

**EAST BAY SOCIETY
FOR THE PREVENTION OF
CRUELTY TO ANIMALS**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2024 AND 2023**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
East Bay Society for the Prevention
of Cruelty to Animals
Oakland, California**

Opinion

We have audited the accompanying financial statements of the East Bay Society for the Prevention of Cruelty to Animals (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 the Organization 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 the Organization 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 the Organization'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 the Organization'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 the Organization'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.



GILBERT CPAs
Sacramento, California

May 30, 2025

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,154,401	\$ 1,041,044
Accounts receivable	44,951	43,381
Current portion of contributions and bequests receivable	1,818,352	3,240,495
Inventories	69,356	58,867
Prepaid expenses	<u>156,995</u>	<u>161,450</u>
Total current assets	3,244,055	4,545,237
NONCURRENT ASSETS:		
Investments	25,475,964	22,049,427
Property and equipment, net	12,891,865	13,453,792
Contributions receivable, net	800,504	659,401
Split-interest agreement assets	<u>1,298,065</u>	<u>1,116,490</u>
TOTAL ASSETS	<u>\$ 43,710,453</u>	<u>\$ 41,824,347</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 225,979	\$ 165,626
Accrued expenses and other liabilities	500,930	580,789
Debt	<u>4,902,617</u>	<u>6,078,639</u>
Total current liabilities	5,629,526	6,825,054
NET ASSETS:		
Without donor restrictions	34,118,927	32,006,521
With donor restrictions	<u>3,962,000</u>	<u>2,992,772</u>
Total net assets	38,080,927	34,999,293
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,710,453</u>	<u>\$ 41,824,347</u>

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF ACTIVITIES (Page 1 of 2) YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT:		
Program revenues:		
Veterinary services	\$ 2,820,515	\$ 2,418,223
Less: Discounts for free and reduced fee veterinary services	<u>(548,722)</u>	<u>(496,960)</u>
Veterinary services, net	2,271,793	1,921,263
Shelter and adoption services	<u>1,237,695</u>	<u>1,186,215</u>
Total program revenue	<u>3,509,488</u>	<u>3,107,478</u>
Public support:		
Contributions	3,465,013	3,014,472
Bequests	2,882,246	3,892,826
In-kind contributions	36,371	36,837
Net assets released from restrictions	<u>263,089</u>	<u>341,898</u>
Total public support	<u>6,646,719</u>	<u>7,286,033</u>
Other income:		
Investment income	3,553,782	3,799,743
Rental income	83,062	79,592
Other income	<u>28,666</u>	<u>35,062</u>
Total other income	<u>3,665,510</u>	<u>3,914,397</u>
Total revenues and support	<u>13,821,717</u>	<u>14,307,908</u>
EXPENSES:		
Program services:		
Shelter and adoption services	6,304,575	5,503,110
Veterinary services	<u>3,838,950</u>	<u>3,182,179</u>
Total program services	<u>10,143,525</u>	<u>8,685,289</u>
Supporting services:		
Fundraising	871,468	681,757
General and administrative	<u>694,318</u>	<u>822,218</u>
Total supporting services	<u>1,565,786</u>	<u>1,503,975</u>
Total expenses	<u>11,709,311</u>	<u>10,189,264</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2,112,406</u>	<u>4,118,644</u>

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

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF ACTIVITIES (Page 2 of 2) YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and bequests	1,050,742	1,009,587
Change in value of split-interest agreement assets	181,575	(2,360,249)
Net assets released from restrictions	<u>(263,089)</u>	<u>(341,898)</u>
 INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	 <u>969,228</u>	 <u>(1,692,560)</u>
 INCREASE IN NET ASSETS	 3,081,634	 2,426,084
 NET ASSETS, Beginning of Year	 <u>34,999,293</u>	 <u>32,573,209</u>
 NET ASSETS, End of Year	 <u><u>\$ 38,080,927</u></u>	 <u><u>\$ 34,999,293</u></u>

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2024

	<u>Program services</u>		<u>Supporting services</u>		
	<u>Shelter and adoption services</u>	<u>Veterinary services</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>
Salaries	\$ 3,041,758	\$ 1,861,658	\$ 279,580	\$ 418,702	\$ 5,601,698
Payroll taxes and benefits	635,742	387,173	34,029	76,576	1,133,520
Supplies	393,268	461,144	4,954	7,390	866,756
Depreciation and amortization	542,474	175,894	5,701	5,950	730,019
Occupancy	354,934	166,094	3,728	1,278	526,034
Printing and postage	62,287	68,024	250,901	21	381,233
Interest expense	297,836	74,459			372,295
Repair and maintenance	244,118	88,452	2,682	7,098	342,350
Outside services	150,656	182,853	1,952	2,037	337,498
Professional fees	57,091	27,118	62,851	107,036	254,096
Events	55,474		94,841		150,315
Bank charges	21,104	79,442	46,711		147,257
Insurance	112,129	24,455	1,616	1,687	139,887
Non-depreciable equipment	43,032	38,636	40,793	4,626	127,087
Advertising	60,101	60,101			120,202
Outreach services	110,479				110,479
Miscellaneous expense	<u>122,092</u>	<u>143,447</u>	<u>41,129</u>	<u>61,917</u>	<u>368,585</u>
Total	<u>\$ 6,304,575</u>	<u>\$ 3,838,950</u>	<u>\$ 871,468</u>	<u>\$ 694,318</u>	<u>\$ 11,709,311</u>

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2023

	<u>Program services</u>		<u>Supporting services</u>		
	<u>Shelter and adoption services</u>	<u>Veterinary services</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>
Salaries	\$ 2,542,250	\$ 1,460,489	\$ 174,663	\$ 497,581	\$ 4,674,983
Payroll taxes and benefits	492,066	330,540	39,321	69,173	931,100
Supplies	327,624	394,344	2,806	5,807	730,581
Depreciation and amortization	517,876	170,781	5,300	5,222	699,179
Occupancy	341,483	142,197	3,587	3,054	490,321
Printing and postage	17,607	20,804	200,748	274	239,433
Interest expense	337,514	84,379			421,893
Repair and maintenance	217,980	98,744	2,619	11,996	331,339
Outside services	127,842	152,402	1,607	1,678	283,529
Professional fees	41,639	16,349	21,352	181,943	261,283
Events	51,524		112,143		163,667
Bank charges	20,595	78,803	46,639		146,037
Insurance	162,149	45,382	1,818	1,898	211,247
Non-depreciable equipment	38,840	28,053	40,879	5,587	113,359
Advertising	97,087	97,087			194,174
Outreach services	66,961				66,961
Miscellaneous expense	<u>102,073</u>	<u>61,825</u>	<u>28,275</u>	<u>38,005</u>	<u>230,178</u>
Total	<u>\$ 5,503,110</u>	<u>\$ 3,182,179</u>	<u>\$ 681,757</u>	<u>\$ 822,218</u>	<u>\$ 10,189,264</u>

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 3,081,634	\$ 2,426,084
Reconciliation to net cash and cash equivalents provided (used) by operating activities:		
Depreciation and amortization	730,019	699,179
Receipt of donated investments	(21,925)	(39,506)
Net realized and unrealized gain on investments	(2,939,114)	(3,369,682)
Change in value of split interest agreement assets	(181,575)	2,360,249
Net loss on disposal of assets		11,998
Changes in:		
Accounts receivable	(1,570)	47,917
Contributions and bequests receivable	1,281,040	(3,600,587)
Inventories	(10,489)	746
Prepaid expenses	4,455	60,302
Accounts payable	60,353	(64,649)
Accrued expenses and other liabilities	(79,859)	27,312
Net cash and cash equivalents provided (used) by operating activities	<u>1,922,969</u>	<u>(1,440,637)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,004,829)	(796,562)
Proceeds from sale of investments	2,539,331	3,576,856
Purchases of property and equipment	(168,092)	(159,674)
Net cash and cash equivalents provided (used) by investing activities	<u>(633,590)</u>	<u>2,620,620</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt	(1,176,022)	(900,006)
INCREASE IN CASH AND CASH EQUIVALENTS	113,357	279,977
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,041,044</u>	<u>761,067</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,154,401</u>	<u>\$ 1,041,044</u>
SUPPLEMENTAL ACTIVITY:		
Cash paid for interest	<u>\$ 372,295</u>	<u>\$ 421,893</u>

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

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

1. ORGANIZATION AND OPERATIONS

Founded in 1874, East Bay Society for the Prevention of Cruelty to Animals (Organization) is a nonprofit organization committed to the welfare of cats and dogs in Alameda and Contra Costa Counties. The Organization strives to eliminate animal cruelty, neglect, and overpopulation by providing programs, education, and resources at three locations to support people and companion animals. The Organization offers pet adoptions, spay and neuter, a full-service public veterinary clinic, foster care, dog training, humane education programs, volunteer opportunities, and a variety of other services.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Organization reports information regarding its financial position and activities according to two classes of net assets: *without donor restrictions* and *with donor restrictions*.

Revenue recognition – The Organization's revenue from contracts with customers consists of revenue from veterinary, shelter, and adoption services which are recognized when the related services occur.

Contract assets consist of receivables for services performed by the Organization that have not been paid by the customers. The balances of contract assets as of December 31, 2024, 2023, and 2022, were \$44,951, \$43,381, and \$91,298, respectively. Contract liabilities consist of customer deposits for space rental and services to be performed by the Organization at a future date. The balances of contract liabilities as of December 31, 2024, 2023, and 2022, were \$131,246, \$109,187, and \$130,876, respectively, and are reported as other liabilities on the statements of financial position.

Private grants and contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire, or the contributions are used for the restricted purpose. Contributions with donor restrictions whose restrictions are met in the same reporting period are shown as unrestricted. Net assets with donor restrictions also includes those whose use by the Organization is restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of the Organization.

Bequests are recognized when estates are settled, and the amounts can be reasonably estimated. Bequests on unsettled estates are considered conditional promises to give and therefore are not recognized, because the amounts cannot be reasonably estimated, and the dates of distribution are unknown. Bequests receivable represent those amounts for which both amount and timing of payment is known.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

In-kind contributions are recognized at the fair value of contributed services or goods that create or enhance non-financial assets or require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Cash and cash equivalents – For financial statement purposes, the Organization considers investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term purposes.

The Organization minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institutions. The balance at times may exceed federally insured limits. Balances exceeded federally insured limits by \$608,576 and \$453,400 for the years ending December 31, 2024 and 2023, respectively. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

Contributions and bequests receivable are estimated at fair value, on a nonrecurring basis, at the time the promise is made. Fair value is determined by calculating the present value of the estimated future cash flows if the promise is to be received in a period more than one year from year-end. Contributions and bequests receivable at December 31, 2024 and 2023 are expected to be collected within 1 year.

Inventories consist of medications and medical supplies and are stated at the lower of cost (first-in, first-out) or market.

Investments are stated at fair value and include money market funds that are held for long-term purposes.

Property and equipment is stated at cost or, if donated, at fair market value as of the date of donation. The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from 5 to 50 years.

Split-interest agreement assets are stated at fair value.

Functional allocation of expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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. Shelter, adoption, and veterinary service expenses, repair and maintenance, utilities and outside services have been allocated based on square footage. Personnel expenses are allocated based on employees' time incurred. All other expenses are allocated based on usage of resources.

Income taxes – The Organization is publicly supported and exempt from income taxes under Internal Revenue Code Section 501(c)(3) and corresponding California state codes.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

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

Reclassification – Certain amounts in the statement of financial position at December 31, 2023 have been reclassified for consistency in presentation with the statement of financial position at December 31, 2024.

Subsequent events have been evaluated through May 30, 2025, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2024 that require recognition or disclosure in such financial statements.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows for:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,154,401	\$ 1,041,044
Investments	25,475,964	22,049,427
Accounts receivable	44,951	43,381
Contributions and bequests receivable	2,618,856	3,899,896
Split-interest agreement assets	<u>1,298,065</u>	<u>1,116,490</u>
Total financial assets	30,592,237	28,150,238
Less amounts unavailable for general expenditures within one year, due to:		
Purpose and time restrictions by donors (see Note 10)	<u>(3,862,000)</u>	<u>(2,892,772)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 26,730,237</u>	<u>\$ 25,257,466</u>

As part of the Organization's liquidity management, cash in excess of daily requirements is invested in short-term investments and money market funds. Cash needs are met primarily from service revenue streams daily, with any shortfalls being met by drawings on savings and short-term investments. The Organization also has a line of credit to meet cash flow needs.

4. CONTRIBUTIONS AND BEQUESTS RECEIVABLE

The Organization recognizes contributions at their estimated fair value, on a nonrecurring basis, at the time the promise is made. Fair value is determined by calculating the present value of the estimated future cash flows. The discount rates used in determining the net present value of long-term contributions receivable ranged from 6.071% and 6.885% at December 31, 2024 and 2023.

Contributions and bequests receivable consist of the following:

	<u>2024</u>	<u>2023</u>
Gross contributions and bequests receivable	\$ 2,823,352	\$ 4,130,495
Less:		
Discount on contributions and bequests receivable	<u>(204,496)</u>	<u>(245,599)</u>
Contributions and bequests receivable, net	<u>\$ 2,618,856</u>	<u>\$ 3,884,896</u>

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Contributions and bequests receivable are due to be collected as follows:

	<u>2024</u>	<u>2023</u>
Within one year	\$ 1,818,352	\$ 3,225,495
In one to five years	551,724	415,963
More than five years	<u>248,780</u>	<u>243,438</u>
Contributions and bequests receivable, net	<u>\$ 2,618,856</u>	<u>\$ 3,884,896</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2024</u>	<u>2023</u>
Building and improvements	\$ 20,811,329	\$ 20,784,752
Land	1,074,811	1,074,811
Equipment and furniture	1,733,653	1,629,202
Memorial gardens	19,545	19,545
Website	14,563	14,563
Construction in progress	<u>11,524</u>	<u> </u>
Total	23,665,425	23,522,873
Less accumulated depreciation and amortization	<u>(10,773,560)</u>	<u>(10,069,081)</u>
Total	<u>\$ 12,891,865</u>	<u>\$ 13,453,792</u>

6. INVESTMENTS

All investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

	<u>2024</u>	<u>2023</u>
Mutual funds:		
Bonds	\$ 9,060,745	\$ 6,489,590
Large blend	6,828,250	5,393,728
Value	3,560,953	3,518,742
Growth	3,730,366	2,919,082
Technology	1,016,345	1,881,107
Natural resources	432,867	756,376
Communications	390,816	605,048
Industrials	418,861	422,707
Utilities	<u>757</u>	<u>13,370</u>
Total mutual funds	25,439,960	21,999,750
Money market funds	<u>36,004</u>	<u>49,677</u>
Total	<u>\$ 25,475,964</u>	<u>\$ 22,049,427</u>

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Investment income consists of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividends, net of fees	\$ 614,668	\$ 430,061
Net unrealized and realized gain	<u>2,939,114</u>	<u>3,369,682</u>
Total	<u>\$ 3,553,782</u>	<u>\$ 3,799,743</u>

7. SPLIT-INTEREST AGREEMENT ASSETS

Split-interest agreement assets include the estimated fair value of the Organization's interest in various irrevocable charitable remainder trusts held by third-party trustees for which the Organization is the remainder beneficiary as well as a perpetual trust in which the Organization has the irrevocable right to receive income on trust assets in perpetuity. The estimated fair value of these assets was determined with present value techniques using projected investment returns consistent with the composition of the asset portfolios, life expectancies, estimated future cash disbursements and discount rates ranging from 2.98% to 8.49% and 3.11% to 7.73% as of December 31, 2024 and 2023, respectively.

The Organization's charitable remainder trusts are classified within Level 3 of the fair value hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions.

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 1,116,490	\$ 3,476,739
Change in fair value of split-interest agreement assets	<u>181,575</u>	<u>(2,360,249)</u>
Ending balance	<u>\$ 1,298,065</u>	<u>\$ 1,116,490</u>

8. DEBT

The Organization has a \$14,500,000 revolving line of credit with UBS Bank which was initially obtained to fund the redemption of the Organization's Bond and to renovate their Baldwin Street facility. The line of credit has a variable interest rate equal to the Bank's SOFR (formerly LIBOR) rate (4.49% and 5.38% at December 31, 2024 and 2023, respectively) plus 1.75% and is due on demand with no established maturity date. Therefore, the line of credit is classified as a current liability on the statements of financial position. There are no required payments under the line of credit; however, the Organization may repay any advance, in whole or part, at any time. The line of credit is secured by all of the Organization's assets. The outstanding balance of December 31, 2024 and 2023 was \$4,902,617 and \$6,078,639, respectively.

The Organization had a fixed rate loan totaling \$250,000. Interest payments were due quarterly, and principal was due in total upon maturity. The loan had a rate of 4.074% and matured on March 8, 2023.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

9. LEASES

The Organization has a long-term non-cancellable sublease agreement with an unrelated company that expires in February 2027. The minimum annual rental income to be received in the future is as follows:

Year ending December 31,	
2025	\$ 87,729
2026	90,251
2027	<u>15,115</u>
Total	<u>\$ 193,095</u>

The following is an analysis of the carrying amounts of the underlying assets related to the operating lease:

	<u>2024</u>	<u>2023</u>
Building and improvements	\$ 3,179,847	\$ 3,179,847
Less accumulated depreciation	<u>(1,250,773)</u>	<u>(1,149,997)</u>
Total	<u>\$ 1,929,074</u>	<u>\$ 2,029,850</u>

East Alameda County Facility

The Organization has a 99-year agreement to lease property from the Alameda County Surplus Property Authority (landlord) on which a second facility providing animal adoption and spay and neuter services for the Eastern Alameda County area was constructed. The terms of the lease provide for annual rent of \$1 plus property taxes and utilities. Although the lease may be terminated at any time by the Organization after giving a 180-day notice, the landlord has the option to require the Organization to return the property to its original condition at the beginning of the lease. The landlord may only terminate the lease after 50 years.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of unexpended contributions restricted for the following:

	<u>2024</u>	<u>2023</u>
Time restricted:		
Split-interest agreement assets	\$ 94,127	\$ 95,352
Long-term pledge	634,723	734,723
Purpose restricted:		
Veterinary clinic funds	1,188,062	257,439
Senior cat assistance	85,159	101,728
Veterinary assistance program	83,779	89,718
Shelter funds	84,500	59,081
Spay & neuter		36,606
Humane Education programs	13,545	20,877
Behavior & training programs	3,500	15,000
Miscellaneous programs	14,557	5,000
Restricted into perpetuity:		
Donor restricted endowment fund	556,110	556,110
Split-interest agreement asset – interest in a perpetual trust	<u>1,203,938</u>	<u>1,021,138</u>
Total	<u>\$ 3,962,000</u>	<u>\$ 2,992,772</u>

In 2023, the Organization received a pledge from a donor of \$1,000,000 in recognition of the Organization's 150th anniversary. The pledge is to be paid over ten years and has been recorded as a time-restricted contribution. The funds have no restrictions as to use when received.

The Organization has a donor-restricted endowment fund. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) accumulated unrealized appreciation and depreciation of endowment investments if directed by the donor gift instrument, (c) the original value of subsequent gifts to the permanent endowments, and (d) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Under the investment policy as approved by the Board of Directors, the primary investment objectives are to generate sufficient long-term growth of capital, without undue exposure to risk, to enhance the Organization's ability to meet its present and future financial needs, as well as increase the real (adjusted for inflation) purchasing power of the investments.

There were no changes to the endowment fund during December 31, 2024 and 2023.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

11. IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions during the year ending December 31:

	<u>2024</u>	<u>2023</u>
Shelter and vet supplies	\$ 31,936	\$ 27,007
Other	<u>4,435</u>	<u>9,830</u>
Total	<u>\$ 36,371</u>	<u>\$ 36,837</u>

Shelter and vet supplies include donated food, toys, and treats. Other in-kind contributions include medications and miscellaneous adoption supplies. All items were valued upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor.

The Organization's policy related to in-kind contributions is to utilize the assets given to carry out their mission. All in-kind contributions received by the Organization for the years ended December 31, 2024 and 2023 were considered without donor restrictions.

12. RETIREMENT PLAN

The Organization has established a money purchase pension plan for its employees which allows for a 3% safe harbor non-elective contribution in addition to an elective profit-sharing contribution. There was no profit sharing contribution for 2024 or 2023. Eligible employees of the safe harbor contribution are required to have completed two months of service and be at least 18 years of age. Eligible employees of the profit-sharing contribution are required to be employed by the Organization on the last day of the plan year. The required contributions under the plan were \$119,730 and \$90,007 in December 31, 2024 and 2023, respectively. Funding for the contribution is accumulated in an interest-bearing cash account and is remitted to the plan annually.