



## **Financial Statements**

**December 31, 2024**

**(with summarized information for December 31, 2023)**



**Wallace Plese + Dreher**

CERTIFIED PUBLIC ACCOUNTANTS + CONSULTANTS

# Yavapai Humane Society

## Contents

December 31, 2024

(with summarized information for December 31, 2023)

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## Independent Auditor's Report

Board of Directors  
Yavapai Humane Society

### ***Opinion***

We have audited the accompanying financial statements of Yavapai Humane Society (an Arizona 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Yavapai Humane Society as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Yavapai Humane Society 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.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibility 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 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 Yavapai Humane Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Yavapai Humane Society's ability to continue as a going concern for a reasonable period of time.

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

***Report on Summarized Comparative Information***

We have previously audited Yavapai Humane Society's December 31, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Wallace, Plese + Dieker, A.C.P.*

Scottsdale, Arizona

January 28, 2026

# Yavapai Humane Society

## Statement of Financial Position

December 31, 2024

(with summarized information for December 31, 2023)

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 903,114	\$ 1,101,663
Certificates of deposit	343,191	158,356
Accounts receivable	7,529	5,855
Other receivables	76,438	103,684
Inventories	29,586	30,530
Prepaid expenses	99,759	102,436
Total current assets	<u>1,459,617</u>	<u>1,502,524</u>
Assets restricted by donors for long-term purposes	1,594,919	534,440
Right-of-use operating lease assets, net	-	29,619
Investments	596,052	668,445
Beneficial interest in assets held at Arizona Community Foundation	2,850,568	2,590,540
Assets held for sale	6,500	-
Property and equipment, net	3,632,765	3,114,616
Security deposits	4,950	4,950
Total assets	<u>\$ 10,145,371</u>	<u>\$ 8,445,134</u>
<b>Liabilities and Net assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 256,029	\$ 167,303
Current portion of operating lease liabilities	-	30,947
Short-term financing obligation	35,943	-
Deferred revenues	3,375	8,520
Total liabilities	<u>295,347</u>	<u>206,770</u>
Commitments ( <i>Note 4</i> )		
Net assets		
Without donor restrictions		
Undesignated	3,391,761	4,027,701
Board designated	3,738,333	3,417,341
Total net assets without donor restrictions	<u>7,130,094</u>	<u>7,445,042</u>
With donor restrictions	<u>2,719,930</u>	<u>793,322</u>
Total net assets	<u>\$ 9,850,024</u>	<u>\$ 8,238,364</u>
	<u>\$ 10,145,371</u>	<u>\$ 8,445,134</u>

See Notes to Financial Statements

# Yavapai Humane Society

## Statement of Activities

Year Ended December 31, 2024

(with summarized information for year ended December 31, 2023)

	Without donor restrictions	With donor restrictions	Total	
			2024	2023
Revenues, support and gains				
Contributions and program grants	\$ 1,948,770	\$ 1,955,757	\$ 3,904,527	\$ 2,056,001
In-kind contributions	35,679	-	35,679	28,620
Community and special event revenue	8,971	-	8,971	15,836
Program revenue				
Lost & found/animal intake	463,637	-	463,637	444,429
Shelter medical center	63,124	-	63,124	33,127
Adoptions center	123,938	-	123,938	129,260
Equine center	10,170	-	10,170	24,896
Thrift store	394,915	-	394,915	415,070
Investment return, net	358,305	-	358,305	337,846
Other income	5,145	-	5,145	4,240
Net assets released from restrictions	29,149	(29,149)	-	-
Total revenues, support and gains	<u>3,441,803</u>	<u>1,926,608</u>	<u>5,368,411</u>	<u>3,489,325</u>
Expenses and losses				
Program services				
Lost & found/animal intake	567,476	-	567,476	303,190
Shelter medical center	606,462	-	606,462	688,528
Adoptions center	1,035,717	-	1,035,717	1,137,536
Equine center	191,990	-	191,990	234,792
	<u>2,401,645</u>	<u>-</u>	<u>2,401,645</u>	<u>2,364,046</u>
Supporting services				
Thrift store	398,906	-	398,906	439,161
Management and general	360,061	-	360,061	273,980
Fund development	456,696	-	456,696	433,543
	<u>3,617,308</u>	<u>-</u>	<u>3,617,308</u>	<u>3,510,730</u>
Loss on disposition of assets	111,526	-	111,526	-
Credit losses	27,917	-	27,917	-
Total expenses and losses	<u>3,756,751</u>	<u>-</u>	<u>3,756,751</u>	<u>3,510,730</u>
Change in net assets	(314,948)	1,926,608	1,611,660	(21,405)
Net assets, beginning of year	<u>7,445,042</u>	<u>793,322</u>	<u>8,238,364</u>	<u>8,259,769</u>
Net assets, end of year	<u>\$ 7,130,094</u>	<u>\$ 2,719,930</u>	<u>\$ 9,850,024</u>	<u>\$ 8,238,364</u>

See Notes to Financial Statements

# Yavapai Humane Society

## Statement of Functional Expenses

Year Ended December 31, 2024

(with summarized information for year ended December 31, 2023)

	Program services					Supporting services			2024 Total expenses	2023 Total expenses
	Lost & found/ animal intake	Shelter medical center	Adoption center	Equine center	Total program services	Thrift store	Management and general	Fund development		
Advertising	\$ 434	\$ 734	\$ 6,303	\$ 400	\$ 7,871	\$ 400	\$ -	\$ 122,969	\$ 131,240	\$ 148,967
Auto expense	-	-	1,621	3,391	5,012	6,149	8,694	607	20,462	35,463
Bank fees	-	-	-	-	-	-	32,051	-	32,051	35,513
Computer & technology	990	3,409	5,629	1,055	11,083	996	6,428	1,199	19,706	13,388
Depreciation	24,109	14,113	58,332	36,113	132,667	53,186	4,819	890	191,562	203,924
Dues, licenses & subscriptions	3,206	9,045	5,699	167	18,117	1,728	12,360	24,993	57,198	32,766
Employee benefits	18,943	13,483	36,362	4,436	73,224	8,655	21,597	9,369	112,845	146,201
Food and beverage costs	-	-	-	-	-	-	-	4,146	4,146	-
Insurance	13,957	19,871	35,229	24,132	93,189	37,456	23,031	3,697	157,373	99,473
Interest expense	115	134	229	163	641	258	28	29	956	-
Municipalities costs	7,653	-	940	-	8,593	-	-	-	8,593	10,742
Occupancy costs	21,986	14,646	28,494	7,783	72,909	23,073	15,947	6,821	118,750	106,097
Office supplies	1,380	693	4,090	75	6,238	220	2,416	2,621	11,495	7,400
Operational & medical supplies	64,002	92,393	125,698	15,953	298,046	6,302	5,170	6,844	316,362	375,959
Other employee costs	3,754	6,103	35,501	1,217	46,575	4,300	2,852	2,377	56,104	30,368
Payroll taxes	26,332	20,669	47,851	6,512	101,364	17,980	12,741	9,485	141,570	129,869
Postage and printing	1,095	339	3,232	49	4,715	434	2,068	126,353	133,570	163,655
Professional fees	-	-	-	2,205	2,205	-	37,222	1,400	40,827	47,466
Rent expense	-	37,482	-	-	37,482	-	5,272	1,580	44,334	59,637
Repairs & maintenance	10,364	5,984	32,924	3,781	53,053	9,496	1,400	-	63,949	65,843
Salaries & wages	333,666	262,560	607,310	82,629	1,286,165	228,273	162,372	120,768	1,797,578	1,722,670
Supplies for special events	-	-	-	-	-	-	-	5,068	5,068	2,285
Veterinary services	35,490	104,804	-	1,667	141,961	-	-	-	141,961	67,439
Other	-	-	273	262	535	-	3,593	5,480	9,608	5,605
	<u>\$ 567,476</u>	<u>\$ 606,462</u>	<u>\$ 1,035,717</u>	<u>\$ 191,990</u>	<u>\$ 2,401,645</u>	<u>\$ 398,906</u>	<u>\$ 360,061</u>	<u>\$ 456,696</u>	<u>\$ 3,617,308</u>	<u>\$ 3,510,730</u>

See Notes to Financial Statements

# Yavapai Humane Society

## Statement of Cash Flows

Year Ended December 31, 2024

(with summarized information for year ended December 31, 2023)

	2024	2023
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,611,660	\$ (21,405)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Credit losses	27,917	-
Change in donated inventory	944	(1,430)
Contributions restricted for long-term purposes	(1,859,072)	-
Amortization of right-of-use assets	29,619	52,879
Change in beneficial interest in assets held by ACF	(236,281)	(246,410)
Net realized and unrealized gain on investments	(13,042)	(41,747)
Accrued interest	(20,835)	(2,188)
Depreciation	191,562	203,924
In-kind donations of property and equipment	(6,500)	-
Loss on disposition of assets	(111,526)	-
Changes in assets and liabilities:		
Accounts receivable	(2,345)	(33,101)
Prepaid expenses	48,392	(73,305)
Security deposits	-	1,750
Accounts payable and accrued expenses	88,726	(61,364)
Operating lease liabilities	(30,947)	(52,924)
Deferred revenues	(5,145)	(4,240)
Net cash used in operating activities	<u>(286,873)</u>	<u>(279,561)</u>
<b>Cash flows from investing activities</b>		
Purchases of certificates of deposits	(2,320,000)	(156,000)
Proceeds from maturity of certificates of deposit	1,406,000	152,000
Purchase of beneficial interest in assets held by ACF, net of fees	(23,747)	(22,803)
Proceeds from beneficial interest in assets held by ACF	-	9,900
Purchase of investments, net of fees	(1,004,741)	(174,205)
Proceeds from sale of investments	350,000	1,199
Purchases of property and equipment	<u>(598,185)</u>	<u>(47,045)</u>
Net cash used in investing activities	<u>(2,190,673)</u>	<u>(236,954)</u>
<b>Cash flows from financing activities</b>		
Contributions restricted for long-term purposes	1,859,072	-
Payments made on short-term financing obligation	<u>(9,772)</u>	<u>-</u>
Net cash provided by financing activities	<u>1,849,300</u>	<u>-</u>
Net decrease in cash and cash equivalents	(628,246)	(516,515)
Cash and cash equivalents, beginning of year	<u>1,636,103</u>	<u>2,152,618</u>
Cash and cash equivalents, end of year	<u>\$ 1,007,857</u>	<u>\$ 1,636,103</u>

Continued

# Yavapai Humane Society

## Statement of Cash Flows(Continued)

Year Ended December 31, 2024

(with summarized information for year ended December 31, 2023)

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	<u>2024</u>	<u>2023</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 956</u>	<u>\$ -</u>
Non-cash investing and financing activities		
Prepaid expenses obtained through short-term financing	<u>\$ 45,715</u>	<u>\$ -</u>

See Notes to Financial Statements

# Yavapai Humane Society

## Notes to Financial Statements

December 31, 2024

(with summarized information for December 31, 2023)

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### Note 1 – Nature of Operations and Significant Accounting Policies

#### Nature of operations:

Yavapai Humane Society (an Arizona nonprofit organization) is located in Prescott, Arizona, and was incorporated on April 3, 1972. For more than 50 years, Yavapai Humane Society has been advocating for the care and re-homing of cats, dogs and horses. It is instilled in the Lost & Found department that strives to reunite all stray pets with their owners. It is cultivated the moment someone adopts a cat, dog or horse. It flourishes through the sales earned at the Thrift Store. It is implemented in the Shelter Medical Clinic. It is harbored at the Equine Center where the bond between animal and human is defined. Yavapai Humane Society fiercely protects the belief that animals are extraordinarily special and will continue to do so for millennia to come. The mission of Yavapai Humane Society is to promote and protect the health, safety and welfare of companion animals.

Major sources of revenue include contributions from the general public, grants, adoption fees from the adoption and equine centers, revenues from clinic operations for the medical care of animals, fees from municipalities for providing sheltering services, contractual fees for caring for lost and found animals, and revenue from the operation of the thrift store.

In 2025, the Organization's management and board of directors elected to close the Equine Center.

#### A summary of significant accounting policies follows:

##### Basis of presentation:

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP), as found in the Accounting Standards Codification (ASC) issued by the Financial Accounting Standards Board (FASB), which requires the Organization to report information regarding financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets/liabilities are reported as increases/decreases in net assets without donor restrictions unless their use is restricted explicitly by donor stipulation or by law.

##### Summarized comparative information:

The financial statements include certain summarized comparative information for the year ended December 31, 2023, in total, but not by net asset class and separate categories of expenses by program or supporting function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2023, from which the summarized information has been derived.

##### Reclassification:

Certain amounts in 2023 were reclassified to conform with the 2024 presentation. There were no changes to net assets or changes in net assets.

# Yavapai Humane Society

## Notes to Financial Statements

December 31, 2024

(with summarized information for December 31, 2023)

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### Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

#### Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP 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 period. Actual results could differ from those estimates.

#### Cash and cash equivalents:

The Organization considers all highly liquid instruments with an original maturity of three months or less, or readily convertible to known amounts of cash, to be cash equivalents.

The Organization maintains its cash in bank accounts with financial institutions which at times may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At December 31, 2024 and 2023, the Organization had approximately \$500,000 and \$1,130,000, respectively, of cash and cash equivalents in excess of FDIC-insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statement of cash flows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 903,114	\$ 1,101,663
Cash and cash equivalents donor-restricted for long-term purposes	<u>104,743</u>	<u>534,440</u>
	<u>\$ 1,007,857</u>	<u>\$ 1,636,103</u>

#### Certificates of deposit:

Certificates of deposit have original maturities of greater than three months and remaining maturities of less than one year and are recorded at cost plus accrued interest.

#### Accounts receivable:

Accounts receivable consist of non-interest bearing amounts due for program services, and are carried at original invoice amount less an allowance for credit losses. Accounts receivable are typically due within 30 to 60 days of invoicing. Credit is granted on terms agreed upon for individual customers. Management determines the allowance for credit losses by evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic condition. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

The allowance for credit losses is the Organization's best estimate of the amount of probable credit losses in the Organization's existing accounts receivable and is based upon evaluating current economic conditions, historical loss patterns, the number of days that billings are past due, the financial stability of its customers, and an evaluation of the potential risk of loss associated with specific accounts. At December 31, 2024 and 2023, management determined that no allowance for credit losses is necessary.

Estimating credit losses based on risk characteristics requires significant judgment by the Organization. Significant judgments include, but are not limited to, assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the Organization's financial assets, the estimated life of financial assets, and the level of reliance on historical experience in light of economic conditions.

# Yavapai Humane Society

## Notes to Financial Statements

December 31, 2024

(with summarized information for December 31, 2023)

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### Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

#### Accounts receivable (continued):

The Organization reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business, and the estimated life of its financial assets.

There were no outstanding accounts receivable as of January 1, 2023.

#### Other receivables:

Other receivables consist primarily of refunds due from the Internal Revenue Service (IRS) for taxes withheld from contributions.

#### Inventories:

Inventory consists primarily of donated used clothing, furniture, and other thrift shop items. Items are valued by using estimates, averages, and computational approximations, which are believed to approximate the fair value of the contributed inventory. Donated inventory is reported at the lower of donated value and realizable value.

#### Prepaid expenses:

Prepaid expenses consist of insurance premiums paid in advance and program supplies. Prepaid expenses are recognized as expense either ratably over the term of the agreement or when supplies are used.

#### Assets restricted by donors for long-term purposes:

The Organization has separated certain assets due to donor restrictions for capital expenditures. Assets restricted by donors for long-term purposes consisted of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 104,743	\$ 534,440
Certificates of deposit	750,000	-
Investments	<u>740,176</u>	<u>-</u>
	<u>\$ 1,594,919</u>	<u>\$ 534,440</u>

#### Investments:

Investments are valued at fair value. Fair values are based on quoted market prices. Unrealized gains and losses are included in investment return, along with interest and dividends, in the statement of activities. Investment return is presented net of investment fees.

Investment securities are exposed to various risks, such as interest rate, market fluctuation, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statements of financial position and statements of activities. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

#### Beneficial interest in assets held at Arizona Community Foundation:

The Organization has established two board-designated funds (Funds) exclusively for its benefit. The Funds are held at Arizona Community Foundation (ACF) and invested in ACF's investment pools. The Funds are valued at the fair value of the Organization's share of ACF's investment pools as of the measurement date.

# Yavapai Humane Society

## Notes to Financial Statements

December 31, 2024

(with summarized information for December 31, 2023)

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### Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

#### Beneficial interest in assets held at Arizona Community Foundation (continued):

ACF values securities and other financial instruments on a fair value basis of accounting using the fair value of the underlying assets. Changes in the value of the pooled funds are reported as investment return (loss), net in the statement of activities.

ACF implements an investment strategy for the pooled funds that contain equity, fixed income and opportunistic investments. Such investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risks associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such change could materially affect investment balances and the amounts reported in the statements of activities.

#### Property and equipment:

Acquisitions of property and equipment in excess of \$2,500 are capitalized. If purchased, items are capitalized at cost, and if donated, they are capitalized at their estimated fair market value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions until the assets are placed in service. Leasehold improvements are amortized over the shorter of their estimated lives or the lease term, including expected renewals. Amortization is included with depreciation expense.

Major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5-39
Equipment	3-15
Software	3
Vehicles	5-7

#### Impairment of long-lived assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows to be expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Organization believes that no long-lived assets have any impairment of value.

#### Compensated absences:

Employees earn paid vacation days depending on job classification, length of service and other factors. The Organization records a liability for the estimated amount of compensation for future absences and is included in accounts payable and accrued expenses on the accompanying statement of financial position.

#### Short-term financing obligation:

The Organization entered into a short-term financing agreement to fund the premium on an insurance policy.

# Yavapai Humane Society

## Notes to Financial Statements

December 31, 2024

(with summarized information for December 31, 2023)

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### Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

#### Leases:

The Organization accounts for leases in accordance with ASC 842. At the inception of a contract, the Organization assesses whether the contract is or contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Operating leases are reported on the statement of financial position as right-of-use (ROU) operating lease assets, net and operating lease liabilities. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from a lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the expected lease term. Leases might include a combination of fixed and variable payments. Fixed payments are generally included in measuring ROU assets and lease liabilities. Variable payments that depend on usage or the Organization's performance are excluded from such measurements and expensed as incurred.

The Organization has elected to use the risk-free discount rate for all leases unless the discount rate implicit in the lease agreement is readily determinable or stated, and to exclude non-lease components (such as maintenance and other costs) from their associated lease components for all leases. Additionally, the Organization has elected not to recognize assets and liabilities for short-term leases (12 months or less), expensing lease payments on a straight-line basis over their term.

#### Contributions:

The Organization recognizes contributions when cash, securities, or other assets, unconditional promises to give, or notifications of a beneficial interest are received. Unconditional contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Gifts of cash and other assets are reported with donor-restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a 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 restrictions.

During the year ended December 31, 2024, one donor accounted for 35.4% of total revenue. No donor concentrations were noted for the year ended December 31, 2023.

#### In-kind contributions:

Donations of property and equipment and materials are recorded as support at their estimated fair value at the date of donation. Contributions of services are recorded at their estimated fair value if they (a) create or enhance nonfinancial assets or (b) require specialized skills that the Organization would normally purchase if not provided by donation. Contributed goods are recorded at fair value at the date of donation. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in fulfilling its mission, but these services do not meet the criteria for recognition by U.S. GAAP. The Organization receives a significant number of volunteer hours per year.

#### Revenue recognition of exchange transactions:

Revenue from exchange transactions is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

Revenue from adoption fees from the shelter and equine center is recognized at a point in time when the animal is transferred to a new home. Revenues from clinic operations for the care of animals and fees from municipalities for providing sheltering services and licenses are recognized at a point in time when services are provided.

# Yavapai Humane Society

## Notes to Financial Statements

December 31, 2024

(with summarized information for December 31, 2023)

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### Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

#### Revenue recognition of exchange transactions (continued):

Thrift store revenues consist of the sale of donated goods at a specific point in time, at which the performance obligation for each individual item sold is met. Store merchandise is priced in accordance with thrift guidelines for used goods. In-store discounts are given from time to time. All sales are final.

The Organization recognizes revenue from community event registration fees at the time of admission. The Organization records special event revenue equal to the cost of direct benefits to donors, and contribution revenue for the excess received when the community and special events take place. All amounts received prior to the commencement of an event are deferred until the event takes place.

The Organization also receives contractual fees from local municipalities for the maintenance and operation of animal shelter facilities that provides care for lost and found animals. Per the terms of the agreements, the annual fees for providing such services are received in equal monthly installments throughout the year. Because services are provided on a continual basis over a period of time, revenue is recognized ratably over the life of the contracts. During the years ended December 31, 2024 and 2023, revenue from contracts with local municipalities accounted for 7.7% and 10.4% of revenues, support and gains, respectively. Although the contract terms extend beyond December 31, 2024, the contracts can be terminated or amended by either party with advance written notice.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected most significantly by geographical area, as the Organization operates in Arizona, and continued contracts with governmental agencies to provide services. The Organization considered several factors in determining that control transfers to the customer when the product is delivered or the event is held. These factors include the legal title transfers to the customer, the Organization has a right to payment, and the customer has assumed the risks and rewards of ownership at the time of delivery.

The following reconciles net revenues by the timing of revenue recognition during the years ended December 31:

	<u>2024</u>	<u>2023</u>
Revenue recognized at a point in time	\$ 659,483	\$ 701,262
Revenue recognized over time	<u>405,272</u>	<u>361,356</u>
	<u>\$ 1,064,755</u>	<u>\$ 1,062,618</u>

#### Functional expenses:

Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, computer and technology, insurance, repairs and maintenance, and occupancy costs, which are allocated based on property and equipment usage by department. Salaries and wages and related costs, such as employee benefits and payroll taxes, are allocated on the basis of estimates of time and effort. Supporting service expenses include both directly identifiable and allocated expenses not easily identifiable with specific program operations but related to the overall support and management of the Organization. Other costs are allocated based on management's estimate of use in each functional area.

#### Advertising:

Advertising costs are charged to expense when incurred.

# Yavapai Humane Society

## Notes to Financial Statements

December 31, 2024

(with summarized information for December 31, 2023)

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### Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

#### Income taxes:

The Organization qualifies as tax exempt under Section 501(c)(3) of the Internal Revenue Code (the Code), and accordingly, there is no provision for federal or state corporate income taxes in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Revenue determined to be unrelated business taxable income (UBTI) would be taxable. If assessed, the Organization would classify any interest and penalties recognized associated with a tax position as additional income taxes in the statements of activities.

#### Subsequent events:

Management has evaluated subsequent events through January 28, 2026, which is the date the financial statements were available to be issued.

### Note 2 – Investments

Investments consist of the following as of December 31, 2024:

	<u>Without Donor Restrictions</u>		With Donor <u>Restrictions</u>	<u>Total</u>
	<u>Undesignated</u>	Board <u>Designated</u>		
Cash and cash equivalents	\$ -	\$ 32,311	\$ -	\$ 32,311
Mutual funds and money market funds	41,092	1,361	740,176	872,639
Exchange-traded funds	-	521,288	-	521,288
Total investments	<u>\$ 41,092</u>	<u>\$ 554,960</u>	<u>\$ 740,176</u>	<u>\$ 1,336,228</u>

Investments consist of the following as of December 31, 2023:

	<u>Board Designated</u>
Cash and cash equivalents	\$ 183,150
Exchange-traded funds	<u>485,295</u>
Total investments	<u>\$ 668,445</u>

Investments with donor restrictions are included in assets restricted by donors for long-term purposes on the statement of financial position. All board-designated investments are also being held for long-term use.

### Note 3 – Beneficial Interest in Assets Held at Arizona Community Foundation

Interests in Arizona Community Foundation (ACF) investment pools represent assets transferred by the Organization to ACF, which holds and administers the assets as agency funds (Funds) for the benefit of the Organization. ACF is granted variance power in the event that a restriction or condition of a Fund is incapable of fulfillment. Per the terms of the agreement with the Organization, in such a situation, ACF may make grants from the Funds to such organizations that most nearly serve the purposes and objectives for which the Funds were established. ACF shall hold, manage, invest, and reinvest the Funds and pay and disburse agreed upon distributions. The Funds are subject to ACF's investment and spending policies. A portion of the earned income can be distributed in set annual payments or reinvested subject to the Organization's Board of Director's approval and subject to the Organization advising that the distribution be made in accordance with the provisions of the respective funding agreements. The interests in ACF investment pools are all Board designated.

# Yavapai Humane Society

## Notes to Financial Statements

December 31, 2024

(with summarized information for December 31, 2023)

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### Note 4 – Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 128,383	\$ 128,383
Buildings and improvements	3,902,054	3,864,225
Equipment	292,243	449,897
Leasehold improvements	-	190,195
Software	32,077	27,754
Vehicles	228,245	228,245
Construction in progress	<u>930,760</u>	<u>156,800</u>
	5,513,762	5,045,499
Less accumulated depreciation	<u>1,880,997</u>	<u>1,930,883</u>
	<u>\$ 3,632,765</u>	<u>\$ 3,114,616</u>

The lease associated with leasehold improvements expired in October 2024, and all remaining unamortized leasehold improvements were amortized at that time.

Construction in progress is primarily for the Serenity House, a facility designed to provide pet parents with a peaceful and dignified euthanasia option in a homestyle setting when it comes time to help their beloved dogs and cats cross the rainbow bridge. Construction on the Serenity House was completed in 2025. As of December 31, 2024, construction commitments of approximately \$80,000 on the Serenity House remained open.

### Note 5 – Net Assets

The Organization's Board of Directors has chosen to place the following limitations on net assets without donor restrictions at December 31:

	<u>2024</u>	<u>2023</u>
Board designated general funds	\$ 1,149,897	\$ 1,064,584
Board designated operating reserve	<u>2,588,436</u>	<u>2,352,757</u>
	<u>\$ 3,738,333</u>	<u>\$ 3,417,341</u>

Net assets with donor restrictions were restricted for the following purposes at December 31:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Capital projects:		
Capital improvement projects	\$ 24,633	\$ 24,633
Serenity House	<u>2,526,737</u>	<u>667,665</u>
	2,551,370	692,298

# Yavapai Humane Society

## Notes to Financial Statements

December 31, 2024

(with summarized information for December 31, 2023)

### Note 5 – Net Assets (Continued)

	<u>2024</u>	<u>2023</u>
Other programs and projects:		
Low-cost spay/neuter programs	\$ 27,855	\$ 20,355
Trap-Neuter-Return feral cat program (TNR)	535	535
Cattery/cat care	2,712	2,712
Temporary boarding assistance (Safety Net)	12,348	2,348
Special Treatment And Recovery (STAR)	18,826	17,826
Low cost medical surgeries (Second Chance)	85,439	33,032
Mobile vaccine clinics	8,500	8,500
Care of small dogs	-	2,571
Equine center landscaping	-	<u>800</u>
Total subject to expenditure for a specified purpose	2,707,585	780,977
Land subject to be held in perpetuity	<u>12,345</u>	<u>12,345</u>
	<u>\$ 2,719,930</u>	<u>\$ 793,322</u>

The Organization was deeded a parcel of land from the City of Prescott in 1976. Under conditions of the deed, the land must be used for a nonprofit animal hospital and/or shelter, and upon demise or termination of the Organization, the land will revert to the City of Prescott. The land is included in property and equipment – land and in net assets with donor restrictions.

### Note 6 – Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, 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 under FASB ASC 820 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 other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's 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.

# Yavapai Humane Society

## Notes to Financial Statements

December 31, 2024

(with summarized information for December 31, 2023)

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### Note 6 – Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023:

*Cash and cash equivalents:* Investments in cash and cash equivalents are valued based on cost, which approximates fair value in a non-inflationary economy and is protected by the FDIC.

*Mutual funds and money market funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds and money market funds held by the Organization are deemed to be actively traded.

*Exchange-traded funds:* Valued at the daily closing price as reported by the fund. Exchange-traded funds (ETFs) are pooled securities that are registered with the Securities and Exchange Commission and are purchased and sold on a stock exchange. The ETFs held by the Organization are deemed to be actively traded.

*Beneficial interest in assets held by ACF:* Valued at the Net Asset Value (NAV) of investments held in the pool at year-end as determined by ACF. NAV is a readily determinable fair value and is the basis for current transactions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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 financial instruments could result in a different fair value measurement as of the statement financial position date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 32,311	\$ -	\$ -	\$ 32,311
Mutual funds and money market funds	782,629	-	-	782,629
Exchange-traded funds	521,287	-	-	521,287
Beneficial interest in assets held by ACF	-	2,850,569	-	2,850,569
Total assets at fair value	<u>\$ 1,336,227</u>	<u>\$ 2,850,569</u>	<u>\$ -</u>	<u>\$ 4,186,796</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 183,150	\$ -	\$ -	\$ 183,150
Exchange-traded funds	482,295	-	-	482,295
Beneficial interest in assets held by ACF	-	2,590,540	-	2,590,540
Total assets at fair value	<u>\$ 668,445</u>	<u>\$ 2,590,540</u>	<u>\$ -</u>	<u>\$ 3,258,985</u>

# Yavapai Humane Society

## Notes to Financial Statements

December 31, 2024

(with summarized information for December 31, 2023)

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### Note 7 – Information Regarding Liquidity and Availability

The Organization manages its liquidity by developing and adopting an annual operating budget that provides sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored monthly in comparison to the budgets. Adjustments are made as needed to ensure adequate liquidity.

In addition to financial assets available to meet general expenditures over the next 12 months, management anticipates the Organization will collect sufficient revenue to cover general expenditures. In the event the need arises to utilize the board designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

The following table reflects the Organization's financial assets reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of board designations and donor restrictions as of December 31:

	<u>2024</u>	<u>2023</u>
Total financial assets	\$ 6,371,811	\$ 5,162,983
Designated by board for specified purposes	(3,738,333)	(3,417,341)
Restricted by donors for specified purposes, net of amounts expended for capital projects	<u>(1,773,267)</u>	<u>(623,119)</u>
Undesignated financial assets available to meet cash needs for general expenditures within one year	<u>\$ 860,211</u>	<u>\$ 1,122,523</u>

### Note 8 – Operating Leases

The Organization leased various real estate from third-parties under long-term operating lease agreements of various terms through October 2024. These lease agreements did not contain any material residual value guarantees or material restrictive covenants. The real estate lease that expired in October 2024 was not renewed.

ROU operating lease assets, net, consisted of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Real estate, gross	\$ -	\$ 99,752
Less accumulated amortization	<u>-</u>	<u>70,133</u>
ROU assets, net	<u>\$ -</u>	<u>\$ 29,619</u>

Lease expense consisted of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ 29,727	\$ 53,359
Short-term lease expense	<u>13,027</u>	<u>3,634</u>
Lease expense	<u>\$ 42,754</u>	<u>\$ 56,993</u>

# Yavapai Humane Society

## Notes to Financial Statements

December 31, 2024

(with summarized information for December 31, 2023)

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### Note 8 – Operating Leases (Continued)

In addition, the Organization rented venues and equipment with terms of less than 30 days for special and community events that were held during 2024 and 2023. Short-term rental expense related to special and community events totaled \$1,580 and \$2,644, respectively, for the years ended December 31, 2024 and 2023. During the years ended December 31, 2024 and 2023, cash paid for amounts included in measurement of operating lease liabilities totaled \$31,055 and \$53,404, respectively.

Other lease information as of or for the year ended December 31, 2023:

Weighted-average remaining lease term	0.84 years
Weighted-average discount rate	0.93%

### Note 9 – In-Kind Donations

The Organization received donated goods used in program services as follows during the years ended December 31:

	<u>2024</u>	<u>2023</u>
Animal food	\$ 9,955	\$ 10,017
Program supplies	19,224	18,603
Property and equipment, held for sale	<u>6,500</u>	<u>-</u>
	<u>\$ 35,679</u>	<u>\$ 28,620</u>

Donated goods are valued based on estimates of wholesale values that would be received for selling similar products in Arizona. All donated animal food and program supplies were retained and used in program and supporting services during the year. The property and equipment that was held for sale as of December 31, 2024, was sold in February 2025 to an employee. There were no donor-imposed restrictions associated with donated goods and services.

### Note 10 – Related Party Transactions

An employee of YHS serves as the executor of an estate that is a major donor. During the year ended December 31, 2024, the Organization received approximately \$1,860,000 of contributions from the estate. The estate has not yet been fully settled, and it is possible that the Organization will receive additional amounts in the future. However, because the actual amounts of any future donations are not reasonably estimable, no revenue for the future donations has been recognized, and no receivables have been recorded as of December 31, 2024.

### Note 11 – Retirement Plan

The Organization maintains a Savings Incentive Match Plan for Employees (SIMPLE), whereby eligible employees may elect to contribute a portion of their gross wages in any year they receive or are expected to receive more than \$5,000 in compensation, up to the amount allowed by the IRS. The Organization makes a contribution of up to 3% of electing employees' deferrals based on the discretion of management and the board of directors.

The amount of employer contribution expense for the years ended December 31, 2024 and 2023, was \$19,716 and \$29,264, respectively, and is included in employee benefits expense on the statement of functional expenses.