

SOUTHERN OREGON HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

WITH

INDEPENDENT AUDITOR'S REPORT

RWB & Co.



CERTIFIED PUBLIC ACCOUNTANTS
MEDFORD

SOUTHERN OREGON HUMANE SOCIETY, INC.
Financial Statements
For the Year Ended December 31, 2025

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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, 2025, 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, 2025, and the changes in its net assets, its functional expenses, 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.

RWB & Co.
Certified Public Accountants

By:  _____
Richard W. Brewster, CPA
Partner

July 31, 2026

SOUTHERN OREGON HUMANE SOCIETY, INC.
Statement of Financial Position
December 31, 2025

	<u>12/31/25</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 210,540
Restricted cash and cash equivalents	45,962
Investments	13,234,167
Accounts and bequests receivable	37,415
Prepaid expenses and other current assets	614
Inventory	<u>75,185</u>
Total current assets	<u>13,603,883</u>
NON-CURRENT ASSETS:	
Property and equipment, net of depreciation	1,824,491
Beneficial interest in trusts	<u>728,085</u>
Total non-current assets	<u>2,552,576</u>
TOTAL ASSETS	<u><u>\$ 16,156,459</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 40,434
Accrued payroll and payroll taxes	<u>7,761</u>
Total current liabilities	<u>48,195</u>
Total liabilities	<u>48,195</u>
NET ASSETS	
Without donor restrictions	11,693,339
With donor restrictions	<u>4,414,925</u>
Total net assets	<u>16,108,264</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 16,156,459</u></u>

See notes to financial statements.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Statement of Activities
For the Year Ended December 31, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 12/31/25</u>
SUPPORT AND REVENUE			
Adoption and program fees, less refunds of \$850	\$ 168,512	\$ -	\$ 168,512
Contributions	722,226	3,818,861	4,541,087
Bequests	220,870		220,870
Grants	63,970	50,000	113,970
Special events	340,055		340,055
Net change in value of beneficial interest in trusts	53,486		53,486
In-kind contributions	48,887		48,887
Investment income	299,667		299,667
Realized gain on investments	136,237		136,237
Unrealized change in value of investments	494,501		494,501
Miscellaneous income	3,966	-	3,966
Total revenues and support before net assets released from donor restrictions	2,552,377	3,868,861	6,421,238
Net assets released from donor restrictions	339,404	(339,404)	-
Total support and revenue	2,891,781	3,529,457	6,421,238
EXPENSES			
Program services	1,433,230		1,433,230
Support Services			
Management and general	174,742		174,742
Fundraising	301,089		301,089
Total expenses	1,909,061	-	1,909,061
CHANGE IN NET ASSETS	982,720	3,529,457	4,512,177
NET ASSETS - BEGINNING OF YEAR	10,710,619	885,468	11,596,087
NET ASSETS - END OF YEAR	<u>\$ 11,693,339</u>	<u>\$ 4,414,925</u>	<u>\$ 16,108,264</u>

See notes to financial statements.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Statement of Cash Flows
For the Year Ended December 31, 2025

	<u>12/31/25</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 4,512,177
Items not requiring (providing) cash:	
Depreciation	16,690
Realized and unrealized change in value of investments - (net of fees)	(630,738)
Change in beneficial interest in trusts	(53,486)
(Increase)/ decrease in assets:	
Accounts and bequests receivable	(11,015)
Prepaid expenses	62
Inventory	(14,548)
Increase/(decrease) in liabilities:	
Accounts payable	23,764
Payroll liabilities	(27,402)
Net cash provided (used) by operating activities	<u>3,815,504</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(5,855,958)
Purchase of property and equipment	(316,818)
Proceeds from sale of investments	<u>1,935,821</u>
Net cash provided (used) by investing activities	<u>(4,236,955)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(421,451)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	<u>677,954</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 256,503</u></u>

There were no noncash investing or financing activities.

See notes to financial statements.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2025

	Program Services				Support Services			2025 Total Expenses
	Adoption & Sheltering	Medical Services	Volunteers	Subtotal	Fundraising	Management and General	Subtotal	
Employee Compensation								
Salaries & Wages	\$ 485,890	\$ 188,665	\$ 61,975	\$ 736,530	\$ 164,126	\$ 55,924	\$ 220,050	\$ 956,580
Payroll taxes	57,081	17,140	5,656	79,877	13,955	5,826	19,781	99,658
Employee benefits	21,794		6,992	28,786	24,712	3,322	28,034	56,820
Total employee compensation	564,765	205,805	74,623	845,193	202,793	65,072	267,865	1,113,058
Other Expenses								
Advertising	839			839	13,666		13,666	14,505
Bank charges	1,672			1,672	6,205	415	6,620	8,292
Board expense				-	-		-	-
Donations	4,186	51	850	5,087	1,775		1,775	6,862
Events	3,886	721	50	4,657	45,404		45,404	50,061
Feed, shelter, and supplies	81,042	98,612	29	179,683	663		663	180,346
Insurance	24,108			24,108	1,476		1,476	25,584
Dues and subscriptions	10,711	444		11,155	4,955		4,955	16,110
Office expense	7,071	100	25	7,196	2,990	1,132	4,122	11,318
Outside services	51,999	182,909		234,908			-	234,908
Postage and shipping		25		25	8,376	344	8,720	8,745
Printing and publications	1,315			1,315	11,884		11,884	13,199
Professional services				-		104,771	104,771	104,771
Repairs and maintenance	33,826	963		34,789	32		32	34,821
Travel and training	5,822		3,380	9,202	-	170	170	9,372
Uniforms	2,959			2,959	-		-	2,959
Utilities	53,752		-	53,752	-	2,838	2,838	56,590
Miscellaneous	-			-	870		870	870
Total other expenses	283,188	283,825	4,334	571,347	98,296	109,670	207,966	779,313
Total expenses before depreciation	847,953	489,630	78,957	1,416,540	143,199	174,742	475,831	1,892,371
Depreciation	16,690			16,690			-	16,690
TOTAL FUNCTIONAL EXPENSES	<u>\$ 864,643</u>	<u>\$ 489,630</u>	<u>\$ 78,957</u>	<u>\$1,433,230</u>	<u>\$ 301,089</u>	<u>\$ 174,742</u>	<u>\$ 475,831</u>	<u>\$ 1,909,061</u>
Percentage of total	<u>45.3%</u>	<u>25.6%</u>	<u>4.1%</u>	<u>75.1%</u>	<u>15.8%</u>	<u>9.2%</u>	<u>24.9%</u>	<u>100.0%</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2025

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, 2025, 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 - 1,058 total adoptions for 2025. 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 2025, 1,206 animals were accepted from the public and other Societies.

Medical Services - During the year ended December 31, 2025, the Society performed 837 surgeries, including 703 spay and neuter surgeries, and 1,184 other medical procedures. In addition, the Society provided 3,229 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 27,015 hours of service to all programs offered at the Society in 2025, volunteers provided services equivalent to 13 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, 2025

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 an original 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, 2025

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 with lower of cost and net realizable 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, 2025

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 recognizes revenue in accordance with applicable accounting standards for exchange transactions and contributions.

Revenue from contracts with customers consists primarily of adoption fees, program service fees, retail merchandise sales, and certain special event revenues. Revenue is recognized when control of the promised goods or services is transferred to the customer, which generally occurs at a point in time upon completion of the service, adoption, sale, or event. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue.

The Society operates a retail shop at its facility that sells merchandise to customers. Revenue from merchandise sales is recognized at the point of sale when the customer takes possession of the merchandise. Management determined that no material reserve for sales returns was necessary as of December 31, 2025.

Special event revenue may contain both an exchange element and a contribution element. The exchange portion is equal to the fair value of the direct benefits received by participants, and the contribution portion is recognized as contribution revenue. Revenue related to special events is recognized when the event occurs. Amounts received in advance are recorded as deferred revenue until earned.

Contributions, including unconditional promises to give, are recognized when received or pledged and are classified as either net assets with donor restrictions or net assets without donor restrictions based on the existence and nature of donor-imposed restrictions. Conditional contributions are recognized when the conditions on which they depend are substantially met.

Donor-restricted contributions are reclassified to net assets without donor restrictions when the applicable restrictions are satisfied. Contributions restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service. Contributions received and expended in the same reporting period for the same purpose are reported as net assets without donor restrictions.

The Society recognizes contributed services at fair value when the services received create or enhance nonfinancial assets or require specialized skills that would otherwise need to be purchased. Donated materials, supplies, and other nonfinancial assets are recorded at estimated fair value at the date received. Such amounts are reflected as in-kind contribution revenue and as corresponding expense or capital additions in the accompanying financial statements.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IN-KIND CONTRIBUTIONS

The Society records in-kind contributions at fair value at the date of donation.

Donated services are recognized as in-kind contribution revenue when the services received either create or enhance nonfinancial assets or require specialized skills and would otherwise need to be purchased if not provided by donation.

Donated materials, supplies, and other nonfinancial assets are recorded at estimated fair value when received.

In-kind contributions recognized in the financial statements are reported as both revenue and as corresponding expenses or additions to property and equipment in the accompanying financial statements.

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.

DEFERRED REVENUE

Deferred revenue consists of amounts received in advance of satisfying performance obligations under exchange transactions. Revenue is recognized when the related goods or services are provided or when the performance obligations are otherwise satisfied.

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.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET ASSETS (Continued)

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 adoption/sheltering 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

Beneficial interest in trusts represents the Society's right to receive all or a portion of the assets held in trust by third-party trustees when the Society has an unconditional right to the future distributions and the trustee does not possess variance power.

The beneficial interests are recorded at fair value, which is generally based on the present value of expected future cash flows or the fair value of the underlying trust assets as reported by the trustee.

Subsequent changes in fair value are recognized in the statement of activities as a change in beneficial interest in trusts and are classified as net assets with or without donor restrictions in accordance with donor-imposed stipulations, if applicable.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Society's programs and supporting services are presented in the statement of activities and the statement of functional expenses. Expenses are allocated between program and supporting services based on the nature of the expense and the relative benefit provided.

Expenses directly attributable to a specific program or supporting function are charged directly to that function. Other expenses that benefit multiple programs or supporting services are allocated based on reasonable and consistently applied methods, including square footage for occupancy-related costs and time and effort studies for personnel-related costs.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES

The Society is organized as an Oregon not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society is also generally exempt from state income taxes. Management believes the Society continues to operate in compliance with the requirements necessary to maintain its tax-exempt status. The Society files informational tax returns with the appropriate federal and state taxing authorities.

The Society evaluates uncertain tax positions in accordance with applicable accounting guidance. Tax positions are recognized only if it is more likely than not that the position would be sustained upon examination by taxing authorities based on the technical merits. The amount recognized is measured as 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, if any, as a component of expense in the statement of activities. As of December 31, 2025, the Society had no uncertain tax positions requiring recognition or disclosure.

ADVERTISING

The Society expenses advertising costs as incurred. Advertising expense totaled \$14,505 for the year ended December 31, 2025.

LEASES

The Society determines whether an arrangement is or contains a lease at inception in accordance with Accounting Standards Codification ("ASC") 842, Leases. For leases with terms greater than 12 months, the Society recognizes a right-of-use ("ROU") asset and corresponding lease liability based on the present value of future lease payments over the lease term.

The Society has elected the short-term lease recognition exemption for leases with an original term of 12 months or less. Accordingly, the Society does not recognize ROU assets or lease liabilities for short-term lease arrangements. Lease expense for short-term leases is recognized on a straight-line basis over the lease term.

Management evaluated the Society's lease arrangements as of December 31, 2025, and concluded that the Society did not have any material lease arrangements requiring recognition of a ROU asset or lease liability under ASC 842

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECENT ACCOUNTING PRONOUNCEMENTS

The Society continues to monitor developments in accounting guidance and industry practice related to grants and assistance arrangements, including the evaluation of exchange transactions versus contributions and conditional contribution recognition under Accounting Standards Codification ("ASC") Topic 958.

Management is currently assessing the impact that future accounting guidance, interpretations, or disclosure requirements related to assistance may have on the Society's financial statements and related disclosures. At this time, no material impact is expected upon adoption of currently issued standards.

2. LIQUIDITY AND AVAILABILITY OF FUNDS

Financial assets available for general expenditure within one year consist of cash, short-term investments, and receivables expected to be collected within the next twelve months, reduced by amounts subject to donor or other contractual restrictions limiting their use for general operating purposes:

Cash and cash equivalents	\$ 256,502
Less restricted cash and cash equivalents	(45,962)
Accounts receivable	37,415
Investments	13,234,167
Less donor restricted funds in investments	<u>(4,414,925)</u>
Total financial assets available to meet expenditures within the next 12 months	<u><u>\$ 9,067,197</u></u>

The Society manages liquidity to ensure that financial assets are available to meet general operating needs, liabilities, and other obligations as they become due. Cash needs are primarily funded through a combination of program service revenue, contributions, and grants. While program fees are established to support related program activities, ongoing operations are supplemented by contributions and grant funding.

The Society maintains financial assets in a manner intended to provide sufficient liquidity for operating expenditures and continues to rely on a diverse base of funding sources to support ongoing operations.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2025

3. DEPOSITS IN EXCESS OF INSURED LIMITS

The Society maintains its cash balances in financial institutions located in Oregon. These balances may expose the Society to concentrations of credit risk, as cash balances may from time to time exceed federally insured limits under the Federal Deposit Insurance Corporation (FDIC).

On December 31, 2025, cash balances did not exceed FDIC insurance limits.

Management monitors the financial condition of these financial institutions on an ongoing basis and believes that the Society is not exposed to significant credit risk at this time.

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, 2025:

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>(528,135)</u>
Subtotal	133,235
Non-depreciable property	
Land	1,168,711
Construction in progress	506,545
Fine art	<u>16,000</u>
Total property and equipment, net	<u><u>\$ 1,824,491</u></u>

Depreciation expense for the year ended December 31, 2025, was \$16,690.

SOUTHERN OREGON HUMANE SOCIETY, INC.
Notes to Financial Statements
December 31, 2025

5. BENEFICIAL INTEREST IN TRUSTS

The Society is the partial beneficiary of four donor-established trusts held and administered by third parties. The underlying trust assets are not in the possession of the Society. The Society has a beneficial interest in the trusts, representing its right to receive all or a portion of the income generated by the trust assets in accordance with the terms of the trust agreements.

The trusts are perpetual in nature, under which the Society receives distributions of income, or a designated portion thereof, in perpetuity.

Beneficial interests in the trusts are reported at fair value based on the estimated value of the underlying trust assets or the present value of expected future distributions. Changes in fair value are recognized in the statement of activities in the period in which they occur.

The fair value of the Society's beneficial interest in assets held in trust by others was \$728,085 at December 31, 2025.

6. NET ASSETS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2025:

Subject to expenditure for a specific purpose:

Capital projects	\$ 3,663,390
Medical services	19,873
Adoption and sheltering costs	<u>3,577</u>
Total subject to expenditure for a specific purpose	<u>3,686,840</u>

Not subject to expenditure:

Beneficial interest in perpetual trust	<u>728,085</u>
Total not subject to expenditure	<u>728,085</u>

Total net assets with donor restrictions	<u><u>\$ 4,414,925</u></u>
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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 the lease is material and it is necessary to account for these as a right of use asset and a right of use liability.

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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 \$7,174. This amount is based on the cost of meals and entertainment.

	<u>2025</u>
Special event revenue	\$ 340,055
Direct expense	<u>(50,061)</u>
Net special event income	<u>\$ 289,994</u>

9. COMMITMENTS AND CONTINGENCIES

The Society is subject to various risks of loss related to employee health benefits, workers' compensation claims, property damage, and general liability arising in the ordinary course of operations. The Society maintains commercial insurance coverage to mitigate these risks, including general liability, property, professional liability, and workers' compensation insurance.

Settled claims have not exceeded insurance coverage in any of the past fiscal years presented. Management does not believe there have been any significant reductions in insurance coverage during the year ended December 31, 2025.

10. ALLOCATION OF JOINT COSTS

The Society conducts activities that include program services, management and general, and fundraising components. Certain of these activities involve joint costs that are not directly attributable to a single functional category.

During the year ended December 31, 2025, the Society incurred \$267,485 of joint costs associated with these activities. These costs were allocated among program services, management and general, and fundraising based on the relative benefit received by each function.

The allocated joint costs are included in the accompanying statement of functional expenses:

Adoption and sheltering	\$ 163,882
Medical services	17,265
Volunteers	16,053
Fundraising	56,238
Administration	<u>14,047</u>
	<u>\$ 267,485</u>

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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, 2025, the Society recorded the following in-kind contributions:

	<u>2025</u>
Animal food	\$ 41,684
Training services	7,203
Total in-kind contributions	<u>\$ 48,887</u>

The expenses associated with this income were recorded in the cost of food and outside services on the statement of functional expenses. The value placed on the food and services provide is determined by comparable sales and services.

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 Society determines fair value in accordance with ASC 820, Fair Value Measurement, which establishes a hierarchy prioritizing the inputs used in valuation techniques as noted in Note 1 to accounting policies.

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash & cash alternatives	\$ 635,120	\$ -	\$ -	\$ 635,120
Domestic Equities	11,036,531			11,036,531
Fixed income and Securities	1,183,410			1,183,410
Alternatives	379,106			379,106
Total investments	<u>\$ 13,234,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,234,167</u>
Beneficial Interest in trusts:				
Beneficial interest in perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 728,085</u>	<u>\$ 728,085</u>

Cash and cash alternatives retained in the investment accounts are reported as investments and not included in the Society's operating cash and cash equivalents.

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12. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Beneficial Interest in Perpetual Trusts

The fair value of beneficial interests in perpetual trusts is estimated based on the Organization's proportional interest in the fair value of the underlying assets held by the trusts. Because the Organization cannot unilaterally control or redeem the underlying trust assets, and the valuation incorporates significant inputs that are not directly observable, the beneficial interests are classified within Level 3 of the fair value hierarchy.

Level 3 Reconciliation

The following table presents a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Beneficial Interest in Perpetual Trusts
Balance January 1, 2025	\$ 674,599
Net change in value of perpetual trusts	<u>53,486</u>
Balance December 31, 2025	<u><u>\$ 728,085</u></u>

Significant Unobservable Inputs

The following table presents quantitative information about the significant unobservable inputs used to measure assets at fair value on a recurring basis within Level 3 of the fair value hierarchy:

	Fair Value at 12/31/2025	Valuation Technique	Unobservable Inputs	(Weighted- Average)
Beneficial interest in perpetual trusts	\$ 728,085	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. The costs associated with this pursuit are reflected in construction in progress, in Note 4 on page 16.

Management of the Society has evaluated subsequent events through July 31, 2026, the date of the auditor's report. The financial statements were available to be issued on August 12, 2026. No subsequent events requiring recognition or disclosure were identified.

