

VANDEBURGH HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

(With Independent Auditor's Report Thereon)

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 15



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vanderburgh Humane Society, Inc.

Qualified Opinion

We have audited financial statements of Vanderburgh Humane Society, Inc. (an Indiana nonprofit organization), which comprise the statements of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Vanderburgh Humane Society, Inc. (an Indiana nonprofit organization) as of December 31, 2023 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 Qualified Opinion

As disclosed in Note 3 to the financial statements, the Organization has excluded certain beneficial interests in assets held by others in the financial statements due to its inability to obtain fair value information. Accounting principles generally accepted in the United States of America require that such beneficial interests in assets held by others be recorded at fair value at the date of notification of existence. Quantification of the effects on the financial statements of the preceding practice is not practicable.

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

Other Matter

The 2022 financial statements were reviewed by us and our report thereon, dated July 14, 2023, stated except for effect of the matter described in the Basis for Qualified Conclusion paragraph, we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. A review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole 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 Vanderburgh Humane Society, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Vanderburgh 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 Vanderburgh 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.

Riney Hancock CPAs PSC

Evansville, Indiana

August 20, 2024

VANDEBURGH HUMANE SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 (Audited) and 2022 (Reviewed)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 906,701	\$ 405,119
Contributions receivable	119,527	843,097
Investments	81,330	7,065
Operating lease right-to-use assets	4,053	3,931
Other current assets	45,060	35,789
Total current assets	1,156,671	1,295,001
Property and equipment, net	1,861,115	1,925,860
Other assets:		
Beneficial interests in assets held by others	579,210	539,662
Cash surrender value of life insurance	83,809	80,263
Noncurrent operating lease right-to-use assets	9,152	13,205
Total other assets	672,171	633,130
Total assets	\$ 3,689,957	\$ 3,853,991
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 124,886	\$ 89,542
Accrued expenses	108,058	84,222
Current maturities of long-term debt	-	4,154
Noncurrent lease liabilities	4,053	3,931
Total current liabilities	236,997	181,849
Other liabilities:		
Lease liabilities	9,152	13,205
Long-term debt	150,000	145,846
Total other liabilities	159,152	159,051
Total liabilities	396,149	340,900
Net assets:		
Without donor restrictions	2,714,598	2,973,429
With donor restrictions	579,210	539,662
Total net assets	3,293,808	3,513,091
Total liabilities and net assets	\$ 3,689,957	\$ 3,853,991

See Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2023 (Audited) and 2022 (Reviewed)

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Contributions	\$ 1,480,724	\$ -	\$ 1,480,724	\$ 1,312,093	\$ -	\$ 1,312,093
Adoption and surrender fees	222,232	-	222,232	294,452	-	294,452
Spay/neuter clinic fees	416,343	-	416,343	492,683	-	492,683
Thrift shop	262,281	-	262,281	260,388	-	260,388
River Kitty Cat Café:						
Lounge fees	85,878	-	85,878	102,252	-	102,252
Food and beverage sales	101,056	-	101,056	80,000	-	80,000
Cost of goods sold	(52,698)	-	(52,698)	(42,212)	-	(42,212)
Net sales	48,358	-	48,358	37,788	-	37,788
Merchandise:						
Sales	74,450	-	74,450	81,535	-	81,535
Cost of goods sold	(46,318)	-	(46,318)	(30,312)	-	(30,312)
Net sales	28,132	-	28,132	51,223	-	51,223
Special events:						
Special events revenue	151,630	-	151,630	179,548	-	179,548
Cost of direct benefits to donors	(63,321)	-	(63,321)	(71,364)	-	(71,364)
Net special event revenue	88,309	-	88,309	108,184	-	108,184
Change in value of beneficial interest						
in assets held by others	-	54,720	54,720	-	(82,368)	(82,368)
Investment income	32,466	-	32,466	44,093	-	44,093
Other	36,123	-	36,123	22,929	-	22,929
Net assets released from restrictions	15,172	(15,172)	-	15,927	(15,927)	-
Total revenues and support	2,716,018	39,548	2,755,566	2,742,012	(98,295)	2,643,717
Expenses:						
Program services:						
Adoption/shelter	1,576,055	-	1,576,055	1,351,053	-	1,351,053
Spay/neuter & medical clinic	544,583	-	544,583	546,718	-	546,718
River Kitty Café	236,914	-	236,914	238,445	-	238,445
Education and other	206,623	-	206,623	186,756	-	186,756
Total program services	2,564,175	-	2,564,175	2,322,972	-	2,322,972
Supporting services:						
General and administrative	203,153	-	203,153	159,691	-	159,691
Fundraising	207,521	-	207,521	115,379	-	115,379
Total supporting services	410,674	-	410,674	275,070	-	275,070
Total expenses	2,974,849	-	2,974,849	2,598,042	-	2,598,042
Change in net assets	(258,831)	39,548	(219,283)	143,970	(98,295)	45,675
Net assets, beginning of year	2,973,429	539,662	3,513,091	2,829,459	637,957	3,467,416
Net assets, end of year	\$ 2,714,598	\$ 579,210	\$ 3,293,808	\$ 2,973,429	\$ 539,662	\$ 3,513,091

See Notes to Financial Statements

VANDEBURGH HUMANE SOCIETY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2023 (Audited) and 2022 (Reviewed)

	2023							
	Program Services				Supporting Services			
	Adoption/ Shelter	Spay/Neuter & Medical Clinic	River Kitty Cat Café	Education & Other	Total	General & Admin.	Fund- raising	Total
Salaries	\$ 832,133	\$ 280,685	\$ 136,090	\$ 168,695	\$ 1,417,603	\$ 82,202	\$ 51,183	\$ 1,550,988
Employee benefits	73,319	24,731	11,991	14,863	124,904	7,243	4,509	136,656
Payroll taxes	61,214	20,648	10,011	12,409	104,282	6,047	3,765	114,094
Animal supplies	52,431	-	-	-	52,431	-	-	52,431
Medical & vet	138,973	160,372	-	-	299,345	-	-	299,345
Advertising	-	588	2,008	-	2,596	24,635	-	27,231
Bank charges	23,468	3,574	6,315	-	33,357	-	-	33,357
Depreciation	126,155	13,351	4,204	3,266	146,976	3,266	6,343	156,585
Direct mail	-	-	-	-	-	-	100,551	100,551
Insurance	33,736	3,860	-	1,004	38,600	1,016	1,016	40,632
Interest	6,194	-	-	-	6,194	-	-	6,194
Maintenance	93,176	10,661	1,670	2,772	108,279	2,743	2,742	113,764
Miscellaneous	55	-	-	-	55	6,262	-	6,317
Office	-	514	281	-	795	11,942	23,520	36,257
Professional fees	-	-	-	-	-	41,830	-	41,830
Rent & service agreements	-	-	41,376	-	41,376	8,807	-	50,183
Software & subscriptions	1,663	2,494	1,667	665	6,489	997	10,788	18,274
Supplies	26,389	10,543	12,174	-	49,106	3,059	-	52,165
Travel & education	8,005	1,218	-	-	9,223	-	-	9,223
Utilities	99,144	11,344	9,127	2,949	122,564	3,104	3,104	128,772
	<u>\$ 1,576,055</u>	<u>\$ 544,583</u>	<u>\$ 236,914</u>	<u>\$ 206,623</u>	<u>\$ 2,564,175</u>	<u>\$ 203,153</u>	<u>\$ 207,521</u>	<u>\$ 2,974,849</u>
	2022							
	Program Services				Supporting Services			
	Adoption/ Shelter	Spay/Neuter & Medical Clinic	River Kitty Cat Café	Education & Other	Total	General & Admin.	Fund- raising	Total
Salaries	\$ 659,750	\$ 265,583	\$ 129,787	\$ 146,611	\$ 1,201,731	\$ 76,932	\$ 47,751	\$ 1,326,414
Employee benefits	56,277	22,654	11,071	12,507	102,509	6,562	4,074	113,145
Payroll taxes	48,859	19,668	9,612	10,858	88,997	5,697	3,537	98,231
Animal supplies	38,156	-	-	-	38,156	-	-	38,156
Medical & vet	129,147	184,047	-	-	313,194	-	-	313,194
Advertising	-	49	368	-	417	5,272	-	5,689
Bank charges	17,853	3,343	4,477	-	25,673	-	-	25,673
Depreciation	116,614	13,313	3,990	3,256	137,173	3,256	6,333	146,762
Direct mail	-	-	-	-	-	-	31,088	31,088
Insurance	36,251	4,148	-	1,078	41,477	1,092	1,092	43,661
Interest	12,970	-	2	1,466	14,438	160	-	14,598
Maintenance	102,134	11,686	4,478	3,038	121,336	2,979	2,978	127,293
Miscellaneous	3,166	-	85	-	3,251	3,785	-	7,036
Office	-	145	1,581	-	1,726	6,865	4,250	12,841
Professional fees	-	-	298	-	298	26,594	-	26,892
Rent & service agreements	-	-	41,376	267	41,643	8,897	-	50,540
Software & subscriptions	6,857	2,487	2,446	2,743	14,533	4,113	10,788	29,434
Supplies	9,974	7,154	17,337	1,698	36,163	3,999	-	40,162
Travel & education	4,313	-	-	-	4,313	-	-	4,313
Utilities	108,732	12,441	11,537	3,234	135,944	3,488	3,488	142,920
	<u>\$ 1,351,053</u>	<u>\$ 546,718</u>	<u>\$ 238,445</u>	<u>\$ 186,756</u>	<u>\$ 2,322,972</u>	<u>\$ 159,691</u>	<u>\$ 115,379</u>	<u>\$ 2,598,042</u>

See Notes to Financial Statements.

VANDEBURGH HUMANE SOCIETY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 (Audited) and 2022 (Reviewed)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (219,283)	\$ 45,675
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	156,585	147,413
Change in beneficial interests in assets held by others	(54,720)	82,368
Increase in cash surrender value of life insurance	(3,546)	(3,305)
Decrease (increase) in assets:		
Contributions receivable	723,570	90,812
Investments	(81,330)	-
Prepaid expenses	(2,206)	18,498
Increase (decrease) in liabilities:		
Accounts payable	35,344	63,608
Accrued expenses	23,836	10,173
	578,250	455,242
Cash flows from investing activities:		
Principal payments received from remainder trust	15,172	15,927
Purchases of property and equipment	(91,840)	(19,306)
	(76,668)	(3,379)
Cash flows from financing activities:		
Repayments of long-term debt	-	(300,411)
	-	(300,411)
Net increase in cash and cash equivalents	501,582	151,452
Cash and cash equivalents, beginning of year	405,119	253,667
Cash and cash equivalents, end of year	\$ 906,701	\$ 405,119
Supplemental disclosure of cash flow information:		
Interest paid	\$ 7,692	\$ 13,947

See Notes to Financial Statements.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 (Audited) and 2022 (Reviewed)

1. Organization and Summary of Significant Accounting Policies

Nature of Organization

Vanderburgh Humane Society, Inc. is a not-for-profit organization that was founded in 1957 to provide protection for homeless animals, intervention for animals in abusive environments, and community education to encourage prevention of animal abuse and pet overpopulation in Vanderburgh County, Indiana and the surrounding areas. The Organization serves as a surrender and adoption agency for unwanted pets. The Organization operates a low-cost spay and neuter clinic, which has prevented hundreds of thousands of unwanted litters and provides medical services to animals. The Organization also operates River Kitty Cat Café in downtown Evansville, Indiana. The café maintains a lounge that displays cats available for adoption and allows the public to interact with these cats in addition to selling food and beverages.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid investments with an original maturity of less than 90 days to be cash equivalents. Cash and highly liquid financial instruments restricted to long-term purposes are excluded from this definition. Cash that has donor-imposed restrictions limiting its use to long-term purposes is reported as restricted cash in the financial statements. The Organization had no restricted cash at December 31, 2023 and 2022.

Contributions Receivable

Contributions receivable consist of unconditional promises to give, including bequests, which are recognized as revenues in the period received. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Management utilizes the allowance method of accounting for uncollectible accounts. The allowance is based on historical collection experience and changes in current economic conditions in the area. Management believes all contributions receivable will be collected in full, therefore no allowance has been recorded.

Beneficial Interest in Assets Held by Others

Beneficial interests in assets held by others are carried at fair market value, if determinable. Assets donated with explicit restrictions regarding their use are reported as restricted support until such restrictions expire. Absent donor stipulations, contributions of beneficial interests in assets held by others are recorded as unrestricted support.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 (Audited) and 2022 (Reviewed)

1. Organization and Summary of Significant Accounting Policies, Continued

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Acquisitions of property and equipment in excess of \$500 and with estimated useful lives in excess of one year are capitalized.

Donated property and equipment are recorded as contributions at their estimated values at the date of receipt. If donors stipulate a time period during which the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Net Assets

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

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. All contributions are considered available for the Organization's general programs unless specifically restricted by the donor.

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Revenue and Revenue Recognition

Program service revenues, which include adoption fees, clinic service fees, and sales of medical supplies and merchandise, are recognized as earned when the service is provided or when supplies or merchandise are delivered, and payment is due at that time. The Organization also operates a retail thrift store and a café. Revenue from these sales is recognized at the point of sale. Sales taxes collected from customers are excluded from revenue. The Organization recognizes special event revenue equal to the fair value of the direct benefits to donors and contribution revenue for the difference when the event takes place.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 (Audited) and 2022 (Reviewed)

1. **Organization and Summary of Significant Accounting Policies, Continued**

Contributions

Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Amounts received prior to incurring qualifying expenditures or conditions are reported as deferred revenue in the statement of financial position.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

In-Kind Contributions

Contributed goods are recorded at fair value at the date of donation. The Organization's policy related to in-kind contributions is to utilize the assets given to carry out the Organization's mission. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value. No significant contributions of such assets were received during the years ended December 31, 2023 and 2022.

Volunteers contribute significant amounts of time to the Organization; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Advertising

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing various services and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, benefits, payroll taxes and office expenses have been allocated based on time and effort. Occupancy, insurance, interest, and depreciation expenses have been allocated based on square footage of building.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 (Audited) and 2022 (Reviewed)

1. Organization and Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain accounts in the 2022 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2023 financial statements.

2. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date were as follows at December 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 906,701	\$ 405,119
Contributions receivable	119,527	843,097
Distributions from beneficial interest in assets held by others	4,416	3,950
Other current assets	<u>81,330</u>	<u>7,065</u>
	<u>\$ 1,111,974</u>	<u>\$ 1,259,231</u>

As part of the Organization'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 Organization invests cash in excess of daily requirements in short-term investments, including money market accounts and certificates of deposit.

3. Beneficial Interests in Assets Held by Others

Beneficial Interest in Remainder Trust

The Organization is a beneficiary of a charitable remainder trust, the assets of which are held by a local bank. The Organization has the irrevocable right to receive one seventh of the distributable net income until termination of the trust in June 2025, at which time the Organization will receive 15% of principal, without restrictions. The fair market value of this beneficial interest was \$531,195 and \$495,689 at December 31, 2023 and 2022, respectively.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 (Audited) and 2022 (Reviewed)

3. Beneficial Interests in Assets Held by Others, Continued

Beneficial Interest in Remainder Trust, Continued

A gain of \$50,678 and a loss of \$72,158 were included in the change in net assets with donor restrictions for the years ended December 31, 2023 and 2022, respectively.

This trust is a private foundation under the IRS tax code. As a result, a minimum of 5% of the trust's fair market value is required to be distributed to the charitable beneficiaries annually, and a principal distributions of \$15,172 and \$15,927 were made to the Organization during the years ended December 31, 2023 and 2022, respectively.

Beneficial Interest in Perpetual Trust

The Organization is a beneficiary of a perpetual trust, the assets of which are held by a local bank. The Organization has the irrevocable right to receive one fifty-eighth of the distributable net income in perpetuity, without restrictions. The fair market value of this interest was \$48,015 and \$43,973 at December 31, 2023 and 2022, respectively. A gain of \$4,042 and a loss of \$10,210 were included in the change in net assets with donor restrictions for the years ended December 31, 2023 and 2022, respectively.

Other Estates and Charitable Remainder Trusts

The Organization is also a beneficiary of various other estates and charitable remainder trusts. Due to the difficulty the Organization has encountered in obtaining current fair value information, the Organization has not been able to reasonably value and record its interest in all of these trusts and estates, as required by U. S. generally accepted accounting principles.

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 315,279	\$ 315,279
Buildings and improvements	3,917,713	3,917,713
Equipment	243,028	151,188
Vehicles	<u>75,985</u>	<u>75,985</u>
Total cost	4,552,005	4,460,165
Less accumulated depreciation	<u>(2,690,890)</u>	<u>(2,534,305)</u>
Property and equipment, net	<u>\$ 1,861,115</u>	<u>\$ 1,925,860</u>

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 (Audited) and 2022 (Reviewed)

5. Fair Value Measurements

Fair value of assets measured on a recurring basis was as follows:

	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>December 31, 2023:</u>			
Beneficial interests in assets held by others	\$ 531,195	\$ 48,015	\$ 579,210
Cash surrender value of life insurance	83,809	-	83,809
	\$ 615,004	\$ 48,015	\$ 663,019
<u>December 31, 2022:</u>			
Beneficial interests in assets held by others	\$ 495,689	\$ 43,973	\$ 539,662
Cash surrender value of life insurance	80,263	-	80,263
	\$ 575,952	\$ 43,973	\$ 619,925

Fair value for the cash surrender value of life insurance is determined by the amount that could be realized under the insurance contract and is considered a Level 2 input.

Fair value of the beneficial interest in a remainder trust is measured using the fair value of the assets held in the trust as reported by the trustee as of December 31, 2023 and 2022, which approximates the present value of the expected future cash flows, discounted at 2.5%, and is considered a Level 2 input.

Fair value of the beneficial interest in a perpetual trust is measured using the fair value of the assets held in the trust as reported by the trustee as of December 31, 2023 and 2022. The Organization considers the measurement of this trust to be a Level 3 input because even though that measurement is based on unadjusted fair values of the trust assets, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

6. Income Taxes

The Organization is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The income derived from thrift shop sales are exempt from unrelated business income tax because substantially all sales consist of merchandise that the Organization received as contributions. The Organization believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 (Audited) and 2022 (Reviewed)

7. Long-Term Debt

Long-term debt consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Note payable to Small Business Administration, 2.75% interest, \$641 beginning in May 2021, then monthly through May 2050, secured by all tangible and intangible personal property, fully guaranteed by the Federal Government	150,000	150,000
Long-term debt	150,000	150,000
Less current maturities	-	(4,154)
Long-term debt, net of current portion	<u>\$ 150,000</u>	<u>\$ 145,846</u>

Scheduled long-term debt maturities are as follows for the years ended December 31:

2024	\$	-
2025		619
2026		3,630
2027		3,731
2028		3,835
Thereafter		<u>138,185</u>
		<u>\$ 150,000</u>

8. Leases

The Organization leases equipment and facilities under short-term and long-term operating lease agreements, with remaining lease terms through April 2027. The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less. Lease expense is recognized for these leases on a straight-line basis over the lease term. Lease expense for short-term leases was \$41,376 for each of the years ended December 31, 2023 and 2022. Total rent expense was \$45,727 and \$44,874 for the years ended December 31, 2023 and 2022, respectively.

The weighted average remaining lease term was three years at December 31, 2023. The Organization has elected to use the risk-free rate as the discount rate. The weighted average discount rate was 3.21% at December 31, 2023.

VANDERBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 (Audited) and 2022 (Reviewed)

8. Leases, Continued

The maturity of operating lease liabilities are as follows for the years ended December 31:

2024	\$	4,351	
2025		4,351	
2026		3,804	
2027		853	
Total lease payments		13,359	
Less interest		(154)	
Present value of lease liabilities		\$ 13,205	

The Organization subleases part of the leased facilities on a month-to-month basis. Total rents received were \$24,600 and \$16,400 for the years ended December 31, 2023 and 2022, respectively.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows at December 31:

	<u>2023</u>	<u>2022</u>
Subject to the passage of time:		
Beneficial interest in remainder trust	\$ 531,195	\$ 495,689
Assets to be maintained in perpetuity:		
Beneficial interest in perpetual trust	48,015	43,973
	\$ 579,210	\$ 539,662

Net assets released from donor restrictions were principal distributions of the beneficial interest in remainder trust in the amount of \$15,172 and \$15,927 for the years ended December 31, 2023 and 2022, respectively.

10. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of cash on deposit at financial institutions and contributions receivable. Cash in banks may, at times, exceed federal deposit insurance limits. The Organization attempts to minimize this risk by using high-credit quality financial institutions. Contributions receivable are periodically reviewed by management for their collectability and an allowance for doubtful accounts is established, as deemed necessary.

VANDEBURGH HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 (Audited) and 2022 (Reviewed)

10. Concentrations of Credit Risk, Continued

During the year ended December 31, 2023, one bequest accounted for 12% of total revenue at December 31, 2023. During the year ended December 31, 2022, a different bequest accounted for 12% of total revenue and 40% of outstanding contributions receivable at December 31, 2022.

11. Subsequent Events

The Organization has evaluated subsequent events through August 20, 2024, the date the financial statements were available to be issued.