

ANIMAL WELFARE SOCIETY, INC.

**Financial Statements
for the years ended June 30, 2023 and 2022**

(See Independent Auditor's Report)

M^cLeod | Ascanio

Certified Public Accountants

Scott A. M^cLeod
Managing Principal

James Ascanio
Managing Principal

Matthew R. Barbour
Principal

Independent Auditor's Report

To the Board of Directors of
Animal Welfare Society, Inc.

Opinion

We have audited the accompanying financial statements of Animal Welfare Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the issue noted in the Known Departure from Accounting Principles Generally Accepted in the United States of America paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Welfare Society, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Known Departure from Accounting Principles Generally Accepted in the United States of America

As disclosed in Note 1 to the financial statements, accounting principles generally accepted in the United States of America require that fixed assets be depreciated over their estimated useful lives. The Society has computed depreciation on some of its fixed assets in accordance with the Modified Accelerated Cost Recovery System required for federal income tax purposes, which does not allocate depreciation to expense over the estimated useful lives of the assets. The effects of this departure from accounting principles generally accepted in the United States of America on financial position, results of operations, and cash flows have not been determined.

Basis for Opinion

We conducted our audits 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 Animal Welfare Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Animal Welfare 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 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 Animal Welfare 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 Animal Welfare 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.

McLeod/Ascanio

Cumberland Foreside, Maine

November 3, 2023

ANIMAL WELFARE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
as of June 30, 2023 and 2022
(See Independent Auditor's Report)

	2023	2022
<u>ASSETS</u>		
Current assets:		
Cash and equivalents	\$ 158,981	\$ 214,021
Accounts receivable, net	24,860	39,251
Bequests receivable, current portion	100,000	250,000
Investments	3,497,553	3,328,319
Inventory	104,555	64,977
Prepaid expenses	45,625	40,746
Total current assets	3,931,574	3,937,314
Property, plant and equipment:		
Land and improvements	1,062,471	1,052,481
Building and improvements	4,057,384	4,057,384
Furniture, fixtures and equipment	695,900	675,070
Vehicles	72,648	21,523
	5,888,403	5,806,458
Less accumulated depreciation	2,569,399	2,393,330
Total property, plant and equipment, net	3,319,004	3,413,128
Other assets:		
Beneficial interest in charitable trusts	247,042	232,245
Intangible assets, net	20,625	-
Total other assets	267,667	232,245
Total assets	\$ 7,518,245	\$ 7,582,687
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 120,742	\$ 48,960
Accrued expenses	112,527	83,970
Deferred revenue	48,585	35,680
Total current liabilities	281,854	168,610
Net assets:		
Without donor restrictions:		
Board-designated as funds functioning as endowment	2,233,735	2,039,228
Undesignated	3,518,270	3,877,491
With donor restrictions	1,484,386	1,497,358
Total net assets	7,236,391	7,414,077
Total liabilities and net assets	\$ 7,518,245	\$ 7,582,687

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

ANIMAL WELFARE SOCIETY, INC.

STATEMENT OF ACTIVITIES

for the year ended June 30, 2023

(See Independent Auditor's Report)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Operating revenues and other support:			
Contributions and bequests	\$ 1,337,133	\$ 79,185	\$ 1,416,318
Municipal fees	161,108	-	161,108
Adoption fees	295,272	-	295,272
Shelter services	1,248,595	-	1,248,595
Merchandise sales	15,725	-	15,725
Fundraising and special events	27,710	-	27,710
In-kind donations	15,514	-	15,514
Other income	3,770	-	3,770
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>106,954</u>	<u>(106,954)</u>	<u>-</u>
Total operating revenues and other support	3,211,781	(27,769)	3,184,012
Operating expenses:			
Program services	3,045,631	-	3,045,631
Management and general	306,341	-	306,341
Fundraising	<u>329,226</u>	<u>-</u>	<u>329,226</u>
Total operating expenses	<u>3,681,198</u>	<u>-</u>	<u>3,681,198</u>
Operating revenues and other support in excess (deficit) of operating expenses	(469,417)	(27,769)	(497,186)
Other changes:			
Dividends and interest, net of fees totaling \$17,889	55,766	-	55,766
Realized and unrealized gains (losses) on investments, net	248,937	-	248,937
Change in value of beneficial interest in charitable trusts	<u>-</u>	<u>14,797</u>	<u>14,797</u>
Total other changes	<u>304,703</u>	<u>14,797</u>	<u>319,500</u>
Change in net assets	(164,714)	(12,972)	(177,686)
Net assets, beginning of the year	<u>5,916,719</u>	<u>1,497,358</u>	<u>7,414,077</u>
Net assets, end of the year	<u><u>\$ 5,752,005</u></u>	<u><u>\$ 1,484,386</u></u>	<u><u>\$ 7,236,391</u></u>

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

ANIMAL WELFARE SOCIETY, INC.

STATEMENT OF ACTIVITIES

for the year ended June 30, 2022

(See Independent Auditor's Report)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Operating revenues and other support:			
Contributions and bequests	\$ 1,402,608	\$ 113,300	\$ 1,515,908
Municipal fees	188,032	-	188,032
Adoption fees	367,034	-	367,034
Shelter services	1,114,629	-	1,114,629
Merchandise sales	11,922	-	11,922
In-kind donations	9,312	-	9,312
Other income	1,445	-	1,445
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>128,656</u>	<u>(128,656)</u>	<u>-</u>
Total operating revenues and other support	3,223,638	(15,356)	3,208,282
Operating expenses:			
Program services	2,868,758	-	2,868,758
Management and general	219,202	-	219,202
Fundraising	<u>264,721</u>	<u>-</u>	<u>264,721</u>
Total operating expenses	<u>3,352,681</u>	<u>-</u>	<u>3,352,681</u>
Operating revenues, gains and other support in excess (deficit) of operating expenses	(129,043)	(15,356)	(144,399)
Other changes:			
Dividends and interest, net of fees totaling \$18,272	65,604	-	65,604
Realized and unrealized gains (losses) on investments, net	(486,644)	-	(486,644)
Change in value of beneficial interest in charitable trusts	<u>-</u>	<u>(64,695)</u>	<u>(64,695)</u>
Total other changes	<u>(421,040)</u>	<u>(64,695)</u>	<u>(485,735)</u>
Change in net assets	(550,083)	(80,051)	(630,134)
Net assets, beginning of the year	<u>6,466,801</u>	<u>1,577,409</u>	<u>8,044,210</u>
Net assets, end of the year	<u><u>\$ 5,916,719</u></u>	<u><u>\$ 1,497,358</u></u>	<u><u>\$ 7,414,077</u></u>

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

ANIMAL WELFARE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2023
(See Independent Auditor's Report)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Functional expenses:				
Salaries and wages	\$ 1,768,719	\$ 148,441	\$ 185,619	\$ 2,102,779
Shelter operations	177,164	-	59,443	236,607
Depreciation expense	163,745	6,162	6,162	176,069
Payroll taxes	138,698	14,331	15,719	168,748
Employee benefits	118,829	17,240	10,883	146,952
Veterinary fees	134,877	-	-	134,877
Merchandise for resale	124,957	-	-	124,957
Veterinary supplies	118,336	-	-	118,336
Occupancy	48,371	15,883	7,941	72,195
Bank and payroll fees	28,959	31,859	4,461	65,279
Professional fees	45,940	17,563	869	64,372
Insurance	36,425	7,082	7,083	50,590
Pension expense	37,271	5,278	4,455	47,004
Repairs and maintenance	39,866	3,000	3,000	45,866
Office supplies and postage	1,556	19,108	4,162	24,826
Animal transport	21,820	-	-	21,820
In-kind donations	15,590	-	-	15,590
Miscellaneous	7,048	2,726	579	10,353
Educational expense	7,147	1,512	45	8,704
Fundraising and special events	1,550	-	7,037	8,587
Telephone and internet	-	7,987	-	7,987
Dues and licenses	5,963	1,027	250	7,240
Printing and publications	-	-	6,439	6,439
Travel and vehicle expenses	2,589	2,649	-	5,238
Advertising	-	-	5,079	5,079
Computer services	211	4,493	-	4,704
Total functional expenses	<u>\$ 3,045,631</u>	<u>\$ 306,341</u>	<u>\$ 329,226</u>	<u>\$ 3,681,198</u>

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

ANIMAL WELFARE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2022
(See Independent Auditor's Report)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Functional expenses:				
Salaries and wages	\$ 1,614,787	\$ 100,988	\$ 176,703	\$ 1,892,478
Depreciation and amortization	196,013	7,377	7,377	210,767
Shelter operations	165,699	-	-	165,699
Veterinary supplies	164,776	-	-	164,776
Payroll taxes	123,056	14,162	16,687	153,905
Employee benefits	117,507	10,348	3,387	131,242
Merchandise for resale	111,547	-	-	111,547
Bank and payroll fees	45,778	15,707	8,204	69,689
Veterinary fees	66,048	-	-	66,048
Professional fees	27,751	31,000	-	58,751
Occupancy	38,501	12,642	6,321	57,464
Animal transport	53,557	-	-	53,557
Pension expense	36,178	5,785	4,595	46,558
Insurance	26,671	5,186	5,186	37,043
Repairs and maintenance	31,277	2,760	2,760	36,797
Office supplies and postage	5,734	5,908	17,153	28,795
Printing and publications	-	-	13,742	13,742
Miscellaneous	11,210	728	-	11,938
Computer services	6,678	3,116	1,336	11,130
In-kind donations	9,312	-	-	9,312
Dues and licenses	6,667	770	324	7,761
Telephone and internet	5,206	1,553	784	7,543
Travel and vehicle expenses	2,412	513	-	2,925
Educational expense	2,010	659	162	2,831
Bad debt expense	383	-	-	383
Total functional expenses	<u>\$ 2,868,758</u>	<u>\$ 219,202</u>	<u>\$ 264,721</u>	<u>\$ 3,352,681</u>

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

ANIMAL WELFARE SOCIETY, INC.

STATEMENTS OF CASH FLOWS

as of June 30, 2023 and 2022

(See Independent Auditor's Report)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (177,686)	\$ (630,133)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	176,069	210,767
Bad debt expense	-	383
Realized and unrealized (gains) losses on investments, net	(248,937)	486,644
Change in value of beneficial interest in charitable trusts	(14,797)	64,695
Donated investments	(80,085)	(106,960)
(Increase) decrease in operating assets:		
Accounts receivable	14,391	(28,492)
Bequests receivable	150,000	308,579
Inventory	(39,578)	29,673
Prepaid expenses	(4,879)	(4,499)
Increase (decrease) in operating liabilities:		
Accounts payable	71,782	2,818
Accrued expenses	28,557	6,468
Deferred revenue	12,905	(10,084)
Net cash provided by (used for) operating activities	<u>(112,258)</u>	<u>329,859</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(81,945)	-
Purchases of intangibles	(20,625)	-
Proceeds from sale of investments	1,419,642	535,810
Purchases of investments	<u>(1,259,854)</u>	<u>(831,028)</u>
Net cash provided by (used for) investing activities	<u>57,218</u>	<u>(295,218)</u>
Net change in cash and equivalents, during the year	(55,040)	34,641
Cash and equivalents, beginning of the year	<u>214,021</u>	<u>179,380</u>
Cash and equivalents, end of the year	<u>\$ 158,981</u>	<u>\$ 214,021</u>

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

ANIMAL WELFARE SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
for the years ended June 30, 2023 and 2022
(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

Animal Welfare Society, Inc. (the Society) is a Maine not-for-profit corporation organized on May 31, 1967. The Society exists to provide humane shelter and care to animals temporarily in need of housing, and to further the cause of responsible animal adoption and ownership through education and public awareness. The Society actively promotes kindness, the elimination of cruelty and neglect to all animals, and the lifelong commitment of people to their pets. The Society's principal sources of revenue are donations, fees, investment income and fundraising activities.

Effective July 1, 2016, the Society merged with the Cleo Fund, a Maine not-for-profit corporation existing to provide subsidies to low-income individuals to cover the cost of animal spay and neuter surgeries. All the property, rights, powers, duties, and obligations of the Cleo Fund were transferred to and vested in the Society and its separate existence ceased.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, support, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society, and changes therein, are classified and reported as follows:

Net Assets with Donor Restrictions

Net assets subject to donor-imposed restrictions that may/will be met, either by actions of the Society and/or the passage of time, or that net assets be maintained permanently by the Society. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions.

Cash and Equivalents

Cash and equivalents include cash in banks and all highly liquid investments with original maturities of three months or less at the time of purchase. The Society maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts. The Society believes it is not exposed to any significant risk on cash and equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, or reserves against, any specific accounts deemed to have collection risks. Allowance for bad debt was zero and \$989 at June 30, 2023 and 2022, respectively.

Pledges Receivable

Unconditional pledges receivable are recorded as contributed income in the statement of activities in the year pledged, along with collected pledges. The Society uses the allowance method to account for uncollectible pledges. The allowance is based on management's estimate of possible bad debts. At June 30, 2023 and 2022, no allowance for uncollectible pledges was necessary.

Unconditional pledges receivable that are not fully collectible within one year are recorded at their present value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Conditional pledges are not recorded until the conditions on which they depend are substantially met.

ANIMAL WELFARE SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
for the years ended June 30, 2023 and 2022
(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Bequests Receivable

The Society is a beneficiary under various wills and trust agreements. The total realizable amount is not presently determinable for some of them. Amounts are recognized only when the expected proceeds are determined, unconditional, and, if applicable, declared valid in the probate court. At June 30, 2023 and 2022, \$100,000 and \$250,000 of the bequests met this criteria for recognition as bequests receivable in the statements of financial position, respectively.

Inventory

Inventory consists of veterinary supplies, apparel and other items held for sale and is stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Contributed assets are carried at their fair market value at the time of donation. Depreciation is computed using the straight-line and Modified Accelerated Cost Recovery System methods of depreciation over the assets' estimated useful lives as follows:

	<u>Years</u>
Land improvements	10-15
Building and improvements	15-39
Furniture, fixtures and equipment	3-10
Vehicles	5

Expenditures for major renewals and betterments, which extend the useful lives of property, plant and equipment, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. For assets sold, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statements of activities.

Depreciation expense for the years ended June 30, 2023 and 2022 was \$176,069 and \$210,767, respectively.

Deferred Revenue

Deferred revenue consists of advanced payments received.

Measure of Operations

In its statements of activities, the Society includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Non-operating support and revenues include such items as: dividends and interest, net of brokerage fees; realized and unrealized gains and losses on investments; change in value of beneficial interest in charitable trusts; and gains and losses on disposal of property, plant and equipment.

Revenue Recognition

Contributions received are recognized as unrestricted or restricted support, depending on the existence of any donor restrictions, when a binding commitment has been made by the donors. Adoption fees are recognized as revenue when the animal has been placed for adoption. Clinic fees are recognized when the service is performed. Municipal animal control income is recognized based on the terms of the annual contracts with the municipalities. The performance obligation of each municipal animal control contract is satisfied over the term of one year. The municipal animal control fees are billed and collected in even, quarterly installments. As a practical expedient, the Society considers each contract to be one performance obligation, unless the circumstances dictate otherwise. Funds received in advance of work performed are recorded as deferred revenue until earned.

ANIMAL WELFARE SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
for the years ended June 30, 2023 and 2022
(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, restricted by the donor in perpetuity, or specific purposes are reported as an increase in net assets with donor restrictions. When a donor restriction expires (i.e. when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Services and Items

The Society recognizes donated marketable securities and other noncash items at their estimated fair values at the date of donation. Donated services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

Expenses are presented by both their nature and function in the statements of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and, thus, require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and amortization, which are allocated on a square-footage basis; and salaries and wages, employee benefits, payroll taxes, and pension expense, which are allocated on the basis of estimates of time and effort. All other expenses are allocated based on the actual expenditures incurred by related programs and departments and are tracked in the Society's accounting software by function.

Advertising

Advertising costs are expensed as they are incurred. Advertising costs for the years ended June 30, 2023 and 2022 were \$5,079 and zero, respectively.

Income Tax Status

The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, it qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Therefore, no provision for federal income tax is required.

Management has evaluated the Society's tax positions and concluded that, as of June 30, 2023 and 2022, no tax positions that would require adjustments to the financial statements have been taken. As of June 30, 2023, the Society was open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended June 30, 2020 through 2023.

Accounting Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. In the opinion of management, the accompanying financial statements include all normal and recurring adjustments that are necessary to fairly present the financial position, results of operations and cash flows of the Society.

2. INVESTMENTS:

Investments are carried at fair value and realized and unrealized gains and losses are reflected in the statements of activities.

ANIMAL WELFARE SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
for the years ended June 30, 2023 and 2022
(See Independent Auditor's Report)

2. INVESTMENTS (CONTINUED):

Investments were composed of the following as of June 30:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and equivalents	\$ 381,480	\$ 382,574	\$ 172,333	\$ 172,333
Fixed income	796,773	751,754	1,026,048	979,141
Equity and stocks	1,547,810	2,308,200	1,654,046	2,097,932
Mutual funds, EFTs, closed-end and interval funds	<u>53,031</u>	<u>55,025</u>	<u>78,913</u>	<u>78,913</u>
Total	<u>\$ 2,779,094</u>	<u>\$ 3,497,553</u>	<u>\$ 2,931,340</u>	<u>\$ 3,328,319</u>

Investments are held in two investment pools. Pool A is for permanent endowments, board-designated funds functioning as endowments, and the unappropriated net appreciation of those endowments. Pool B is for amounts designated by the Board of Directors for investment.

Investment activity during the year ended June 30, 2023 is reflected in the following table:

	<u>Pool A</u>	<u>Pool B</u>	<u>Total</u>
Investments at beginning of year	\$ 3,245,217	\$ 83,102	\$ 3,328,319
Gifts available for investment:			
Gifts designated for investment		80,085	80,085
Investment returns, net:			
Dividends and interest	53,776	1,551	55,327
Realized and unrealized gains, net	<u>243,765</u>	<u>5,172</u>	<u>248,937</u>
Total return on investments	297,541	6,723	304,264
Amounts appropriated for current operations	<u>(103,034)</u>	<u>(112,081)</u>	<u>(215,115)</u>
Investments at end of year	<u>\$ 3,439,724</u>	<u>\$ 57,829</u>	<u>\$ 3,497,553</u>

Investment activity during the year ended June 30, 2022 was as follows:

	<u>Pool A</u>	<u>Pool B</u>	<u>Total</u>
Investments at beginning of year	\$ 3,330,614	\$ 82,171	\$ 3,412,785
Gifts available for investment:			
Gifts designated for investment	440,800	106,960	547,760
Investment returns, net:			
Dividends and interest	62,947	2,090	65,037
Realized and unrealized gains, net	<u>(471,684)</u>	<u>(14,960)</u>	<u>(486,644)</u>
Total return on investments	(408,737)	(12,870)	(421,607)
Amounts appropriated for current operations	<u>(117,460)</u>	<u>(93,159)</u>	<u>(210,619)</u>
Investments at end of year	<u>\$ 3,245,217</u>	<u>\$ 83,102</u>	<u>\$ 3,328,319</u>

3. ENDOWMENT FUNDS:

As of June 30, 2023 and 2022, \$1,205,989 of Pool A investment balance, as described in Note 2, represented donor-restricted permanent endowment funds consisting of the original value of payments from two bequests required to be added to the Society's general endowment and the income only to be utilized for the general use of the Society. The remaining balance of Pool A investments consisted of funds without donor restrictions which were designated by the Board of Directors of the Society as a general endowment fund to support the mission of the Society.

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3. ENDOWMENT FUNDS (CONTINUED):

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Since the amount of funds designated by the Board of Directors to function as endowments resulted from an internal designation and is not donor-restricted, the designation is classified and reported as net assets without donor restrictions. Permanent endowment funds are classified and reported as net assets with donor restrictions.

Laws and regulations allow the Board of Directors to appropriate so much of an endowment fund as is prudent considering the following relevant factors: the duration and preservation of the endowment fund; the purposes of the Society and the endowment fund; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments, the Society's other resources; and the Society's investment policy.

The Society's investment spending policy consists of distributing monthly, or as deemed necessary, net investment income including interest, dividends and capital gain distributions from investments. Annually, the Society spends 4% of the above funds for purposes as deemed necessary by the Society.

Over the long-term, the Society expects the current policy to allow its endowment funds to grow at an average of 3-4% annually. This is consistent with the Society's objective to provide a predictable stream of funding from its endowment funds, while also maintaining the purchasing power of the endowment assets and providing additional real growth through investment return. The fund will meet this objective by investing endowment funds in fixed income and equity investments.

4. BENEFICIAL INTEREST IN CHARITABLE TRUSTS:

The Society is a beneficiary of the following charitable trusts:

Conderman Charitable Remainder Unitrust

The Society is a residual charitable beneficiary of the Penelope G. Bridge Conderman living trust held and administered by an outside trustee. Under the terms of the trust, one life-time income beneficiary currently receives, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to 6% of the net fair market value of the trust assets as of the first day of the trust year.

Upon the death of the beneficiary, 16.667% percent of the remaining principal is to be distributed to the Society. The expected future cash flow, discounted at a rate of 3.16% and a 4.47 year remaining life expectancy of the income beneficiary, of \$45,631 represents the Society's share of the fair market value of the trust principal at June 30, 2023. The expected future cash flow at June 30, 2022 was \$43,917 and was discounted at a rate of 2.81% and a 4.82 year remaining life expectancy of the income beneficiary. The actual rate of return and life of the income beneficiary could differ from these amounts. Changes in the value of the trust have been reported in the statements of activities as increases in net assets with donor restrictions.

The Clark Foundation Charitable Trust

The Society is a beneficiary of the Virginia Clark Robinson Foundation charitable trust that was established in perpetuity and is held and administered by an outside trustee. The Society will receive annual distributions equal to 8.33% of the income of the trust in perpetuity. The trust's owned assets for the benefit of the Society had market values of \$201,411 and \$188,328 as of June 30, 2023 and 2022, respectively. Distributions from the trust totaled \$7,713 and \$12,918 during the years ended June 30, 2023 and 2022, respectively.

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5. FAIR VALUE MEASUREMENTS:

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. In determining fair value, the Society uses various methods including market, income and cost approaches. Based on these approaches, the Society often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

The Society utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Society is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the Society performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the years ended June 30, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Beneficial interest in charitable trusts

The fair value of a split interest agreement, classified as beneficial interest in charitable trusts within the statements of financial position, has been measured using an income approach that utilizes present value techniques using Level 2 inputs for interest rates, yield curves, and life expectancy tables, as described in Note 4.

The carrying amounts of cash and equivalents, accounts receivable, pledges receivable, bequests receivable, inventory, prepaid expenses, line of credit, accounts payable, accrued expenses, and deferred revenue approximate fair value.

Assets itemized in the following table were measured at fair value using market approach for Level 1 measurements and income approach for Level 2 measurements.

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5. FAIR VALUE MEASUREMENTS (CONTINUED):

Fair values of assets measured on a recurring basis were as follows:

	Fair Value Measurements			
	Fair Value	At Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
<u>June 30, 2023</u>				
Investments	\$ 3,497,553	\$ 3,497,553	\$ -	\$ -
Beneficial interest in charitable trusts	247,042	-	247,042	-
	<u>\$ 3,744,595</u>	<u>\$ 3,497,553</u>	<u>\$ 247,042</u>	<u>\$ -</u>
<u>June 30, 2022</u>				
Investments	\$ 3,328,319	\$ 3,328,319	\$ -	\$ -
Beneficial interest in charitable trusts	232,245	-	232,245	-
	<u>\$ 3,560,564</u>	<u>\$ 3,328,319</u>	<u>\$ 232,245</u>	<u>\$ -</u>

There were no transfers between the levels in the fair value hierarchy during the years ended June 30, 2023 and 2022.

6. LINE OF CREDIT:

The Society has a \$200,000 revolving line of credit with a local bank to help finance its short-term cash flow needs. This line is secured by a mortgage on the Society's real property located in Kennebunk, ME and any leases and rents on the property. Interest is payable monthly based on the outstanding balance at the highest U.S. Prime Rate as published in The Wall Street Journal with the minimum floor rate of 4%. The line of credit matures on May 15, 2025.

At June 30, 2023 and 2022, the line's effective rate of interest was 8.25%. As of June 30, 2023 and 2022, there was no balance outstanding on the line of credit. Interest expense for the years ended June 30, 2023 and 2022 was zero.

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions were restricted for the following purposes or periods at June 30:

	2023	2022
Subject to expenditure for specific purposes:		
Restricted to spay/neuter programs	\$ 22,544	\$ 32,206
Restricted to youth programs	1,050	-
Restricted to other uses	7,761	26,918
Subject to the passage of time:		
Beneficial interest in Conderman charitable remainder unitrust, Note 4	45,631	43,917
Not subject to appropriation and expenditure:		
Beneficial interest in the Clark Foundation charitable trust, Note 4	201,411	188,328
Donor-designated permanent endowment funds, Note 3	1,205,989	1,205,989
Total	<u>\$ 1,484,386</u>	<u>\$ 1,497,358</u>

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8. NET ASSETS RELEASED FROM DONOR RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows during the years ended June 30:

	2023	2022
Purpose restrictions accomplished:		
Restricted to spay/neuter programs	\$ 20,662	\$ 63,462
Restricted to transport van	47,500	-
Restricted to clinic operations	15,000	-
Restricted to youth programs	-	27,500
Restricted to other uses	23,792	37,694
Total restrictions released	\$ 106,954	\$ 128,656

9. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects the Society's financial assets as of the balance sheet dates, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet dates. Amounts not available include amounts designated by the Board of Directors of the Society as a general endowment fund that could be drawn upon if the Board of Directors approves that action. However, amounts already appropriated from the board-designated endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

	2023	2022
Financial assets, at year-end	\$ 4,074,059	\$ 4,104,582
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donors with time or purpose restrictions	76,986	103,041
Restricted by donors in perpetuity	1,407,400	1,394,317
Board-designated as funds functioning as endowment	2,233,735	2,039,228
Financial assets available to meet cash needs for general expenditure within one year	\$ 255,938	\$ 567,996

The Society is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Society must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. 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. In the event of an unanticipated liquidity need, the Society also could draw upon its available line of credit (as further discussed in Note 6) or its board-designated endowment fund.

10. RETIREMENT PLANS:

The Society has a 401(k) profit sharing plan under which the Society matches eligible participants' contributions to the plan on a 1:1 basis up to 3% of the individual participant's compensation. In addition, the plan allows for discretionary profit sharing, which is determined by management and is allocated pro rata to eligible participant accounts based on the eligible participant's compensation in relation to the total compensation of all eligible participants.

The total matching contributions to the plan for the years ended June 30, 2023 and 2022 were \$47,004 and \$46,558, respectively, and there were no elective profit sharing contributions for both years.

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11. LEASES:

During the year ended June 30, 2021, the Society entered into an operating lease for various office equipment. The lease has monthly lease payments of \$600 and expires in 2026.

Rent expense for the years ended June 30, 2023 and 2022 was \$7,206 and \$7,371, respectively.

The future minimum rent payments for the years ending June 30 are as follows:

2024	\$	7,206
2025		7,206
2026		4,203
Total	\$	<u>18,615</u>

12. SPECIAL EVENTS:

Special events consisted of the following for the year ended June 30, 2023:

	Special Events		
	Revenue	Expenses	Net
Woofstock	\$ 27,710	\$ (8,586)	\$ 19,124

No special events were held during the year ended June 30, 2022 due to COVID-related restrictions.

13. RISKS AND UNCERTAINTIES:

The Society invests in various investment securities and money market funds. Due to the level of risk associated with investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported in the statements of financial position.

14. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 3, 2023, the date the financial statements were available to be issued.

No matters have arisen since year-end through the date of management's evaluation date that would require adjustment to the financial statements or disclosures presented herein.