



FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

ANIMAL WELFARE SOCIETY

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Animal Welfare Society, Inc.

Qualified Opinion

We have audited the accompanying financial statements of Animal Welfare Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 effects on the June 30, 2024 financial statements of the matter described in the Basis for Qualified Opinion section of our report, the June 30, 2024 financial statements referred to above present fairly, in all material respects, the financial position of Animal Welfare Society, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, the Society has computed depreciation on some of its fixed assets using accelerated methods, the Modified Accelerated Cost Recovery System (MACRS), that does not allocate depreciation to expense over their estimated useful lives to conform with accounting principles generally accepted in the United States of America (GAAP). The effects of this departure from GAAP on financial position, results of operations, and cash flows have not been determined.

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 Animal Welfare Society, Inc. and to meet the 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.

Prior Period Financial Statements

The financial statements of Animal Welfare Society, Inc. as of June 30, 2023, were audited by other auditors whose report dated November 3, 2023, expressed a qualified opinion on those statements because of a GAAP departure from depreciating some of its fixed assets using MACRS, which does not allocate the expense over their estimated useful lives of the assets. The other auditors reported that the effects of the departure from GAAP on the financial statements had not been determined.

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 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.

Ouellette & Associates, P.A.
Certified Public Accountants

Lewiston, Maine
November 12, 2024

ANIMAL WELFARE SOCIETY

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 656,446	\$ 158,981
Accounts Receivable, Net	54,264	24,860
Bequests Receivable, Current Portion	-	100,000
Inventory	121,968	104,555
Prepaid Expenses	44,127	45,625
Total Current Assets	<u>876,805</u>	<u>434,021</u>
Property, Plant, and Equipment		
Land and Improvements	1,062,471	1,062,471
Building and Improvements	4,057,384	4,057,384
Furniture, Fixtures, and Equipment	723,565	695,900
Vehicles	72,648	72,648
	<u>5,916,068</u>	<u>5,888,403</u>
Accumulated Depreciation	<u>(2,720,140)</u>	<u>(2,569,399)</u>
Total Property, Plant, and Equipment	<u>3,195,928</u>	<u>3,319,004</u>
Other Assets		
Investments	4,889,036	3,497,553
Beneficial Interest in Charitable Trusts	265,780	247,042
Intangible Assets, Net	43,142	20,625
Total Other Assets	<u>5,197,958</u>	<u>3,765,220</u>
TOTAL ASSETS	<u>\$ 9,270,691</u>	<u>\$ 7,518,245</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	\$ 50,818	\$ 120,742
Accrued Expenses	121,981	112,527
Deferred Revenue	45,209	48,585
Total Current Liabilities	<u>218,008</u>	<u>281,854</u>
Net Assets		
Without Donor Restrictions		
Board-Designated as Funds Functioning as Endowment	3,908,036	2,233,735
Undesignated	1,664,861	3,518,270
Net Assets Without Donor Restrictions	<u>5,572,897</u>	<u>5,752,005</u>
Net Assets With Donor Restrictions	3,479,786	1,484,386
Total Net Assets	<u>9,052,683</u>	<u>7,236,391</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,270,691</u>	<u>\$ 7,518,245</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

ANIMAL WELFARE SOCIETY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
OPERATING REVENUE AND OTHER SUPPORT			
Contributions and Bequests	\$ 878,640	\$ 2,024,800	\$ 2,903,440
Municipal Fees	164,291	-	164,291
Adoption Fees	281,394	-	281,394
Shelter Services	1,318,877	-	1,318,877
Merchandise Sales	15,792	-	15,792
Fundraising and Special Events	63,463	-	63,463
In-Kind Donations	8,324	-	8,324
Net Assets Released From Restrictions	48,138	(48,138)	-
Total Operating Support, Revenue, and Other Support	<u>2,778,919</u>	<u>1,976,662</u>	<u>4,755,581</u>
OPERATING EXPENSES			
Program Services	3,017,328	-	3,017,328
Management and General	244,694	-	244,694
Fundraising	270,637	-	270,637
Total Operating Expenses	<u>3,532,659</u>	<u>-</u>	<u>3,532,659</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(753,740)</u>	<u>1,976,662</u>	<u>1,222,922</u>
OTHER CHANGES			
Dividend and Interest, Net of Fees Totaling \$18,121	62,657	-	62,657
Realized and Unrealized Gains and Losses on Investments, Net	511,975	-	511,975
Change in Value of Beneficial Interest in Charitable Trusts	-	18,738	18,738
Total Other Changes	<u>574,632</u>	<u>18,738</u>	<u>593,370</u>
CHANGE IN NET ASSETS	(179,108)	1,995,400	1,816,292
NET ASSETS, BEGINNING OF YEAR	<u>5,752,005</u>	<u>1,484,386</u>	<u>7,236,391</u>
NET ASSETS, END OF YEAR	<u>\$ 5,572,897</u>	<u>\$ 3,479,786</u>	<u>\$ 9,052,683</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

ANIMAL WELFARE SOCIETY

STATEMENT OF ACTIVITIES

(Continued)

FOR THE YEAR ENDED JUNE 30, 2023

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
OPERATING REVENUE 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	<u>106,954</u>	<u>(106,954)</u>	<u>-</u>
Total Operating Support, Revenue, and Other Support	<u>3,211,781</u>	<u>(27,769)</u>	<u>3,184,012</u>
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>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(469,417)</u>	<u>(27,769)</u>	<u>(497,186)</u>
OTHER CHANGES			
Dividend and Interest, Net of Fees Totaling \$17,889	55,766	-	55,766
Realized and Unrealized Gains and 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 YEAR	<u>5,916,719</u>	<u>1,497,358</u>	<u>7,414,077</u>
NET ASSETS, END OF YEAR	<u>\$ 5,752,005</u>	<u>\$ 1,484,386</u>	<u>\$ 7,236,391</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

ANIMAL WELFARE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2024

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Animal Transport	\$ 8,442	\$ -	\$ -	\$ 8,442
Bank and Payroll Fees	56,896	3,351	12,053	72,300
Computer Services	6,786	2,195	1,098	10,079
Depreciation and Amortization Expense	144,647	5,444	5,444	155,535
Dues and Licenses	9,935	565	111	10,611
Educational Expenses	23,602	-	1,777	25,379
Employee Benefits	157,829	16,711	11,141	185,681
Fundraising and Special Events	-	-	17,261	17,261
In-Kind Donations	8,324	-	-	8,324
Insurance	36,262	11,865	5,933	54,060
Interest Expense	-	1,307	-	1,307
Merchandise for Resale	124,671	-	-	124,671
Miscellaneous	5,820	1,547	2,039	9,406
Occupancy	49,176	12,273	6,136	67,585
Office Supplies and Postage	16,082	4,904	4,562	25,548
Payroll Taxes	136,686	7,317	13,380	157,383
Pension Expense	36,330	3,847	2,564	42,741
Printing and Publications	-	-	-	-
Professional Services	83,403	22,115	-	105,518
Repairs and Maintenance	47,956	8,138	4,460	60,554
Salaries and Wages	1,684,384	141,556	181,898	2,007,838
Shelter Operations	236,946	-	-	236,946
Telephone and Internet	4,748	1,559	780	7,087
Travel and Vehicles Expenses	2,593	-	-	2,593
Veterinary Fees	49,489	-	-	49,489
Veterinary Supplies	86,321	-	-	86,321
Total Functional Expenses	<u>\$ 3,017,328</u>	<u>\$ 244,694</u>	<u>\$ 270,637</u>	<u>\$ 3,532,659</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

ANIMAL WELFARE SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Advertising	\$ -	\$ -	\$ 5,079	\$ 5,079
Animal Transport	21,820	-	-	21,820
Bad Debt	-	-	-	-
Bank and Payroll Fees	28,959	31,859	4,461	65,279
Computer Services	211	4,493	-	4,704
Depreciation Expense	163,745	6,162	6,162	176,069
Dues and Licenses	5,963	1,027	250	7,240
Educational Expenses	7,147	1,512	45	8,704
Employee Benefits	118,829	17,240	10,883	146,952
Fundraising and Special Events	1,550	-	7,037	8,587
In-Kind Donations	15,590	-	-	15,590
Insurance	36,425	7,082	7,083	50,590
Interest Expense	-	-	-	-
Merchandise for Resale	124,957	-	-	124,957
Miscellaneous	7,048	2,726	579	10,353
Occupancy	48,371	15,883	7,941	72,195
Office Supplies and Postage	1,556	19,108	4,162	24,826
Payroll Taxes	138,698	14,331	15,719	168,748
Pension Expense	37,271	5,278	4,455	47,004
Printing and Publications	-	-	6,439	6,439
Professional Services	45,940	17,563	869	64,372
Repairs and Maintenance	39,866	3,000	3,000	45,866
Salaries and Wages	1,768,719	148,441	185,619	2,102,779
Shelter Operations	177,164	-	59,443	236,607
Telephone and Internet	-	7,987	-	7,987
Travel and Vehicles Expenses	2,589	2,649	-	5,238
Veterinary Fees	134,877	-	-	134,877
Veterinary Supplies	118,336	-	-	118,336
Total Functional Expenses	<u>\$ 3,045,631</u>	<u>\$ 306,341</u>	<u>\$ 329,226</u>	<u>\$ 3,681,198</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

ANIMAL WELFARE SOCIETY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,816,292	\$ (177,686)
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:</i>		
Depreciation and Amortization	155,535	176,069
Realized and Unrealized (Gains) Losses on Investments, Net	(511,975)	(248,937)
Change in Value of Beneficial Interest in Charitable Trusts	(18,738)	(14,797)
Donated Investments	(60,430)	(80,085)
<i>Decrease (Increase) in Operating Assets:</i>		
Accounts Receivable	(29,404)	14,391
Bequests Receivable	100,000	150,000
Inventory	(17,413)	(39,578)
Prepaid Expenses	1,498	(4,879)
<i>Increase (Decrease) in Operating Liabilities:</i>		
Accounts Payable	(69,924)	71,782
Accrued Expenses	9,454	28,557
Deferred Revenue	(3,376)	12,905
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,371,519</u>	<u>(112,258)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(27,665)	(81,945)
Purchases of Intangibles	(27,311)	(20,625)
Purchases of Investments	(1,000,000)	(1,259,854)
Proceeds from Sale of Investments	180,922	1,419,642
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(874,054)</u>	<u>57,218</u>
CHANGE IN CASH AND CASH EQUIVALENTS	497,465	(55,040)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>158,981</u>	<u>214,021</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 656,446</u>	<u>\$ 158,981</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements.

ANIMAL WELFARE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 1: ORGANIZATION AND 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

ANIMAL WELFARE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

JUNE 30, 2024 AND 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. At June 30, 2024 and 2023, the Society considers accounts receivable to be fully collectible; accordingly, no allowance for uncollectible accounts has been established.

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 \$100,000 of the bequests met this criteria for recognition as bequests receivable in the statements of financial position, and were collected in full as of June 30, 2024.

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 stated at cost if purchased or if donated, at approximate fair value at the date of donation. Acquisitions of property and equipment of \$5,000 or more and all expenditures that materially prolong the useful lives of the assets are capitalized. Depreciation is provided over the estimated useful lives of certain assets using the straight-line method. The estimated useful lives are as follows:

Land Improvements	10 - 15 Years
Building and Improvements	15 - 39 Years
Furniture, Fixtures, and Equipment	3 - 10 Years
Vehicles	5 Years

Some of the other assets are being depreciated using the Modified Accelerated Cost Recovery System (MACRS), which utilizes statutory lives to allocate depreciation expense. This represents a departure from GAAP.

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, 2024 and 2023 was \$150,741 and \$176,069, respectively.

ANIMAL WELFARE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

JUNE 30, 2024 AND 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

ANIMAL WELFARE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

JUNE 30, 2024 AND 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2024 and 2023 were \$- and \$5,079, 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, 2024 and 2023, no tax positions that would require adjustments to the financial statements have been taken. As of June 30, 2024, 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, 2021 through 2024.

Estimates

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.

ANIMAL WELFARE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 2024 AND 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Society adopted ASU 2016-02, Leases (Topic 842) using the effective date method. In addition, the Society has elected to adopt the package of practical expedients to avoid reassessing whether expired or existing contracts are or contain leases. The Society has elected the effective date method which provides a transition method which existing leases were measured as of the date of adoption in lieu of applying the standard retrospectively. The Society has also elected to apply a practical expedient under ASC 842-20-25-2 where certain short-term leases with a lease term of 12 months or less are not capitalized.

Recent Financial Accounting Pronouncement - Not Adopted

Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended which modifies the measurement of current expected credit losses (CECL) on trade receivables and loan receivables. Under CECL, entities are to adjust their trade receivables and loan receivables for credit losses using an allowance account for each pool of assets. The CECL methodology requires that an allowance be measured based on various information that includes historical data and information, current economic conditions, and reasonable and supportable forecasted information about future events.

The guidance is effective for fiscal years beginning after December 15, 2022. Management has evaluated the impact of the ASU on the Society's financial statements and decided not to adopt it as the trade accounts receivable balance was not material and as a result, the change was determined not to be significant to the users of the financial statements.

NOTE 3: INVESTMENTS

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

Investments were composed of the following as of June 30:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash Equivalents	\$ 857,287	\$ 857,772	\$ 381,480	\$ 382,574
Fixed Income	1,302,402	1,291,721	796,773	751,754
Equity and Stocks	1,679,375	2,739,543	1,547,810	2,308,200
Mutual Funds, EFTs, Closed-end and Interval Funds	-	-	53,031	55,025
Total	<u>\$3,839,064</u>	<u>\$4,889,036</u>	<u>\$2,779,094</u>	<u>\$3,497,553</u>

ANIMAL WELFARE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

JUNE 30, 2024 AND 2023

NOTE 3: INVESTMENTS (Continued)

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, 2024 is reflected in the following table:

	<u>Pool A</u>	<u>Pool B</u>	<u>Total</u>
Investments at Beginning of Year	\$ 3,439,724	\$ 57,829	\$ 3,497,553
Gifts Available for Investment:			
Gifts Designated for Investment	1,060,430	-	1,060,430
Investment Returns, Net:			
Dividends and Interest	62,296	89	62,385
Realized and Unrealized Gains, Net	<u>511,710</u>	<u>282</u>	<u>511,992</u>
Total Return on Investments	574,006	371	574,377
Amounts Appropriated for			
Current Operations	<u>(185,124)</u>	<u>(58,200)</u>	<u>(243,324)</u>
Investments at End of Year	<u>\$ 4,889,036</u>	<u>\$ _____</u>	<u>\$ 4,889,036</u>

Investment activity during the year ended June 30, 2023 was as follows:

	<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>

NOTE 4: ENDOWMENT FUNDS

As of June 30, 2024 and 2023, \$1,205,989 of Pool A investment balance, as described in Note 3, 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.

ANIMAL WELFARE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

JUNE 30, 2024 AND 2023

NOTE 4: 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.

NOTE 5: 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 3.4% and a 4.24 year remaining life expectancy of the income beneficiary, of \$48,446 represents the Society's share of the fair market value of the trust principal at June 30, 2024. The expected future cash flow at June 30, 2023 was \$45,631 and was discounted at a rate of 3.16% and a 4.47 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.

ANIMAL WELFARE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

JUNE 30, 2024 AND 2023

NOTE 5: BENEFICIAL INTEREST IN CHARITABLE TRUSTS (Continued)

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 \$217,334 and \$201,411 as of June 30, 2024 and 2023, respectively. Distributions from the trust totaled \$7,205 and \$7,713 during the years ended June 30, 2024 and 2023, respectively.

NOTE 6: 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.

ANIMAL WELFARE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

JUNE 30, 2024 AND 2023

NOTE 6: FAIR VALUE MEASUREMENTS (Continued)

For the years ended June 30, 2024 and 2023, 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 5.

The carrying amounts of cash and equivalents, accounts 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.

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

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>June 30, 2024</u>				
Investments	\$4,889,036	\$4,889,036	\$ -	\$ -
Beneficial Interest in Charitable Trusts	<u>265,780</u>	<u>-</u>	<u>265,780</u>	<u>-</u>
	<u>\$5,154,816</u>	<u>\$4,889,036</u>	<u>\$265,780</u>	<u>\$ -</u>
 <u>June 30, 2023</u>				
Investments	\$3,497,553	\$3,497,553	\$ -	\$ -
Beneficial Interest in Charitable Trusts	<u>247,042</u>	<u>-</u>	<u>247,042</u>	<u>-</u>
	<u>\$3,744,595</u>	<u>\$3,497,553</u>	<u>\$247,042</u>	<u>\$ -</u>

There were no transfers between the levels in the fair value hierarchy during the years ended June 30, 2024 and 2023.

ANIMAL WELFARE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

JUNE 30, 2024 AND 2023

NOTE 7: 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, 2024 and 2023, the line's effective rate of interest was 8.25%. As of June 30, 2024 and 2023, there was no balance outstanding on the line of credit. Interest paid for the year ended June 30, 2024 was \$1,027. No interest was paid during the year ended June 30, 2023.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Subject to Expenditure for Specific Purposes:		
Restricted to Spay/Neuter Programs	\$ 4,728	\$ 22,544
Restricted to Youth Programs	-	1,050
Restricted to Building Designation and Improvements	2,000,000	-
Restricted to Other Uses	3,289	7,761
Subject to the Passage of Time:		
Beneficial Interest in Conderman Charitable Remainder Unitrust, Note 5	48,446	45,631
Not Subject to Appropriation and Expenditure:		
Beneficial Interest in the Clark Foundation Charitable Trust, Note 5	217,334	201,411
Donor-Designated Permanent Endowment Funds, Note 4	<u>1,205,989</u>	<u>1,205,989</u>
Total	<u>\$3,479,786</u>	<u>\$1,484,386</u>

NOTE 9: 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:

	<u>2024</u>	<u>2023</u>
Purpose Restrictions Accomplished:		
Restricted to Spay/Neuter Programs	\$ 17,816	\$ 20,662
Restricted to Transport Van	5,000	47,500
Restricted to Clinic Operations	4,675	15,000
Restricted to Other Uses	<u>20,647</u>	<u>23,792</u>
Total Restrictions Released	<u>\$ 48,138</u>	<u>\$106,954</u>

ANIMAL WELFARE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

JUNE 30, 2024 AND 2023

NOTE 10: LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2024</u>	<u>2023</u>
Financial Assets, at Year-End	\$5,909,653	\$4,074,059
Less Those Unavailable for General Expenditures Within One Year, Due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donors with Time or Purpose Restrictions	2,056,463	76,986
Restricted by Donors in Perpetuity	<u>1,423,323</u>	<u>1,407,400</u>
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$2,429,867</u>	<u>\$2,589,673</u>

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 7) or its board-designated endowment fund.

NOTE 11: 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 employer matching, 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, 2024 and 2023 were \$42,741 and \$47,004, respectively, and there were no discretionary employer matching contributions in either year.

ANIMAL WELFARE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

JUNE 30, 2024 AND 2023

NOTE 12: 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, 2024 and 2023 was \$7,454 and \$7,206, respectively. The future minimum rent payments for the years ending June 30 are as follows:

2025	\$ 7,206
2026	<u>4,203</u>
Total	<u>\$11,409</u>

NOTE 13: SPECIAL EVENTS

Special events consisted of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Woofstock		
Revenue	\$ 63,463	\$ 27,710
Special Events Expenses	<u>(11,332)</u>	<u>(8,586)</u>
Net	<u>\$ 52,131</u>	<u>\$ 19,124</u>

NOTE 14: 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.

NOTE 15: CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Society maintains its cash balances at Kennebunk Savings Bank. The cash balances are secured by the Federal Deposit Insurance Corporation (FDIC). At times these balances may exceed the \$250,000 FDIC limits; however, the Society has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management regularly monitors the financial institutions, together with their respective cash balances, and attempts to maintain this potential risk at a minimum. At June 30, 2024, uninsured cash balances totaled \$462,048. All cash balances were fully insured as of June 30, 2023.

NOTE 16: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2024, 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.