

**MONTGOMERY COUNTY HUMANE
SOCIETY, INC.**

Rockville, Maryland

FINANCIAL REPORT

JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Montgomery County Humane Society, Inc.
Rockville, Maryland

Opinion

We have audited the financial statements of Montgomery County Humane Society, Inc. (the "Society"), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2025 and 2024, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 the Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Society's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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.

Yount, Hyde & Barham, P.C.

Winchester, Virginia
January 30, 2026

MONTGOMERY COUNTY HUMANE SOCIETY, INC.

Statements of Financial Position

June 30, 2025 and 2024

Assets	2025	2024
Current Assets		
Cash and cash equivalents	\$ 3,402,547	\$ 1,696,385
Contributions and grants receivable	183,276	194,944
Inventory - thrift store	67,173	56,571
Prepaid expenses	21,782	36,739
Property and equipment, net	3,282,243	3,264,907
Right-of-use assets - operating	480,535	615,675
Deposits	13,390	13,390
Investments	<u>6,736,559</u>	<u>6,003,275</u>
 Total assets	 <u>\$ 14,187,505</u>	 <u>\$ 11,881,886</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 28,990	\$ 28,829
Accrued expenses	101,229	97,370
Operating lease liabilities	<u>531,665</u>	<u>669,110</u>
 Total liabilities	 <u>661,884</u>	 <u>795,309</u>
 Net Assets		
Without donor restrictions	12,324,492	11,086,134
With donor restrictions	<u>1,201,129</u>	<u>443</u>
Total net assets	<u>13,525,621</u>	<u>11,086,577</u>
 Total liabilities and net assets	 <u>\$ 14,187,505</u>	 <u>\$ 11,881,886</u>

See Notes to Financial Statements.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.

Statements of Activities
For the Year Ended June 30, 2025

	2025		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenue			
Contributions and grants	\$ 1,071,567	\$ 1,408,853	\$ 2,480,420
Thrift store (net of expenses of \$567,847)	247,023	--	247,023
Special events	93,498	--	93,498
Program service fees	500,449	--	500,449
Investment return, net	769,757	--	769,757
Miscellaneous	5,443	--	5,443
United Way / CFC	49,563	--	49,563
Net assets released from restrictions	<u>208,167</u>	<u>(208,167)</u>	<u>--</u>
Total support and revenue	<u>2,945,467</u>	<u>1,200,686</u>	<u>4,146,153</u>
Expenses			
Program services			
Society	1,294,811	--	1,294,811
Aspin Hill	<u>90,397</u>	<u>--</u>	<u>90,397</u>
Total program services	<u>1,385,208</u>	<u>--</u>	<u>1,385,208</u>
Supporting services			
Management and general	62,048	--	62,048
Fundraising	<u>259,853</u>	<u>--</u>	<u>259,853</u>
Total supporting services	<u>321,901</u>	<u>--</u>	<u>321,901</u>
Total expenses	<u>1,707,109</u>	<u>--</u>	<u>1,707,109</u>
Change in net assets	1,238,358	1,200,686	2,439,044
Net Assets, beginning	<u>11,086,134</u>	<u>443</u>	<u>11,086,577</u>
Net Assets, ending	<u>\$ 12,324,492</u>	<u>\$ 1,201,129</u>	<u>\$ 13,525,621</u>

See Notes to Financial Statements.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.

Statements of Activities
For the Year Ended June 30, 2024

	2024		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenue			
Contributions and grants	\$ 1,682,797	\$ 301,259	\$ 1,984,056
Thrift store (net of expenses of \$533,431)	161,657	--	161,657
Special events	76,834	--	76,834
Program service fees	472,206	--	472,206
Investment return, net	625,357	--	625,357
Miscellaneous	944	--	944
United Way / CFC	48,790	--	48,790
Net assets released from restrictions	<u>369,229</u>	<u>(369,229)</u>	<u>--</u>
Total support and revenue	<u>3,437,814</u>	<u>(67,970)</u>	<u>3,369,844</u>
Expenses			
Program services			
Society	1,204,440	--	1,204,440
Aspin Hill	<u>94,558</u>	<u>--</u>	<u>94,558</u>
Total program services	<u>1,298,998</u>	<u>--</u>	<u>1,298,998</u>
Supporting services			
Management and general	63,294	--	63,294
Fundraising	<u>234,838</u>	<u>--</u>	<u>234,838</u>
Total supporting services	<u>298,132</u>	<u>--</u>	<u>298,132</u>
Total expenses	<u>1,597,130</u>	<u>--</u>	<u>1,597,130</u>
Change in net assets	1,840,684	(67,970)	1,772,714
Net Assets, beginning	<u>9,245,450</u>	<u>68,413</u>	<u>9,313,863</u>
Net Assets, ending	<u>\$ 11,086,134</u>	<u>\$ 443</u>	<u>\$ 11,086,577</u>

See Notes to Financial Statements.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.

Statements of Functional Expenses
For the Years Ended June 30, 2025 and 2024

2025							
	Society	Aspin Hill	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Advertising and marketing	\$ 4,383	\$ --	\$ 4,383	\$ --	\$ 3,166	\$ 3,166	\$ 7,549
Animal care and treatment	171,244	633	171,877	--	--	--	171,877
Auto and truck expense	12,151	--	12,151	--	--	--	12,151
Communications	11,648	--	11,648	--	--	--	11,648
Depreciation	36,567	8,059	44,626	--	--	--	44,626
Employee benefits	23,408	1,102	24,510	582	6,681	7,263	31,773
Insurance	30,911	2,344	33,255	84	198	282	33,537
Merchandise	--	--	--	--	982	982	982
Office supply and expense	49,614	30	49,644	3,687	26,348	30,035	79,679
Other taxes	2,200	5,716	7,916	--	--	--	7,916
Payroll taxes	60,357	2,812	63,169	925	9,558	10,483	73,652
Permits and repairs	44,458	23,711	68,169	--	--	--	68,169
Postage and shipping	82	--	82	--	24,771	24,771	24,853
Printing	--	--	--	--	57,359	57,359	57,359
Professional fees/legal	--	--	--	46,435	--	46,435	46,435
Salaries	804,501	39,412	843,913	10,335	130,790	141,125	985,038
Security	--	5,525	5,525	--	--	--	5,525
Travel	12,302	--	12,302	--	--	--	12,302
Utilities	27,832	1,053	28,885	--	--	--	28,885
Web costs	3,153	--	3,153	--	--	--	3,153
Total expenses	<u>\$ 1,294,811</u>	<u>\$ 90,397</u>	<u>\$ 1,385,208</u>	<u>\$ 62,048</u>	<u>\$ 259,853</u>	<u>\$ 321,901</u>	<u>\$ 1,707,109</u>

See Notes to Financial Statements.

2024							
	Society	Aspin Hill	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Advertising and marketing	\$ 753	\$ 218	\$ 971	\$ --	\$ 4,273	\$ 4,273	\$ 5,244
Animal care and treatment	126,148	827	126,975	--	--	--	126,975
Auto and truck expense	11,816	--	11,816	--	--	--	11,816
Communications	10,675	--	10,675	--	--	--	10,675
Depreciation	40,534	8,791	49,325	--	--	--	49,325
Employee benefits	18,826	1,044	19,870	474	4,020	4,494	24,364
Fund drive	--	--	--	--	5,188	5,188	5,188
Insurance	28,058	1,320	29,378	55	240	295	29,673
Merchandise	--	--	--	--	1,677	1,677	1,677
Office supply and expense	38,071	23	38,094	3,034	31,249	34,283	72,377
Other taxes	2,152	5,668	7,820	--	--	--	7,820
Payroll taxes	60,447	2,857	63,304	939	8,271	9,210	72,514
Permits and repairs	34,064	35,773	69,837	--	--	--	69,837
Postage and shipping	27	--	27	--	21,181	21,181	21,208
Printing	--	--	--	--	45,607	45,607	45,607
Professional fees/legal	--	--	--	46,660	--	46,660	46,660
Salaries	804,550	37,122	841,672	12,132	113,132	125,264	966,936
Utilities	25,373	915	26,288	--	--	--	26,288
Web costs	2,946	--	2,946	--	--	--	2,946
Total expenses	<u>\$ 1,204,440</u>	<u>\$ 94,558</u>	<u>\$ 1,298,998</u>	<u>\$ 63,294</u>	<u>\$ 234,838</u>	<u>\$ 298,132</u>	<u>\$ 1,597,130</u>

See Notes to Financial Statements.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.

Statements of Cash Flows

For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,439,044	\$ 1,772,714
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	47,164	52,094
Unrealized (gain) on investments	(549,864)	(512,942)
Right-of-use asset amortization	135,140	131,622
(Increase) decrease in assets:		
Contributions and grants receivable	(11,668)	(157,142)
Inventory	(10,602)	(1,906)
Prepaid expenses	14,957	(19,688)
Deposits	--	(3,000)
Increase (decrease) in liabilities:		
Accounts payable	161	8,224
Accrued expenses	3,859	25,741
Deferred revenue	--	(19,582)
Operating lease liabilities	(137,445)	(129,469)
Net cash provided by operating activities	<u>1,930,746</u>	<u>1,146,666</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(64,500)	(284,598)
Purchase of investments	(240,084)	(746,719)
Proceeds from sale of investments	<u>80,000</u>	<u>470,609</u>
Net cash (used in) investing activities	<u>(224,584)</u>	<u>(560,708)</u>
Net increase in cash	1,706,162	585,958
Cash and Cash Equivalents, at beginning of year	<u>1,696,385</u>	<u>1,110,427</u>
Cash and Cash Equivalents, at end of year	<u><u>\$ 3,402,547</u></u>	<u><u>\$ 1,696,385</u></u>

See Notes to Financial Statements.

MONTGOMERY COUNTY HUMANE SOCIETY, INC.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Principles and Financial Policies

Organization

The Montgomery County Humane Society, Inc. (the Society) was incorporated in 1958 to serve the community with animal welfare services. Its mission is “Ending animal homelessness through education, outreach and adoption, while saving lives and supporting the bond between pets and their families.”

Basis of Presentation

Financial statement presentation complies with FASB ASC 958-205. Under FASB ASC 958-205, the Society is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. In addition, the Society is required to present a statement of cash flows.

Revenue Recognition

The Society recognizes revenue in accordance with ASC Topic 606. This standard provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Nature of Products and Services

Program service fees include adoption, spay and neuter, vaccine and microchip fees. Program service fees, special event revenue and thrift store sales are exchange transactions and are recognized as revenue at the point in time the goods or services are provided.

Transaction Price

The transaction price is the amount of consideration to which the Society expects to be entitled in exchange for transferring goods and services to the customer.

Contract Balances

Funds received by the Society relating to revenue generating activities of future reporting periods would be recorded as a contract liability (deferred revenue) on the statement of financial position. There was no deferred revenue as of June 30, 2025 and 2024. The opening balance in deferred revenue on July 1, 2023 was \$19,582. The Society does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset as of June 30, 2025 and 2024.

Notes to Financial Statements

Contributions and Grants

Contributions, grants and miscellaneous revenues are recognized when earned. Contributions and grants without donor restrictions are reported as revenue in the year in which payments are received and/or unconditional promises are made. The Society reports gifts of cash and other assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the accompanying statement of activities as net assets released from restrictions.

Noncash contributions which have a readily determinable market value or which are intended for internal use by the Society (such as equipment or supplies) are recorded as revenue based upon their market value at the date of donation. Noncash contributions, which do not have a readily determinable market value or are not intended for internal use by the Society (such as clothing and furniture donations to be sold at the thrift store) are not recorded as revenue until a reliable estimate of fair value is determined or they are converted to cash.

Classification of Net Assets

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

- With Donor Restrictions: Net assets subject to donor-imposed stipulations that specifically restrict funds for use of various purposes or time periods.
- Without Donor Restrictions: Net assets not subject to donor-imposed stipulations are available for support of the Society's operations.

Cash and Cash Equivalents

The Society considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments

The Society carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Contributions and Grants Receivable

Contributions and grants receivable are stated at net realizable value and were \$183,276 and \$187,646 at June 30, 2025 and 2024, respectively. Other receivables included in contributions and grants receivable were \$0 and \$7,298 at June 30, 2025 and 2024, respectively. Management evaluates the collectability of contributions and grants receivable and records an allowance for doubtful accounts based upon an annual review of account balances, including the age of the balance and the historical experience with the donor or grantor. There was no allowance for doubtful accounts as of June 30, 2025 and 2024.

Notes to Financial Statements

Contributions receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these accounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions revenue. There were no discounts as of June 30, 2025 and 2024.

Property and Equipment

Property and equipment are stated at cost. Items costing less than \$1,000 are charged to expense when acquired. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to forty years. Leasehold and capital improvements are amortized over the life of the asset. The costs of maintenance and repairs are recorded as expenses are incurred.

Income Taxes

The Society is a not-for-profit organization as defined under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Society is not a private foundation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Upon settlement, actual results may differ from estimated amounts. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that 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, but are not limited to, depreciation, office and occupancy costs, salaries, and benefits. All of these shared costs are allocated based on salary percentages. Salary percentages are determined on the basis of estimates of time and effort.

Thrift Store Inventory

Inventory is stated at the lower of cost or net realizable value. All thrift store inventory is comprised of donated merchandise. The value at June 30, 2025 and 2024 is based upon the subsequent month sales. Throughout the year, donated inventory items are valued upon sale.

Notes to Financial Statements

Leases

The Society determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Society also considers whether its service arrangements include the right to control the use of an asset.

The Society recognizes most leases on its statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the income statement.

The Society made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Society made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Society has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Society, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Notes to Financial Statements

Note 2. Property and Equipment

Property and equipment for the years June 30, 2025 and 2024 consisted of:

	<u>2025</u>	<u>2024</u>
Land	\$ 1,890,953	\$ 1,890,953
Buildings	1,465,834	1,409,184
Furniture and equipment	199,217	206,832
Vehicles	31,757	31,757
Leasehold and capital improvements	<u>691,723</u>	<u>683,873</u>
	4,279,484	4,222,599
Less: accumulated depreciation	<u>(997,241)</u>	<u>(957,692)</u>
	<u><u>\$ 3,282,243</u></u>	<u><u>\$ 3,264,907</u></u>

Depreciation and amortization expense for the years ended June 30, 2025 and 2024 was \$47,164 and 52,094, respectively. Depreciation expense of \$2,538 and \$2,769 was netted with thrift store sales on the statement of activities for the years ended June 30, 2025 and 2024, respectively.

Note 3. Investments

The Society's investments for the years June 30, 2025 and 2024 are recorded at fair market value and consist of the following:

	<u>2025</u>		
	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and cash equivalents	\$ 126,024	\$ 126,024	\$ - -
Mutual funds	878,973	841,204	(37,769)
Exchange traded funds	<u>4,174,135</u>	<u>5,769,331</u>	<u>1,595,196</u>
Total	<u><u>\$ 5,179,132</u></u>	<u><u>\$ 6,736,559</u></u>	<u><u>\$ 1,557,427</u></u>
	<u>2024</u>		
	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Cash and cash equivalents	\$ 3,310	\$ 3,310	\$ - -
Mutual funds	539,728	832,059	292,331
Exchange traded funds	<u>4,107,316</u>	<u>5,167,906</u>	<u>1,060,590</u>
Total	<u><u>\$ 4,650,354</u></u>	<u><u>\$ 6,003,275</u></u>	<u><u>\$ 1,352,921</u></u>

Notes to Financial Statements

Investment return, net for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 261,369	\$ 210,185
Realized (loss)	- -	(62,062)
Unrealized gain	549,864	512,942
Investment fees	<u>(41,476)</u>	<u>(35,708)</u>
Investment return, net	<u>\$ 769,757</u>	<u>\$ 625,357</u>

Note 4. Lease Commitments

At June 30, 2025, the Society was obligated under a lease for building space in Rockville, Maryland. The lease requires monthly rent payments of \$11,834 with annual escalations of 3-4% plus common area maintenance and real estate taxes. The office lease will expire in 2028.

Total rent expense for the Society's lease for the years ended June 30, 2025 and 2024 was \$229,841 and \$212,386, respectively. This amount is included in thrift store expenses on the statements of activities. As of June 30, 2025 and 2024, the Society's weighted average discount rate was 2.78%. As of June 30, 2025 and 2024, the weighted average remaining lease term was 3.33 years and 4.33 years, respectively.

The following table summarizes the maturity of the Society's lease liabilities on an undiscounted cash flow basis and a reconciliation to the lease liabilities recognized in the Society's statement of financial position.

Year Ending June 30,

2026	\$ 159,986
2027	166,385
2028	173,040
2029	<u>58,429</u>
Total lease payments	557,840
Less imputed interest	<u>(26,175)</u>
Total present value of lease liabilities	531,665
Less current portion	<u>(147,050)</u>
	<u>\$ 384,615</u>

Notes to Financial Statements

Note 5. Description Of Program Services

The following program services are included in the accompanying financial statements:

Society

The Society's programs provide services for more than one million Montgomery County residents and their pets. These programs are funded through fundraising events, individual donations, grants and program revenue. The services provided to animals and the Society's patrons include: Animal rescues from public shelters; veterinary and preventive care; spay and neuter; socialization and enrichment; pet adoptions and adoption counseling; volunteer recruitment, training, and coordination; humane education for children, teens and adults; and community outreach programs.

Aspin Hill

The Aspin Hill Memorial Park is a historic property that was gifted to the Society in the fiscal year ended June 30, 2007. It is believed to be one of the oldest pet cemeteries in the United States. The Society currently continues to operate the cemetery and provides limited interment services. In the future, the Society plans to rehabilitate and use the 7.79 acre parcel for animal rescue, care and adoption; humane education classes; a base for community outreach and other animal veterinarian care; and Society offices, in addition to operating the pet cemetery. The use of the Aspin Hill property is restricted by covenants.

Thrift Store

The thrift store was founded for the sole purpose of supporting the Society's many life-saving programs. All revenues generated from the store are shown as net of expenses on the statement of activities.

Note 6. Concentration of Revenue

For the fiscal years ended June 30, 2025 and 2024, the Society received 60% and 69% of its total support and revenue from contributions and grants and 40% and 31% from other sources, respectively. Contributions from one donor during the year ended June 30, 2025 represented 16% of total revenue and support.

Note 7. Concentration Of Credit Risk

The Society considers cash in demand deposit, money market accounts, and other highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The balances in these accounts at times may exceed federally insured limits. However, the Society does not believe it is subject to any significant credit risk as a result of these deposits.

Notes to Financial Statements

Note 8. Income Taxes

The Society is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code as a publicly supported organization. However, the Society is subject to tax on net income derived from any such unrelated business activities as provided for under the current tax law. To date, the Society has not engaged in any such activities.

The Society follows the provisions of FASB ASC 740-10-25, Accounting for Uncertainty in Income Taxes, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Society's income tax returns. The Society's income tax filings are subject to audit by various taxing authorities within the three year open audit periods of 2021–2023. For the years ended June 30, 2025 and 2024, the Society has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Note 9. Fair Value Measurements

The Society follows FASB ASC 820-10 for a single definition and framework for measuring fair value and expanded disclosures resulting in increased consistency and comparability in fair value measurements. Items carried at fair value on a non-recurring basis generally consist of assets held for sale. The Society also uses fair value concepts to test various long-lived assets for impairment.

FASB ASC 820-10 requires that fair value be determined by providing a fair value hierarchy consisting of three levels, generally ranging from the most objective determination of fair value to the most subjective. The levels vary depending on the objectivity of the information used in valuation techniques to determine fair value. These levels are referred to as categories of input into those techniques.

The three general valuation levels that may be used to measure fair value are as described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society's 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.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair market value. They are the most subjective, are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

Notes to Financial Statements

The following table sets forth, by level, within the fair value hierarchy, the Society's assets at fair value as of June 30, 2025 and 2024.

2025				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 126,024	\$ --	\$ --	\$ 126,024
Mutual funds	841,204	--	--	841,204
Exchange traded funds	<u>5,769,331</u>	<u>--</u>	<u>--</u>	<u>5,769,331</u>
	<u>\$ 6,736,559</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,736,559</u>
2024				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,310	\$ --	\$ --	\$ 3,310
Mutual funds	832,059	--	--	832,059
Exchange traded funds	<u>5,167,906</u>	<u>--</u>	<u>--</u>	<u>5,167,906</u>
	<u>\$ 6,003,275</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,003,275</u>

Investments in marketable securities may be exposed to various risks such as interest rate, market, and credit risks and it is at least reasonably possible that the fair value of securities can significantly decline.

All assets have been valued using market approach. There have been no changes in valuation techniques and related inputs.

The carrying values of cash, trade assets and trade liabilities, such as accounts receivable, and accounts payable and accrued expenses approximates fair value due to the relatively short maturity of these instruments.

Notes to Financial Statements

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions include donor restricted funds which are only available for specific program activities or general support designated for future years. Net assets with donor restrictions at June 30, 2025 and 2024 are as follows:

	<u>Balance</u> <u>June 30, 2024</u>	<u>Additions</u>	<u>Expenses</u> <u>Released</u>	<u>Balance</u> <u>June 30, 2025</u>
Aspin Hill	\$ - -	\$ 1,264,690	\$ 64,501	\$ 1,200,189
Spay/ Neuter Clinic	- -	139,744	139,744	- -
Society - Pet Food Pantry	443	700	203	940
Society - Shaggy's Vet Care	<u>- -</u>	<u>3,719</u>	<u>3,719</u>	<u>- -</u>
Total	<u>\$ 443</u>	<u>\$ 1,408,853</u>	<u>\$ 208,167</u>	<u>\$ 1,201,129</u>

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Expenses</u> <u>Released</u>	<u>Balance</u> <u>June 30, 2024</u>
Aspin Hill	\$ 67,916	\$ 183,611	\$ 251,527	\$ - -
Spay/ Neuter Clinic	- -	117,648	117,648	- -
Society - Pet Food Pantry	<u>497</u>	<u>- -</u>	<u>54</u>	<u>443</u>
Total	<u>\$ 68,413</u>	<u>\$ 301,259</u>	<u>\$ 369,229</u>	<u>\$ 443</u>

Note 11. Liquidity

The following reflects the Society's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Cash and cash equivalents	\$ 3,402,547
Investments	6,736,559
Contributions and grants receivable	<u>183,276</u>
Financial assets, at year-end	10,322,382
Less: donor restricted funds not available	<u>(1,201,129)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 9,121,253</u></u>

Notes to Financial Statements

The Society is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Society must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

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

Note 12. Subsequent Events

Management has performed an evaluation as of January 30, 2026, the date the financial statements were available to be issued and determined that there are no subsequent events requiring recognition or disclosure.