

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

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

**YEARS ENDED
DECEMBER 31, 2025 AND 2024**

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, 2025 and 2024, 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, 2025 and 2024, 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

June 17, 2026

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

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,246,018	\$ 1,154,401
Accounts receivable	107,921	44,951
Current portion of contributions and bequests receivable	770,837	1,818,352
Inventories	112,359	69,356
Prepaid expenses	<u>299,079</u>	<u>156,995</u>
Total current assets	2,536,214	3,244,055
NONCURRENT ASSETS:		
Investments	29,716,812	25,475,964
Property and equipment, net	12,630,955	12,891,865
Contributions receivable, net	494,824	800,504
Split-interest agreement assets	<u>1,312,115</u>	<u>1,298,065</u>
TOTAL ASSETS	<u>\$ 46,690,920</u>	<u>\$ 43,710,453</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 210,900	\$ 225,979
Accrued expenses and other liabilities	544,488	500,930
Debt	<u>3,748,951</u>	<u>4,902,617</u>
Total current liabilities	<u>4,504,339</u>	<u>5,629,526</u>
NET ASSETS:		
Without donor restrictions	39,238,560	34,118,927
With donor restrictions	<u>2,948,021</u>	<u>3,962,000</u>
Total net assets	<u>42,186,581</u>	<u>38,080,927</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 46,690,920</u>	<u>\$ 43,710,453</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 1 of 2) YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT:		
Program revenues:		
Veterinary services	\$ 4,118,504	\$ 2,820,515
Less: Discounts for free and reduced fee veterinary services	<u>(987,832)</u>	<u>(548,722)</u>
Veterinary services, net	3,130,672	2,271,793
Shelter and adoption services	<u>1,526,404</u>	<u>1,237,695</u>
Total program revenue	<u>4,657,076</u>	<u>3,509,488</u>
Public support:		
Contributions	3,870,257	3,465,013
Bequests	3,018,052	2,882,246
Employee retention tax credit	1,292,503	
In-kind contributions	58,602	36,371
Net assets released from restrictions	<u>1,172,484</u>	<u>263,089</u>
Total public support	<u>9,411,898</u>	<u>6,646,719</u>
Other income:		
Investment income	4,031,067	3,553,782
Rental income	87,408	83,062
Other income	<u>61,063</u>	<u>28,666</u>
Total other income	<u>4,179,538</u>	<u>3,665,510</u>
Total revenues and support	<u>18,248,512</u>	<u>13,821,717</u>
EXPENSES:		
Program services:		
Shelter and adoption services	6,934,319	6,304,575
Veterinary services	<u>4,662,970</u>	<u>3,838,950</u>
Total program services	<u>11,597,289</u>	<u>10,143,525</u>
Supporting services:		
General and administrative	774,524	694,318
Fundraising	<u>757,066</u>	<u>871,468</u>
Total supporting services	<u>1,531,590</u>	<u>1,565,786</u>
Total expenses	<u>13,128,879</u>	<u>11,709,311</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>5,119,633</u>	<u>2,112,406</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, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and bequests	144,455	1,050,742
Change in value of split-interest agreement assets	14,050	181,575
Net assets released from restrictions	<u>(1,172,484)</u>	<u>(263,089)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(1,013,979)</u>	<u>969,228</u>
INCREASE IN NET ASSETS	4,105,654	3,081,634
NET ASSETS, Beginning of Year	<u>38,080,927</u>	<u>34,999,293</u>
NET ASSETS, End of Year	<u>\$ 42,186,581</u>	<u>\$ 38,080,927</u>

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

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025**

	<u>Program services</u>		<u>Supporting services</u>		<u>Total</u>
	<u>Shelter and adoption services</u>	<u>Veterinary services</u>	<u>General and administrative</u>	<u>Fundraising</u>	
Salaries	\$ 3,415,790	\$ 2,267,905	\$ 434,305	\$ 372,823	\$ 6,490,823
Payroll taxes and benefits	838,163	510,297	79,090	52,723	1,480,273
Supplies	432,242	618,018	5,083	2,138	1,057,481
Depreciation and amortization	530,696	175,550	5,615	5,379	717,240
Occupancy	346,869	106,016	3,205	3,613	459,703
Outside services	152,795	254,894	2,097	2,010	411,796
Printing and postage	171,973	177,509	215	36,730	386,427
Professional fees	70,224	40,994	196,958	36,184	344,360
Repair and maintenance	240,672	85,513	4,123	2,742	333,050
Interest expense	204,217	51,054			255,271
Bank charges	25,824	95,819		56,787	178,430
Insurance	114,772	45,017	1,963	1,881	163,633
Events	32,352			104,449	136,801
Non-depreciable equipment	43,538	34,417	3,472	38,859	120,286
Outreach services	119,495				119,495
Advertising	43,381	43,381			86,762
Miscellaneous expense	151,316	156,586	38,398	40,748	387,048
Total	<u>\$ 6,934,319</u>	<u>\$ 4,662,970</u>	<u>\$ 774,524</u>	<u>\$ 757,066</u>	<u>\$ 13,128,879</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>Total</u>
	<u>Shelter and adoption services</u>	<u>Veterinary services</u>	<u>General and administrative</u>	<u>Fundraising</u>	
Salaries	\$ 3,041,758	\$ 1,861,658	\$ 418,702	\$ 279,580	\$ 5,601,698
Payroll taxes and benefits	635,742	387,173	76,576	34,029	1,133,520
Supplies	393,268	461,144	7,390	4,954	866,756
Depreciation and amortization	542,474	175,894	5,950	5,701	730,019
Occupancy	354,934	166,094	1,278	3,728	526,034
Outside services	150,656	182,853	2,037	1,952	337,498
Printing and postage	62,287	68,024	21	250,901	381,233
Professional fees	57,091	27,118	107,036	62,851	254,096
Repair and maintenance	244,118	88,452	7,098	2,682	342,350
Interest expense	297,836	74,459			372,295
Bank charges	21,104	79,442		46,711	147,257
Insurance	112,129	24,455	1,687	1,616	139,887
Events	55,474			94,841	150,315
Non-depreciable equipment	43,032	38,636	4,626	40,793	127,087
Outreach services	110,479				110,479
Advertising	60,101	60,101			120,202
Miscellaneous expense	122,092	143,447	61,917	41,129	368,585
Total	<u>\$ 6,304,575</u>	<u>\$ 3,838,950</u>	<u>\$ 694,318</u>	<u>\$ 871,468</u>	<u>\$ 11,709,311</u>

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 4,105,654	\$ 3,081,634
Reconciliation to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	717,240	730,019
Receipt of donated investments		(21,925)
Net realized and unrealized gain on investments	(2,934,928)	(2,939,114)
Change in value of split interest agreement assets	(14,050)	(181,575)
Changes in:		
Accounts receivable	(62,970)	(1,570)
Contributions and bequests receivable	1,353,195	1,281,040
Inventories	(43,003)	(10,489)
Prepaid expenses	(142,084)	4,455
Accounts payable	(15,079)	60,353
Accrued expenses and other liabilities	<u>43,558</u>	<u>(79,859)</u>
Net cash and cash equivalents provided by operating activities	<u>3,007,533</u>	<u>1,922,969</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,480,825)	(3,004,829)
Proceeds from sale of investments	1,174,905	2,539,331
Purchases of property and equipment	<u>(456,330)</u>	<u>(168,092)</u>
Net cash and cash equivalents used by investing activities	<u>(1,762,250)</u>	<u>(633,590)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt	<u>(1,153,666)</u>	<u>(1,176,022)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	91,617	113,357
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,154,401</u>	<u>1,041,044</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,246,018</u>	<u>\$ 1,154,401</u>
SUPPLEMENTAL ACTIVITY:		
Cash paid for interest	<u>\$ 255,271</u>	<u>\$ 372,295</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, 2025 AND 2024

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 that 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, 2025, 2024, and 2023, were \$107,921, \$44,951, and \$43,381, 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, 2025, 2024, and 2023, were \$133,926, \$131,246, and \$109,187, 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 include those whose use by the Organization are 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.

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.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

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 \$573,931 and \$608,576 for the years ending December 31, 2025 and 2024, 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, 2025 and 2024 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.

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

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

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.

Subsequent events have been evaluated through June 17, 2026, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2025 that require recognition or disclosure in such financial statements.

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>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,246,018	\$ 1,154,401
Investments	29,716,812	25,475,964
Accounts receivable	107,921	44,951
Contributions and bequests receivable	1,265,661	2,618,856
Split-interest agreement assets	<u>1,312,115</u>	<u>1,298,065</u>
Total financial assets	33,648,527	30,592,237
Less amounts unavailable for general expenditures within one year, due to:		
Purpose and time restrictions by donors (see Note 10)	<u>(2,848,021)</u>	<u>(3,862,000)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 30,800,506</u>	<u>\$ 26,730,237</u>

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

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, 2025 and 2024.

Contributions and bequests receivable consist of the following:

	<u>2025</u>	<u>2024</u>
Gross contributions and bequests receivable	\$ 1,470,157	\$ 2,823,352
Less:		
Discount on contributions and bequests receivable	<u>(204,496)</u>	<u>(204,496)</u>
Contributions and bequests receivable, net	<u>\$ 1,265,661</u>	<u>\$ 2,618,856</u>

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

	<u>2025</u>	<u>2024</u>
Within one year	\$ 770,837	\$ 1,818,352
In one to five years	317,727	551,724
More than five years	<u>177,097</u>	<u>248,780</u>
Contributions and bequests receivable, net	<u>\$ 1,265,661</u>	<u>\$ 2,618,856</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2025</u>	<u>2024</u>
Building and improvements	\$ 21,071,439	\$ 20,811,329
Equipment and furniture	1,861,123	1,733,653
Land	1,074,811	1,074,811
Construction in progress	45,975	11,524
Memorial gardens	42,593	19,545
Website	<u>14,563</u>	<u>14,563</u>
Total	24,110,504	23,665,425
Less accumulated depreciation and amortization	<u>(11,479,549)</u>	<u>(10,773,560)</u>
Total	<u>\$ 12,630,955</u>	<u>\$ 12,891,865</u>

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

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>2025</u>	<u>2024</u>
Mutual funds:		
Bonds	\$ 10,257,897	\$ 9,060,745
Large blend	8,084,537	6,828,250
Growth	4,321,989	3,730,366
Value	4,041,928	3,560,953
Technology	1,297,287	1,016,345
Communications	489,019	390,816
Natural resources	400,557	432,867
Industrials	359,471	418,861
Financials	99,156	
Consumer goods	87,980	
Health	70,441	
Foreign large blend	69,063	
Diversified emerging markets	26,216	
Basic materials	21,107	
Real estate	10,085	
Utilities	7,888	757
Energy	2,166s	
Total mutual funds	29,646,787	25,439,960
Money market funds	70,025	36,004
Total	\$ 29,716,812	\$ 25,475,964

Investment income consists of the following:

	<u>2025</u>	<u>2024</u>
Interest and dividends, net of fees	\$ 1,096,139	\$ 614,668
Net unrealized and realized gain	2,934,928	2,939,114
Total	\$ 4,031,067	\$ 3,553,782

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 9.70% and 2.98% to 8.49% as of December 31, 2025 and 2024, respectively.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

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 its own assumptions.

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 1,298,065	\$ 1,116,490
Change in fair value of split-interest agreement assets	<u>14,050</u>	<u>181,575</u>
Ending balance	<u>\$ 1,312,115</u>	<u>\$ 1,298,065</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 its Baldwin Street facility. The line is collateralized by investment accounts of the Organization totaling \$28,306,615 and \$24,138,254 and December 31, 2025 and 2024, respectively. The line of credit has a variable interest rate equal to the Bank's SOFR (formerly LIBOR) rate (3.87% and 4.49% at December 31, 2025 and 2024, 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 in part, at any time. The line of credit is secured by all of the Organization's assets. The outstanding balance of December 31, 2025 and 2024 were \$3,748,951 and \$4,902,617, respectively.

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,		
2026	\$	88,049
2027	<u></u>	<u>14,675</u>
Total	<u>\$</u>	<u>102,724</u>

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

	<u>2025</u>	<u>2024</u>
Building and improvements	\$ 3,179,847	\$ 3,179,847
Less accumulated depreciation	<u>(1,511,736)</u>	<u>(1,250,773)</u>
Total	<u>\$ 1,668,111</u>	<u>\$ 1,929,074</u>

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

East Alameda County Facility

The Organization has a 99-year agreement that commenced November 4, 1997, 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.

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Time restricted:		
Split-interest agreement assets	\$ 95,764	\$ 94,127
Long-term pledge	588,382	634,723
Purpose restricted:		
Veterinary clinic funds	297,940	1,188,062
Senior cat assistance	79,264	85,159
Humane Education programs	34,210	13,545
Spay/neuter	30,000	
Veterinary assistance program		83,779
Shelter funds		84,500
Behavior & training programs		3,500
Miscellaneous programs	50,000	14,557
Restricted into perpetuity:		
Donor restricted endowment fund	556,110	556,110
Split-interest agreement asset – interest in a perpetual trust	<u>1,216,351</u>	<u>1,203,938</u>
Total	<u>\$ 2,948,021</u>	<u>\$ 3,962,000</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.

EAST BAY SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

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, 2025 and 2024.

11. IN-KIND CONTRIBUTIONS

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

	<u>2025</u>	<u>2024</u>
Shelter and vet supplies	\$ 58,602	\$ 31,936
Other		4,435
Total	<u>\$ 58,602</u>	<u>\$ 36,371</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 based on estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility at the time the goods were contributed by the donor.

The Organization's policy related to in-kind contributions is to utilize the assets given to carry out its mission. All in-kind contributions received by the Organization for the years ended December 31, 2025 and 2024 were considered without donor restrictions.

12. EMPLOYEE RETENTION TAX CREDIT

During the year ended December 31, 2025, the Organization recognized revenue totaling \$1,292,503 related to the Employee Retention Tax Credit (ERTC). Laws and regulations concerning government programs, including the Employee Retention Credit established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERTC, and it is not possible to determine the impact (if any) this would have upon the Institute.

13. 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 2025 or 2024. Eligible employees for the safe harbor contribution are required to have completed two months of service and be at least 18 years of age. Eligible employees for 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 \$142,674 and \$119,730 in 2025 and 2024, respectively. Funding for the contribution is accumulated in an interest-bearing cash account and is remitted to the plan annually.