	\$ 1,480,724	\$ -	\$ 1,480,724
Adoption and surrender fees	287,574	-	287,574	222,232	-	222,232
Spay/neuter clinic fees	492,122	-	492,122	416,343	-	416,343
Thrifty shop	234,163	-	234,163	262,281	-	262,281
River Kitty Cat Café:						
Lounge fees	127,093	-	127,093	85,878	-	85,878
Food and beverage sales	110,175	-	110,175	101,056	-	101,056
Cost of goods sold	(55,568)	-	(55,568)	(52,698)	-	(52,698)
Net sales	54,607	-	54,607	48,358	-	48,358
Merchandise:						
Sales	72,455	-	72,455	74,450	-	74,450
Cost of goods sold	(54,432)	-	(54,432)	(46,318)	-	(46,318)
Net sales	18,023	-	18,023	28,132	-	28,132
Special events:						
Special events revenue	149,692	-	149,692	151,630	-	151,630
Cost of direct benefits to donors	(67,392)	-	(67,392)	(63,321)	-	(63,321)
Net special event revenue	82,300	-	82,300	88,309	-	88,309
Change in value of beneficial interest in assets held by others	-	83,009	83,009	-	54,720	54,720
Investment income	39,456	-	39,456	28,920	-	28,920
Other	36,678	-	36,678	39,669	-	39,669
Net assets released from restrictions	11,600	(11,600)	-	15,172	(15,172)	-
Total revenues and support	2,761,891	71,409	2,833,300	2,716,018	39,548	2,755,566
Expenses:						
Program services:						
Adoption/shelter	1,744,912	-	1,744,912	1,576,055	-	1,576,055
Spay/neuter & medical clinic	602,503	-	602,503	544,583	-	544,583
River Kitty Café	239,615	-	239,615	236,914	-	236,914
Education and other	242,925	-	242,925	206,623	-	206,623
Total program services	2,829,955	-	2,829,955	2,564,175	-	2,564,175
Supporting services:						
General and administrative	234,733	-	234,733	203,153	-	203,153
Fundraising	174,806	-	174,806	207,521	-	207,521
Total supporting services	409,539	-	409,539	410,674	-	410,674
Total expenses	3,239,494	-	3,239,494	2,974,849	-	2,974,849
Change in net assets	(477,603)	71,409	(406,194)	(258,831)	39,548	(219,283)
Net assets, beginning of year	2,714,598	579,210	3,293,808	2,973,429	539,662	3,513,091
Net assets, end of year	\$ 2,236,995	\$ 650,619	\$ 2,887,614	\$ 2,714,598	\$ 579,210	\$ 3,293,808

See Accountant's Review Report and Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2024 (Reviewed) and 2023 (Audited)

	2024							
	Program Services					Supporting Services		
	Adoption/ Shelter	Spay/Neuter & Medical Clinic	River Kitty Cat Café	Education & Other	Total	General & Admin.	Fund- raising	Total
Salaries	\$ 891,986	\$ 300,378	\$ 137,229	\$ 195,169	\$ 1,524,762	\$ 118,593	\$ 50,825	\$ 1,694,180
Employee benefits	85,456	28,778	13,147	18,698	146,079	11,362	4,869	162,310
Payroll taxes	68,240	22,980	10,499	14,931	116,650	9,073	3,888	129,611
Food & litter	57,743	-	-	-	57,743	-	-	57,743
Medical & vet	138,351	176,844	-	-	315,195	-	-	315,195
Advertising	-	-	2,618	-	2,618	15,222	-	17,840
Bank charges	27,596	4,316	7,896	-	39,808	-	-	39,808
Depreciation	122,069	21,228	4,204	3,255	150,756	3,255	6,332	160,343
Direct mail	-	-	-	-	-	-	86,413	86,413
Insurance	43,988	5,033	-	1,308	50,329	1,324	1,324	52,977
Interest	8,206	-	-	-	8,206	-	-	8,206
Maintenance	124,645	14,261	1,336	3,708	143,950	3,476	3,477	150,903
Miscellaneous	3,485	-	-	-	3,485	7,672	-	11,157
Office	-	-	612	-	612	9,309	3,449	13,370
Professional fees	-	-	-	-	-	37,554	-	37,554
Rent & service agreements	-	-	47,613	-	47,613	8,652	-	56,265
Software & subscriptions	6,530	2,513	822	2,612	12,477	3,917	10,788	27,182
Supplies	49,059	12,693	3,442	-	65,194	1,883	-	67,077
Travel & education	8,494	1,000	-	-	9,494	-	-	9,494
Utilities	109,064	12,479	10,197	3,244	134,984	3,441	3,441	141,866
	<u>\$ 1,744,912</u>	<u>\$ 602,503</u>	<u>\$ 239,615</u>	<u>\$ 242,925</u>	<u>\$ 2,829,955</u>	<u>\$ 234,733</u>	<u>\$ 174,806</u>	<u>\$ 3,239,494</u>
	2023							
	Program Services					Supporting Services		
	Adoption/ Shelter	Spay/Neuter & Medical Clinic	River Kitty Cat Café	Education & Other	Total	General & Admin.	Fund- raising	Total
Salaries	\$ 832,133	\$ 280,685	\$ 136,090	\$ 168,695	\$ 1,417,603	\$ 82,202	\$ 51,183	\$ 1,550,988
Employee benefits	73,319	24,731	11,991	14,863	124,904	7,243	4,509	136,656
Payroll taxes	61,214	20,648	10,011	12,409	104,282	6,047	3,765	114,094
Animal supplies	52,431	-	-	-	52,431	-	-	52,431
Medical & vet	138,973	160,372	-	-	299,345	-	-	299,345
Advertising	-	588	2,008	-	2,596	24,635	-	27,231
Bank charges	23,468	3,574	6,315	-	33,357	-	-	33,357
Depreciation	126,155	13,351	4,204	3,266	146,976	3,266	6,343	156,585
Direct mail	-	-	-	-	-	-	100,551	100,551
Insurance	33,736	3,860	-	1,004	38,600	1,016	1,016	40,632
Interest	6,194	-	-	-	6,194	-	-	6,194
Maintenance	93,176	10,661	1,670	2,772	108,279	2,743	2,742	113,764
Miscellaneous	55	-	-	-	55	6,262	-	6,317
Office	-	514	281	-	795	11,942	23,520	36,257
Professional fees	-	-	-	-	-	41,830	-	41,830
Rent & service agreements	-	-	41,376	-	41,376	8,807	-	50,183
Software & subscriptions	1,663	2,494	1,667	665	6,489	997	10,788	18,274
Supplies	26,389	10,543	12,174	0	49,106	3,059	-	52,165
Travel & education	8,005	1,218	-	-	9,223	-	-	9,223
Utilities	99,144	11,344	9,127	2,949	122,564	3,104	3,104	128,772
	<u>\$ 1,576,055</u>	<u>\$ 544,583</u>	<u>\$ 236,914</u>	<u>\$ 206,623</u>	<u>\$ 2,564,175</u>	<u>\$ 203,153</u>	<u>\$ 207,521</u>	<u>\$ 2,974,849</u>

See Accountant's Review Report and Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2024 (Reviewed) and 2023 (Audited)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (406,194)	\$ (219,283)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated investments	-	(81,330)
Realized gain on investments	(23,093)	-
Unrealized loss on investments	2,686	-
Depreciation and amortization	160,343	156,585
Change in beneficial interests in assets held by others	(83,009)	(54,720)
Increase in cash surrender value of life insurance	(3,700)	(3,546)
Decrease (increase) in assets:		
Contributions receivable	31,610	723,570
Prepaid expenses	(6,217)	(2,206)
Increase (decrease) in liabilities:		
Accounts payable	(7,690)	35,344
Accrued expenses	(39,534)	23,836
	<u>(374,798)</u>	<u>578,250</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	79,544	-
Purchases of certificates of deposit	(329,000)	-
Principal payments received from remainder trust	11,600	15,172
Purchases of property and equipment	(42,555)	(91,840)
	<u>(280,411)</u>	<u>(76,668)</u>
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	(655,209)	501,582
Cash and cash equivalents, beginning of year	906,701	405,119
Cash and cash equivalents, end of year	<u>\$ 251,492</u>	<u>\$ 906,701</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 8,206</u>	<u>\$ 7,692</u>

See Accountant's Review Report and Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2024 (Reviewed) and 2023 (Audited)

1. **Organization and Summary of Significant Accounting Policies**

Nature of Organization

Vanderburgh Humane Society, Inc. (VHS) is a not-for-profit organization that was founded in 1957 to provide protection for homeless animals, intervention for animals in abusive environments, and community education to encourage prevention of animal abuse and pet overpopulation in Vanderburgh County, Indiana and the surrounding areas. VHS serves as a surrender and adoption agency for unwanted pets and operates a low-cost spay and neuter clinic, which has prevented hundreds of thousands of unwanted litters and provides medical services to animals. VHS also operates River Kitty Cat Café in downtown Evansville, Indiana. The café maintains a lounge that displays cats available for adoption and allows the public to interact with these cats in addition to selling food and beverages.

Cash, Cash Equivalents, and Restricted Cash

VHS considers all highly liquid investments with an original maturity of less than 90 days to be cash equivalents. Cash and highly liquid financial instruments restricted to long-term purposes are excluded from this definition. Cash that has donor-imposed restrictions limiting its use to long-term purposes is reported as restricted cash in the financial statements. VHS had no restricted cash at December 31, 2024 and 2023.

Contributions Receivable

Contributions receivable consist of unconditional promises to give, including bequests, which are recognized as revenues in the period received. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Management utilizes the allowance method of accounting for uncollectible accounts. The allowance is based on historical collection experience and changes in current economic conditions in the area. Management believes all contributions receivable will be collected in full, therefore no allowance has been recorded.

Investments

Investments are stated at fair value. Investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions. Investment income that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Unrealized gains and losses are included in the change in net assets. Investment income is reported net of investment expenses.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2024 (Reviewed) and 2023 (Audited)

1. Organization and Summary of Significant Accounting Policies, Continued

Beneficial Interests in Assets Held by Others

Beneficial interests in assets held by others are carried at fair market value, if determinable. Assets donated with explicit restrictions regarding their use are reported as restricted support until such restrictions expire. Absent donor stipulations, contributions of beneficial interests in assets held by others are recorded as unrestricted support.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Acquisitions of property and equipment in excess of \$500 and with estimated useful lives in excess of one year are capitalized.

Donated property and equipment are recorded as contributions at their estimated values at the date of receipt. If donors stipulate a time period during which the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Net Assets

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

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. All contributions are considered available for VHS's general programs unless specifically restricted by the donor.

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) 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 acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2024 (Reviewed) and 2023 (Audited)

1. **Organization and Summary of Significant Accounting Policies, Continued**

Revenue and Revenue Recognition

Program service revenues, which include adoption fees, clinic service fees, and sales of medical supplies and merchandise, are recognized as earned when the service is provided or when supplies or merchandise are delivered, and payment is due at that time. VHS also operates a. Revenues from the retail thrift store and café are recognized at the point of sale. Sales taxes collected from customers are excluded from revenue. VHS recognizes special event revenue equal to the fair value of the direct benefit to donors and contribution revenue for the difference when the event takes place.

Contributions

Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, 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 substantially met. Amounts received prior to incurring qualifying expenditures or conditions are reported as deferred revenue in the statement of financial position.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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 restrictions.

In-Kind Contributions

Contributed goods are recorded at fair value at the date of donation. VHS's policy related to in-kind contributions is to utilize the assets given to carry out the Organization's mission. If an asset is provided that does not allow VHS to utilize it in its normal course of business, the asset will be sold at its fair market value. No significant contributions of such assets were received during the years ended December 31, 2024 and 2023.

Volunteers contribute significant amounts of time to VHS; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Advertising

Advertising costs are expensed as incurred.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2024 (Reviewed) and 2023 (Audited)

1. Organization and Summary of Significant Accounting Policies, Continued

Income Taxes

VHS is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities, such as café sales. VHS believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of providing various services and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, benefits, payroll taxes and office expenses have been allocated based on time and effort. Occupancy, insurance, interest, and depreciation expenses have been allocated based on square footage of building.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date were as follows at December 31:

	<u>2024</u>	<u>2023</u>
Cash	\$ 251,492	\$ 906,701
Certificates of deposit	329,123	-
Contributions receivable	87,917	119,527
Other current assets	3,369	4,416
Investments	<u>22,070</u>	<u>81,330</u>
	<u>\$ 693,971</u>	<u>\$ 1,111,974</u>

As part of VHS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, VHS invests cash in excess of daily requirements in short-term investments, including money market accounts and certificates of deposit.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2024 (Reviewed) and 2023 (Audited)

3. Investments

Investments consisted of the following at December 31:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Equity securities	\$ -	\$ -	\$ 16,742	\$ 18,150
Mutual funds	20,866	22,070	60,575	63,180
	<u>\$ 20,866</u>	<u>\$ 22,070</u>	<u>\$ 77,317</u>	<u>\$ 81,330</u>

Investment return consisted of the following for the year ended December 31:

	2024	2023
Interest and dividends	\$ 19,049	\$ 25,214
Realized gains	23,093	-
Unrealized gains (losses)	<u>(2,686)</u>	<u>3,706</u>
Total investment return	<u>\$ 39,456</u>	<u>\$ 28,920</u>

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

4. Beneficial Interests in Assets Held by Others

Beneficial Interest in Trusts

VHS is a beneficiary of a charitable remainder trust administered by a local bank. VHS has the irrevocable right to receive one seventh of the distributable net income until termination of the trust in June 2025, then VHS will receive 15% of principal, without restrictions. The fair market value of this beneficial interest was \$598,815 and \$531,195 at December 31, 2024 and 2023, respectively. Gains of \$79,220 and \$50,678 were included in the change in net assets with donor restrictions for the years ended December 31, 2024 and 2023, respectively. Principal distributions of \$11,600 and \$15,172 were made to VHS during the years ended December 31, 2024 and 2023, respectively.

VHS is a beneficiary of a perpetual trust administered by a local bank. VHS has the irrevocable right to receive one fifty-eighth of the distributable net income in perpetuity, without restrictions. The fair market value of this interest was \$51,804 and \$48,015 at December 31, 2024 and 2023, respectively. Gains of \$3,789 and \$4,042 were included in the change in net assets with donor restrictions for the years ended December 31, 2024 and 2023, respectively.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2024 (Reviewed) and 2023 (Audited)

4. Beneficial Interests in Assets Held by Others, Continued

Other Estates and Charitable Remainder Trusts

VHS is a beneficiary of various other estates and charitable remainder trusts. Due to the difficulty in obtaining current fair value information, VHS has not been able to reasonably value and record its interest in all of these trusts and estates, as required by U. S. generally accepted accounting principles.

5. Fair Value Measurements

Fair value of assets measured on a recurring basis was as follows:

	Quoted Prices for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>December 31, 2024:</u>				
Investments	\$ 22,070	\$ -	\$ -	\$ 22,070
Beneficial interests in assets held by others		598,815	51,804	650,619
Cash surrender value of life insurance		87,509	-	87,509
	<u>\$ 22,070</u>	<u>\$ 686,324</u>	<u>\$ 51,804</u>	<u>\$ 760,198</u>
	Quoted Prices for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>December 31, 2023:</u>				
Investments	\$ 81,330	\$ -	\$ -	\$ 81,330
Beneficial interests in assets held by others		531,195	48,015	579,210
Cash surrender value of life insurance		83,809	-	83,809
	<u>\$ 81,330</u>	<u>\$ 615,004</u>	<u>\$ 48,015</u>	<u>\$ 744,349</u>

Generally accepted accounting principles provide a framework for measuring fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2024 (Reviewed) and 2023 (Audited)

5. Fair Value Measurements, Continued

Level 2: Other observable inputs, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Unobservable inputs supported by little or no market activity which are significant to the fair value of the assets.

The asset'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.

The following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis:

Investments (Mutual funds and equity securities): Valued at closing quoted market prices in the relevant stock exchange on the last day of the year and are classified within Level 1.

Cash surrender value of life insurance: Fair value is determined by the amount that could be realized under the insurance contract and is considered a Level 2 input.

Beneficial interest in remainder trust: Valued at the present value of the future distributions projected to be received, discounted at an appropriate rate and are classified within Level 3.

Beneficial interests in perpetual trusts: Valued at the unadjusted fair value of the assets held in the trust as reported by the trustee. The Organization considers the measurement to be a Level 3 input because they will never receive those assets or have the ability to direct the trustee to redeem them.

There have been no changes to the methodologies used at December 31, 2024 and 2023.

6. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 315,279	\$ 315,279
Buildings and improvements	3,917,713	3,917,713
Equipment	243,028	243,028
Vehicles	118,540	75,985
	<u>4,594,560</u>	<u>4,552,005</u>
Less accumulated depreciation	<u>(2,851,233)</u>	<u>(2,690,890)</u>
Property and equipment, net	<u>\$ 1,743,327</u>	<u>\$ 1,861,115</u>

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2024 (Reviewed) and 2023 (Audited)

7. Long-Term Debt

Long-term debt consisted of a note payable to the Small Business Administration due in May 2050. This note bears interest at 2.75%, has monthly payments of \$641, is secured by all tangible and intangible personal property, and is fully guaranteed by the Federal Government. The outstanding balance was \$150,000 at December 31, 2024 and 2023.

Scheduled long-term debt maturities are as follows for the years ended December 31:

2025	\$	-
2026		4,249
2027		3,731
2028		3,835
2029		3,941
Thereafter		<u>134,244</u>
	\$	<u>150,000</u>

8. Leases

VHS leases equipment and facilities under short-term and long-term operating lease agreements, with remaining lease terms through October 2027. VHS has elected to apply the short-term lease exception to all leases with a term of one year or less. Lease expense is recognized for these leases on a straight-line basis over the lease term. Total rent expense was \$45,151 and \$45,727 for the years ended December 31, 2024 and 2023, respectively.

The weighted average remaining lease term was 2.8 years at December 31, 2024. VHS has elected to use the risk-free rate as the discount rate. The weighted average discount rate was 3.7% at December 31, 2024.

The maturity of operating lease liabilities are as follows for the years ended December 31:

2025	\$	45,151
2026		44,604
2027		<u>34,853</u>
Total lease payments		124,608
Less interest		<u>(5,531)</u>
Present value of lease liabilities	\$	<u>119,077</u>

VHS subleases part of the leased facilities on a month-to-month basis. Total rents received were \$22,550 and \$24,600 for the years ended December 31, 2024 and 2023, respectively.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2024 (Reviewed) and 2023 (Audited)

9. Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows at December 31:

	<u>2024</u>	<u>2023</u>
Subject to the passage of time:		
Beneficial interest in remainder trust	\$ 598,815	\$ 531,195
Assets to be maintained in perpetuity:		
Beneficial interest in perpetual trust	<u>51,804</u>	<u>48,015</u>
	<u>\$ 650,619</u>	<u>\$ 579,210</u>

Net assets released from donor restrictions were principal distributions of the beneficial interest in remainder trust in the amount of \$11,600 and \$15,172 for the years ended December 31, 2024 and 2023, respectively.

10. Concentrations of Credit Risk

Financial instruments that potentially subject VHS to credit risk consist principally of cash in banks, contributions receivable, and investments. Cash in banks may, at times, exceed federal deposit insurance limits. VHS attempts to minimize this risk by using high-credit quality financial institutions. Contributions receivable are periodically reviewed by management for their collectibility and an allowance for doubtful accounts is established, as deemed necessary. Investments are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect reported amounts.

During the year ended December 31, 2023, one bequest accounted for 12% of total revenue.

11. Subsequent Events

VHS has evaluated subsequent events through November 14, 2025, the date the financial statements were available to be issued.