

TREE HOUSE HUMANE SOCIETY, INC.

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2024 AND 2023**

TOGETHER WITH AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tree House Humane Society, Inc.:

Opinion

We have audited the accompanying financial statements of Tree House Humane Society, Inc., which comprise the statement of financial position as of December 31, 2024 and 2023, and the related statements of activities, cash flows and functional expenses 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 Tree House Humane Society, Inc. as of December 31, 2024 and 2023, and its changes in 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 Tree House Humane Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, which raise substantial doubt about Tree House Humane Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

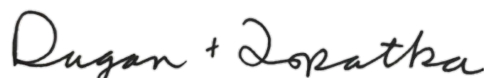
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 risk 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 Tree House 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 judgement, there are conditions or events, considered in the aggregate, which raise substantial doubt about Tree House 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.



DUGAN & LOPATKA

TREE HOUSE HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

A S S E T S

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,064,075	\$ 1,223,991
Cash held for others	89,148	109,805
Contribution receivables	78,000	26,989
Investments	3,559,277	2,015,877
Prepaid expenses and other current assets	39,963	47,361
	<u>4,830,463</u>	<u>3,424,023</u>
PROPERTY AND EQUIPMENT		
Land	630,000	630,000
Building and building improvements	6,637,322	6,606,204
Machinery and equipment	460,052	401,546
Furniture and fixtures	234,319	234,319
Vehicles	51,326	51,326
Wellness Center	195,096	195,096
	<u>8,208,115</u>	<u>8,118,491</u>
Less - Accumulated depreciation	<u>(1,924,016)</u>	<u>(1,688,967)</u>
	<u>6,284,099</u>	<u>6,429,524</u>
OTHER ASSETS:		
Operating lease right-of-use assets	24,298	-
Other long-term assets	4,700	-
	<u>28,998</u>	<u>-</u>
Total other assets	<u>28,998</u>	<u>-</u>
Total assets	<u><u>\$ 11,143,560</u></u>	<u><u>\$ 9,853,547</u></u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 27,473	\$ 114,465
Custodial liability	89,148	109,805
Accrued expenses	126,429	82,349
Operating lease liabilities, current	5,501	-
Mortgage payable, current portion	<u>-</u>	<u>65,614</u>
 Total current liabilities	 <u>248,551</u>	 <u>372,233</u>
 LONG-TERM LIABILITIES:		
Operating lease liabilities, net of current portion	<u>20,138</u>	<u>-</u>
 Total liabilities	 <u>268,689</u>	 <u>372,233</u>
NET ASSETS:		
Without donor restrictions	10,705,167	9,310,515
With donor restrictions	<u>169,704</u>	<u>170,799</u>
 Total net assets	 <u>10,874,871</u>	 <u>9,481,314</u>
 Total liabilities and net assets	 <u>\$ 11,143,560</u>	 <u>\$ 9,853,547</u>

The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	With Donor Restrictions	Without Donor Restrictions	Total
PUBLIC SUPPORT:						
Contributions	\$ 1,258,861	\$ -	\$ 1,258,861	\$ 975,180	\$ 242,397	\$ 1,217,577
Grants	218,713	180,000	398,713	252,667	-	252,667
Bequests	3,172,536	-	3,172,536	1,444,206	-	1,444,206
Special events	72,490	-	72,490	115,159	-	115,159
In-Kind contributions	82,212	-	82,212	159,320	-	159,320
Assets released from restrictions	181,095	(181,095)	-	296,281	(296,281)	-
Total public support	4,985,907	(1,095)	4,984,812	3,242,813	(53,884)	3,188,929
PROGRAM SERVICE FEES AND OTHER:						
Program fees	376,051	-	376,051	616,143	-	616,143
(Loss) on disposal of asset	-	-	-	(7,594)	-	(7,594)
Merchandise sales	86,031	-	86,031	53,052	-	53,052
Miscellaneous income	27,789	-	27,789	54,837	-	54,837
Employee retention credit	-	-	-	173,619	-	173,619
Investment income	274,351	-	274,351	227,191	-	227,191
Total program service fees and other revenues	764,222	-	764,222	1,117,248	-	1,117,248
Total revenues and other support	5,750,129	(1,095)	5,749,034	4,360,061	(53,884)	4,306,177
EXPENSES:						
Program services						
Shelter	1,511,216	-	1,511,216	1,283,360	-	1,283,360
Clinic	1,241,899	-	1,241,899	1,084,776	-	1,084,776
Other community programs	241,107	-	241,107	191,602	-	191,602
Total program services	2,994,222	-	2,994,222	2,559,738	-	2,559,738
Support						
Management and general	716,030	-	716,030	616,795	-	616,795
Fundraising	645,225	-	645,225	584,506	-	584,506
Total support	1,361,255	-	1,361,255	1,201,301	-	1,201,301
Total expenses	4,355,477	-	4,355,477	3,761,039	-	3,761,039
CHANGES IN NET ASSETS	1,394,652	(1,095)	1,393,557	599,022	(53,884)	545,138
NET ASSETS, beginning of year	9,310,515	170,799	9,481,314	8,711,493	224,683	8,936,176
NET ASSETS, end of year	\$ 10,705,167	\$ 169,704	\$ 10,874,871	\$ 9,310,515	\$ 170,799	\$ 9,481,314

The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY
STATEMENT 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	\$ 1,393,557	\$ 545,138
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	235,049	230,520
Non-cash portion of lease expense for operating leases	4,567	-
Loss on disposal of fixed asset	-	7,594
Realized and unrealized (gain) on investments	(194,425)	(177,624)
Change in current assets and liabilities:		
(Increase) decrease in contribution receivables	(51,011)	78,631
Decrease (increase) in prepaid expenses and other current assets	7,398	(4,156)
(Increase) in other long term assets	(4,700)	-
Increase (decrease) in accounts payable	(86,992)	53,764
(Decrease) in custodial liability	(20,657)	(677)
(Decrease) in operating lease liabilities	(3,226)	-
Increase in accrued expenses	44,080	23,932
Net cash provided by operating activities	<u>1,323,640</u>	<u>757,122</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,348,975)	(2,651,408)
Proceeds from sales of investments	-	1,897,551
Purchase of fixed assets	<u>(89,624)</u>	<u>(45,557)</u>
Net cash (used in) investing activities	<u>(1,438,599)</u>	<u>(799,414)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on mortgage payable	<u>(65,614)</u>	<u>(105,923)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(180,573)	(148,215)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,333,796</u>	<u>1,482,011</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,153,223</u>	<u>\$ 1,333,796</u>
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 1,064,075	\$ 1,223,991
Cash held for others	<u>89,148</u>	<u>109,805</u>
Total cash and cash equivalents	<u>\$ 1,153,223</u>	<u>\$ 1,333,796</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Right-of-use asset acquired through operating lease	\$ 28,865	\$ -
Interest paid	<u>1,191</u>	<u>6,558</u>
	<u>\$ 30,056</u>	<u>\$ 6,558</u>

The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Services				Support			
	Shelter Services	Clinical and Veterinary Services	Other Community Programs	Total	Management and General	Fundraising	Total	Organization Total
Salaries	\$ 913,006	\$ 547,106	\$ 143,282	\$ 1,603,394	\$ 186,028	\$ 128,373	\$ 314,401	\$ 1,917,795
Employee benefits	77,640	45,322	11,750	134,712	55,016	12,139	67,155	201,867
Payroll taxes	75,274	45,054	11,447	131,775	14,159	10,157	24,316	156,091
Advertising	347	95	6,919	7,361	4,653	567	5,220	12,581
Bank and credit card fees	662	3,184	57	3,903	21,072	26,044	47,116	51,019
Cost of goods sold	27,020	-	-	27,020	-	-	-	27,020
Depreciation	112,090	67,168	17,591	196,849	22,440	15,760	38,200	235,049
Equipment rental	26,197	48,729	2,310	77,236	20,856	19,056	39,912	117,148
Food	3,683	2,683	256	6,622	4,351	858	5,209	11,831
In-Kind expense	69,894	-	3,772	73,666	5,000	3,546	8,546	82,212
Insurance	15,473	9,496	2,404	27,373	3,377	2,154	5,531	32,904
Interest	-	-	-	-	1,191	-	1,191	1,191
Lab tests	855	45,069	134	46,058	171	120	291	46,349
Licenses and fees	7,493	5,913	1,201	14,607	5,469	29,171	34,640	49,247
Medicine	-	128,201	-	128,201	-	-	-	128,201
Miscellaneous	(1,582)	246	47	(1,289)	32,964	20	32,984	31,695
Occupancy	84,607	50,924	12,530	148,061	16,314	11,226	27,540	175,601
Office supplies	2,203	922	260	3,385	777	212	989	4,374
Payroll service	96	58	15	169	67,629	14	67,643	67,812
Postage and shipping	295	177	5,487	5,959	92	54,616	54,708	60,667
Printing and publications	1,208	724	17,207	19,139	820	5,511	6,331	25,470
Professional fees	37,738	168,569	3,167	209,474	243,001	321,424	564,425	773,899
Supplies	48,880	25,039	767	74,686	3,304	2,879	6,183	80,869
Telephone	4,173	1,778	466	6,417	640	467	1,107	7,524
Travel	3,964	2,135	38	6,137	6,706	911	7,617	13,754
Veterinary Fees	-	43,307	-	43,307	-	-	-	43,307
Total expenses	\$ 1,511,216	\$ 1,241,899	\$ 241,107	\$ 2,994,222	\$ 716,030	\$ 645,225	\$ 1,361,255	\$ 4,355,477

The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services				Support			Organization Total
	Shelter Services	Clinical and Veterinary Services	Other Community Programs	Total	Management and General	Fundraising	Total	
Salaries	\$ 659,769	\$ 461,016	\$ 104,615	\$ 1,225,400	\$ 193,747	\$ 162,859	\$ 356,606	\$ 1,582,006
Employee benefits	53,888	40,088	8,887	102,863	48,591	14,499	63,090	165,953
Payroll taxes	60,393	41,004	10,435	111,832	14,756	14,546	29,302	141,134
Advertising	1,582	683	11,765	14,030	350	5,457	5,807	19,837
Bank and credit card fees	362	6,298	10	6,670	30,131	22,512	52,643	59,313
Cost of goods sold	11,779	-	-	11,779	-	77	77	11,856
Depreciation	97,192	67,762	15,519	180,473	26,102	23,945	50,047	230,520
Equipment rental	23,750	23,544	2,160	49,454	8,702	21,158	29,860	79,314
Food	2,950	2,371	394	5,715	2,721	1,525	4,246	9,961
In-Kind expense	156,621	1,192	874	158,687	71	562	633	159,320
Insurance	18,572	13,731	2,966	35,269	6,439	4,576	11,015	46,284
Interest	-	-	-	-	6,558	-	6,558	6,558
Lab tests	-	27,444	-	27,444	-	-	-	27,444
Licenses and fees	5,762	9,039	984	15,785	3,224	7,734	10,958	26,743
Medicine	45	151,365	-	151,410	33,264	1,000	34,264	185,674
Miscellaneous	4,324	1,192	665	6,181	3,348	2,070	5,418	11,599
Occupancy	68,804	46,829	8,546	124,179	18,604	13,423	32,027	156,206
Office supplies	1,271	458	105	1,834	744	576	1,320	3,154
Payroll service	113	79	18	210	43,870	28	43,898	44,108
Postage and shipping	2,400	1,783	633	4,816	949	43,527	44,476	49,292
Printing and publications	4,670	3,158	15,166	22,994	1,364	4,941	6,305	29,299
Professional fees	31,112	138,729	6,572	176,413	164,675	225,026	389,701	566,114
Supplies	66,665	8,845	705	76,215	1,423	8,961	10,384	86,599
Telephone	4,096	2,120	486	6,702	1,055	749	1,804	8,506
Travel	7,165	2,453	97	9,715	6,107	4,755	10,862	20,577
Veterinary Fees	75	33,593	-	33,668	-	-	-	33,668
Total expenses	<u>\$ 1,283,360</u>	<u>\$ 1,084,776</u>	<u>\$ 191,602</u>	<u>\$ 2,559,738</u>	<u>\$ 616,795</u>	<u>\$ 584,506</u>	<u>\$ 1,201,301</u>	<u>\$ 3,761,039</u>

The accompanying notes are an integral part of this statement.

TREE HOUSE HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities -

Tree House (the Society) is one of Chicago's oldest cage-free cat shelters, founded in 1971. The Society envisions a world where every cat thrives. The mission of the organization is to empower communities of caregivers to protect, nurture, and support solutions so no cat suffers.

- Shelter Services: care and placement of shelter cats in forever homes after screening and counseling. Tree House is a top transfer/rescue partner for high-intake shelters in Chicago and Illinois and has a Cat Café that highlights Feline Leukemia cats.
- Clinical and Veterinary Services: high-quality vet care, spay/neuter, vaccinations, and surgeries for resident and community cats; and foster care for cats who are recovering. The Society opened its Veterinary Wellness Center during 2021 to serve the general public. Pet caregivers are able to access low cost spay/neuter and basic wellness services that will help them keep their pets healthy. This community initiative aims to fight one of the causes of pets being surrendered to shelters: illness and inability to pay for treatment.
- Community Programs: trap/neuter/return and support for volunteers caring for 3,000+ outdoor cats throughout Chicagoland; and relocation of feral cats to residences/businesses for rodent control; pet food pantry partnerships; and humane education.

The financial statements were available to be issued on May 20, 2025, with subsequent events being evaluated through this date.

Basis of Accounting -

The accounts of the Society are maintained on the accrual basis.

Basis of Presentation -

Information regarding the financial position and activities of the Society are reported in two classes of net assets (as applicable): net assets without donor restrictions or net assets with donor restrictions, the latter of which is based on the existence or absence of externally (donor) imposed restrictions on contributions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations. They include all activities of the Society, except for those that are temporarily or permanently restricted by donors. Board designated amounts are part of net assets without donor restrictions.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by either the actions of the Society and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Cash and Cash Equivalents -

The Society considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, excluding those amounts contained in the investment portfolios.

Property and Equipment -

Property and equipment are recorded at historical cost. The Society capitalizes fixed asset additions over \$1,000. Depreciation is computed using the straight-line method for all property and equipment. The estimated useful lives in computing depreciation are as follows:

<u>Description</u>	<u>Years</u>
Buildings	39
Building Improvements	5 - 37
Machinery and Equipment	3 - 10
Furniture and Fixtures	3 - 10
Vehicles	5

Depreciation expense for the years ended December 31, 2024 and 2023 was \$235,049 and \$230,520, respectively.

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in the statement of activities.

Custodial Liability -

Custodial liabilities consist of funds received by the Society for another Organization, for which the Society is acting as a fiscal sponsor.

Revenue Recognition for Public Support -

The Society recognizes public support when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give (contribution receivable) – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. 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 assets, or if they are designated as support for future periods. When a donor restriction expires; that is, 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 statement of activities as net assets released from restrictions. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Revenue Recognition for Public Support - (Continued)

Management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If an amount becomes uncollectible, it is charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Program Revenues -

The Society's program revenue consists primarily of adoption fees, veterinary clinic fees, wellness center fees, and merchandise sales. These services are considered to be a single performance obligation that is satisfied at a point in time when services are provided. Revenues from adoption fees are recognized at the point in time when a cat is placed with its new owner. Revenues from veterinary clinic services and wellness center fees are recognized when the services are provided. Revenues from merchandise sales are recognized at the point the merchandise is transferred to the customer.

Disaggregation of Program Fees Revenue -

	<u>2024</u>	<u>2023</u>
Adoption Fees	\$ 89,665	\$ 94,979
Veterinary clinic fees	-	993
Wellness Center fees	<u>286,386</u>	<u>520,171</u>
Total program fees	<u>\$ 376,051</u>	<u>\$ 616,143</u>

Functional Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses and depreciation which are allocated on the basis of estimates of time and effort.

Income Taxes -

The Society is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code and is not considered to be a private foundation. It is also required to recognize or derecognize in its financial statements' positions taken or expected to be taken in a tax return on a "more likely than not" threshold. The Society does not believe its financial statements include any uncertain tax positions. The Society's income tax filings for the years 2021 and thereafter remain subject to examination by the Internal Revenue Service.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the relevant period. Actual results could differ from those estimates.

In-Kind Contributions -

Contributed nonfinancial assets include donated cat food and supplies and legal services, which are recorded at the respective fair values of the goods received. Contributed goods are recorded at fair value at the date of the donation.

In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles that prohibits the recording of donated services unless they create or enhance a nonfinancial asset or are specialized skills that would have been purchased if they were not donated. In 2024, individuals contributed 48,954 volunteer hours to support the foster program, shelter operations, veterinary services, events and outreach. The estimated value (at \$16 per hour in 2024) of the volunteer hours contributed for 2024 is approximately \$783,000.

Leases -

The Society determines if an arrangement is a lease or contains a lease at inception of the contract. The Society's operating leases are presented in operating lease right-of-use assets and current and long-term operating lease liabilities in the accompanying consolidated balance sheet.

Both operating lease and finance lease right-of-use assets and lease liabilities are measured based on the present value of future lease payments over the lease term at each lease's commencement date. As most of the Society's leases do not specify their implicit rate, the Society has elected a practical expedient to use the nominal yield, at lease inception, applicable to U.S. Treasury instruments with a maturity of similar length of the lease term.

Operating lease right-of-use assets include all fixed contractual lease payments and initial direct costs incurred by the Society, less any lease incentives the Society receives from the lessor. The Society has elected a practical expedient to account for lease and non-lease components together as a single lease component. The terms of the Society's leases generally contain lease payments and other reimbursements to the lessor. Only the fixed lease components are included in the right-of-use assets and lease liabilities. Additionally, the Society has elected not to apply these lease accounting policies to leases with a term of one year or less at the commencement date.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Leases - (Continued)

Operating lease expense for lease payments is recognized on a straight-line basis over the terms of each lease. Variable lease components could include common area maintenance, real estate taxes and other charges and are recorded as lease expense as incurred. Finance lease expense is recognized in two separate components, the interest expense on the lease liability and amortization of the right-of-use asset.

The Society's leases can contain options granting the right to renew or extend the term of the lease for specified option periods. The decision as to whether the Society will exercise the renewal options is generally at the Society's sole discretion. The Society includes lease extensions in the lease term when it is reasonably certain that the Society will exercise the extension.

(2) CONCENTRATIONS:

Credit Risk -

Financial instruments, which potentially subject the entity to concentrations of credit risk, consist of money market accounts and investment securities.

The Society places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. The Society maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts.

The Society has significant investments in stocks, bonds, and mutual funds and, therefore, is subject to concentrations of credit risk. Investments are monitored, and recommendations are made, by the finance committee, for approval by the Board of Directors. Although the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Society and its beneficiaries.

(3) INVESTMENTS:

The composition of investments at December 31, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Equities	\$ 1,740,603	\$ 996,494
Equity funds	21,016	11,576
Fixed income funds	1,561,546	855,350
Hedge funds	<u>236,112</u>	<u>152,457</u>
	<u>\$ 3,559,277</u>	<u>\$ 2,015,877</u>

(3) INVESTMENTS: (Continued)

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

	<u>2024</u>	<u>2023</u>
Dividends and interest	\$ 79,926	\$ 49,567
Realized and unrealized gain on investments	<u>194,425</u>	<u>177,624</u>
	<u>\$ 274,351</u>	<u>\$ 227,191</u>

(4) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification for Fair Value Measurements established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2:

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

(4) FAIR VALUE MEASUREMENTS: (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

Equities, Equity funds and fixed income funds: Valued at the daily closing price as reported by the fund. Shares in mutual funds held by the Society are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Society are deemed to be actively traded.

Hedge funds: Valued at the Society's share of pooled investment portfolios as reported by the Hedge Fund.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value:

<u>Description</u>	<u>Assets at Fair Value as of December, 31 2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 1,740,603	\$ -	\$ -	\$ 1,740,603
Equity funds	21,016	-	-	21,016
Fixed income funds	1,561,546	-	-	1,561,546
Hedge funds	-	-	236,112	236,112
Total assets at fair value	<u>\$ 3,323,165</u>	<u>\$ -</u>	<u>\$ 236,112</u>	<u>\$ 3,559,277</u>

<u>Description</u>	<u>Assets at Fair Value as of December, 31 2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 996,494	\$ -	\$ -	\$ 996,494
Equity funds	11,576	-	-	11,576
Fixed income funds	855,350	-	-	855,350
Hedge funds	-	-	152,457	152,457
Total assets at fair value	<u>\$ 1,863,420</u>	<u>\$ -</u>	<u>\$ 152,457</u>	<u>\$ 2,015,877</u>

(4) FAIR VALUE MEASUREMENTS: (Continued)

The table below sets forth a summary of changes in the fair value of the Society's level 3 assets:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 152,457	\$ -
Realized and unrealized gain relating to instruments held at end of year	27,631	1,868
Interest, purchases and sales, net	<u>56,024</u>	<u>150,589</u>
Balance, end of year	<u>\$ 236,112</u>	<u>\$ 152,457</u>

(5) MORTGAGE PAYABLE:

	<u>2024</u>	<u>2023</u>
Payable to a bank in monthly installments of \$9,373, principal and interest, through July, 2024, bearing interest at 5.242%, and secured by land and building.	\$ -	\$ 65,614
Less - Current maturities	<u>-</u>	<u>65,614</u>
Long-term maturities	<u>\$ -</u>	<u>\$ -</u>

The mortgage was fully paid off in full during 2024.

(6) LEASES:

Tree House Humane Society has an operating lease for lab equipment that runs through April 2029. The Tree House Humane Society is responsible for its share of operating and maintenance costs for the building.

The components of lease expense for the years ending December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 5,671	\$ -
Short-term lease cost	<u>11,508</u>	<u>20,743</u>
Total lease expense	<u>\$ 17,179</u>	<u>\$ 20,743</u>

(6) LEASES: (Continued)

Future minimum lease payments under noncancelable leases as of December 31, 2024 are as follows:

2025	\$	6,495
2026		6,495
2027		6,495
2028		6,495
2029		<u>2,064</u>
Total future minimum lease payments		28,044
Less imputed interest included		<u>(2,405)</u>
Present value of net minimum lease payments	\$	<u>25,639</u>

The following provides additional information related to the Tree House Humane Society's leases as of and for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Current portion of lease liabilities	\$ 5,501	\$ -
Long-term portion of lease liabilities	<u>20,138</u>	<u>-</u>
Total lease liabilities	<u>\$ 25,639</u>	<u>\$ -</u>
Weighted average lease term	4.31 years	0.0 years
Weighted average discount rate	4.30%	0.0%

Cash paid for amounts included in the measurements of the Tree House Humane Society's leases for the years ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Operating cash from operating leases	\$ 4,330	\$ -

(7) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Time restricted	\$ 148,253	\$ 127,462
Targeted community programs	<u>21,451</u>	<u>43,337</u>
	<u>\$ 169,704</u>	<u>\$ 170,799</u>

(8) DONATED MATERIALS AND SERVICES:

In-kind donations of material are recorded at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Donations of services are recorded if they create or enhance a non-financial asset or are specialized skills that would be purchased if they were not donated. The Society did receive donated services for the years ended December 31, 2024 and 2023.

For the years ended December 31, 2024 and 2023 contributed nonfinancial assets recognized within the statement of activities included the following:

	<u>2024</u>	<u>2023</u>
Cat food and supplies	\$ 51,487	\$ 135,045
Professional services	<u>30,725</u>	<u>24,275</u>
Total in-kind contributions	<u>\$ 82,212</u>	<u>\$ 159,320</u>

Contributed cat food and supplies are valued at the estimated U.S. wholesale prices of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Contributed cat food and supplies are used in program services.

Contributed professional services are valued at the hourly rate and time spent on the services provided by the professionals. Contributed professional services were used in general operations.

(9) ADVERTISING COSTS:

Advertising costs, used by the Society to promote its programs among the audiences it serves, are expensed as incurred. Advertising costs for the years ended December 31, 2024 and 2023 were \$12,581 and \$19,837, respectively.

(10) LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year, comprise of the following:

	<u>2024</u>	<u>2023</u>
Financial assets -		
Cash	\$ 1,064,075	\$ 1,223,991
Receivables	78,000	26,989
Investments	<u>3,559,277</u>	<u>2,015,877</u>
Total financial assets	4,701,352	3,266,857
Donor imposed restrictions	<u>169,704</u>	<u>170,799</u>
Financial assets available to meet cash needs for general expenditures that are without donor or other restrictions limiting their use within one year	<u>\$ 4,531,648</u>	<u>\$ 3,096,058</u>

The Society manages its liquidity and reserves following three guiding principles:

- operating within a prudent range of financial soundness and stability.
- maintaining adequate liquid assets to fund near-term operating needs.
- maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

(11) EMPLOYEE BENEFIT PLANS:

Tree House maintains an optional 401(k) plan for all of their employees. The Organization did not make any employer contributions for the years ended December 31, 2024 and 2023.