

Report of Independent Auditors  
and Financial Statements

**San Diego Humane Society and SPCA**

June 30, 2025 and 2024



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## **Report of Independent Auditors**

The Board of Trustees  
San Diego Humane Society and SPCA

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of San Diego Humane Society and SPCA, which comprise the statements of financial position as of June 30, 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 accompanying financial statements present fairly, in all material respects, the financial position of San Diego Humane Society and SPCA as of June 30, 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 (GAAS). 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 San Diego Humane Society and SPCA 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 San Diego Humane Society and SPCA'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 GAAS 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 GAAS, 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 San Diego Humane Society and SPCA'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 San Diego Humane Society and SPCA'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.

*Baker Tilly US, LLP*

San Diego, California  
November 19, 2025

## **Financial Statements**

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**San Diego Humane Society and SPCA**  
**Statements of Financial Position**  
**June 30, 2025 and 2024**

	2025	2024
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,656,894	\$ 4,448,417
Investments	45,498,037	48,012,013
Receivables, net	14,310,068	17,387,482
Prepaid expenses and other assets	1,664,790	934,386
Property and equipment, net	63,674,742	60,200,658
Right-of-use asset – operating	126,128	371,829
Beneficial interest in trust	1,834,119	1,636,072
	<u>\$ 129,764,778</u>	<u>\$ 132,990,857</u>
Total assets		
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 6,418,970	\$ 5,175,808
Deferred revenue	1,573,116	3,299,431
Lease liability – operating	158,208	460,659
Loan payable	23,366,769	23,975,569
	<u>31,517,063</u>	<u>32,911,467</u>
Total liabilities		
<b>COMMITMENTS AND CONTINGENCIES (Note 10)</b>		
<b>NET ASSETS</b>		
Without donor restrictions	76,289,646	80,867,438
With donor restrictions	21,958,069	19,211,952
	<u>98,247,715</u>	<u>100,079,390</u>
Total net assets		
Total liabilities and net assets	<u>\$ 129,764,778</u>	<u>\$ 132,990,857</u>

See accompanying notes.

**San Diego Humane Society and SPCA**  
**Statement of Activities**  
**Year Ended June 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions of cash and other financial assets	\$ 16,437,425	\$ 1,697,002	\$ 18,134,427
Bequests	8,524,335	-	8,524,335
Special events	3,567,864	-	3,567,864
Special events expense	(1,038,465)	-	(1,038,465)
Contributions of non-financial assets	2,334,457	-	2,334,457
Net assets released from restrictions	784,088	(784,088)	-
Net support	30,609,704	912,914	31,522,618
Revenue			
Field services and licensing	29,288,888	-	29,288,888
Investment income, net	4,515,678	748,282	5,263,960
Adoptions and animal care	1,642,755	-	1,642,755
Veterinary health services	2,456,791	-	2,456,791
Educational program fees	130,652	-	130,652
Retail sales	98,654	-	98,654
Retail sales expense	(11,864)	-	(11,864)
Other	92,142	-	92,142
Net revenue	38,213,696	748,282	38,961,978
Total support and revenue	68,823,400	1,661,196	70,484,596
<b>EXPENSES</b>			
Program services			
Adoptions and animal care	48,792,514	-	48,792,514
Humane law and field services	6,658,140	-	6,658,140
Community outreach	7,396,751	-	7,396,751
	62,847,405	-	62,847,405
Supporting services			
Management and general	3,473,209	-	3,473,209
Donor development and fundraising	5,615,932	-	5,615,932
Marketing and public relations	1,464,646	-	1,464,646
	10,553,787	-	10,553,787
Total expenses	73,401,192	-	73,401,192
<b>CHANGE IN NET ASSETS BEFORE OTHER REVENUE AND GAINS</b>			
	(4,577,792)	1,661,196	(2,916,596)
Change in value of split-interest agreements	-	359,921	359,921
Contributions – capital projects	-	725,000	725,000
<b>CHANGE IN NET ASSETS</b>	(4,577,792)	2,746,117	(1,831,675)
<b>NET ASSETS</b>			
Beginning of year	80,867,438	19,211,952	100,079,390
End of year	\$ 76,289,646	\$ 21,958,069	\$ 98,247,715

See accompanying notes.

**San Diego Humane Society and SPCA**  
**Statement of Activities**  
**Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions of cash and other financial assets	\$ 18,550,934	\$ 4,926,729	\$ 23,477,663
Bequests	10,394,225	-	10,394,225
Special events	3,125,042	-	3,125,042
Special events expense	(1,041,158)	-	(1,041,158)
Contributions of non-financial assets	3,120,204	-	3,120,204
Net assets released from restrictions	4,911,074	(4,911,074)	-
Net support	39,060,321	15,655	39,075,976
Revenue			
Field services and licensing	27,734,669	-	27,734,669
Investment income, net	4,442,297	805,288	5,247,585
Adoptions and animal care	1,611,305	-	1,611,305
Veterinary health services	1,914,089	-	1,914,089
Educational program fees	99,407	-	99,407
Retail sales	136,918	-	136,918
Retail sales expense	(23,879)	-	(23,879)
Other	158,039	-	158,039
Net revenue	36,072,845	805,288	36,878,133
Total support and revenue	75,133,166	820,943	75,954,109
<b>EXPENSES</b>			
Program services			
Adoptions and animal care	45,099,380	-	45,099,380
Humane law and field services	6,274,369	-	6,274,369
Community outreach	6,647,654	-	6,647,654
	58,021,403	-	58,021,403
Supporting services			
Management and general	3,370,892	-	3,370,892
Donor development and fundraising	4,886,932	-	4,886,932
Marketing and public relations	1,555,682	-	1,555,682
	9,813,506	-	9,813,506
Total expenses	67,834,909	-	67,834,909
<b>CHANGE IN NET ASSETS BEFORE OTHER REVENUE AND (LOSSES) GAINS</b>			
Change in value of split-interest agreements	-	182,087	182,087
Contributions – capital projects	-	215,000	215,000
Loss on disposal of fixed assets	(58,499)	-	(58,499)
CHANGE IN NET ASSETS	7,239,758	1,218,030	8,457,788
<b>NET ASSETS</b>			
Beginning of year	73,627,680	17,993,922	91,621,602
End of year	\$ 80,867,438	\$ 19,211,952	\$ 100,079,390

See accompanying notes.

**San Diego Humane Society and SPCA**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2025**

	Year Ended June 30, 2025 (With Comparative Information for Year Ended June 30, 2024)									
	Program Services				Supporting Services				2025 Total Expenses	2024 Total Expenses
	Adoptions and Animal Care	Humane Law and Field Services	Community Outreach	Total	Management and General	Donor Development and Fundraising	Marketing and Public Relations	Total		
Salaries	\$ 28,155,857	\$ 4,188,168	\$ 3,878,251	\$ 36,222,276	\$ 2,219,193	\$ 2,221,214	\$ 862,369	\$ 5,302,776	\$ 41,525,052	\$ 37,659,830
Employee health and benefits	2,889,470	427,685	429,618	3,746,773	153,902	149,259	58,778	361,939	4,108,712	3,898,947
Payroll taxes	2,216,084	325,547	296,473	2,838,104	156,518	164,337	63,451	384,306	3,222,410	2,919,754
Retirement	622,065	39,648	108,049	769,762	93,751	66,500	32,600	192,851	962,613	814,686
<b>Total salaries and related expenses</b>	<b>33,883,476</b>	<b>4,981,048</b>	<b>4,712,391</b>	<b>43,576,915</b>	<b>2,623,364</b>	<b>2,601,310</b>	<b>1,017,198</b>	<b>6,241,872</b>	<b>49,818,787</b>	<b>45,293,217</b>
Occupancy, utilities, and security	4,047,764	353,124	199,021	4,599,909	160,821	58,462	12,513	231,796	4,831,705	4,682,380
Animal feed, supplies, equipment, and habitat	2,626,812	-	1,087,622	3,714,434	-	-	-	-	3,714,434	4,501,544
Veterinary medicine and care	2,002,322	19,902	198,051	2,220,275	-	-	-	-	2,220,275	2,073,734
Information technology	942,234	138,254	117,426	1,197,914	194,494	172,607	28,382	395,483	1,593,397	1,684,313
Interest	586,361	3,043	53,933	643,337	10,489	5,262	5,262	21,013	664,350	683,269
Direct mailing	-	-	-	-	-	634,288	-	634,288	634,288	542,505
Advertising	908	1,492	-	2,400	-	311,734	315,087	626,821	629,221	962,345
Legal and other professional fees	138,217	31,639	543,075	712,931	215,294	169,568	15,495	400,357	1,113,288	510,823
Employee/volunteer/donor relations	174,240	29,459	56,995	260,694	30,813	1,126,177	2,738	1,159,728	1,420,422	960,187
Automotive	213,375	357,851	127,579	698,805	2,268	556	531	3,355	702,160	688,008
Insurance	965,987	76,818	55,432	1,098,237	18,725	28,088	5,177	51,990	1,150,227	993,677
Other expenses	317,947	23,553	25,272	366,772	7,803	361,080	21,389	390,272	757,044	695,781
Program supplies and uniforms	204,772	228,108	25,409	458,289	703	143	195	1,041	459,330	602,778
Professional development/travel	192,612	98,713	110,230	401,555	47,681	46,941	18,886	113,508	515,063	520,909
Office supplies and postage	74,042	12,131	12,232	98,405	10,560	43,642	4,716	58,918	157,323	156,025
Printing and publications	102,508	27,559	7,746	137,813	4,612	25,739	11,835	42,186	179,999	148,730
<b>Total expenses before depreciation</b>	<b>46,473,577</b>	<b>6,382,694</b>	<b>7,332,414</b>	<b>60,188,685</b>	<b>3,327,627</b>	<b>5,585,597</b>	<b>1,459,404</b>	<b>10,372,628</b>	<b>70,561,313</b>	<b>65,700,225</b>
Depreciation	2,318,937	275,446	64,337	2,658,720	145,582	30,335	5,242	181,159	2,839,879	2,134,684
<b>Total expenses</b>	<b>\$ 48,792,514</b>	<b>\$ 6,658,140</b>	<b>\$ 7,396,751</b>	<b>\$ 62,847,405</b>	<b>\$ 3,473,209</b>	<b>\$ 5,615,932</b>	<b>\$ 1,464,646</b>	<b>\$ 10,553,787</b>	<b>\$ 73,401,192</b>	<b>\$ 67,834,909</b>

See accompanying notes.

**San Diego Humane Society and SPCA**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2024**

	Year Ended June 30, 2024								
	Program Services				Supporting Services				2024 Total Expenses
	Adoptions and Animal Care	Humane Law and Field Services	Community Outreach	Total	Management and General	Donor Development and Fundraising	Marketing and Public Relations	Total	
Salaries	\$ 25,702,318	\$ 3,845,528	\$ 3,164,381	\$ 32,712,227	\$ 2,097,283	\$ 2,007,496	\$ 842,824	\$ 4,947,603	\$ 37,659,830
Employee health and benefits	2,750,383	429,143	368,550	3,548,076	155,383	139,432	56,056	350,871	3,898,947
Payroll taxes	2,022,712	299,218	241,539	2,563,469	147,589	146,637	62,059	356,285	2,919,754
Retirement	526,206	30,231	85,675	642,112	87,293	60,158	25,123	172,574	814,686
<b>Total salaries and related expenses</b>	<b>31,001,619</b>	<b>4,604,120</b>	<b>3,860,145</b>	<b>39,465,884</b>	<b>2,487,548</b>	<b>2,353,723</b>	<b>986,062</b>	<b>5,827,333</b>	<b>45,293,217</b>
Occupancy, utilities, and security	3,897,638	384,125	207,259	4,489,022	137,377	46,687	9,294	193,358	4,682,380
Animal feed, supplies, equipment, and habitat	2,638,970	143	1,862,134	4,501,247	-	297	-	297	4,501,544
Veterinary medicine and care	1,961,991	12,700	99,043	2,073,734	-	-	-	-	2,073,734
Information technology	927,087	209,295	116,516	1,252,898	298,057	104,953	28,405	431,415	1,684,313
Interest	647,517	1,388	31,130	680,035	3,234	-	-	3,234	683,269
Direct mailing	-	-	-	-	-	542,505	-	542,505	542,505
Advertising	1,317	141	1,390	2,848	-	506,774	452,723	959,497	962,345
Legal and other professional fees	162,053	12,496	3,404	177,953	140,337	154,245	38,288	332,870	510,823
Employee/volunteer/donor relations	134,953	22,476	63,340	220,769	26,733	710,629	2,056	739,418	960,187
Automotive	214,742	361,004	109,543	685,289	2,675	-	44	2,719	688,008
Insurance	763,043	68,212	47,417	878,672	86,840	24,238	3,927	115,005	993,677
Other expenses	339,268	27,773	17,763	384,804	11,282	296,917	2,778	310,977	695,781
Program supplies and uniforms	220,872	234,960	145,650	601,482	860	231	205	1,296	602,778
Professional development/travel	296,002	92,282	32,938	421,222	41,854	49,387	8,446	99,687	520,909
Office supplies and postage	74,043	12,854	10,064	96,961	10,853	41,614	6,597	59,064	156,025
Printing and publications	74,931	26,838	9,902	111,671	5,814	19,848	11,397	37,059	148,730
<b>Total expenses before depreciation</b>	<b>43,356,046</b>	<b>6,070,807</b>	<b>6,617,638</b>	<b>56,044,491</b>	<b>3,253,464</b>	<b>4,852,048</b>	<b>1,550,222</b>	<b>9,655,734</b>	<b>65,700,225</b>
Depreciation	1,743,334	203,562	30,016	1,976,912	117,428	34,884	5,460	157,772	2,134,684
<b>Total expenses</b>	<b>\$ 45,099,380</b>	<b>\$ 6,274,369</b>	<b>\$ 6,647,654</b>	<b>\$ 58,021,403</b>	<b>\$ 3,370,892</b>	<b>\$ 4,886,932</b>	<b>\$ 1,555,682</b>	<b>\$ 9,813,506</b>	<b>\$ 67,834,909</b>

See accompanying notes.

**San Diego Humane Society and SPCA**  
**Statements of Cash Flows**  
**Years Ended June 30, 2025 and 2024**

	2025	2024
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,831,675)	\$ 8,457,788
Reconciliation to net cash (used in) provided by operating activities		
Depreciation	2,839,879	2,134,684
Amortization of the right-of-use asset	245,701	237,197
Amortization of debt issuance costs	8,498	8,498
Contributions restricted for investment in property and equipment	(725,000)	(215,000)
Contributions restricted in perpetuity	(9,978)	(9,971)
Net realized and unrealized (gain) on investments and beneficial interest in trust	(3,988,601)	(3,681,507)
Amortization of discount	241,845	(134,661)
(Gain) loss on sale of property and equipment	(430)	54,610
Change in value of split-interest gifts	(335,106)	(182,087)
(Increase) decrease in operating assets		
Receivables	(2,670,042)	(1,628,477)
Pledges	5,736,857	(5,729,522)
Bequests	94,626	3,393,336
Prepaid expenses and other assets	(730,404)	(254,470)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	1,243,162	(535,766)
Deferred revenue	(1,726,315)	210,540
Lease liability	(302,451)	(285,797)
Net cash (used in) provided by operating activities	(1,909,434)	1,839,395
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	7,838,648	6,801,872
Purchases of investments	(1,524,884)	(2,481,455)
Proceeds from sale of property and equipment	930	3,889
Purchases of property and equipment	(6,314,463)	(6,535,335)
Net cash provided by (used in) investing activities	231	(2,211,029)
<b>FINANCING ACTIVITIES</b>		
Payments on loan payable	(617,298)	(598,854)
Contributions restricted for investment in property and equipment	725,000	215,000
Contributions restricted in perpetuity	9,978	9,971
Payment received on pledge restricted in perpetuity	-	635,688
Net cash provided by financing activities	117,680	261,805
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,791,523)	(109,829)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	4,448,417	4,558,246
End of year	\$ 2,656,894	\$ 4,448,417
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 664,349	\$ 683,270
Taxes paid, net of refunds	\$ 20,012	\$ 4,050
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 239,852	\$ 43,200

See accompanying notes.

# San Diego Humane Society and SPCA

## Notes to Financial Statements

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### **Note 1 – Nature of Organization and Summary of Significant Accounting Policies**

**Organization and activities** – San Diego Humane Society and SPCA (SDHS), founded in 1880, is a private, nonprofit corporation that is not affiliated with any other humane society or SPCA. The mission of SDHS is to create a more humane world by inspiring compassion, providing hope, and advancing the welfare of animals and people. SDHS has helped San Diego become the largest city in the U.S. to keep healthy and treatable animals from being euthanized. SDHS' programs and services include:

- Sheltering and adopting of companion animals at campuses in San Diego, El Cajon, Escondido, and Oceanside, California;
- Investigating animal cruelty and neglect;
- Supplying pet food, supplies, and veterinary service vouchers to low-income elderly, chronically ill, and disabled individuals for the care of their companion animals;
- Rescuing, caring for, and rehabilitating wildlife;
- Providing positive reinforcement behavior modification training for shelter animals and the public;
- Teaching adult and youth education programs;
- Providing municipal field service, sheltering, and stray pet services to the residents of Oceanside, Escondido, San Marcos, Poway, Imperial Beach (began October 1, 2025), Vista, Carlsbad, Del Mar, Encinitas, San Diego, Santee, El Cajon, La Mesa, and Solana Beach, California;
- Rescuing animals in emergency and hoarding situations;
- Administering need-based spay/neuter and other vet services for the public; and
- Partnering with rescue groups and other shelters to ensure every healthy and treatable animal in San Diego County receives the care it needs.

**Income taxes** – SDHS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701d of the California Revenue and Taxation Code, except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. SDHS does not have any uncertain income tax positions. SDHS files an exempt organization return in the United States federal jurisdiction and with the Franchise Tax Board in the state of California.

**Method of accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting.

## San Diego Humane Society and SPCA

### Notes to Financial Statements

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**Financial statement presentation** – SDHS’ resources are classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories and types of transactions affecting each category follow:

- *Net assets without donor restrictions* – represent expendable funds available for operations that are not otherwise limited by donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees (the Board) or may otherwise be limited by contractual agreements with outside parties.
- *Net assets with donor restrictions* – consist of contributed funds subject to donor-imposed restrictions that are contingent upon specific performance of a future event or a specific passage of time before SDHS may spend the funds. Some net assets with donor restrictions are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income, net of investment expenses to fund current operations.

**Cash equivalents** – SDHS considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The carrying amount approximates the fair value due to the short maturity.

**Investments** – Investments are stated at fair value. The fair values of all debt and equity securities and mutual funds with a readily determinable fair value are based on quotations obtained from national securities exchanges. Net realized and unrealized gains and losses are reflected as increases or decreases in net assets without donor restrictions unless their use is restricted by the donor.

**Pooled income funds** – Included in investments are two pooled income funds, which are held and managed by SDHS. During the life of the donors, income from the pooled funds is distributed to the donors based on the number of units each holds. Upon each donor’s death, the principal is to be distributed to SDHS. A discount to net present value is recorded as deferred revenue, and the net amount is included in net assets with donor restrictions. At June 30, 2025 and 2024, the discount was approximately \$37,500 and \$41,500, respectively.

**Receivables** – Receivables represent amounts due to SDHS for services rendered prior to June 30 (Note 5). SDHS does not obtain collateral.

SDHS’ receivables include the following:

*Animal Services Agreements* – SDHS has animal services agreements with numerous cities and several sovereign Indian tribes within San Diego County. SDHS invoices them as the services are provided. Animal services agreements receivables totaled \$4,508,778, \$1,659,620, and \$194,702 at June 30, 2025, 2024, and 2023, respectively.

*Licensing Services* – SDHS partners with a third party pet licensing servicer. This platform allows pet owners to purchase a new license or renew a current license for their pet. It also allows pet owners to make contributions in addition to paying the licensing fee, should they so choose. This service provider submits monthly reports to SDHS detailing payments received. SDHS uses this information to record the receivable. Licensing services receivables totaled \$438,747, \$575,618, and \$323,451 at June 30, 2025, 2024, and 2023, respectively.

## San Diego Humane Society and SPCA

### Notes to Financial Statements

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*Guest Payment Plan Financing* – SDHS has partnered with a third party which enables SDHS to offer its guests the option to enter into a payment plan to pay for services rendered. Guests may apply directly to the third party for a payment plan for up to 12 months. Once a client has entered into a payment plan, the third party guarantees payment to SDHS. SDHS records a receivable only after the requirements have been met for the third party to guarantee the amount to SDHS. Guest payment plan financing receivables totaled \$73,132, \$29,184, and \$37,319 at June 30, 2025, 2024, and 2023, respectively.

*Unconditional promises to give* – Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value based on a discounted cash flow model. In future years, the discounts to present value are computed using discount rates established in the years in which the promise was received. Amortization of the discount is included in contributions. There were no unconditional promises to give considered uncollectible as of June 30, 2025 and 2024.

*Allowance for credit losses* – For animal services agreements, licensing services, and guest payment plan financing, the payments are current and SDHS has not experienced any material historical losses. SDHS is not aware of any current or future conditions that would lead to an expectation of SDHS not receiving payments for amounts owed. SDHS determined that the probability of default on these receivables is extremely low.

Accounting Standards Codification (ASC) 326-20-30-10 does not require a reporting entity to measure expected credit losses on an instrument, or a pool of instruments, if historical information adjusted for current conditions and reasonable and supportable forecasts result in zero expected credit losses in all scenarios. In these situations, the risk of default may be greater than zero, but the amount of the expected loss is zero. Based on management's evaluation of the receivables to which this standard applies, zero expected credit losses were recorded. There were no receivables considered uncollectible as of June 30, 2025 and 2024.

**Charitable remainder trusts** – SDHS is the beneficiary of a number of charitable remainder trusts which generally provide for the payment of distributions to designated beneficiaries over the term of the trusts (usually the designated beneficiary's lifetime). At the end of the trusts' terms, all or a portion of the remaining assets are to be distributed to SDHS. The assets held in the trusts are managed by donor-designated trustees and are not accessible to SDHS until the end of the trusts' terms. The contributions, which are recorded at their fair values, are calculated using discount rates and applicable mortality tables, and are included in net assets with donor restrictions. The beneficial interests in charitable remainder trusts are included in receivables (unconditional promises to give).

## San Diego Humane Society and SPCA

### Notes to Financial Statements

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**Property and equipment** – Property and equipment are stated at cost. Donated assets are recorded at fair value at the time of the donation as determined by management or independent appraisal.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings, building improvements, and land improvements	7–39 years
Leasehold improvements	6–25 years
Furniture, fixtures, machinery, and equipment	5–10 years
Computer hardware	5 years
Trucks and automobiles	3–5 years
Computer software	3 years

SDHS capitalizes property and equipment with costs of \$20,000 or greater.

**Impairment of long-lived assets** – SDHS evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

**Leases** – SDHS determines if an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the statement of financial position and lease expense is recognized on a straight-line basis over the lease term. Right-of-use (ROU) assets represent SDHS' right to use an underlying asset for the lease term, and lease liabilities represent SDHS' obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at their commencement date, based on the present value of lease payments over the lease term. In determining the present value, SDHS discounts lease payments based on the risk-free interest rate at the lease commencement date unless the rate implicit in the lease is known and less than SDHS' incremental borrowing rate.

**Beneficial interest in trust** – SDHS is the beneficiary of investments held in an irrevocable trust. The principal and all earnings held in trust are to be paid to SDHS at a later date.

## San Diego Humane Society and SPCA

### Notes to Financial Statements

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#### Revenue and Revenue Recognition

*Field services and licensing* – SDHS is the animal services provider to numerous cities in San Diego County. These services include field services and licensing. Field services, which include patrolling, enforcing applicable laws, picking up and holding stray and injured animals, and responding to calls, are based on fixed fee contracts which entitle SDHS to payment for its performance to date even if the contracts are cancelled for any reason other than SDHS’ nonperformance. Field services provided to the public are considered the performance obligation. As a result, field services revenue is recognized over time as services are rendered over the term of the agreement. The fixed fee contracts stipulate monthly invoicing to the cities for services rendered during that month, up to the date of the invoice. The invoice amount represents the right to payment to SDHS that corresponds directly with the value provided to the city being invoiced. Based on this, management has adopted the “right-to-invoice” practical expedient to recognize revenue. Licensing revenue is paid by pet owners to SDHS. Issuance of the license is considered the performance obligation. SDHS records licensing revenue at the point in time when the license is issued to the pet owner as SDHS’ obligations subsequent to issuance are minimal. License fees are not refundable and not transferable. Also included in licensing revenue are citation, reclaim, and quarantine fees. These revenues are recognized at the time of occurrence, as they are nonrefundable and future obligations by SDHS are minimal. The following table shows the breakdown between field services and licensing:

	2025	2024
Field services	\$ 26,465,499	\$ 25,014,806
Licensing	2,823,389	2,719,863
Total	\$ 29,288,888	\$ 27,734,669

*Adoptions, animal care, and veterinary health services* – SDHS recognizes revenue from adoptions, animal care, and veterinary health services at a point in time when the services have been provided. The service itself is considered the performance obligation. These fees are either nonrefundable or the amount of refunds is minimal.

*Educational program fees* – SDHS’ educational program revenues include summer camps, humane law academies, animal training, and school programs. The performance obligation of delivering educational services is simultaneously received and consumed by the recipients; therefore, the revenue is recognized ratably over the period in which the program occurs. In most cases, payments are required before the programs start. If the timing difference between receipt of payment and providing of service is significant, revenue is deferred to the applicable period.

*Retail sales* – Revenues derived from retail sales are recognized at the point in time the goods are delivered to the buyer. Returns are minimal and recognized at the time of the refund.

There are no contract liabilities as of June 30, 2025 and 2024.

## San Diego Humane Society and SPCA

### Notes to Financial Statements

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**Contributions and bequests** – Contributions are recognized as support when received or unconditionally pledged or, if conditions are met, a conditional contribution. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions. Bequests are recorded as contributions when SDHS is informed of unconditional rights to the proceeds of the bequest.

Restrictions on gifts of property and equipment or contributions restricted for the purchase of property and equipment expire when the asset is placed in service.

**Special events** – SDHS holds fundraising events throughout the year. Income from sponsorships, the sale of event tickets, and contributions received at the events are recognized when the event occurs.

**Donated services** – SDHS receives donated services from a variety of unpaid volunteers. The volunteers perform a variety of tasks that assist SDHS in the areas of animal care, animal rescue, behavior training, community programs, mobile adoptions, and events. Volunteers provided approximately 544,000 and 566,000 hours of service to SDHS during the years ended June 30, 2025 and 2024, respectively. For the years ended June 30, 2025 and 2024, management estimates the value of these services to be approximately \$21,821,000 and \$21,863,000, respectively. The value of volunteer time is based on the estimated hourly value of volunteer time in California as determined by Independent Sector ([independentsector.org](http://independentsector.org)). Independent Sector estimates this hourly average based on average annual wages of non-management, non-agricultural workers, as provided by the Bureau of Labor Statistics, increased by 15.4% for estimated fringe benefits. No amounts have been recognized in the accompanying statements of activities in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) Topic 958-605, *Not-for-Profit Entities: Revenue Recognition*.

**Donated goods** – SDHS received the following contributions of nonfinancial assets for the years ended June 30:

	2025	2024
Animal food	\$ 1,133,893	\$ 2,092,089
Other supplies	686,369	595,995
Vehicles	375,007	318,705
Auction items	139,188	113,415
	\$ 2,334,457	\$ 3,120,204

SDHS records the fair value of donated supplies, assets, and other goods when those gifts are received as contributions on the statements of activities. Donated goods are valued based upon estimates of fair value that would be received for selling the goods in the principal market considering their condition and utility for use at the time the goods are contributed by the donor. Donated goods are not sold and are only distributed for program use with the exception of items to be sold at an annual event at which there is a silent auction. Proceeds from the auction are used to further the mission of SDHS. It is SDHS' policy to sell all contributed vehicles at auction immediately upon receipt unless the vehicle is restricted for use in a specific program by the donor. All vehicles were sold and recognized according to the auction sales price.

# San Diego Humane Society and SPCA

## Notes to Financial Statements

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**Advertising costs** – Advertising costs are expensed as incurred.

**Functional allocation of expenses** – Costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The nature of costs that were allocated include occupancy, utility, security, automotive, information technology, insurance, and employee support expenses. Allocations are based on cost drivers, which include employees per department, square footage, and vehicle usage.

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

### Note 2 – Concentration of Risk

Financial instruments that potentially subject SDHS to risk consist primarily of cash and cash equivalents, investments, and receivables, including charitable remainder trusts.

**Cash and cash equivalents** – SDHS maintains its cash in bank deposit accounts. Amounts placed with Federal Deposit Insurance Corporation-insured institutions are federally insured up to: (a) \$250,000 for interest-bearing accounts, and (b) unlimited for noninterest-bearing accounts (subject to certain restrictions). SDHS has cash equivalent accounts which, at times, exceed the insured amounts. SDHS has not experienced any losses in such accounts.

**Investments** – Investments are exposed to various risks such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investments, that changes in the near term could materially affect the amounts reported in the financial statements. SDHS maintains a diversified portfolio to manage risk.

**Receivables** – Receivables include charitable remainder trusts which are exposed to various risks such as interest rate risks and donor life expectancies. Changes in the near term are not expected to materially affect the amounts reported in the financial statements.

Two donors represented 40% and 59% of SDHS' pledges and bequests receivable at June 30, 2025 and 2024.

The City of San Diego represented 98% and 84% of SDHS' field service and licensing receivables at June 30, 2025 and 2024.

**Revenue** – Of the regular and recurring field service and licensing revenue, approximately 67% and 66% were related to a contract with the City of San Diego for the years ended June 30, 2025 and 2024, respectively.

Of the total contributions, approximately 7% and 21% were related to grants from one foundation for the years ended June 30, 2025 and 2024, respectively.

**San Diego Humane Society and SPCA**  
**Notes to Financial Statements**

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**Note 3 – Investments**

Investments consisted of the following at June 30, 2025 and 2024:

	2025	2024
Cash and cash equivalents	\$ 23,284	\$ 67,215
Pooled income funds	175,941	171,028
Mutual funds	40,078,275	36,435,026
U.S. government bonds	5,220,537	11,338,744
Total investments	\$ 45,498,037	\$ 48,012,013

Investment income, net of investment expenses, consisted of the following for the years ended June 30, 2025 and 2024:

	2025	2024
Interest and dividends, net	\$ 1,275,359	\$ 1,566,300
Net realized and unrealized gains	3,988,601	3,681,285
Investment income, net	\$ 5,263,960	\$ 5,247,585

Investing decisions are subject to the guidelines set forth in SDHS' Investment Policy Statement, which is approved by SDHS' Board. The Finance Committee of the Board approves the selection of investment advisors and/or investments and investment allocations and monitors overall portfolio composition to ensure conformity with the Investment Policy Statement.

**Note 4 – Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** – Quoted prices in active markets for identical assets or liabilities;

**Level 2** – Observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**San Diego Humane Society and SPCA**  
**Notes to Financial Statements**

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In Note 1, and below, the valuation methodologies used for financial assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position are described.

The following fair value hierarchy table presents information about SDHS' financial assets measured at fair value on a recurring basis as of June 30, 2025:

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance as of June 30, 2025
Cash and cash equivalents	\$ 23,284	\$ -	\$ -	\$ 23,284
U.S. government bonds	5,220,537	-	-	5,220,537
Mutual funds				
Bond funds	12,931,642	-	-	12,931,642
International funds	5,223,287	-	-	5,223,287
Extended market funds	5,220,635	-	-	5,220,635
Total stock funds	16,702,711	-	-	16,702,711
Total mutual funds	40,078,275	-	-	40,078,275
Pooled income funds	-	175,941	-	175,941
Charitable remainder trusts	-	-	3,986,717	3,986,717
Beneficial interest in trust	-	1,834,119	-	1,834,119
Total	<u>\$ 45,322,096</u>	<u>\$ 2,010,060</u>	<u>\$ 3,986,717</u>	<u>\$ 51,318,873</u>

## San Diego Humane Society and SPCA

### Notes to Financial Statements

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The following fair value hierarchy table presents information about SDHS' financial assets measured at fair value on a recurring basis as of June 30, 2024:

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Balance as of June 30, 2024
Cash and cash equivalents	\$ 67,215	\$ -	\$ -	\$ 67,215
U.S. government bonds	11,338,744	-	-	11,338,744
Mutual funds				
Bond funds	12,445,348	-	-	12,445,348
International funds	4,549,892	-	-	4,549,892
Extended market funds	4,387,193	-	-	4,387,193
Total stock funds	15,052,593	-	-	15,052,593
Total mutual funds	36,435,026	-	-	36,435,026
Pooled income funds	-	171,028	-	171,028
Charitable remainder trusts	-	-	3,636,030	3,636,030
Beneficial interest in trust	-	1,636,072	-	1,636,072
Total	<u>\$ 47,840,985</u>	<u>\$ 1,807,100</u>	<u>\$ 3,636,030</u>	<u>\$ 53,284,115</u>

The pooled income funds are reported at fair value based on net asset value estimates provided by the custodian.

The beneficial interest in trust is reported at fair value based on the value of the underlying assets (marketable securities), which approximates the future anticipated cash flow.

The charitable remainder trusts classified as Level 3 financial instruments are irrevocable charitable remainder trusts, of which SDHS is a beneficiary. The trusts hold assets, including marketable investments and real estate. The fair value of the trusts, and therefore, SDHS' interest in the trusts, is estimated annually using actuarial tables, discount rates, and the fair value of the underlying assets. Changes in the fair value of the beneficial interest in charitable remainder trusts for the years ended June 30, 2025 and 2024, are the results of changes in these measurement factors.

**San Diego Humane Society and SPCA**  
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The table below includes quantitative inputs for charitable remainder trusts as of June 30, 2025:

Asset Description	Fair Value	Valuation Technique	Unobservable Inputs	Range
			Discount rates	4.36%–4.61%
Charitable remainder trusts	<u>\$ 3,986,717</u>	Discounted cash flow	Life expectancy	11.9–23 years

The table below includes quantitative inputs for charitable remainder trusts as of June 30, 2024:

Asset Description	Fair Value	Valuation Technique	Unobservable Inputs	Range
			Discount rates	4.36%–4.61%
Charitable remainder trusts	<u>\$ 3,636,030</u>	Discounted cash flow	Life expectancy	11.9–23 years

**Note 5 – Receivables**

Receivables are due as follows as of June 30, 2025 and 2024:

	2025	2024
Less than one year		
Pledges and bequests	\$ 2,760,491	\$ 7,913,810
In-kind lease receivable	-	30,000
Receivables from animal service agreements	4,508,778	1,659,620
Other	649,437	663,552
One to five years		
Pledges and bequests	2,555,529	3,480,092
In-kind lease receivable	-	120,000
More than five years		
Pledges and bequests	22,815	174,737
Charitable remainder trusts	7,530,307	7,154,805
In-kind lease receivable	-	150,000
	<u>18,027,357</u>	<u>21,346,616</u>
Less discount to net present value from 3.77% to 4.79%	<u>(3,717,289)</u>	<u>(3,959,134)</u>
Total	<u>\$ 14,310,068</u>	<u>\$ 17,387,482</u>

**San Diego Humane Society and SPCA**  
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**Note 6 – Charitable Gift Annuity**

SDHS has entered into 35 charitable gift annuity agreements whereby the donor contributes assets in exchange for SDHS' promise to pay a fixed amount to the donor for the life of the donor. Assets received from donors to establish gift annuities are managed in a pooled account and accounted for individually. The excess of the value of the gift annuity-related assets over gift annuity obligations (net assets) is included in net assets with donor restrictions. Gift annuity obligations, recorded as deferred revenue on the statements of financial position, are actuarially determined and represent the present value of future payments to beneficiaries. Gift annuities are managed in compliance with applicable state statutes. The state of California required reserve fund was approximately \$1,235,000 and \$1,391,000 at June 30, 2025 and 2024, respectively. No payments were made during the years ended June 30, 2025 and 2024. The recorded values at June 30 are as follows:

	2025	2024
Asset value – cash and fixed income securities	\$ 1,704,295	\$ 1,866,455
Annuity payment liability	\$ 1,235,204	\$ 1,391,251

**Note 7 – Property and Equipment**

Property and equipment consisted of the following at June 30, 2025 and 2024:

	2025	2024
Land and improvements	\$ 27,186,346	\$ 24,470,408
Buildings and improvements	49,658,274	47,166,220
Leasehold improvements	645,990	645,990
Furniture and fixtures	3,546,098	3,390,586
Trucks and automobiles	2,339,687	2,248,902
Computer hardware and software	755,077	597,537
Machinery and equipment	376,215	376,215
Construction in progress	437,055	188,478
	84,944,742	79,084,336
Less accumulated depreciation	(21,270,000)	(18,883,678)
Total	\$ 63,674,742	\$ 60,200,658

**San Diego Humane Society and SPCA**  
**Notes to Financial Statements**

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**Note 8 – Debt**

**Line of credit** – SDHS had a line of credit agreement with First Republic Bank that expired in February 2024. That line of credit was not renewed or replaced.

**Loan payable** – On April 1, 2021, SDHS entered into a Loan Agreement with First Republic Bank for \$26,000,000 in order to purchase property adjacent to the San Diego campus. The loan requires monthly payments of \$106,018 through May 2051 at a fixed rate of 2.70% per annum. The purchased property, as well as 5500 Gaines Street, serves as collateral for the loan. In connection with the loan, SDHS is subject to various financial covenants and to a prepayment penalty. Debt issuance costs in the amount of \$254,938 are amortized over the life of the loan. These costs are presented net with the loan payable in the statements of financial position.

Future principal payments required under the loan are due as follows:

Years Ending June 30,	
2026	\$ 634,350
2027	651,935
2028	668,356
2029	688,535
2030	707,621
Thereafter	<u>20,236,210</u>
Total	23,587,007
Less unamortized debt issuance costs	<u>(220,238)</u>
Total	<u>\$ 23,366,769</u>

**Note 9 – Leases**

SDHS leases building space with a lease term that expires in December 2025.

Lease payments for the years ended June 30, 2025 and 2024, were approximately \$312,000 and \$303,000, respectively. The weighted-average discount rate is 2.85% and the weighted-average for the remaining lease term is .5 years. The following is a summary of future minimum rental payments for operating leases as of June 30, 2025:

Years Ending June 30,	
2026	<u>\$ 158,208</u>
Total future lease payments	<u>158,208</u>
Total lease liabilities	<u>\$ 158,208</u>

## San Diego Humane Society and SPCA

### Notes to Financial Statements

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**Escondido land lease** – SDHS leased certain public property located in Escondido, California, from the City of Escondido. The lease term was 20 years commencing July 7, 2014, with an option to renew for an additional five years and a second option to extend another additional five years. Consideration for the lease was \$1 per year until the second option to extend, at which time the annual rent payable during the extension term shall be the market rate. The value of the annual rent payments totaling \$330,000 was recorded as a gift in-kind in the 2015 financial statements. The remaining value of the future payments has been included in receivables, net of a present value discount (Note 5). Gift in-kind income of approximately \$4,500 and \$14,000 was recorded against the present value discount for the years ended June 30, 2025 and 2024, respectively.

SDHS exercised this option to purchase the property and closed on the transaction in November 2024. The purchase price of approximately \$4,400,000 was based on the fair value of the property on the date the option was exercised.

#### **Note 10 – Commitments and Contingencies**

**Benefit plan** – SDHS has a 403(b) tax-deferred annuity plan (the Plan), which covers its employees. SDHS matches up to 5% of qualified employees' salaries to the Plan. Employees may make contributions to the Plan up to the maximum amount allowed by the IRC. Total expenses for the years ended June 30, 2025 and 2024, were approximately \$963,000 and \$815,000, respectively.

**Litigation** – SDHS may be involved in legal matters that arise from time to time in the ordinary course of business. Management and legal counsel do not believe that the resolution of any of these matters would have a material impact on SDHS' financial position or change in net assets.

**San Diego Humane Society and SPCA**  
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**Note 11 – Net Assets with Donor Restrictions**

Net assets with donor restrictions are as follows at June 30, 2025 and 2024:

	2025	2024
Time restrictions		
Charitable remainder trusts	\$ 3,986,716	\$ 3,636,029
Bequest	260,057	257,634
Pooled income funds	138,667	129,433
Future operations	112,670	112,670
Total	4,498,110	4,135,766
Purpose or program restrictions		
Community Vet Program	2,758,042	1,945,571
Project Wildlife (unappropriated earnings)	1,482,871	1,405,447
Greyhound Care Fund	1,294,816	936,656
Campus renovation projects	1,192,545	1,299,565
Animal Adventure Camp (unappropriated earnings)	919,526	711,762
Community Cat Initiative	867,536	872,062
Animal Care	520,000	-
Shelter Collaborative Program	442,340	355,597
Lost and Found	246,554	246,554
Emergency and disaster relief	243,713	134,916
In-kind Escondido lease	148,500	165,000
Professional Development	125,000	100,000
Other purposes (\$50,000 and under each)	119,231	59,944
Veterinary medicine	113,059	164,911
Technology Operations and Support	100,000	-
Total	10,573,733	8,397,985
Restricted to be maintained in perpetuity		
Unrestricted use	2,045,119	1,847,072
Project Wildlife	2,000,000	2,000,000
Humane Law Enforcement	1,018,604	1,008,626
Annenberg adventure camp	1,000,000	1,000,000
Community Support Services	798,446	798,446
Other	24,057	24,057
Total	6,886,226	6,678,201
Total net assets with donor restrictions	\$ 21,958,069	\$ 19,211,952

## San Diego Humane Society and SPCA

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Net assets with donor restrictions requiring that the assets be maintained in perpetuity consist of endowment funds, which are investment assets held and managed by SDHS (Note 13). In addition to the endowment assets, net assets to be maintained in perpetuity included amounts for a beneficial interest in a trust and land held in perpetuity.

At June 30, 2025 and 2024, the beneficial interest in trust held investment assets valued at approximately \$1,834,000 and \$1,636,000, respectively. The change in value during the years ended June 30, 2025 and 2024, is reported as with donor restricted investment income, net of investment expenses or loss. The trustee distributed approximately \$39,000 and \$38,000 to SDHS in the years ended June 30, 2025 and 2024, respectively. The trustee has no variance power. SDHS does not consider the trust to be an endowment subject to ASC 958-205, as there is an absence of intention to preserve the corpus.

The North Campus on San Luis Rey Road and Jones Road in Oceanside is located on two parcels of land donated in the late 1950s. The land was recorded at a fair value of approximately \$24,000 at the time of the contribution. A condition of the gift includes that the land conveyed shall be used solely for the site of an animal shelter and that SDHS shall forever use the land and the premises solely for the purpose of maintaining an animal shelter. In the event the property is not used solely and perpetually for animal shelter purposes, the land and premises shall revert to the grantor and its heirs, successors, or assigns, while the grantee, its heirs, successors, or assigns shall forfeit all rights thereto.

#### Note 12 – Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenditures that satisfied the following restricted purposes during the years ended June 30, 2025 and 2024:

	2025	2024
Shelter collaborative program	\$ 355,597	\$ -
Project wildlife	290,017	170,913
Other purposes (\$50,000 and under each)	64,337	71,867
Veterinary medicine	51,852	228,214
Emergency and disaster relief	17,759	52,075
Community cat initiative	4,526	77,005
San Diego campus adoptions remodel	-	4,311,000
Total net assets released from donor restrictions	\$ 784,088	\$ 4,911,074

#### Note 13 – Endowment Funds

ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*, requires organizations holding donor-restricted endowments to implement policies and procedures to uphold a standard of prudence relative to accounting practices, investment management, and spending policies.

## **San Diego Humane Society and SPCA**

### **Notes to Financial Statements**

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SDHS implemented a policy requiring the preservation of the fair value of the original gift or corpus as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, SDHS classifies as net assets with donor restrictions to be maintained in perpetuity the original value of the gifts donated to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions to be maintained in perpetuity is classified as net assets with donor restrictions with purpose or program restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence.

The Endowment Policy specifies that SDHS' Investment Management Policy with respect to such endowments seeks an appropriate balance among three goals:

- To provide current programs with a predictable and stable stream of income;
- To ensure that the real value (defined as purchasing power) of revenue streams does not decline over the long term; and
- To ensure that the real value of the endowment assets does not decline over the long term.

Distributions seek a proper balance between present and future needs of SDHS. The spending rate is determined as follows:

- 5% of the total market value of the assets as determined by the average total market value on the last business day of each of the twelve immediately preceding calendar quarters (Payout). SDHS shall expend no more than the Payout each year. If less than the Payout is expended in any one year, SDHS may expend more than the approved Payout in a subsequent year, as long as the expenditures do not exceed the approved spending rate on a cumulative basis.
- Income in excess of the spending rate will be reinvested, thereby increasing the endowment.
- Excess Payout may be added back to the Endowment's corpus if the actual expenditures in any given year are below the approved spending rate.

Payout may be temporarily reduced or halted on funds that are more than 5% underwater at the end of SDHS' fiscal year. Underwater is defined as occurring when the market value is less than the corpus.

**San Diego Humane Society and SPCA**  
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Endowment net assets consisted of the following at June 30, 2025 and 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2023	\$ 3,069,182	\$ 5,687,957	\$ 8,757,139
Contributions	-	109,971	109,971
Investment return, net	368,271	518,448	886,719
Amounts appropriated for expenditure	<u>(206,055)</u>	<u>(111,732)</u>	<u>(317,787)</u>
Change in endowment assets	<u>162,216</u>	<u>516,687</u>	<u>678,903</u>
Endowment net assets, June 30, 2024	<u>3,231,398</u>	<u>6,204,644</u>	<u>9,436,042</u>
Contributions	-	9,978	9,978
Investment return, net	360,924	550,235	911,159
Amounts appropriated for expenditure	<u>(487,631)</u>	<u>(116,101)</u>	<u>(603,732)</u>
Change in endowment assets	<u>(126,707)</u>	<u>444,112</u>	<u>317,405</u>
Endowment net assets, June 30, 2025	<u>\$ 3,104,691</u>	<u>\$ 6,648,756</u>	<u>\$ 9,753,447</u>

In September 2006, the Board voted to designate approximately \$1,929,000 in unrestricted investments to fund the capital maintenance of the Gaines Street facility for a period of 20 years. This amount comprises the net assets without donor restrictions above.

SDHS has one term endowment that ended in 2022 of approximately \$113,000 at June 30, 2025 and 2024. The term endowment is managed in accordance with the donor's instructions with regard to management of the investments. There were no contributions or restriction releases during the years ended June 30, 2025 and 2024. Since the corpus is not to be held in perpetuity, the term endowment is not included in the table above.

**Note 14 – Liquidity and Availability**

SDHS operates with a balanced budget and anticipates collecting sufficient cash from its revenue sources (including donor support, municipal animal services, and other operating activities) to cover general expenditures. General expenditures include Program Services and Supporting Services expected to be paid in the subsequent year. Annual operations are defined as activities occurring during SDHS' fiscal year. Refer to the statements of cash flows, which identifies the sources and uses of SDHS' cash for fiscal years ended June 30, 2025 and 2024.

Donor support includes contributions and promises to give with donor restrictions to be used in accordance with the associated purpose restrictions. SDHS also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, SDHS receives support without donor restrictions.

## San Diego Humane Society and SPCA

### Notes to Financial Statements

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SDHS considers investment income without donor restrictions, appropriated earnings from donor-restricted and Board-designated (quasi) endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Endowment funds without donor restrictions are Board-designated and the Board could approve the removal of the designation. As a result, SDHS views these assets as available to meet general expenditures.

SDHS regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. SDHS has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit. SDHS 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, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The table below presents financial assets available for general expenditures within one year at June 30, 2025 and 2024:

	2025	2024
Financial assets at year end		
Cash and cash equivalents	\$ 2,656,894	\$ 4,448,417
Investments	45,498,037	48,012,013
Receivables, net	14,310,068	17,387,482
Beneficial interest in trust	1,834,119	1,636,072
Total financial assets	64,299,118	71,483,984
Less amounts not available to be used within one year		
Investments held in custodial and non-custodial trusts	(1,834,119)	(1,636,072)
Investments held in charitable gift annuities and pooled income funds	(1,880,236)	(2,037,483)
Investments held for endowments with donor restrictions	(6,648,756)	(6,204,644)
Contributions receivable – due within one year but not available for general expenditures	(127,269)	(631,642)
Contributions receivable – due after one year, net	(6,391,362)	(7,120,500)
Financial assets not available to be used within one year	(16,881,742)	(17,630,341)
Financial assets available to meet general expenditures within one year	\$ 47,417,376	\$ 53,853,643

## **San Diego Humane Society and SPCA**

### **Notes to Financial Statements**

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#### **Note 15 – Subsequent Events**

Subsequent events are events or transactions that occur after the statements of financial position date but before the financial statements are issued. SDHS recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements. SDHS' financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

SDHS has evaluated subsequent events through November 19, 2025, which is the date the financial statements were available to be issued.

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