

Humane Society of the Treasure Coast, Inc.

FINANCIAL STATEMENTS

September 30, 2024

Humane Society of the Treasure Coast, Inc.

FINANCIAL STATEMENTS

September 30, 2024

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Berger, Toombs, Elam, Gaines & Frank

Certified Public Accountants PL

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Report of Independent Auditors

To the Board of Directors
Humane Society of the Treasure Coast, Inc.
Palm City, Florida

Opinion

We have audited the accompanying financial statements of the Humane Society of the Treasure Coast, Inc. (the "Society"), a non-profit organization, which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, cash flows and functional expenses for the year then ended and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Humane Society of the Treasure Coast, Inc. as of September 30, 2024, and the changes in net assets and 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Humane Society of the Treasure Coast, Inc. 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 the Humane Society of the Treasure Coast, Inc.'s ability to continue as a going concern for one year beyond the financial statement date, including currently known information that may raise substantial doubt thereafter.



Berger, Toombs, Elam,
Gaines & Frank
Certified Public Accountants PL

To the Board of Directors
Humane Society of the Treasure Coast, Inc

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Stuart, Florida

June 20, 2025

Humane Society of the Treasure Coast, Inc.
STATEMENT OF FINANCIAL POSITION
September 30, 2024

Assets	2024
Current assets	
Cash and cash equivalents	\$ 2,029,943
Contract support receivable	79,271
Bequest receivable, net of present value discount of \$1,766	42,021
Lease receivable	2,764
Prepaid expenses	92,063
Total current assets	<u>2,246,062</u>
Property and equipment	
Right-of-use asset - Property, net of accumulated amortization of \$101,744	1,152,899
Property and equipment at cost, net of accumulated depreciation of \$3,453,846	<u>3,538,997</u>
Other assets	
Investments	4,322,458
Bequest receivable, net of present value discount of \$390,677	441,282
Lease receivable	317,899
Land held for investment	189,720
Deposits	<u>15,998</u>
Total assets	<u><u>\$ 12,225,315</u></u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 102,963
Deferred revenues	16,172
Deferred rent revenues	7,241
Lease payable	231,779
Accrued expenses	74,078
Total current liabilities	<u>432,233</u>
Non current liabilities	
Lease payable	940,307
Deferred rent revenue	300,482
Total non current liabilities	<u>1,240,789</u>
Total liabilities	<u>1,673,022</u>
Net Assets	
With donor restrictions	1,875,016
Without donor restrictions	8,677,277
Total net assets	<u>10,552,293</u>
Total liabilities and net assets	<u><u>\$ 12,225,315</u></u>

The accompanying notes are an integral part of these financial statements.

Humane Society of the Treasure Coast, Inc.
STATEMENT OF ACTIVITIES
For the year ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	2024
Support and Revenues			
Contributions	\$ 1,322,543	\$ 333,237	\$ 1,655,780
Contracts	785,807	69,744	855,551
Program fees	531,262	-	531,262
Thrift Shop sales	1,211,006	-	1,211,006
Less direct costs	(985,374)	-	(985,374)
Special Events income	350,695	61,946	412,641
Less direct costs	(145,763)	-	(145,763)
Pet boutique	385	-	385
Investment Income	333,050	661,651	994,701
Rental income	8,336	-	8,336
Total net support and revenues	<u>3,411,947</u>	<u>1,126,578</u>	<u>4,538,525</u>
Net Assets Released From Restrictions			
Satisfaction of program restrictions	<u>1,003,597</u>	<u>(1,003,597)</u>	<u>-</u>
Total support and revenues	<u>4,415,544</u>	<u>122,981</u>	<u>4,538,525</u>
Expenses			
Program Services	3,501,465	-	3,501,465
Support services:			
General and administrative expenses	263,766	-	263,766
Fundraising	410,781	-	410,781
Total support services	<u>674,547</u>	<u>-</u>	<u>674,547</u>
Total expenses	4,176,012	-	4,176,012
Change in net assets	<u>239,532</u>	<u>122,981</u>	<u>362,513</u>
Net assets at beginning of year	<u>8,437,745</u>	<u>1,752,035</u>	<u>10,189,780</u>
Net assets at end of year	<u><u>\$ 8,677,277</u></u>	<u><u>\$ 1,875,016</u></u>	<u><u>\$ 10,552,293</u></u>

Humane Society of the Treasure Coast, Inc.
STATEMENT OF CASH FLOWS
For the year ended September 30, 2024

	<u>2024</u>
Cash Flows From Operating Activities	
Change in net assets	\$ 362,513
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	480,841
Unrealized/realized gain on investments	(560,396)
Unrealized gain on bequest trust	(109,071)
(Increase) decrease in assets:	
Accounts receivable	218
Lease receivable	2,650
Prepaid expenses	(27,611)
Deposits	(2,179)
Increase (decrease) in liabilities:	
Deferred revenues	1,403
Deferred rent revenues	(7,241)
Accounts payable and accrued expenses	(42,668)
Net cash provided by operating activities	<u>98,459</u>
Cash Flows From Investing Activities	
Purchases of investments	(4,142,676)
Proceeds from sales of Investments	3,491,218
Building and equipment purchases	(304,927)
Net cash used in investing activities	<u>(956,385)</u>
Cash Flows From Financing Activities	
Principal payments on lease payable	<u>(282,886)</u>
Net decrease in Cash and Cash Equivalents	(1,140,812)
Cash at beginning of year	<u>3,170,755</u>
Cash at end of year	<u><u>\$ 2,029,943</u></u>

Humane Society of the Treasure Coast, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2024

	SUPPORT SERVICES				
	Program Services	General and Administrative	Fundraising & Development	Total Support Services	2024
Salaries	\$ 1,948,176	\$ 141,284	\$ 134,889	\$ 276,173	\$ 2,224,349
Payroll taxes	197,730	14,238	12,079	26,317	224,047
Employee benefits	220,187	16,654	15,816	32,470	252,657
Total salaries and related expenses	2,366,093	172,175	162,785	334,960	2,701,053
Depreciation	152,635	19,585	19,585	39,170	191,805
Medical and surgical supplies	206,387	-	-	-	206,387
Non-medical pet supplies	66,069	-	-	-	66,069
Occupancy	153,689	17,765	6,193	23,958	177,647
Flea & Heartworm	37,042	-	-	-	37,042
Mail campaigns	-	-	149,513	149,513	149,513
Software and equipment	20,160	3,908	1,987	5,895	26,055
Network and website	20,675	4,463	4,616	9,079	29,754
Insurance	116,293	25,935	7,564	33,499	149,792
Animal feed	49,329	-	-	-	49,329
Repairs and maintenance	34,007	6,067	370	6,437	40,444
Fundraising Events - General	447	-	13,794	13,794	14,241
Public Relations	28,868	-	1,696	1,696	30,564
Travel	4,152	-	-	-	4,152
Merchant and bank fees	48,303	-	8,054	8,054	56,357
Cremations and burials	14,695	-	-	-	14,695
Publication - Wagging Tales	-	-	12,378	12,378	12,378
Program expense	35,673	-	443	443	36,116
Professional fees	65,309	-	2,177	2,177	67,486
Staff expenses	46,782	10,022	2,536	12,558	59,340
Humane education and memorial garden	3,598	-	294	294	3,892
Office supplies, postage, copying, printing	5,728	1,134	3,144	4,278	10,006
Advertising and marketing	4,682	-	13,021	13,021	17,703
Training and meetings	13,221	1,551	-	1,551	14,772
Licenses, subscriptions & dues	5,948	1,161	631	1,792	7,740
Misc Expenses	1,680	-	-	-	1,680
Total expenses	<u>\$ 3,501,465</u>	<u>\$ 263,766</u>	<u>\$ 410,781</u>	<u>\$ 674,547</u>	<u>\$ 4,176,012</u>

**Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE A – DESCRIPTION OF ORGANIZATION

Humane Society of the Treasure Coast, Inc. (the “Society”) is a Florida nonprofit corporation located in Palm City, Florida, founded in 1955. It operates as the only open access, no kill animal welfare organization operating in Martin County. Humane Society of the Treasure Coast accepts all animals regardless of health, age, temperament, or breed. Over the years more than 400,000 animals have received care through its programs and services. The Society is funded primarily through program service fees, public support, and a contract with Martin County. The Society also operates two thrift stores in Stuart, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Financial Statements

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. Assets and related revenues are recorded when earned, and liabilities and related expenses are recognized as incurred. In applying generally accepted accounting principles to program service revenue, the legal and contractual requirements of the individual programs are used as guidance. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. In accordance with generally accepted accounting principles as they relate to non-profit organizations, account balances and transactions of the Society have been classified into two classes of net assets – net assets without donor restrictions and net assets with donor restrictions as follows:

- a. Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in corporate documents and the application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others entered into in the course of its operations.
- b. Net Assets With Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

**Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Financial Statements (continued)

- b. Net Assets With Donor Restrictions (continued) – The society's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions are reported as net assets with donor restrictions if a donor imposes a restriction that may be satisfied by the passage of time or the actions of the organization. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions also include contributions that include stipulations by the donor that the contribution be maintained perpetually but may allow the organization to use all or part of the income derived from the underlying asset for unrestricted purposes.

2. Income Taxes

The Society is exempt from federal and state income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. In accordance with the Internal Revenue Code, Humane Society of the Treasure Coast, Inc. is not considered a private foundation.

3. Donated Services

While the Society receives donated services throughout the year that enhance the effectiveness of the programs, these services do not create or enhance non-financial assets, nor do they require specialized skills that if not provided by a volunteer would be purchased. Accordingly, while these services contribute to the success of the programs, they have not been reflected in the accompanying financial statements.

4. Receivables

Accounts receivable due from contracts, grantors and donors are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus, trade receivables do not bear interest.

**Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Bequests Receivable

The Society recognizes bequests receivable at their estimated fair values when the donor makes a promise to give that is, in substance, unconditional.

Unconditional promises and bequests to give cash over a period of time exceeding one year are recorded at their present value of estimated future cash flows using a discount rate appropriate for the level of risk involved, if significant to the financial statements. Any related interest income is recorded as contribution revenue over the duration of the pledge.

The Society is named the beneficiary in a Trust held by a third party. This Trust is initially recorded at fair value, based on the Society's interest in the fair value of the underlying assets at the time of the gift discounted by the net present value of future cash flows to be received. Subsequent changes to the Trust's fair value are reported as net unrealized gains or losses related to net assets with donor restrictions and are included in the Statement of Activities. Future distributions from the Trust are recorded at the net present value of the future cash flow, adjusted by the annual change in the Trust's fair value calculated by the Trust's third party. Under the terms of the Trust, the Society has an irrevocable right to receive the annual distributions of the Trust's assets. Distributions from the Trust are based on the terms of the underlying Trust agreement and generally require a minimum distribution of 5% of the Trust's assets to be distributed on an annual basis. The Trust is invested in cash equivalents, municipal bonds, preferred securities, common stocks and mutual funds. The Trust assets are not insured by the FDIC and are subject to investment risks, including the possible loss of the principal invested.

Unconditional promises to give and bequests receivable that are due in future periods and are not restricted by the donor generally increase net assets with donor restrictions unless the donor explicitly stipulates that the promise or bequest is to support current period activities. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

6. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded at cost.

The Society has elected to capitalize those assets costing or having a fair market value at time of donation of \$1,000 or more and a useful life greater than one year. Depreciation is provided for all classes of property, plant, and equipment using straight-line methods over estimated useful lives ranging from 5 to 39 years. Contributed property and equipment is recorded at fair value at the date of donation if material to the financial statements.

**Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Leases

The Society implemented FASB ASC Topic 842, *Leases*, in 2023, which changed the accounting and financial reporting for leases. FASB ASU 2016-02 defines a lease as a contract that conveys the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Under FASB ASU 2016-02, leases other than short-term leases, defined as having a maximum possible term of 12 months or less, are required to be recognized on the Statement of Financial Position. A lessee should recognize a lease liability and an intangible right of use asset, while a lessor should recognize a lease receivable and a deferred income. Contracts that transfer ownership should be accounted for as finance leases by the lessee or sales-type leases by the lessor.

The Society determines if an arrangement is a lease, or contains a lease, at inception. Lessee arrangements recognize a lease liability and a right of use (ROU) asset in the Statement of Financial Position at the commencement date of the lease. The lease liability represents the Society's obligation to make lease payments arising from the lessee arrangement and is initially and subsequently recognized based on the present value of future lease payments. The ROU asset represents the Society's right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction, and is amortized on a straight-line basis over the terms of the associated leases. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Society will exercise that option.

Payment for short-term leases with a lease term of less than twelve months, and lease agreements below the Society's approved annualized threshold, are recognized as expenses as incurred. The Society has established a \$5,000 threshold for total annual payments, for leases subject to FASB ASC Topic 842. Short-term leases and leases under the threshold are not included as lease liabilities or right of use assets on the Statement of Financial Position.

8. Accounting 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on units of service.

Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Cash Flows

The Society presents its cash flows using the indirect method. Cash and cash equivalents may consist of cash on hand, time deposits, and all highly liquid debt instruments with original maturities of three months or less.

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and short-term money market funds. These financial instruments are potentially subject to concentrations of credit risk as follows. Cash balances are maintained at financial institutions located in the United States. The Society had cash deposits in these financial institutions totaling \$460,004 at September 30, 2024, of which \$136,047 was not insured by the Federal Deposit Insurance Corporation (FDIC). At September 30, 2024, the Society's money market accounts had a carrying value of \$1,602,296 of which \$1,102,296 was not insured by the Securities Investor Protection Corporation (SIPC). SIPC covers losses and negligence of the registered securities dealer, but not against market losses or investment return.

NOTE D – INVESTMENTS

Investments are reported at fair market value. Investment interest, dividends, realized gains and losses on sales of securities and unrealized gains and losses are generally reflected in the statements of activities.

The composition of investment income included in the statement of activities for the year ended September 30, 2024:

Interest and dividends	\$ 325,234
Net realized gains on investments	199,623
Net unrealized gains on investments	360,773
Net unrealized gains in value of trust	109,071
	<hr/>
	\$ 994,701

Investments as of September 30, 2024 consisted of the following:

	<u>Market Value</u>	<u>Cost</u>
Corporate bonds	\$ 113,911	\$ 110,268
Mutual funds	1,582,466	1,480,713
Equities	2,082,419	1,796,741
Government Securities	543,662	523,695
	<hr/>	<hr/>
	\$ 4,322,458	\$ 3,911,417

Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE E – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2024 are:

Financial Assets	
Cash	\$ 2,029,943
Investments	4,322,458
Receivables, net	124,056
Less financial assets held to meet donor imposed restrictions	(1,875,016)
Board designated reserves	(1,919,361)
Amount available for general expenditures within one year	<u>\$ 2,682,080</u>

NOTE F – BEQUEST RECEIVABLE

The Bequest receivable is stated at the net present value of future payments. The balance as of September 30, 2024 is as follows:

Bequests receivable	\$ 875,746
Less discount on future cash flows	<u>(392,443)</u>
Total	<u>\$ 483,303</u>

Details of the bequest receivable at September 30, 2024 are as follows:

Due within one year	\$ 43,787
Due within two to five years	154,323
Thereafter	677,636
Less discount on future cash flows	<u>(392,443)</u>
Total	<u>\$ 483,303</u>

**Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE G – PROPERTY AND EQUIPMENT

At September 30, 2024 property and equipment consisted of the following:

	<u>2024</u>
Land	\$ 167,989
Land Improvements	370,876
Building	5,090,421
Building Improvements	409,674
Furniture & Fixtures	23,747
Equipment	310,726
Software	42,649
Surgery Clinic	157,301
Thrift Store - Stuart	99,616
Thrift Store - Jensen	57,972
CIP – Shelter Renovations	<u>261,872</u>
	\$ 6,992,843
Less - accumulated depreciation	<u>(3,453,846)</u>
Total	<u><u>\$ 3,538,997</u></u>

Depreciation expense was \$191,805 for the year ended September 30, 2024

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of September 30, 2024:

	<u>2024</u>
Shelter renovation	\$ 1,041,524
Time restriction – bequest	483,304
Dog adoption and care	226,577
Martin County Contract	69,744
Dolly's Dream	11,556
Humane education	19,994
Misty's pals	3,019
Trap, Neuter, Vaccinate, Return	2,682
Disaster relief	8,511
Special projects – Other	<u>8,105</u>
Totals	<u><u>\$ 1,875,016</u></u>

**Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE I – FAIR VALUE MEASUREMENTS

FASB ASC 820-10, Fair Value Measurements and Disclosures, established 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

<u>Level 1</u>	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
<u>Level 2</u>	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 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
<u>Level 3</u>	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value:

Level 1 Fair Value Measurements – Equity Securities, Mutual Funds, Corporate Bonds
The fair values of investments are based on quoted prices.

Level 2 Fair Value Measurements
The Society had no investments considered Level 2 at September 30, 2024.

Level 3 Fair Value Measurements – Bequest Receivable
Valued at the pledge amount discounted to the present value of the future cash flows to be received at September 30, 2024.

Humane Society of the Treasure Coast, Inc.
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 – FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values. Furthermore, although the Society 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 at the reporting date. The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of September 30, 2024.

Description	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Equity Securities	\$ 2,082,419	\$ -		\$ 2,082,419
Mutual Funds	1,582,466	-	\$ -	1,582,466
Government Securities	543,662		-	543,662
Corporate Bonds	113,911	-	-	113,911
Bequest Receivable	-	-	483,303	483,303
Total Assets at Fair Value	<u>\$ 4,322,458</u>	<u>\$ -</u>	<u>\$ 483,303</u>	<u>\$ 4,805,761</u>

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the entity's Level 3 assets for the fiscal year ended September 30, 2024.

Level 3 Assets Year Ended September 30, 2024

Description	Beginning Balance	Unrealized Gains/Loss	Purchases, Issuances, settlements	Ending Balance
Bequest Receivable	<u>\$415,371</u>	<u>\$164,232</u>	<u>\$(96,300)</u>	<u>\$483,303</u>

**Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE J – COMPENSATED ABSENCES

Employees of the Society are entitled to paid leave. Full-time employees are entitled to 10 days for first year hires, and it increases based off years of service with employees having over 15 years receiving 29 days. Part-time employees are eligible for 50% of the time accrued. An employee can carry over a maximum of 56 hours of unpaid leave from year to year based off their hire anniversary date. PTO can be paid out at resignation or retirement at a percentage of the employee's accrual based off years of service. Employees with 15 years or more of service will receive 69% of their accrual. On September 30, 2024, \$40,464 was accrued for paid leave.

NOTE K – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released during the year ended September 30, 2024 by incurring expenses which satisfied the restrictions or by the occurrence of other events, including the passage of time

	<u>2024</u>
Martin County contract	\$ 68,036
Time Restriction - Bequest	96,300
Dolly's Dream	3,187
Shelter renovation	208,488
Adoptions	22,815
Investment fees	1,615
Medical emergencies	38,142
Medical supplies	10,279
Medical expenses	61,946
Spay & neuter	14,907
Humane education	3,598
Trap, Neuter, Vaccinate, Return	16,500
Care of dogs	240
Cats	500
Critter Care	1,000
Food Pantry	2,000
Misty's Pals	353
Investment income	<u>453,691</u>
Total	<u>\$ 1,003,597</u>

NOTE L – LEASES

The Society has an obligation as a lessee for commercial space with initial noncancelable terms in excess of one year. The Society has classified this lease as a operating lease. The Organization's lease does not include termination options for either party to the lease. Payments due under the lease arrangements are comprised entirely of fixed payments, with some agreements including an agreed upon annual increase of the fixed amount.

Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE L – LEASES (continued)

North Thrift Store

In July 2022, the Society entered into an extension of an agreement to lease commercial building space which required monthly payments ranging from \$10,538.63 to \$10,854.79, based on annual base payment increases. The lease liability was measured at a discount rate of 4.22% and concluded in July 2024. In July 2024, the Society obtained another extension to lease the commercial building space which required monthly payments of \$10,836.66. The lease liability was measured at a discount rate of 4.62%, which is the Organization's incremental borrowing rate upon lease signing. As a result of the lease, the Organization reported a right of use asset with a net book value of \$106,110 at September 30, 2024.

Central Thrift Store

In June 2022, the Society entered into an agreement to lease building space which required monthly payments ranging from \$10,219.71 to \$10,526.30, based on annual base payment increases. The lease liability was measured at a discount rate of 4.22%, which is the Organization's incremental borrowing rate. This lease expired in June of 2024 and was not renewed at the current location. The Society entered into a new agreement to lease building space which required monthly payments ranging from \$13,525.42 to \$16,986.37, based on annual base payment increases. The lease liability was measured at a discount rate of 4.33%, which is the incremental borrowing rate at lease signing. As a result of the lease, the Organization reported a right of use asset with a net book value of \$1,046,789 at September 30, 2024.

The lease cost for the year ended September 30, 2024 are as follows:

Operating Lease Cost	<u><u>\$ 583,862</u></u>
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Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of
lease liabilities:

Operating cash flows from operating leases	<u><u>\$ 282,886</u></u>
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Non-cash investing and financing activities:

Additions to right of use assets obtained from:

New operating lease liabilities	<u><u>\$ 1,152,899</u></u>
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**Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE L – LEASES (continued)

Supplemental balance sheet information related to leases was as follows:

Operating Lease Right of Use Assets	<u>\$ 1,152,899</u>
Operating Lease Liabilities	<u>\$ 1,172,086</u>

Future minimum payments of lease liabilities under noncancellable operating leases as of September 30, 2024, were as follows:

<u>Year Ending September 30,</u>	<u>Total</u>
2025	\$ 277,955
2026	181,032
2027	189,148
2028	192,956
2029	196,826
2030 and thereafter	<u>302,139</u>
Total minimum lease payments	1,340,056
Less: amount representing interest	<u>(167,970)</u>
Lease liability as of September 30, 2024	<u>\$1,172,086</u>

As of September 30, 2024, the weighted-average remaining lease term for all operating leases is 5.99 years. As the discount rate was not indicated on the lease agreements, the Organization utilized the incremental borrowing rate as the discount rate. The weighted-average discount rate associated with all operating leases is 4.36%.

Butscher Land Lease

The Society received a 25% ownership in the Butscher Trust in 2013. This trust holds land that is under lease from January 2013 through March 2067. The leased property is located in Miami, Florida. The Society receives 25% of the rental income which equates to monthly payments of \$1,353.58. The lease receivable was measured at a discount rate of 4.22%, which is the risk-free borrowing rate. As a result of the lease, the Society reported a Lease Receivable of \$320,663 at September 30, 2024.

**Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE L – LEASES (continued)

Future minimum payments of lease receivables under noncancellable operating leases as of September 30, 2024, were as follows:

<u>Year Ending September 30,</u>	<u>Total</u>
2025	\$ 16,243
2026	16,243
2027	16,243
2028	16,243
2029	16,243
2030 and thereafter	609,111
Total minimum lease payments	690,326
Less: amount representing interest	(369,663)
Lease receivable as of September 30, 2024	<u>\$320,663</u>

NOTE M – THRIFT STORES

The Society operated two thrift stores off-premises in leased commercial storefronts in Stuart, Florida ("Central") and ("North"). The thrift stores receive donations of new and used clothing and other property, which they resell to customers. Operations for the year ended September 30, 2024 were as follows:

	<u>Central</u>	<u>North</u>	<u>Total</u>
<u>2024</u>			
Gross Sales	\$ 707,695	\$ 503,311	\$ 1,211,006
Operating Costs:			
Personnel	340,911	142,930	483,841
Occupancy and operations	277,655	152,120	429,775
Administrative	23,032	15,832	38,864
General operating	17,064	6,350	23,414
Public relations	3,953	1,483	5,436
	662,615	318,715	981,330
Depreciation	4,044	-	4,044
Total costs	666,659	318,715	985,374
Net revenue	<u>\$ 41,036</u>	<u>\$ 184,596</u>	<u>\$ 225,632</u>

Humane Society of the Treasure Coast, Inc.,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE N – SPECIAL EVENTS

The respective proceeds and direct costs from special events held during the year ended September 30, 2024 were as follows:

	<u>Gross Proceeds</u>	<u>Direct Costs</u>	<u>Net Proceeds</u>
Paws & Claws	\$ 180,685	\$ 104,113	\$ 76,572
Mutt March	27,973	8,992	18,981
Homecoming	15,354	10,400	4,954
Pooch Plunge	5,512	3,640	1,872
Pup Crawl	8,941	350	8,591
Bunfest	7,767	4,387	3,380
Whiskers for Whiskey	8,094	4,764	3,330
Kitty Catalina	5,684	943	4,741
Other events	<u>90,685</u>	<u>8,174</u>	<u>82,511</u>
Total unrestricted	350,695	145,763	204,932
Restricted			
Paws & Claws	<u>61,946</u>	<u>-</u>	<u>61,946</u>
Total	<u>\$ 412,641</u>	<u>\$ 145,763</u>	<u>\$ 266,878</u>

Some of the costs related to the special events above did not result in a direct benefit to the participants and are classified as functional expenses and included in the Statement of Functional Expenses instead of the direct costs listed above.

Revenues and expenses for the following events include the value of noncash donations as of September 30, 2024, the noncash revenues and expenses are not included in the totals above:

Paws & Claws	\$ 50,700
Bunfest	434
Mutt March	<u>76,730</u>
Total	<u>\$ 127,864</u>

The noncash donation to the Mutt March fundraiser included \$76,250 for radio media sponsorship for the event.

**Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE O – RETIREMENT PLAN

The Society sponsors a defined contribution retirement plan which qualifies under the provisions of Section 403(b) of the Internal Revenue Code for Section 501(c)(3) not-for-profit organizations. The plan allows for an employer match of 4% of compensation, with no limits on the match up to the contribution limitation allowed by the Internal Revenue Code for each participant per year. All full-time employees are eligible for the voluntary salary reduction plan. For the year ended September 30, 2024 the employer contribution to the plan was \$52,681.

NOTE P – BOARD DESIGNATED NET ASSETS

The Board has designated a portion of unrestricted net assets to be held for future projects, programs, capital or other expenditures to be determined by the Board of Directors. The Board designated amount on September 30, 2024 was \$1,919,361.

NOTE Q – GOVERNMENTAL CONTRACT

The Society contracts with Martin County, Florida to fulfill certain public health responsibilities regarding the impoundment of stray animals (the “Contract or “Contracts”).

Under terms of the Contract for the year ended September 30, 2024, Martin County provides financial support to the Society. The total amount provided by Martin County toward the animal shelter’s operating expenses for the year ended September 30, 2024 was \$836,926.

Impoundment and license fees, which are established by Martin County, are collected at the animal shelter and are remitted to Martin County; these fees are not recorded as revenue by the Society.

The table on page 22 shows selected expenses (pertinent to the Contracts) from animal sheltering operations; program expenses related to adoption and humane education are not included in the table. Terms of the Contracts call for payment based on fixed annual amounts rather than on percentages of costs or on units of service provided. The columns labeled “County Contract Allocation” represents the application, for illustrative purposes only, of the funds provided by Martin County for the year ended September 30, 2024.

Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE Q – GOVERNMENTAL CONTRACT (CONTINUED)

	2024	
	Animal Shelter Operations	County Contract Allocation
Salaries and Wages	\$1,519,252	\$ 481,169
Payroll costs	126,460	40,052
Health & workers' compensation insurance, other benefits	210,296	66,604
Total payroll and related expenses	\$1,856,008	\$ 587,825
Occupancy	274,101	86,812
Medical supplies	266,330	84,351
Veterinary fees	81,958	25,957
Feed and shelter supplies	56,276	17,823
Cremation and burial fees	4,776	1,513
Equipment and computer costs	51,127	16,193
Other animal shelter expenses	23,377	7,404
Office expenses and supplies	26,987	8,547
Advertising	1,583	501
Totals	<u>\$2,642,523</u>	<u>\$ 836,926</u>
Percentage of costs covered		<u>31.7%</u>

NOTE R – INCOME TAXES

The Society has adopted accounting guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Society's tax filings are subject to audit by various taxing authorities. The Society's income tax returns for the years ended September 30, 2023, 2022 and 2021 remain open to examination by the Internal Revenue Service.

NOTE S – RELATED PARTY TRANSACTIONS

During the fiscal year ended September 30, 2024 the Society received services from an accounting firm related to calculations to determine the Society's eligibility for the Employee Retention Credit and the preparation of a Split Interest Trust Information Return pertaining to the Butscher Land Trust. One of the members of the accounting firm is also on the Board of Directors and is an officer of the Society. During the year ended September 30, 2024 the Society paid \$5,692 for the services provided.

**Humane Society of the Treasure Coast, Inc,
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE T – COMMITMENT FOR CONSTRUCTION RENOVATIONS

The Society has contracted to have construction renovations done to the main animal shelter to update and modernize the area. The contract was executed in March 2025 for a project cost of \$4,355,672 and the timeline is substantial completion in 16 months, or around September 2026. As of June 20, 2025 the Society has paid or has been invoiced \$149,742 towards the completion of the project and it is estimated that the Society will pay approximately \$1,117,950 through September 2025 as the project progresses. The remaining balance is estimated to be paid during the fiscal year ending September 30, 2026 as the project is completed.

NOTE U – MANAGEMENT REVIEW

The date to which events occurring after September 30, 2024, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is June 20, 2025, which is the date on which the financial statements were available to be issued.