

SOUTHERN OREGON HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

WITH

INDEPENDENT AUDITOR'S REPORT

RWB & Co.



**CERTIFIED PUBLIC ACCOUNTANTS
MEDFORD**

SOUTHERN OREGON HUMANE SOCIETY, INC.
Financial Statements
For the Year Ended December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors
Southern Oregon Humane Society, Inc.
P.O. Box 4592
Medford, Oregon 97501

Opinion

We have audited the accompanying financial statements of Southern Oregon Humane Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, cash flows, and statement of functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Oregon Humane Society, Inc. 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. 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 Southern Oregon Humane Society, 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 Southern Oregon Humane Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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, including omissions, 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 generally accepted auditing standards, 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 Southern Oregon Humane Society, Inc.'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 Southern Oregon Humane Society, Inc.'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.



Richard W. Brewster
Certified Public Accountant

July 8, 2025

FINANCIAL STATEMENTS

SOUTHERN OREGON HUMANE SOCIETY, INC.
Statement of Financial Position
December 31, 2024

	12/31/24
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 467,084
Restricted cash and cash equivalents	210,870
Investments	8,683,290
Accounts and bequests receivable	26,400
Prepaid expenses and other current assets	676
Inventory	60,637
Total current assets	9,448,957
NON-CURRENT ASSETS:	
Property and equipment, net of depreciation	1,524,364
Beneficial interest in trusts	674,599
Total non-current assets	2,198,963
TOTAL ASSETS	\$ 11,647,920
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 16,670
Accrued payroll & payroll taxes	35,163
Total current liabilities	51,833
Total liabilities	51,833
NET ASSETS	
Without donor restrictions	10,710,619
With donor restrictions	885,468
Total net assets	11,596,087
TOTAL LIABILITIES AND NET ASSETS	\$ 11,647,920

See notes to financial statements.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Statement of Activities
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/24
SUPPORT AND REVENUE			
Adoption and program fees, less refunds of \$1,175	\$ 185,092	\$ -	\$ 185,092
Contributions	607,409	191,927	799,336
Bequests	261,295		261,295
Grants	58,739	-	58,739
Special events	337,248		337,248
Net change in value of beneficial interest in trusts		91,103	91,103
In-kind contributions	65,196		65,196
Investment income	262,698		262,698
Realized gain on investments	72,576		72,576
Unrealized change in value of investments	617,299		617,299
Miscellaneous income	1,690	-	1,690
 Total revenues and support before net assets released from donor restriction	 2,469,242	 283,030	 2,752,272
 Net assets released from donor restrictions	 126,893	 (126,893)	 -
 Total support and revenue	 2,596,135	 156,137	 2,752,272
EXPENSES			
Program services	1,371,798		1,371,798
Support Services			
Management and general	173,259		173,259
Fundraising	265,770		265,770
 Total expenses	 1,810,827	 -	 1,810,827
 CHANGE IN NET ASSETS	 785,308	 156,137	 941,445
 NET ASSETS - BEGINNING OF YEAR	 9,925,311	 729,331	 10,654,642
 NET ASSETS - END OF YEAR	 \$ 10,710,619	 \$ 885,468	 \$ 11,596,087

See notes to financial statements.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Statement of Cash Flows
For the Year Ended December 31, 2024

	12/31/24
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 941,445
Items not requiring (providing) cash:	
Depreciation	21,832
Realized and unrealized change in value of investments - (net of fees)	(617,299)
Change in beneficial interest in trusts	(91,103)
(Increase)/ decrease in assets:	
Accounts and bequests receivable	2,475
Prepaid expenses	25,782
Inventory	(10,054)
Increase/(decrease) in liabilities:	
Accounts payable	(15,250)
Payroll liabilities	2,473
	260,301
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(3,558,359)
Purchase of property and equipment	(1,170,042)
Proceeds from sale of investments	4,875,131
	146,730
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	407,031
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	270,923
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	\$ 677,954

There were no noncash investing and financing activities.

See notes to financial statements.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program Services				Support Services			2024 Total Expenses
	Adoption & Sheltering	Medical Services	Volunteers	Subtotal	Fundraising	Management And General	Subtotal	
Employee Compensation								
Salaries & Wages	\$ 531,273	\$ 150,648	\$ 26,118	\$ 708,039	\$ 145,221	\$ 55,924	\$ 201,145	\$ 909,184
Payroll taxes	59,911	14,116	2,456	76,483	12,381	5,824	18,205	94,688
Employee benefits	22,302		-	22,302	24,678	3,079	27,757	50,059
Total employee compensation	613,486	164,764	28,574	806,824	182,280	64,827	247,107	1,053,931
Other Expenses								
Advertising	1,975			1,975	3,645		3,645	5,620
Bank charges	4,250	35		4,285	6,840	586	7,426	11,711
Board expense	85			85	624		624	709
Donations	4,038		963	5,001	1,666		1,666	6,667
Events	6,507		55	6,562	43,400		43,400	49,962
Feed, shelter, and supplies	103,132	73,716		176,848	334		334	177,182
Insurance	24,674			24,674	586		586	25,260
Dues and subscriptions	9,736	360		10,096	3,429		3,429	13,525
Office expense	7,878	445		8,323	2,938	1,251	4,189	12,512
Outside services	50,788	139,433		190,221			-	190,221
Postage and shipping	868	12		880	5,451	264	5,715	6,595
Printing and publications	772			772	12,415		12,415	13,187
Professional services				-		102,737	102,737	102,737
Repairs and maintenance	39,511	1,147		40,658	646		646	41,304
Travel and training	15,258	133	133	15,524	1,231	882	2,113	17,637
Uniforms	3,501		1,218	4,719	-		-	4,719
Utilities	51,470	48	-	51,518		2,712	2,712	54,230
Miscellaneous	1,001			1,001	285		285	1,286
Total other expenses	325,444	215,329	2,369	543,142	83,490	108,432	191,922	735,064
Total expenses before depreciation	938,930	380,093	30,943	1,349,966	143,199	173,259	439,029	1,788,995
Depreciation	21,832			21,832			-	21,832
TOTAL FUNCTIONAL EXPENSES	\$ 960,762	\$ 380,093	\$ 30,943	\$1,371,798	\$ 265,770	\$ 173,259	\$ 439,029	\$ 1,810,827
Percentage of total	53.1%	21.0%	1.7%	75.8%	14.7%	9.6%	24.2%	100.0%

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Southern Oregon Humane Society, Inc. (the Society) is a registered not-for-profit organization dedicated to the humane treatment of companion animals. Mae Richardson founded the Humane Society of Jackson County in 1928 as an all-volunteer Society that initially provided services for displaced dogs and horses. Today, the Society provides quality care for dogs and cats while working to make a difference in the pet overpopulation problem. The Society's strategic areas of focus are to provide adoption and sheltering services for displaced pets, medical services, including reducing pet overpopulation through spay/neutering, and coordinating volunteers to service animals in need. The Society provides humane education opportunities for people of all ages throughout the community. Additionally, the Society currently educates more than 1,000 children in local schools each year via programs that foster compassion for all living things.

PROGRAM SERVICES

During the year ended December 31, 2024, the Society incurred program service expenses in the following major categories:

Adoptions and Sheltering - The Southern Oregon Humane Society continues to maintain one of the highest adoption rates in the county - 1,224 total adoptions for 2024. The animals that found new homes constitute an overall 99% adoption rate. Through the Saving Train Program, the Society saves more lives by accepting animals from shelters and animal control agencies across Oregon and California. These shelters usually face the dual problem of too many abandoned animals and too few adopters. In 2024, 1,249 animals were accepted from the public and other Societies.

Medical Services - During the year ended December 31, 2024, the Society performed 845 surgeries, including 767 spay and neuter surgeries, and 1,271 other medical procedures. In addition, the Society provided 3,036 vaccination updates for pets and trained 1 intern in the vet care department.

Volunteers - The compassion of the Society's volunteer force changed the world for each dog or cat they helped on a daily basis. The lives saved, through a kind word, a walk, a gentle touch, a photo taken, or a new toy, are those of this community's homeless animals. Foster Care has contributed significant time to the Society's volunteer hours. Donating almost 28,000 hours of service to all programs offered at the Society in 2024, volunteers provided services equivalent to 13.5 full-time employees.

BASIS OF ACCOUNTING AND PRESENTATION

The financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205 *Financial Statements of Not-for-Profit Organizations*. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, 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. Accordingly, actual results could differ from those estimates.

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

For the purposes of the statement of cash flows, the Society considers all highly liquid unrestricted investments purchased with a maturity of three months or less to be cash equivalents. Restricted cash, which is stated separately, is all cash and cash equivalents with donor-imposed restrictions as of December 31.

INVESTMENTS

All other investments are carried at fair value. The net change in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is reported in the statement of activities. Investment income is accrued as earned and reported net of investment advisory fees. Security transactions are recorded on a trade date basis.

The Society has some exposure to investment risks, including interest rate, market and credit risks, for marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

ACCOUNTS RECEIVABLE

The Society considers accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts was considered necessary. Management evaluates past due balances on an account-by-account basis, and if amounts become uncollectible, they are charged to operations when that determination is made.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORY

Inventory consists of pet supplies sold at a retail store located within the Society's facility, medical supplies and animal food inventory. Inventory is valued at the lower of cost or market value on a first-in, first-out basis.

PROPERTY AND EQUIPMENT

Acquisitions or donations of buildings, equipment, and improvements in excess of \$5,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Buildings, equipment and improvements are stated at cost or, if donated, at the fair market value at the date of the donation. For financial reporting purposes the costs of property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of the various categories of assets are as follows:

Buildings	20-39 years
Improvements	5-39 years
Furniture and fixtures	5-7 years
Equipment	5-7 years
Vehicles	5 years

FAIR VALUE MEASUREMENTS

The Society has adopted ASC 820-10 which establishes a framework for measuring fair value and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market for the asset or liability.

The Society uses various techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's estimate about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels on the reliability of inputs as follows:

Level 1: Valuations are based on quoted prices in active markets for identical assets or liabilities that the Society has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation does not entail a significant degree of judgement.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FAIR VALUE MEASUREMENTS (Continued)

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Society's own assumptions in determining the fair value of investments).

REVENUE RECOGNITION

The Society has multiple revenue streams that are accounted for as reciprocal exchange transactions including program fees, grants, sales, and related services. These contracts with customers are performance obligations that are satisfied upon completion of the service or sale. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

The Society operates a shop at its main facility which sells merchandise on a retail basis to customers. The performance obligation is the delivery of the goods to the customer. The transaction price is established by the Society based on retail prices set by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary. The Society recognizes revenue as the customer pays and takes possession of the merchandise. Some merchandise is sold with the right of return. No liability for probable customer returns was considered necessary as of December 31, 2024.

All revenues received through contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions are recorded as revenue at the time the Society has an established right to the contribution and the proceeds are measurable.

The Society records various types of in-kind contributions. Contributed services are recognized at fair value if the services received either create or enhance long-lived assets or require specialized skills. Typically, the services would need to be purchased if not provided by donation. Contributions of materials, goods and supplies are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Fundraising events are conducted in which a portion of the gross proceeds paid by a participant represents payment for the direct cost of the benefits received by the participant at the event – the exchange component, and a portion represents a contribution to the Society. The fair value of meals and entertainment provided at special events is measured at the actual cost to the Society. The contribution is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Society, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets. The performance obligation is delivery of the event, which is usually accompanied by a presentation. Special event fees collected by the Society in advance of its delivery are initially recognized as liabilities (deferred revenue) and as special event revenue after delivery of the event.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTIONS

Contributions are recognized when pledged and 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 recognized when the conditions on which they depend are 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are in place.

IN-KIND CONTRIBUTIONS

The Society records various types of in-kind contributions. Contributed services are recognized at fair value if the services received either create or enhance long-lived assets or require specialized skills. Typically, the services would need to be purchased if not provided by donation. Contributions of materials, goods and supplies are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

PROMISES TO GIVE

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenues in the period the promise is made, and as assets, decreases of liabilities, or expenses depending on the form of the benefits provided/given by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

DONATED SERVICES

The Society utilizes a substantial number of volunteers who spend significant amounts of time supporting various programs. However, the value of this time and service is not reflected in the accompanying financial statements as they do not meet the criteria for recognition under GAAP.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED REVENUE

Deferred revenue consists of grant revenue that has been received but not earned.

NET ASSETS

The financial statements of the Society have been prepared in accordance with US GAAP, which requires it to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets 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 Society's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of operations – the statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Society's recreation and educational programs. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature, if any.

BENEFICIAL INTEREST IN TRUSTS

The Society recognizes its right to assets held by trustees as beneficial interests in trusts when it has the unconditional right to receive all or a portion of the specified cash flows and the trustee does not have variance power.

The Society records its interest in these trusts at fair value based on estimated future cash receipts. Subsequent adjustments to the assets' carrying value are reported as a change in the value of beneficial interest in trusts in the accompanying financial statements and are classified as with or without donor restrictions, if any.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations are based upon use of facility square footage or completed payroll time studies. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification which include wages and payroll taxes. All other expenses that are common to several functions are allocated based on time and effort.

INCOME TAXES

The Society is an Oregon not-for-profit organization and complies with the requirements of Section 501(c)(3) of the Internal Revenue Code. Thus, the Society is exempt from federal and state income taxes. Management believes the Society meets the requirements to maintain its tax-exempt status. The Society files information tax returns in the U.S. federal and Oregon jurisdictions.

The Society recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Society recognizes interest and penalties related to income tax matters in operating expenses. As of December 31, 2024, there were no such uncertain tax positions.

ADVERTISING

The Society expenses advertising costs as incurred. Total advertising expense was \$5,620 for the year ended December 31, 2024.

LEASES

The Society accounts for noncancelable operating leases based on the terms of the contract. If the contract provides the Society the right to substantiate all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. ROU assets are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

Lease liabilities are initially and subsequently recognized based on the present value of their future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASES (Continued)

ROU assets for operating leases are subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and impairment recognized.

ROU assets for finance leases are amortized on a straight-line basis over the lease term. Operating leases with fluctuating lease payments: For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on straight-line basis over the lease term.

The Society has elected the short-term lease exemption for all leases with a term of 12 months or leases for both existing and ongoing operating leases to not recognize the asset and the liability for these leases. Lease payments for short-term lease are recognized on straight-line basis.

The Society did not record any right-of-use assets and liabilities as of December 31, 2024. The Society evaluated its remaining equipment leases and determined that none of the previously signed lease agreements met the threshold for reclassifying as a right of use asset and liability on December 31, 2024. Signed agreements after December 31, 2024, will be recorded as ROU.

RECENT ACCOUNTING PRONOUNCEMENTS

During the Year ended December 31, 2024, the Society adopted the provisions of Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326). This ASU replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. ASU requires nonprofit entities to immediately recognize the estimated expected credit losses over the life of a financial instrument, including trade receivables and membership dues. The estimate of expected credit losses considers not only historical information, but also current and future economic conditions and events.

The Society adopted the ASU effective January 1, 2024. The impact of the adoption was not considered material to the financial statements and primarily resulted in additional disclosures.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2024

2. LIQUIDITY AND AVAILABILITY OF FUNDS

The Society's financial assets available for general expenditures are funds and or resources without donor or other restrictions limiting their use, and expected to be available for use within one year of the statement of financial position date, are as follows:

Cash and cash equivalents	\$ 467,084
Accounts receivable	26,400
Investments	<u>8,683,290</u>
Total financial assets available to meet expenditures within the next 12 months	<u>\$ 9,176,774</u>

The Society's ability to meet its cash needs is by supported program fee revenue and donations. Program fees are established at a level that supports the related programmatic expenditures. However, it is necessary for the Society to actively seek contributions and grants to fully fund operations.

The Society maintains regular contact with its broad base of donors to support both annual operating contributions as well as restricted gifts for capital improvements on an on-going basis.

As 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. The Society's assets available for use consist of cash in bank, short-term investments, and receivables expected to be collected. Operating expenses are generally funded annually by grants, donations, and program fees.

3. DEPOSITS IN EXCESS OF INSURED LIMITS

The Society has several bank accounts at a financial institution located in Oregon. These balances may subject the Society to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2024, cash balances did not exceeded amounts insured by the FDIC. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant risk exists at this time.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2024

4. PROPERTY AND EQUIPMENT

The following is a summary of land, buildings, and equipment stated at cost less accumulated depreciation for the year ended December 31, 2024:

Depreciable property	
Building and improvements	\$ 282,555
Furniture and equipment	302,258
Vehicles	<u>76,557</u>
Totals	661,370
Less accumulated depreciation of	<u>(511,445)</u>
Subtotal	149,925
Non-depreciable property	
Land	1,168,711
Construction in progress	189,728
Fine art	<u>16,000</u>
Total property and equipment, net	<u><u>\$ 1,524,364</u></u>

Depreciation expense for the year ended December 31, 2024, was \$21,832.

5. BENEFICIAL INTEREST IN TRUSTS

Society is the partial beneficiary of four trusts created by donors, the assets of which are not in the possession of the Society. The Society has the legally enforceable rights or claims to such assets, including the right to income therefrom. The trusts are perpetual whereby the Society receives the income or a designated portion of the income into perpetuity. Income earned on trust assets is distributed to the Society as provided in the agreements. Consistent with accounting principles generally accepted in the United States of America, these funds and changes in their fair value are included in the accompanying financial statements. The fair value of the funds held in trust by others at December 31, 2024, was \$674,599.

6. NET ASSETS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2024:

Subject to expenditure for a specific purpose:

Capital projects	\$ 187,666
Medical services	19,626
Adoption and sheltering costs	<u>3,577</u>
Total subject to expenditure for a specific purpose	<u>210,869</u>

Not subject to expenditure:

Beneficial interest in perpetual trust	<u>674,599</u>
Total not subject to expenditure	<u>674,599</u>

Total net assets with donor restrictions	<u><u>\$ 885,468</u></u>
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SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
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7. LEASES

The Society has two operating leases for office equipment. These lease agreements require monthly payments of \$117 ending July 2028 and \$336 ending August 2027. These agreements are treated as an expense when paid. The Society will evaluate its lease agreements annually to determine if it is necessary to account for these as a right of use asset and a right of use liability.

8. SPECIAL EVENTS

Gross receipts from special fundraising events recorded by the Society consist of exchange transactions revenue and contribution revenue. The Society is required to separately report the components of this revenue to include the direct benefit received by the donors totaling \$7,800. This amount is based on the cost of meals and entertainment, valued at \$30 per person.

	2024
Special event revenue	\$ 337,248
Direct expense	<u>(46,648)</u>
Net special event income	<u><u>\$ 290,600</u></u>

9. COMMITMENTS AND CONTINGENCIES

The Society is exposed to various risks of loss related to employee health benefits: workers' compensation claims: theft of, damage to, and destruction of assets; natural disaster; and various other risks due to being an employer as well as providing services to individuals in the various programs operated. The Society carries commercial insurance to provide for risk of loss, including torts and professional liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal year, and there have been no significant reductions in coverage since last year.

10. ALLOCATION OF JOINT COSTS

The Society conducted activities that included requests for contributions as well as program and management and general components. These activities included various management-level salaries and associated payroll taxes and benefits, bank fees, office expense, postage and shipping, travel and training, depreciation, and utilities expenses. During the year-ended December 31, 2024, the costs of conducting these activities included a total of \$269,264 of joint costs, which are not specifically attributable to particular components of the activities joint costs. The joint costs associated with the expenses list above were allocated on the statement of functional expense as follows:

Adoption and sheltering	\$ 183,769
Medical services	14,789
Volunteers	2,589
Fundraising	53,519
Administration	14,598
	<u><u>\$ 269,264</u></u>

SOUTHERN OREGON HUMANE SOCIETY, INC.
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11. IN-KIND CONTRIBUTIONS

The Society's policy is to record in-kind contributions provided as support that benefits the Society in carrying out its mission. For the year ended December 31, 2024, the Society recorded the following in-kind contributions:

	2024
Animal food	\$ 62,196
Training services	3,000
Total in-kind contributions	\$ 65,196

The expenses associated with this income were recorded in the cost of food and outside services on the statement of functional expense.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

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

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets.

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

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2024:

	Level 1	Level 2	Level 3	Total
Cash & cash alternatives	\$ 278,542	\$ -	\$ -	\$ 278,542
Domestic Equities	4,383,525			4,383,525
Fixed income and Securities	4,157,609			4,157,609
Alternatives	142,157			142,157
Total investments	\$ 8,961,833	\$ -	\$ -	\$ 8,961,833
Beneficial Interest in trusts:				
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 674,599	\$ 674,599

SOUTHERN OREGON HUMANE SOCIETY, INC.
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12. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs and the perpetual nature of the trusts, the beneficial interest is classified within Level 3 of the hierarchy.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statement of financial position using significant unobservable (Level 3) inputs:

	Interest in Perpetual Trusts
Balance January 1, 2024	\$ 635,897
Net change in value of perpetual trusts	38,702
Balance December 31, 2024	\$ 674,599

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements:

	12/31/2024	Technique	Inputs	Average)
Beneficial interest in perpetual trusts	\$ 674,599	Fair value of underlying investments	Perpetual existence	Not available

13. SUBSEQUENT EVENTS

The Society is actively pursuing the development of a new location for its operating facilities. This is reflected in the construction in progress reflected in Note 4 on page 16.

Management of the Society has evaluated events as of July 8, 2025, which is the date of the audit report. The report was available to be issued on July 29, 2025.