

HALIFAX HUMANE SOCIETY, INC.

**Financial Statements And
Independent Auditors' Report
December 31, 2024 and 2023**

Halifax Humane Society, Inc.
December 31, 2024 and 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements.....	7-23

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Halifax Humane Society, Inc.

Opinion

We have audited the accompanying financial statements of Halifax Humane Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, 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, the financial statements referred to above present fairly, in all material respects, the financial position of Halifax Humane Society, Inc. as of December 31, 2024 and 2023, 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.

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 Halifax Humane 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.

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 Halifax Humane Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report

Page 2

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 Halifax 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 Halifax 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.



Olivari and Associates
Certified Public Accountants and Consultants
Ormond Beach, Florida
August 26, 2025

Halifax Humane Society, Inc.
Statements Of Financial Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 100,648	\$ 422,545
Investments	6,273,579	6,392,275
Accounts receivable, net	119,032	105,176
Pledges receivable, net	23,000	-
Inventories	33,463	41,404
Prepaid expenses and other assets	194,674	31,700
Total Current Assets	<u>6,744,396</u>	<u>6,993,100</u>
Noncurrent Assets		
Charitable remainder trusts, net	16,242	14,527
Perpetual trust held by third party	928,958	863,501
Investments	5,163,693	5,163,693
Land, buildings and equipment, net	5,947,189	5,942,448
Refundable deposits	7,194	7,194
Total Noncurrent Assets	<u>12,063,276</u>	<u>11,991,363</u>
Other Assets		
Right of use - finance lease, net	23,263	28,959
Right of use - operating lease, net	26,676	-
Total Other Assets	<u>49,939</u>	<u>28,959</u>
Total Assets	<u>\$ 18,857,611</u>	<u>\$ 19,013,422</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 337,585	\$ 285,830
Deferred revenue	56,511	92,254
Annuity payable	1,340	1,340
Operating lease liability	20,800	-
Finance lease liability	6,405	6,405
Total Current Liabilities	<u>422,641</u>	<u>385,829</u>
Noncurrent Liabilities		
Operating lease liability, noncurrent	6,076	-
Finance lease liability, noncurrent	17,524	22,767
Total Liabilities	446,241	408,596
Net Assets		
Without donor restrictions		
Undesignated without donor restrictions	11,700,302	12,464,842
Designated for the Capital Campaign	50,626	50,626
With donor restrictions	6,660,442	6,089,358
Total Net Assets	<u>18,411,370</u>	<u>18,604,826</u>
Total Liabilities and Net Assets	<u>\$ 18,857,611</u>	<u>\$ 19,013,422</u>

The accompanying independent auditors' report and notes
should be read with these financial statements.

Halifax Humane Society, Inc.
Statements Of Activities
For The Years Ended December 31, 2024 and 2023

	2024		2023	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Public Support and Revenue				
Program service fees	\$ 1,221,637	\$ -	\$ 1,021,176	\$ -
Board and grooming	-	-	155,027	-
Legacies and bequests	676,816	542,022	776,591	4,500,000
Contributions	739,723	-	656,046	-
Gifts in-kind	339,985	-	1,093	-
Grants	100,729	-	58,171	-
Thrift shop	409,091	-	509,288	-
Special events	862,579	-	730,250	-
Sale of supplies	14,127	-	12,922	-
Newsletter and advertising	18,539	-	24,820	-
Investment income/(loss)	903,256	9,473	864,271	12,020
Income from split interest agreements	36,521	-	37,514	-
Gains/(losses) in perpetual trusts	-	65,456	-	73,825
Other income	26,382	-	43,478	-
Recovery of bad debt	-	-	6,206	-
Actuarial (loss) on charitable gift annuities	(1,340)	-	4,533	-
Gains/(losses) in charitable remainder trusts	-	1,715	-	(755)
Total revenue	5,348,045	618,666	4,901,386	4,585,090
Net assets released from restrictions	47,582	(47,582)	933,895	(933,895)
Total Support, Revenue and Net Assets Released From Restrictions	5,395,627	571,084	5,835,281	3,651,195
Operating Expenses				
Program services:				
Animal care	4,959,743	-	4,155,765	-
Board and grooming	-	-	242,738	-
Supporting services:				
Management and general	126,133	-	142,485	-
Thrift shop	384,024	-	326,016	-
Fundraising	708,383	-	351,152	-
Total Expenses	6,178,283	-	5,218,156	-
Change in net assets from operations	(782,656)	571,084	617,125	3,651,195
Capital campaign revenues	18,216	-	-	-
Legal settlement fees	(100)	-	-	-
Change in net assets	(764,540)	571,084	617,125	3,651,195
Net Assets, Beginning Of Year	12,515,468	6,089,358	11,898,343	2,438,163
Net Assets, End Of Year	\$ 11,750,928	\$ 6,660,442	\$ 12,515,468	\$ 6,089,358

The accompanying independent auditor's report and notes should be read with these financial statements.

Halifax Humane Society, Inc.
Statements Of Functional Expenses
For The Years Ended December 31, 2024 and 2023

	2024					2023						
	Animal Care	Board and Grooming	Management and General	Thrift Shop	Fundraising	Total Expenses	Animal Care	Board and Grooming	Management and General	Thrift Shop	Fundraising	Total Expenses
Compensation and benefits												
Compensation	\$2,355,202	\$ -	\$ 87,170	\$245,491	\$ 120,203	\$2,808,066	\$2,284,519	\$ 155,962	\$ 100,851	\$ 218,844	\$ 91,765	\$ 2,851,941
Employee benefits	274,088	-	10,144	28,569	13,989	326,790	280,502	19,150	12,383	26,870	11,267	350,172
Payroll taxes	171,968	-	6,365	17,925	8,777	205,035	129,325	8,829	5,709	12,389	5,195	161,447
	<u>2,801,258</u>	<u>-</u>	<u>103,679</u>	<u>291,985</u>	<u>142,969</u>	<u>3,339,891</u>	<u>2,694,346</u>	<u>183,941</u>	<u>118,943</u>	<u>258,103</u>	<u>108,227</u>	<u>3,363,560</u>
Other operating expenses												
Advertising	3,176	-	-	1,084	-	4,260	1,724	-	-	542	-	2,266
Animal supplies/services	1,112,478	-	-	-	-	1,112,478	629,404	-	-	-	-	629,404
Depreciation and amortization	254,612	-	-	16,009	-	270,621	230,737	11,387	-	16,009	-	258,133
Education and development	18,240	-	-	-	-	18,240	3,653	-	-	-	-	3,653
Grant/Fundraising expenses	-	-	-	-	546,667	546,667	-	-	-	-	242,171	242,171
Insurance	122,223	-	5,354	9,270	-	136,847	65,897	1,536	5,252	7,851	-	80,536
Interest	1,283	-	-	-	-	1,283	167	-	-	-	-	167
Licenses and permits	2,799	-	-	-	-	2,799	4,426	-	-	-	-	4,426
Miscellaneous	39,605	-	-	4,786	-	44,391	36,268	-	-	-	-	36,268
Occupancy	255,266	-	10,995	20,453	-	286,714	245,312	11,460	10,580	15,832	-	283,184
Office expenses	100,579	-	3,783	-	17,064	121,426	88,577	7,085	4,098	-	-	99,760
Postage	7,277	-	-	-	-	7,277	6,796	-	-	-	-	6,796
Printing and publications	46,019	-	-	-	368	46,387	8,860	-	-	-	-	8,860
Professional fees	71,703	-	989	2,686	1,315	76,693	55,835	24,031	1,852	1,799	754	84,271
Repairs and maintenance	-	-	-	10,651	-	10,651	5,581	1,418	-	2,208	-	9,207
Shipping	-	-	-	-	-	-	-	-	-	133	-	133
Supplies - resale	97,884	-	-	22,067	-	119,951	44,730	1,880	-	16,528	-	63,138
Telephone	15,549	-	818	2,508	-	18,875	10,630	-	559	3,016	-	14,205
Vehicle expenses	9,792	-	515	2,525	-	12,832	22,822	-	1,201	3,995	-	28,018
	<u>2,158,485</u>	<u>-</u>	<u>22,454</u>	<u>92,039</u>	<u>565,414</u>	<u>2,838,392</u>	<u>1,461,419</u>	<u>58,797</u>	<u>23,542</u>	<u>67,913</u>	<u>242,925</u>	<u>1,854,596</u>
Total Expenses	\$4,959,743	\$ -	\$ 126,133	\$384,024	\$ 708,383	\$6,178,283	\$4,155,765	\$ 242,738	\$ 142,485	\$ 326,016	\$ 351,152	\$ 5,218,156

The accompanying independent auditors' report and notes should be read with these financial statements

Halifax Humane Society, Inc.
Statements Of Cash Flows
For The Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (193,456)	\$ 4,268,320
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation & amortization	270,620	258,133
Donated assets	(10,017)	(43,326)
Net unrealized and realized Gain on investments	(471,552)	(638,656)
(Gain) loss in charitable remainder trusts	(1,715)	755
Gain in perpetual trusts	(65,457)	(73,825)
Loss on disposal of equipment	1,133	3,643
<i>Decreases (increases) in certain assets:</i>		
Accounts receivable	(13,856)	(74,320)
Contributions and bequests receivable	-	917,394
Pledges receivable	(23,000)	8,700
Inventory	7,941	16,981
Prepaid expenses	(162,974)	(6,105)
Refundable deposits	-	2,771
<i>Increases (decreases) in certain liabilities:</i>		
Accounts payable and accrued liabilities	51,755	(70,210)
Deferred revenue	(35,743)	22,154
Annuity payable	-	(6,960)
Total Adjustments	<u>(452,865)</u>	<u>317,129</u>
Net Cash (Used) Provided by Operating Activities	<u>(646,321)</u>	<u>4,585,449</u>
Cash Flows From Investing Activities		
Purchase of land, buildings and equipment	(270,800)	(175,475)
Sale of investments	1,711,659	6,931,381
Purchase of investments	<u>(1,110,738)</u>	<u>(11,347,786)</u>
Net Cash Provided (Used) by Investing Activities	<u>330,121</u>	<u>(4,591,880)</u>
Cash Flows From Financing Activities		
Principal repayments on finance lease	<u>(5,697)</u>	<u>(737)</u>
Net Cash Used In Financing Activities	<u>(5,697)</u>	<u>(737)</u>
Net decrease in cash and cash equivalents	<u>(321,897)</u>	<u>(7,168)</u>
Cash And Cash Equivalents, Beginning Of Year	422,545	429,713
Cash And Cash Equivalents, End Of Year	<u>\$ 100,648</u>	<u>\$ 422,545</u>

The accompanying independent auditors report and notes
should be read with these financial statements.

Halifax Humane Society, Inc.
Notes To Financial Statements
December 31, 2024 And 2023

NOTE 1 – Organization And Summary Of Significant Accounting Policies

A. Organization Activities

The mission of Halifax Humane Society, Inc (The Society) is simple but powerful: To protect animals from cruel, neglectful, and exploitative treatment and to promote their health, safety, and well-being. Our work is built on the belief that all living creatures have intrinsic value, and that people have a responsibility to act as compassionate stewards for the animals in their care.

At Halifax Humane Society, Inc., our lifesaving work is organized into four core program areas:

Animal Sheltering – Providing safe refuge and care for displaced, orphaned, sick, or injured animals.

Behavior & Training – Teaching shelter pets manners and skills to prepare them for life in a new home.

Veterinary Services – Delivering high-quality medical care for shelter animals and affordable spay/neuter services for public pets.

Community Engagement – Building awareness, raising funds, and growing a network of volunteers and supporters to sustain our lifesaving mission.

Together, these programs allow us to serve more than 15,000 animals each year while supporting families and strengthening our community.

B. Basis Of Accounting

The Society follows standards of accounting and financial reporting prescribed for not-for-profit organizations. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

C. Cash And Cash Equivalents

The Society considers all highly liquid cash instruments with a maturity of three months or less to be cash equivalents.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 1 – Organization And Summary Of Significant Accounting Policies (continued)

D. Basis of Presentation

The Society presents resources for accounting and reporting purposes based on the existence or absence of donor-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. The governing board can designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated assets and liabilities of the Society. Revenue and support received by the Society without explicit donor restrictions are reported as without donor restrictions to the Society.

In general, net assets without donor restrictions of the Society may be used at the discretion of the Society's management and the board of directors to support the Society's purposes and operations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed 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.

When the donor stipulated the investment of the gift corpus in perpetuity, the income generated from the investment of corpus is available for the Society's operations in accordance with the donor restrictions. Appreciation related to the net assets with donor restrictions, if not specifically restricted otherwise, follows the donor's income restriction and is included in the appropriate net asset class based on existence or absence of donor-imposed restrictions.

E. Revenue Recognition

Contributions, including unconditional promises to give, are recorded as received. All contributions are considered to be available for the general programs of the Society unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are reflected as short-term contributions receivable and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term contributions receivable and are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 1 – Organization And Summary Of Significant Accounting Policies (continued)

Program revenues, which include adoption and service fees, and portions of other income are derived from contracts with customers as defined by ASC 606, further described in Accounting Pronouncements adopted disclosure below. In accordance with ASC 606, the Society's revenue is measured based on consideration specified in contracts with customers. The Society recognizes such revenues when it satisfies a performance obligation by transferring control over an animal, product, or service to a customer. Most of these transactions involve either a single performance obligation or multiple obligations where only one is considered material to the contract. For these contracts, the Society has determined that revenue should be recognized at a point in time as control is transferred, generally at the point of adoption or delivery of goods or services. Within the contract price, the Society includes an assurance-type warranty that provides limited guarantee regarding an adopted pet's health and the quality of goods for a reasonable period after delivery.

F. Investments

Investments are stated at fair value. To calculate realized gain or loss on the disposition of investments and unrealized gains and losses, cost is determined by specific identification. All gains and losses and ordinary income from investments are accounted for as unrestricted revenue unless it is restricted for a specified purpose by the donor of the related investment.

G. Accounts Receivable

Client accounts receivable arise from fees charged to local municipalities for animal care and shelter, while other receivables relate from other financial arrangements. Management determines the allowance for credit losses by identifying troubled accounts and by using historical experience applied to an aging of accounts. Recoveries of receivables previously written off are recorded when received.

H. Inventories

Inventories, which consist of animal supplies for resale, are carried at the lower of cost or market determined on the first-in, first-out basis.

I. Land, Buildings and Equipment

Purchases of land, buildings and equipment having a unit cost of \$1,000 or more and an estimated useful life of five years or more are capitalized at cost. Donated assets are capitalized at the estimated fair-market value at the time of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 39 years. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted contributions.

J. Donated Services

A substantial number of volunteers donate significant amounts of their time to the Society's programs and supporting services. Such services have not been reflected in the accompanying financial statements because these services do not meet the criteria for recognition as contributed services.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 1 – Organization And Summary Of Significant Accounting Policies (continued)

K. Income Taxes

The Society qualifies for exemption from federal income taxation under Internal Revenue Code (IRC) Section 501(c)(3) and is not classified as a private foundation under IRC Section 509 (a)(2). Accordingly, the accompanying financial statements do not reflect a provision for income taxes.

Management reviews its tax position annually and has determined that there are no material uncertain tax positions that require recognition in the financial statements.

The Society files tax returns in the U.S. federal jurisdiction. With few exceptions, the Society is no longer subject to U.S. federal income tax examinations by taxing authorities for years before December 31, 2021.

L. 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 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. Actual results could differ from those estimates.

M. Functional Allocation of Expenses

Expenses are charged directly to program, management or fundraising in general categories based on specific identification. Indirect expenses are allocated based on program revenue or other bases, as determined by management. Although methods of allocation used are considered reasonable and appropriate, other methods could be used that would produce different results.

N. Fair Value of Financial Instruments

The following methods and assumptions were used by the Society to estimate the fair market values of financial instruments as disclosed herein:

Cash and cash equivalents, investments and short-term contributions receivable:

The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Charitable remainder trusts:

The fair value is estimated by discounting the future cash flows using a current risk-free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection periods.

Perpetual trust held by third party:

The fair value of the Society's interest in perpetual trust assets is based on quoted market prices of the trust assets or similar investments.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 1 – Organization And Summary Of Significant Accounting Policies (continued)

O. Advertising Costs

All costs relating to marketing and advertisement of the Society's services are expensed as incurred. Total advertising expenses for the years ended December 31, 2024 and 2023 were \$4,260 and \$2,266, respectively.

P. Recent Accounting Pronouncement Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses: Topic 326: Measurement of Credit Losses on Financial Instruments*. This update replaced the incurred impairment loss methodology with a methodology that reflects the expected credit losses using a wide range of reasonable and supportable information to inform credit loss estimates. The amendment affects trade receivables. The Organization adopted the new standard effective January 1, 2023, using the modified retrospective approach. The adoption of this ASU did not have a material impact on the financial statements.

Q. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 – Accounts Receivable

Accounts receivable as of December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Client accounts receivable	\$ 102,922	\$ 105,176
Other receivables	16,110	-
Less allowance for credit losses	(-)	(-)
Accounts receivable, net	<u>\$ 119,032</u>	<u>\$ 105,176</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 3 – Pledge Contributions Receivable

The pledge contributions receivable balance consists of the following at December 31:

	<u>2024</u>	<u>2023</u>
Pledge contributions receivable	\$ 23,000	\$ -
Less estimated discount	(-)	(-)
Pledge receivable, net	23,000	-
Less current portion	<u>23,000</u>	<u>-</u>
Pledge receivable, net, non-current	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 – Gifts In-Kind

The Society received gifts in-kind for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Pharmaceutical supplies	\$ 119,645	\$ 1,093
Animal supplies	135,431	-
Fundraising event expenses	<u>84,909</u>	<u>-</u>
	<u>\$ 339,985</u>	<u>\$ 1,093</u>

The Society received pharmaceutical and animal supplies consisting of: medications, vaccines, food, litter, and other items used directly in the care to animals sheltered by the Society. These items were valued using prevailing wholesale and retail market prices comparable goods as of the date of receipt. Donated supplies are expensed as program services when used, usually within 30 days of receipt.

The Society conducts various fundraising events throughout the year. Donated auction items, advertising, printing, and other services were received for use in connection with these events. These items were valued based on vendor quotes or estimated retail value provided by the donor. In accordance with accounting standards, the fair value of these gifts were recorded as both contribution revenue and special event expense in the statement of activities.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 5 – Fair Value Measurements

Fair values for short-term investments and perpetual trusts are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the charitable remainder trusts are estimated as the present value of expected future cash inflows.

The fair value measurements and levels within the fair value hierarchy of those investments are carried at market value and consist of the following:

- Level 1 inputs are quoted prices for identical investments in active markets.
- Level 2 inputs are quoted prices for similar instruments in active markets; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 inputs are model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

In determining the fair value, the Society utilizes valuation techniques that minimize the use of unobservable inputs and maximize the use of observable inputs. Inputs used to measure the fair value of an asset or liability may result in the asset or liability falling into more than one level of the hierarchy. In this case, the classification is based on the least determinate input that is significant to the fair value measurement.

The following represents assets measured at fair value on a recurring basis at December 31, 2024:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 100,648	\$ 100,648	\$ -
Investments:			
Equities	2,621,634	2,621,634	-
Fixed Income - Other	4,432,491	4,432,491	-
Money Market Funds	588,538	588,538	-
Mutual Funds	<u>3,794,609</u>	<u>3,794,609</u>	<u>-</u>
	11,437,272	11,437,272	-
Charitable remainder trusts, net	16,242	-	16,242
Perpetual trust held by third party	<u>928,958</u>	<u>-</u>	<u>928,958</u>
	<u>\$12,483,120</u>	<u>\$ 11,537,920</u>	<u>\$ 945,200</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 5 – Fair Value Measurements (continued)

The following represents assets measured at fair value on a recurring basis at December 31, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 422,545	\$ 422,545	\$ -
Investments:			
Equities	2,259,232	2,259,232	-
Fixed Income -Other	6,334,484	6,334,484	-
Money Market Funds	1,265,546	1,265,546	-
Mutual Funds	<u>1,696,705</u>	<u>1,696,705</u>	<u>-</u>
	11,555,967	11,555,967	-
Charitable remainder trusts, net	14,527	-	14,527
Perpetual trust held by third party	<u>863,501</u>	<u>-</u>	<u>863,501</u>
	<u>\$12,856,540</u>	<u>\$ 11,978,512</u>	<u>\$ 878,028</u>

NOTE 6 – Investments

Investments consist of the following at December 31, 2024:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Equities	\$ 1,820,968	\$ 2,621,634	\$ 800,666
Fixed Income - Other	4,516,610	4,432,491	(84,119)
Money Market Funds	588,538	588,538	-
Mutual Funds	<u>3,577,228</u>	<u>3,794,609</u>	<u>217,381</u>
Total Investments	<u>\$10,503,344</u>	<u>\$11,437,272</u>	<u>\$ 933,928</u>

Investments consist of the following at December 31, 2023:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Equities	\$ 1,730,615	\$ 2,259,232	\$ 528,617
Fixed Income - Other	6,440,206	6,334,484	(105,722)
Money Market Funds	1,265,546	1,265,546	-
Mutual Funds	<u>1,564,609</u>	<u>1,696,705</u>	<u>132,096</u>
Total Investments	<u>\$11,000,976</u>	<u>\$11,555,967</u>	<u>\$ 554,991</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 6 – Investments (continued)

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risk, it is at least reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position as of December 31, 2024. However, the Society has adopted policies to mitigate the risk through diversification of invested assets.

Investment return for the years ended December 31, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Realized and unrealized gains / (losses) - net	\$ 471,552	\$ 638,767
Interest, dividends, and long term capital gain	458,996	253,307
Other income (expense)	(35)	-
Investment fees	<u>(17,784)</u>	<u>(15,783)</u>
Investment income	<u>\$ 912,729</u>	<u>\$ 876,291</u>

NOTE 7 – Split-Interest Agreements

Charitable Remainder Trusts – The Society is the beneficiary of a charitable remainder unitrust, held and administered by a local financial institution. Under the terms of the trust, the primary beneficiaries received quarterly distributions from the trust and income earned on the trust's assets must remain in the trust until the death of the primary beneficiaries. At that time, the remaining assets of the trust are to be distributed to the Society. The asset, long-term contributions receivable, represents the recognition of an amount receivable for the present value of the estimated future benefits to be received when the assets are distributed. The contributions receivable are reported at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received (currently 5.0%).

The Society's charitable remainder trusts for years ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Charitable remainder trusts	\$ 58,008	\$ 58,109
Discount	<u>(41,766)</u>	<u>(43,582)</u>
Charitable remainder trusts, net	<u>\$ 16,242</u>	<u>\$ 14,527</u>

During the years ended December 31, 2024 and 2023, the Society recognized unrealized gains and losses of \$1,715 and \$(755), respectively.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 7 – Split-Interest Agreements (continued)

Perpetual Trust Held by Third Party – The Society is a 17% beneficiary of the Rogers Perpetual Trust held by a local financial institution. Under the terms of the trust, the Society has the irrevocable right to receive their share of the income earned on the trust assets in perpetuity, but never receives the assets held in trust. Income from the trust is unrestricted and expendable to support general operations. The Society's beneficial interest in perpetual trust assets is recognized at the fair value of the trust assets

At December 31, 2024 and 2023 the Society's beneficial interest in the perpetual trust's asset is as follows:

	<u>2024</u>	<u>2023</u>
Perpetual trust held by third party	<u>\$ 928,958</u>	<u>\$ 863,501</u>

During the years ended December 31, 2024 and 2023, the Society recognized unrealized gain of \$65,456 and \$73,825 respectively.

Charitable Gift Annuities – The Society has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the Society is obligated to provide an annuity to the donor for the remainder of their lives.

A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value for the agreement where the Society is the trustee. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables.

Assets of the Society that are derived from the charitable gift annuities are as follows:

	<u>2024</u>	<u>2023</u>
Investments	<u>\$ 148,886</u>	<u>\$ 137,207</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 8 – Land, Buildings And Equipment

Land, buildings and equipment for the Society consists of the following:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 1,052,787	\$ 1,052,787
Construction in progress	171,800	5,633
Building and improvements	6,629,139	6,629,139
Equipment and vehicles	<u>1,078,474</u>	<u>1,009,331</u>
	8,932,200	8,696,890
Less: Accumulated depreciation	<u>(2,985,011)</u>	<u>(2,754,442)</u>
Land, buildings, and equipment, net	<u>\$ 5,947,189</u>	<u>\$ 5,942,448</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$264,493 and \$258,133, respectively.

Additionally, for the years ended December 31, 2024, and 2023, the Organization recorded \$5,697 and \$950 in amortization on its financing lease obligation, respectively.

NOTE 9 – Board Designated Net Assets

At December 31, 2024 and 2023, the Society's board of directors has chosen to place the following limitation on net assets without donor restrictions:

	<u>2024</u>	<u>2023</u>
Designated for the Capital Campaign	<u>\$ 50,626</u>	<u>\$ 50,626</u>

The purpose of the Capital Campaign is to address issues with the facilities including the laundry roof, stray building, courtyard and gates.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Restricted for specified purposes:		
Program		
Grant & contributions – cash	\$ 9,527	\$ 47,637
Charitable remainder trusts, net	<u>16,242</u>	<u>14,527</u>
	25,769	62,164
Capital expenditure		
Capital campaign	-	-
Restricted in perpetuity:		
Tignor Perpetual Trust	240,156	240,156
Ciri Perpetual Trust	423,537	423,537
Judith Anderson	5,042,022	4,500,000
Rodgers Perpetual Trust	<u>928,958</u>	<u>863,501</u>
	<u>6,634,673</u>	<u>6,027,194</u>
Total net assets with donor restrictions	<u>\$ 6,660,442</u>	<u>\$ 6,089,358</u>

Net assets with donor restrictions that are perpetual in nature consist of the Society's interest in perpetual trust assets, which are to be held indefinitely, the income from which is expendable to support general operations.

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	<u>2024</u>	<u>2023</u>
Programs		
Bequest receivable	\$ -	\$ 917,394
Emergency medical funds	38,751	8,165
Investment income	<u>8,831</u>	<u>8,336</u>
	47,582	933,895
Expenditures for capital projects	<u>-</u>	<u>-</u>
Total donor restricted net assets released from restrictions	<u>\$ 47,582</u>	<u>\$ 933,895</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 11 – Leasing Activities

The Society has an operating lease of storefront space for the clinic which expired in October 2023. This lease was renewed in May 2024 for two years. In year one, \$1,700 per month and \$1,750 in year two.

The Society signed a new copier lease for a period of 63 months in October of 2023. This lease has been classified as a finance lease.

The Society entered into a short term housing lease. The operating lease is for a period of six months commencing on September 4, 2024. Payments are due in the monthly amount of \$1400 and total \$8,400.

The following summarizes the line items in the statements of financial position which include amounts for the operating and finance lease as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating Lease		
Operating lease right-of-use-assets	\$ 26,676	\$ -
Operating lease liabilities	\$ 26,876	\$ -
	<u>2024</u>	<u>2023</u>
Finance Lease		
Finance lease right-of-use-assets	\$ 29,909	\$ 29,909
Less accumulated Amortization	(6,646)	(950)
	\$ 23,263	\$ 28,959
Finance lease liabilities	\$ 23,929	\$ 29,172

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	<u>2024</u>	<u>2023</u>
Weighted Average Remaining Lease Term		
Operating leases	1.3 years	-
Finance leases	4.1 years	5.1 years
Weighted Average Discount Rate		
Operating leases	4.78%	-
Finance leases	4.34%	4.34%

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 11 – Leasing Activities (continued)

The maturities of the lease liability as of December 31, 2024 are as follows:

Year ending December 31:	Operating	Finance
	<hr/>	<hr/>
2025	\$ 20,800	\$ 6,405
2026	7,000	6,405
2027	-	6,405
2028	-	6,405
2029	-	535
Total lease payments	<hr/> 27,800	<hr/> 26,155
Less: interest	(924)	(2,226)
Present value of lease liabilities	<hr/> \$ 26,876	<hr/> \$ 23,929

The following summarizes the line items in the statement of activities which include the components of the lease expense for the year ended December 31:

	2024	2023
	<hr/>	<hr/>
Operating lease		
Expense included in occupancy expenses	\$ 20,700	\$ 17,027
Finance lease		
Amortization included in depreciation and amortization expense	\$ 5,696	\$ 950
Interest expense included in miscellaneous expense	1,163	152
Total finance lease	<hr/> \$ 6,859	<hr/> \$ 1,102

The following summarizes cash flow information related to leases for the year ended December 31:

	2024	2023
	<hr/>	<hr/>
Cash paid for amounts included in the measure of lease liabilities:		
Operating cash flows from operating lease	\$ 20,700	\$ 17,027
Operating cash flows from finance lease	1,163	152
Finance cash flows from finance lease	5,243	737
Total cash paid for lease liabilities	<hr/> \$ 27,106	<hr/> \$ 17,916
Lease asset obtained in exchange of lease obligations:		
Operating lease	\$ 39,551	\$ -
Finance lease	-	29,909

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 12 – Retirement Plan

The Society maintains a SIMPLE retirement plan for the benefit of its full-time employees. The plan covers all full-time employees after 90 days of employment, subject to the eligibility requirements in the SIMPLE Plan Adoption Agreement. For employee contributions up to 3% of their eligible pay, the Society is obligated to make a matching contribution. Employer contributions to this plan for the years ended December 31, 2024 and 2023 was \$17,707 and \$21,333, respectively.

NOTE 13 – Contingency

Restrictive Covenants

The Society was granted the ECHO Grant in May 2014 in the amount of \$400,000. As grantee, the Society is obligated to maintain the facility in a clean working order and maintain and/or replace equipment, furnishings, and items described in the grant and/or purchased as part of the grant project. The project shall remain open and in operation for a period of 40 years.

If the restrictions are violated within the 40-year period, the County of Volusia shall be entitled to liquidated damages pursuant to the following schedule:

1. If the violation occurs within the first half of the effective time of these covenants, the County shall be entitled to return of the entire grant amount.
2. If the violation occurs after the first half of the effective time period, the County shall be entitled to return of the entire grant amount, less the quotient of 2 divided by the number of years in the time period times each year past the mid period of the effective time period times the grant amount.

In 2023, the board and grooming center was closed, which received part of the ECHO Grant (see Subsequent Events Note 18).

NOTE 14 – Litigation Matters

The Society can be exposed to potential civil litigations arising from ordinary conduct of its regular business activities. Often, the matter is an individual action involving a single plaintiff. The Society carries liability insurance to mitigate exposure.

In accordance with the provisions of U.S. GAAP for contingencies, the Society establishes accruals for legal matters when potential losses associated with the actions become probable and the amount of loss can be reasonably estimated. No assurance can be made regarding the ultimate resolution of these matters.

Any estimate of reasonably possible losses is based upon currently available information and involves considerable judgement. In addition, the matters underlying the estimate will change from time to time, and actual losses may vary significantly from the estimate. For this same reason stated, we do not believe that an estimate of reasonable possible losses can be made for certain matters and therefore no estimate is reflected.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 14 – Litigation Matters (continued)

On December 12, 2024, the Society reached a settlement agreement regarding a worker's compensation claim in the amount of \$100.

NOTE 15 – Concentration Of Credit Risk

Cash deposits in banks are covered by the FDIC up to \$250,000. For the year ended December 31, 2024, the Society's cash and cash equivalents did not exceed federally insured limits.

NOTE 16 – Liquidity and Availability of Resources

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2024</u>
Cash and cash equivalents – Without Donor Restriction	\$ 100,648
Investments – Without Donor Restriction	6,273,579
Accounts receivable	119,032
Pledge receivable, net	<u>23,000</u>
	6,516,259
Board Designated Net Assets	<u>(50,626)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,465,633</u>

NOTE 17 – Supplemental Cash Flow Information

For the year ended December 31, 2024 interest expense paid was \$1,283 and no income taxes were paid. For the year ended 2023, interest expense paid was \$167 and no income taxes were paid.

On October 25, 2023, the Society entered into a 63 month finance lease effective November 2, 2023. The right of use asset – finance lease was acquired in exchange for \$29,909 in a financing lease liability.

On May 1, 2024, the Society entered a 12 month lease running through April 2025. The lease has been extended through April 2026. The right of use asset – operating lease was acquired in exchange for \$39,551 in operating lease liability.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2024 And 2023

NOTE 18 – Subsequent Events

In November 2024, the Society was notified of a generous bequest of 42.8 acres located at 1980 Lake Hires Road, Deleon Springs, Florida and several rental properties in Volusia County which are subject to use and sale restrictions. An independent appraisal dated February 21, 2025, determined the combined fair market value of the land and buildings of approximately \$1,000,000.

The Society entered a contract to purchase a parcel in Daytona Beach, using restricted funds of approximately \$3 million. The Society plans to use this property as the new site for the animal hospital and to expand public veterinary care services. Closing of the property is scheduled for September 30, 2025.

After year-end, three settlements related to EEOC claims were resolved in the amount of \$43,000. The Society incurred an out-of-pocket loss of \$15,000 and the remaining amount covered by insurance. Since the matters were not brought to the Society until after the year-end, neither the amount nor the likelihood of loss could be known as of December 31, 2024. No liability was recorded on the accompanying 2024 final statements. The settlement amount will be reflected as a loss in the financial statements for the year ending December 31, 2025.

In June 2025, the Society was notified of noncompliance with requirements of an ECHO Grant. Negotiations with the granting agency are ongoing, and the Society anticipates an agreement will be reached to resolve the matter.

Subsequent events were evaluated as of August 26, 2025, which is prior to the financial statement availability date of August 27, 2025.