

Marin Humane Society

dba Marin Humane

Consolidated Financial Statements

June 30, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Marin Humane Society
dba Marin Humane
Novato, California

Opinion

We have audited the accompanying consolidated financial statements of Marin Humane Society dba Marin Humane, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marin Humane Society dba Marin Humane as of June 30, 2023 and 2022, and the changes in their net assets and their 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 Marin Humane Society 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.

Change in Accounting Principle

As described in Note 2 to the consolidated financial statements, Marin Humane Society has adopted Financial Accounting Standards Board Accounting Standards Codification 842 *Leases*, on July 1, 2022. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Marin Humane Society's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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, including omissions, 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 consolidated 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 consolidated 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 Marin Humane Society'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Marin Humane Society'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.



Armanino^{LLP}
San Francisco, California

November 9, 2023

Marin Humane Society
dba Marin Humane
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,907,407	\$ 2,164,310
Accounts receivable	177,334	54,222
Contributions and grants receivable	40,800	37,705
Prepaid expenses and other assets	159,773	124,032
Investments	15,309,924	11,994,718
Bequests receivable, net	263,686	295,225
Investments held for long-term purposes	1,618,246	1,564,812
Lease right-of-use assets	265,973	-
Property and equipment, net	4,715,599	4,801,965
Beneficial interest in perpetual trust	270,860	264,154
Total assets	\$ 24,729,602	\$ 21,301,143
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 194,148	\$ 235,677
Accrued expenses	1,153,312	904,386
Deferred revenue	34,470	45,907
Lease liabilities	265,760	-
Total liabilities	1,647,690	1,185,970
Net assets		
Without donor restrictions	20,431,121	17,396,752
With donor restrictions	2,650,791	2,718,421
Total net assets	23,081,912	20,115,173
Total liabilities and net assets	\$ 24,729,602	\$ 21,301,143

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

Marin Humane Society
dba Marin Humane
Consolidated Statement of Activities
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains (losses), and other support			
Animal services and other county fees	\$ 3,666,351	\$ -	\$ 3,666,351
Fees for services	527,574	-	527,574
Education fees	826,320	-	826,320
Contributions	1,810,710	424,237	2,234,947
Bequests	3,615,324	60,000	3,675,324
Grants	95,660	235,625	331,285
In-kind contributions	607,818	-	607,818
Special events, net of expenses of \$278,771	183,301	206,758	390,059
Interest and dividend income, net	335,756	31,164	366,920
Realized losses, net	(201,746)	(26,002)	(227,748)
Unrealized gains, net	1,224,989	157,881	1,382,870
Merchandise sales	63,719	-	63,719
Employee retention tax credits	1,616,871	-	1,616,871
Thrift shop sales	37,552	74,477	112,029
Change in value of beneficial interest in perpetual trust	-	6,706	6,706
Other revenue	10,776	-	10,776
Net assets released from restriction	<u>1,238,476</u>	<u>(1,238,476)</u>	<u>-</u>
Total revenues, gains (losses), and other support	<u>15,659,451</u>	<u>(67,630)</u>	<u>15,591,821</u>
Functional expenses			
Program services	10,002,554	-	10,002,554
Management and general	1,435,574	-	1,435,574
Fundraising and development	<u>1,186,954</u>	<u>-</u>	<u>1,186,954</u>
Total functional expenses	<u>12,625,082</u>	<u>-</u>	<u>12,625,082</u>
Change in net assets	3,034,369	(67,630)	2,966,739
Net assets, beginning of year	<u>17,396,752</u>	<u>2,718,421</u>	<u>20,115,173</u>
Net assets, end of year	<u>\$ 20,431,121</u>	<u>\$ 2,650,791</u>	<u>\$ 23,081,912</u>

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

Marin Humane Society
dba Marin Humane
Consolidated Statement of Activities
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains (losses), and other support			
Animal services and other county fees	\$ 3,666,351	\$ -	\$ 3,666,351
Fees for services	502,360	-	502,360
Education fees	809,940	-	809,940
Contributions	2,158,233	306,146	2,464,379
Bequests	1,600,293	19,600	1,619,893
Grants	110,000	130,106	240,106
In-kind contributions	512,548	-	512,548
Special events, net of expenses of \$258,413	131,050	222,049	353,099
Interest and dividend income, net	201,876	22,146	224,022
Realized gains, net	361,817	22,577	384,394
Unrealized losses, net	(2,491,803)	(274,639)	(2,766,442)
Merchandise sales	62,272	-	62,272
Thrift shop sales	34,480	76,211	110,691
Change in value of beneficial interest in perpetual trust	-	(52,885)	(52,885)
Other revenue	11,211	-	11,211
Net assets released from restriction	985,210	(985,210)	-
Total revenues, gains (losses), and other support	<u>8,655,838</u>	<u>(513,899)</u>	<u>8,141,939</u>
Functional expenses			
Program services	8,760,881	-	8,760,881
Management and general	878,546	-	878,546
Fundraising and development	1,042,511	-	1,042,511
Total functional expenses	<u>10,681,938</u>	<u>-</u>	<u>10,681,938</u>
Change in net assets from operations	(2,026,100)	(513,899)	(2,539,999)
Excess of assets acquired over liabilities assumed (see Note 3)	<u>219,465</u>	<u>8,500</u>	<u>227,965</u>
Change in net assets	(1,806,635)	(505,399)	(2,312,034)
Net assets, beginning of year	<u>19,203,387</u>	<u>3,223,820</u>	<u>22,427,207</u>
Net assets, end of year	<u>\$ 17,396,752</u>	<u>\$ 2,718,421</u>	<u>\$ 20,115,173</u>

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

Marin Humane Society
dba Marin Humane
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	Animal Services	Clinic, Adoption, and Foster Care	Education and Community Engagement	Hopalong Foster	Thrift Shop	Total Program Services	Management and General	Fundraising and Development	Total
Personnel expenses									
Salaries and wages	\$ 2,038,479	\$ 1,476,748	\$ 1,438,399	\$ 525,627	\$ -	\$ 5,479,253	\$ 575,195	\$ 622,178	\$ 6,676,626
Payroll taxes and benefits	459,090	348,763	303,748	116,772	-	1,228,373	146,406	129,557	1,504,336
Total personnel expenses	<u>2,497,569</u>	<u>1,825,511</u>	<u>1,742,147</u>	<u>642,399</u>	<u>-</u>	<u>6,707,626</u>	<u>721,601</u>	<u>751,735</u>	<u>8,180,962</u>
Supplies and services									
Supplies	68,817	226,957	47,930	22,213	1,145	367,062	13,324	5,515	385,901
Depreciation	141,988	129,535	93,165	46,350	-	411,038	67,256	25,409	503,703
Professional services	73,362	61,404	89,459	87,900	-	312,125	450,788	210,856	973,769
Cost of goods sold	-	45,020	-	-	-	45,020	-	-	45,020
Utilities	69,783	65,991	45,787	-	3,307	184,868	53,130	12,488	250,486
In-kind expense	44,728	25,138	292,806	189,698	-	552,370	28,607	26,841	607,818
Veterinary services	-	13,519	324,398	55,293	-	393,210	-	-	393,210
Computer expenses	22,422	13,051	15,875	5,188	-	56,536	9,859	5,414	71,809
Fees	255	11,085	38,559	11,991	2,471	64,361	6,609	38,566	109,536
Administration expense	8,264	6,273	37,179	3,404	1,138	56,258	4,152	26,804	87,214
Maintenance	51,371	46,931	45,922	15,357	3,436	163,017	24,338	9,193	196,548
Insurance	43,006	37,824	22,777	21,464	199	125,270	15,119	5,711	146,100
Telephone	25,902	14,634	13,163	10,617	1,270	65,586	7,785	4,333	77,704
Printing	6,547	2,885	47,470	3,116	-	60,018	124	5,827	65,969
Advertising	-	-	15,265	-	-	15,265	-	-	15,265
Vehicle expenses	89,272	3,169	1,886	4,930	-	99,257	1,674	-	100,931
Rent	8,052	-	22,957	108,526	24,582	164,117	3,554	-	167,671
Travel	345	3,939	8,888	3,451	-	16,623	3,114	1,825	21,562
Meetings	3,865	2,585	8,310	25	-	14,785	16,990	5,083	36,858
Postage	10,518	191	8,243	6,345	-	25,297	4,761	50,559	80,617
Feed	31,338	31,776	10,403	5,853	-	79,370	-	-	79,370
Taxes and licenses	4,840	5,573	2,913	1,577	-	14,903	2,672	795	18,370
Scholarships	-	-	500	-	-	500	-	-	500
Uniforms	8,072	-	-	-	-	8,072	117	-	8,189
Special event expenses	-	-	-	-	-	-	-	278,771	278,771
Total supplies and services	<u>712,747</u>	<u>747,480</u>	<u>1,193,855</u>	<u>603,298</u>	<u>37,548</u>	<u>3,294,928</u>	<u>713,973</u>	<u>713,990</u>	<u>4,722,891</u>
Less expenses included in revenues, gains (losses), and other support: special events	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(278,771)</u>	<u>(278,771)</u>
Total expenses included in expense section on the statement of activities	<u>\$ 3,210,316</u>	<u>\$ 2,572,991</u>	<u>\$ 2,936,002</u>	<u>\$ 1,245,697</u>	<u>\$ 37,548</u>	<u>\$ 10,002,554</u>	<u>\$ 1,435,574</u>	<u>\$ 1,186,954</u>	<u>\$ 12,625,082</u>

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

Marin Humane Society
dba Marin Humane
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Animal Services	Clinic, Adoption, and Foster Care	Education and Community Engagement	Hopalong Foster	Thrift Shop	Total Program Services	Management and General	Fundraising and Development	Total
Personnel expenses									
Salaries and wages	\$ 1,939,033	\$ 1,299,780	\$ 1,251,185	\$ 313,926	\$ -	\$ 4,803,924	\$ 503,030	\$ 530,863	\$ 5,837,817
Payroll taxes and benefits	442,719	325,262	284,905	58,904	-	1,111,790	141,618	136,608	1,390,016
Total personnel expenses	<u>2,381,752</u>	<u>1,625,042</u>	<u>1,536,090</u>	<u>372,830</u>	<u>-</u>	<u>5,915,714</u>	<u>644,648</u>	<u>667,471</u>	<u>7,227,833</u>
Supplies and services									
Supplies	53,131	205,198	50,750	30,197	302	339,578	13,104	3,787	356,469
Depreciation	67,151	117,739	66,849	4,124	-	255,863	33,727	15,658	305,248
Professional services	91,578	44,226	98,787	93,393	-	327,984	72,701	172,546	573,231
Cost of goods sold	-	39,636	-	-	-	39,636	-	-	39,636
Utilities	45,481	81,243	45,282	39	2,940	174,985	22,884	10,607	208,476
In-kind expense	30,824	21,630	247,697	169,860	-	470,011	2,331	40,206	512,548
Veterinary services	-	20,166	253,578	51,575	-	325,319	-	-	325,319
Computer expenses	18,778	9,999	12,967	2,183	-	43,927	6,488	3,413	53,828
Fees	3,831	13,242	33,863	7,974	2,303	61,213	1,286	31,216	93,715
Administration expense	15,996	9,297	48,091	3,979	433	77,796	8,519	24,225	110,540
Maintenance	34,979	61,403	48,248	2,336	2,980	149,946	17,446	8,100	175,492
Insurance	30,855	44,419	22,505	5,025	401	103,205	10,246	4,757	118,208
Telephone	27,479	15,634	14,229	6,578	1,187	65,107	7,830	4,192	77,129
Printing	3,545	2,370	39,962	607	317	46,801	9,427	8,593	64,821
Advertising	-	-	19,237	-	-	19,237	-	-	19,237
Vehicle expenses	69,284	1,568	2,877	3,425	-	77,154	3,663	-	80,817
Rent	3,780	-	25,350	71,446	23,616	124,192	7,206	-	131,398
Travel	392	1,834	11,258	1,037	-	14,521	2,762	485	17,768
Meetings	2,160	2,166	4,586	50	-	8,962	6,288	51	15,301
Postage	10,719	336	14,517	8,009	-	33,581	5,875	46,498	85,954
Feed	52,476	62	10,478	4,445	-	67,461	-	-	67,461
Taxes and licenses	3,203	7,901	3,011	213	-	14,328	1,876	706	16,910
Special event expenses	-	-	-	-	-	-	-	258,413	258,413
Uniforms	4,360	-	-	-	-	4,360	239	-	4,599
Total supplies and services	<u>570,002</u>	<u>700,069</u>	<u>1,074,122</u>	<u>466,495</u>	<u>34,479</u>	<u>2,845,167</u>	<u>233,898</u>	<u>633,453</u>	<u>3,712,518</u>
Less expenses included in revenues, gains (losses), and other support: special events	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(258,413)</u>	<u>(258,413)</u>
Total expenses included in expense section on the statement of activities	<u>\$ 2,951,754</u>	<u>\$ 2,325,111</u>	<u>\$ 2,610,212</u>	<u>\$ 839,325</u>	<u>\$ 34,479</u>	<u>\$ 8,760,881</u>	<u>\$ 878,546</u>	<u>\$ 1,042,511</u>	<u>\$ 10,681,938</u>

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

Marin Humane Society
dba Marin Humane
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 2,966,739	\$ (2,312,034)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	503,703	305,248
Net realized and unrealized (gains) losses on investments	(1,155,122)	2,382,048
Excess of assets acquired over liabilities assumed	-	(227,965)
Change in value of beneficial interest in perpetual trust	(6,706)	52,885
Amortization of right-of-use assets	104,021	-
Changes in operating assets and liabilities		
Accounts receivable	(123,112)	(26,212)
Contributions and grants receivable	(3,095)	74,465
Prepaid expenses and other assets	(35,741)	22,787
Bequests receivable, net	31,539	100,662
Accounts payable	(41,529)	38,121
Accrued expenses	248,926	133,883
Deferred revenue	(11,437)	(9,537)
Right-of-use lease liabilities	(114,978)	-
Net cash provided by operating activities	<u>2,363,208</u>	<u>534,351</u>
Cash flows from investing activities		
Purchase of property and equipment	(406,593)	(208,955)
Purchase of investments	(5,140,431)	(3,910,671)
Cash and cash equivalents received from acquisition (see Note 3)	-	92,222
Proceeds from the sale or maturity of investments	2,926,913	3,523,264
Net cash used in investing activities	<u>(2,620,111)</u>	<u>(504,140)</u>
Net increase (decrease) in cash and cash equivalents	(256,903)	30,211
Cash and cash equivalents, beginning of year	<u>2,164,310</u>	<u>2,134,099</u>
Cash and cash equivalents, end of year	<u>\$ 1,907,407</u>	<u>\$ 2,164,310</u>

Supplemental schedule of noncash investing and financing activities

Investments acquired through an acquisition (see Note 3)	\$ -	\$ 129,170
Property and equipment, net acquired through an acquisition (see Note 3)	\$ -	\$ 9,027
Lease right-of-use assets obtained in exchange for lease liabilities	\$ 380,738	\$ -

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

Marin Humane Society
dba Marin Humane
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

1. ORGANIZATION

Marin Humane Society, dba Marin Humane ("Marin Humane"), is a nonprofit corporation organized in 1907. In 2017, Marin Humane created its dba to better articulate its mission and purpose. Marin Humane is not a chapter or affiliate of any other animal welfare organization. Principally serving Marin County, California, Marin Humane's work and impact go beyond the county borders.

Marin Humane's mission is to transform lives through exceptional animal care, humane education, and advocacy. The mission is carried out 24 hours a day, 365 days a year, through many programs and services for the community. Since 1979, Marin Humane has contracted with Marin County and its 11 cities and towns through a Joint Powers Agreement ("JPA") to provide animal services. Marin Humane's Animal Services program is responsible for responding to animal-related complaints, investigating animal cruelty and neglect cases, rescuing animals in distress, assisting with lost and found animal reports, administering dog licensing, and enforcing county and municipal animal ordinances. Marin Humane also responds to wildlife rescue calls and is recognized by the County of Marin as a first responder for animal-related needs in the event of a disaster. All of the programs and services at Marin Humane are intended to bring animals and humans together, forging a bond that not just impacts peoples' homes but makes neighborhoods happier and healthier.

Best known for operating the animal shelter and adoption center on its Novato campus, Marin Humane provides shelter services for thousands of animals surrendered by their guardians, found lost or stray, and transferred from overcrowded or under-resourced shelters. During the year ended June 30, 2023, Marin Humane received and cared for 5,025 animals. Marin Humane met its goal of at least a 90% live release rate (the percentage of animals received leaving with positive outcomes), with the following percentages of animals who left either adopted, returned to guardian or transferred out to another responsible animal organization: 96% of the dogs and puppies, 96% of the cats and kittens, and 95% of all other domestic animals. Marin Humane rehomed a total of 3,032 animals, returned 589 animals to their guardians, and transferred 106 domestic animals to other animal organizations. Of the total animals cited, 1,102 were considered wildlife. Marin Humane generally releases them back into their natural habitat or if injured, transfers them to a licensed wildlife rehabilitation center.

The Marin Humane Behavior & Training department assesses the temperament of animals to provide valuable input into the decisions regarding the adoptability and training needs of the incoming domestic animals. The veterinary services department medically evaluates and treats the animals and provides valuable input regarding the current and future medical needs of Marin Humane's temporary residents; they also perform the spay/neuter surgeries as well as other surgeries, if needed, on the shelter animals. Once an animal is placed up for adoption, there is no set time limit.

Marin Humane Society
dba Marin Humane
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

1. ORGANIZATION (continued)

In 2015, Marin Humane opened a satellite cat adoption center ("Kitty Corner") in San Anselmo. In 2021, Marin Humane became the designator of Hopalong Animal Rescue ("Hopalong"); on December 31, 2022, the two organizations completed their merger and the Hopalong entity was dissolved (see Note 3). Using Hopalong's large network of foster homes and strong connections to shelters throughout California, Hopalong functions as Marin Humane's main foster and transfer program out of the Oakland location. Hopalong manages Marin Humane's offsite adoption events at various locations throughout the year.

Under the Community Engagement department, Marin Humane's Pet Care Assistance and Pet Safety Net programs provide free pet food, vaccinations, microchips, and financial assistance for veterinary services including spay and neuter surgeries to the pets of hundreds of low-income guardians throughout Marin County. By helping with the costs associated with pets, these programs keep pets in their homes as long as possible. The department operates free, mobile clinics throughout the community providing microchips, vaccinations, exams, and other resources. The Community Engagement department also coordinates Animal Ambassador teams (volunteers and their trained dogs) who provide therapeutic and/or educational activities such as reading programs in local schools and libraries as well as thousands of visits to hospitals, senior communities, hospice facilities, and others.

Educational programs are offered to people of all ages, including classroom presentations, dog and cat training classes, workshops, summer camps, and after-school youth programs.

Since 2005, Marin Humane's Pen Pals of San Quentin program has been helping specially-selected, lower risk inmates, who work in the San Quentin fire department. These men have a high level of screening and more responsibilities than other inmates. As part of the Pen Pals program, the inmates or handlers learn how to help dogs overcome medical and behavioral issues so they can be ready to find their forever home. The dogs get quality one-on-one time with a person, and the inmates gain self-esteem, learn new skills, and develop more empathy which leads to a lower recidivism rate.

Volunteers are active in all departments, including fostering animals who may be too young or in need of home treatment, recuperation, or extra care before becoming available for adoption. Since 1961, auxiliary volunteers have operated a thrift shop in San Anselmo. Revenues from the thrift shop support Marin Humane veterinary services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The accompanying consolidated financial statements include the accounts of Marin Humane and Hopalong (collectively "Marin Humane"). The accounts of Hopalong are consolidated through December 31, 2022, the date the merge of the two organizations was complete, the Hopalong entity was dissolved, and Marin Humane became the sole surviving entity (see Note 3). All inter-organization transactions have been eliminated.

Marin Humane Society
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Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation

Marin Humane's accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to non-profit organizations. Accordingly, net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - net assets not subject to donor-imposed restrictions.
- *Net assets with donor restrictions* - net assets subject to donor-imposed restrictions that may or will be met by actions of Marin Humane and/or the passage of time and those net assets subject to donor-imposed stipulations that they must be maintained permanently by Marin Humane.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment income and gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue recognition

Revenue other than contributions, bequests, and grants includes animal services, veterinary fees, and educational program revenue and is recognized when services are provided.

Contributions and promises to give

Contributions received and promises to give are reported as net assets without donor restrictions or net assets with donor restrictions, depending on donor restrictions (if any).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give (continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, which is when donor stipulated barriers are overcome and Marin Humane is entitled to the assets transferred or promised. Contributions that are promised in one year but are not expected to be collected until after the end of that year are considered contributions receivable and are recorded at fair value by discounting at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and current aging of the promise to give.

Donated materials, services, and equipment

Donated materials and equipment are recorded based on the estimated fair value at the date the contribution is made. Donated services are recognized as contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would be purchased if not donated.

Over 800 unpaid volunteers have made significant contributions of their time to Marin Humane. Throughout the year, volunteers provided services to all programs and departments; the value of these services is not recognized as contributions in the accompanying consolidated financial statements since the recognition criteria were not met.

Donated materials and services received during each year were valued as follows:

	<u>2023</u>	<u>2022</u>
Contributed services and rent		
Legal services	\$ 27,938	\$ 2,331
Kitty Corner rent	21,450	21,450
Other services	<u>88,669</u>	<u>134,646</u>
	138,057	158,427
Contributed supplies	242,968	126,027
Advertising services	<u>226,793</u>	<u>228,094</u>
	<u>\$ 607,818</u>	<u>\$ 512,548</u>

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated materials, services, and equipment (continued)

Contributed supplies and services were utilized in Marin Humane's operations as shown in the accompanying consolidated statements of functional expenses; contributed supplies are valued based on estimates of wholesale values that would be received for selling similar products. Contributed services and rent recognized are valued at the estimated fair value of current rates for similar professional services and rent of similarly sized and located properties.

Cash and cash equivalents

Marin Humane considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Marin Humane places its cash and temporary cash investments with high-quality institutions. Periodically, such deposits may be in excess of federally insured limits.

Investments

Investments primarily include corporate stocks, real estate funds, and government and corporate bonds. Purchased investments in equity and debt securities with readily determinable fair values are reported at fair value based upon quoted market prices. Investments received by donation are recorded at the fair value at the date of donation.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Marin Humane determines the fair values of its assets and liabilities based on the fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Marin Humane has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect Marin Humane's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include Marin Humane's own data.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. Marin Humane's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Management has elected, as a practical expedient, to measure the fair value of investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or one that has the attributes of an investment company, on the basis of the net asset value ("NAV") per share of the investment (or its equivalent) if the NAV of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of accounting for investment companies as of the entity's measurement date. The relevant guidance also requires disclosures by major category of investment about the attributes of investments. Management elected to adopt the practical expedient for its investment in real estate income trusts.

Leases

Marin Humane determines if an arrangement is a lease at inception. Finance leases are reported with operating leases as finance leases are immaterial to the overall lease right-of-use assets and lease liabilities.

Lease right-of-use assets represent Marin Humane's right to use an underlying asset for the lease term and lease liabilities represent Marin Humane's obligation to make lease payments arising from the lease. Lease right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. As Marin Humane's lease agreements do not specify implicit rates, Marin Humane uses a risk-free rate based on the information available at the commencement date in determining the present value of the lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Marin Humane's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Marin Humane has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months and does not include a purchase or renewal option that the lessee is reasonably certain to exercise.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment, net

Property and equipment are recorded at cost if purchased, or if donated, at the estimated fair value on the date of the donation. Marin Humane generally capitalizes property and equipment with a cost greater than \$5,000 and a life expectancy of more than three years. Maintenance and repair costs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from three to fifty years.

Marin Humane evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. No impairment losses were recorded by Marin Humane during the years ended June 30, 2023 and 2022.

Beneficial interest in perpetual trust

Marin Humane has a beneficial interest in a perpetual trust; the donor established and funded a perpetual trust that is administered by an external trustee. Under the terms of the trust, Marin Humane receives 15.0% of the income, revenue, and profits from the trust in perpetuity, but will not receive the assets held in the trust. The value of Marin Humane's interest in the trust assets is measured annually using the fair value of the trust assets; changes in the fair value of Marin Humane's interest in the beneficial trust are reported as an increase or decrease in net assets with donor restrictions in the accompanying consolidated statements of activities. Marin Humane received distributions from the perpetual trust totaling \$13,661 and \$13,954 during the years ended June 30, 2023 and 2022, respectively; these distributions are reported as a component of interest and dividend income in the accompanying consolidated statements of activities.

Functional allocation of expenses

The costs of providing Marin Humane's various programs and supporting activities have been summarized on a functional basis in the accompanying consolidated statements of activities. The accompanying consolidated 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.

Direct identification of specific expenses is Marin Humane's preferred method of charging expenses to various functions. Marin Humane has a number of expenses which relate to more than one program or supporting services, or to a combination of programs and supporting services. Expenses are allocated using an allocation methodology based upon time studies, full-time equivalents in the functional categories, and full-time equivalents including volunteers in the functional categories.

Advertising costs

Marin Humane's policy is to expense advertising costs as the costs are incurred. Advertising costs totaled \$15,265 and \$19,237 for the years ended June 30, 2023 and 2022, respectively.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

Marin Humane is a qualified organization exempt from federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701d of the California Revenue and Taxation Code. Marin Humane recognizes the effect of income tax positions only if those positions are more likely than not of being sustained and changes in recognition or measurement are reflected in the period in which a change in judgment occurs. Marin Humane has evaluated its current tax positions and has concluded that as of June 30, 2023 and 2022, it does not have any significant tax positions for which a reserve would be necessary.

Use of estimates

The preparation of consolidated financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Uses of estimates include, but are not limited to, accounting for the allocation of operating expenses and depreciation.

Change in accounting principle

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, *Leases*, Accounting Standards Codification Topic 842 ("ASC 842"). ASC 842 is the comprehensive lease standard that supersedes the previous authoritative lease accounting guidance contained in ASC 840. ASC 842 requires a lessee to recognize assets and liabilities related to long-term leases that were classified in its balance sheet as operating leases under previous guidance. A leased asset, referred to as a right-of-use asset, is to be recognized related to the right to use the underlying asset and a lease related liability is to be recognized related to the lease payment obligations over the term of the lease, and includes options to extend that management reasonably expects to exercise. ASC 842 also requires expanded disclosures surrounding leases.

Marin Humane adopted ASC 842, with an initial application date of July 1, 2022, by applying the modified retrospective transition approach and using the additional and optional transition method provided by ASU No. 2018-11, *Leases* (Topic 842): *Targeted Improvements*. Marin Humane did not restate prior periods as presented under ASC 840 and, instead, evaluated whether a cumulative impact adjustment to retained earnings as of July 1, 2022, was necessary for the cumulative impact of adoption of ASC 842. Marin Humane determined that no such cumulative effect adjustment to net assets as of July 1, 2022, was necessary.

As part of the allowable transition method, Marin Humane elected to apply the following practical expedients:

- Election not to reassess whether any expired or existing contracts are, or contain, leases.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

- Election not to reassess the lease classification for any expired or existing leases.
- Election not to reassess initial direct costs on any existing leases.
- Election to use the risk-free interest rate as the discount rate.
- Election whereby the lease and nonlease components will not be separated for leases of facilities and equipment.

As a result of the adoption of the new lease accounting guidance, Marin Humane recognized initial lease liabilities of \$380,738 which represents the present value of the remaining lease payments discounted at the weighted average rate of 2.84% and lease right-of-use assets of \$380,738. The standard had a material impact on Marin Humane's consolidated statement of financial position at June 30, 2023, but did not have a significant impact on its statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of right-of-use assets and lease liabilities on the consolidated statement of financial position as of June 30, 2023.

Subsequent events

Marin Humane has evaluated subsequent events through November 9, 2023, the date the consolidated financial statements were available to be issued. No subsequent events have occurred that have a material impact on the presentation of Marin Humane's accompanying consolidated financial statements.

3. ACQUISITION OF HOPALONG ANIMAL RESCUE

On September 1, 2020, Marin Humane entered into a collaboration agreement with Hopalong, a California nonprofit public benefit corporation. Marin Humane and Hopalong entered into the collaboration agreement as they believe that they can better fulfill their charitable missions by collaborating and have agreed to merge organizations. On November 1, 2021, Marin Humane became the designator of Hopalong. As designator, Marin Humane appoints the board of directors for Hopalong; Hopalong's board of directors was replaced with directors appointed by Marin Humane. Marin Humane accounted for the acquisition of Hopalong using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*, which requires the assets and liabilities assumed in a business combination to be recognized at their fair values as of the acquisition date. The merge of the organizations was completed and Hopalong was formally dissolved on December 31, 2022 at which date Marin Humane became the sole surviving entity.

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3. ACQUISITION OF HOPALONG ANIMAL RESCUE (continued)

The assets and liabilities of Hopalong as of the acquisition date are as follows:

Assets	
Cash and cash equivalents	\$ 92,222
Investments	129,170
Property and equipment, net	9,027
Prepaid expenses and other assets	<u>10,126</u>
	<u>240,545</u>
Liabilities	
Accounts payable	(12,520)
Accrued expenses	<u>(60)</u>
	<u>(12,580)</u>
	<u>\$ 227,965</u>

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional promises to give and grants, which are not expected to be collected until after the year promised or granted, are reflected in the accompanying consolidated statements of financial position as contributions and grants receivable and revenue in the appropriate net asset category.

Contributions and grants receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ <u>40,800</u>	\$ <u>37,705</u>
	<u>\$ 40,800</u>	<u>\$ 37,705</u>

5. BEQUESTS RECEIVABLE, NET

Marin Humane is a beneficiary of two related trusts; under the terms of the trusts, Marin Humane receives an annual distribution of \$20,000 from each of the trusts over the lives of the trusts. The trusts expire fifty years from the date of death of each of the decedents; the trusts will terminate in 2023 and 2028. Upon the termination of the trusts, the trustee may distribute any remaining assets to the specified beneficiaries at the trustee's discretion. Bequests receivable are recorded using discount rates ranging from 2.85% to 2.875% for each of the years ended June 30, 2023 and 2022.

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5. BEQUESTS RECEIVABLE, NET (continued)

Bequests receivable, net consisted of the following:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 40,000	\$ 40,000
Receivable in one to five years	160,000	160,000
Receivable in more than five years	<u>100,000</u>	<u>140,000</u>
	300,000	340,000
Less: discount to present value	<u>(36,314)</u>	<u>(44,775)</u>
	<u>\$ 263,686</u>	<u>\$ 295,225</u>

6. INVESTMENTS

In keeping with its mission, Marin Humane uses an animal-welfare screen on its investment portfolio.

Investments and investments held for long-term purposes consisted of the following:

	<u>2023</u>	<u>2022</u>
Equities	\$ 10,105,742	\$ 7,009,546
Fixed income securities	5,131,726	4,866,301
Real estate securities	<u>1,690,702</u>	<u>1,683,683</u>
	<u>\$ 16,928,170</u>	<u>\$ 13,559,530</u>

Investment (losses) earnings consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 397,146	\$ 329,680
Realized and unrealized gains (losses), net	1,155,122	(2,382,048)
Investment expenses	<u>(92,639)</u>	<u>(105,658)</u>
	<u>\$ 1,459,629</u>	<u>\$ (2,158,026)</u>

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7. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, Marin Humane's assets at fair value as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equities	\$ 10,105,742	\$ -	\$ -	\$ 10,105,742
Fixed income securities	1,563,922	3,567,804	-	5,131,726
Beneficial interest in perpetual trust	<u>-</u>	<u>270,860</u>	<u>-</u>	<u>270,860</u>
	<u>\$ 11,669,664</u>	<u>\$ 3,838,664</u>	<u>\$ -</u>	15,508,328
Investments measured at NAV				<u>1,690,702</u>
				<u>\$ 17,199,030</u>

The following table sets forth by level, within the fair value hierarchy, Marin Humane's assets at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equities	\$ 7,009,546	\$ -	\$ -	\$ 7,009,546
Fixed income securities	1,185,949	3,680,352	-	4,866,301
Beneficial interest in perpetual trust	<u>-</u>	<u>264,154</u>	<u>-</u>	<u>264,154</u>
	<u>\$ 8,195,495</u>	<u>\$ 3,944,506</u>	<u>\$ -</u>	12,140,001
Investments measured at NAV				<u>1,683,683</u>
				<u>\$ 13,823,684</u>

Investments measured at NAV consists of real estate income trusts. Monthly redemptions are offered and investments have a one year soft lock-up. If shares are redeemed before one year, a 5% redemption fee is charged.

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8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	2023	2022
Land	\$ 252,597	\$ 252,597
Buildings and improvements	8,743,883	8,680,398
Furniture and fixtures	891,925	937,499
Vehicles	693,677	585,558
	10,582,082	10,456,052
Accumulated depreciation	(5,866,483)	(5,654,087)
	\$ 4,715,599	\$ 4,801,965

Depreciation expense totaled \$503,703 and \$305,248 for the years ended June 30, 2023 and 2022, respectively.

9. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	2023	2022
Accrued vacation	\$ 483,299	\$ 466,606
Accrued salaries and wages	476,878	296,521
Retirement plan contributions payable	166,091	138,411
Other accrued expenses	27,044	2,848
	\$ 1,153,312	\$ 904,386

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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Donor-restricted endowment funds corpus	\$ 1,618,246	\$ 1,564,812
Time restricted funds	300,225	295,225
Beneficial interest in perpetual trust	270,860	264,154
Unappropriated endowment earnings	208,072	145,003
Hopalong integration fund	-	182,117
The Joe Willie Project funds	133,711	92,084
Thrift shop bequest	-	38,888
Specialized medical and behavior funds	46,768	9,744
Behavior and Training funds	29,132	23,205
Capital projects	7,670	26,343
Hopalong Pet Survivor funds	25,981	17,451
Other	<u>10,126</u>	<u>59,395</u>
	<u>\$ 2,650,791</u>	<u>\$ 2,718,421</u>

Net assets with donor restrictions released from restriction during the year were as follows:

	<u>2023</u>	<u>2022</u>
Hopalong integration fund	\$ 472,067	\$ 32,962
Specialized medical and behavior funds	129,373	192,823
Capital projects	103,721	135,442
Pet Safety Net funds	90,625	234,039
Clinic	79,863	77,325
The Joe Willie Project funds	68,314	41,055
Appropriation of accumulated endowment earnings	46,540	46,541
Time restricted funds	40,000	40,000
Thrift shop bequest	38,887	-
Behavior and Training funds	14,547	9,127
Pen Pals of San Quentin Program funds	11,050	32,944
Hopalong Pet Survivor Funds	2,320	1,549
Veterinary assistance program	-	55,680
Outreach vehicle	-	47,766
Other	<u>141,169</u>	<u>37,957</u>
	<u>\$ 1,238,476</u>	<u>\$ 985,210</u>

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11. ENDOWMENT

Marin Humane's endowment consists of several individual donor-restricted endowment funds established for a variety of purposes. As required by U.S. 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.

Interpretation of relevant law

Marin Humane's board of directors has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Marin Humane classifies as donor restricted endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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. Amounts are classified as net assets with donor restrictions until the Marin Humane's board of directors appropriates amounts for expenditure and any purpose restrictions have been met, in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Marin Humane considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Marin Humane
- (7) The investment policies of Marin Humane

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11. ENDOWMENT (continued)

Return objectives and risk parameters

Marin Humane has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The return objectives are to provide reasonable and stable returns to supplement the operating budget, provide liquidity for the operation of Marin Humane, and support the long-term viability of Marin Humane through accumulation of reserves as well as to assure donors that Marin Humane manages its endowment funds prudently. The primary investment objectives are to preserve capital, maintain an adequately balanced portfolio, and distribute income. Endowment assets are invested in a diversified asset mix, including cash, cash equivalents, fixed income securities, and equity securities.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Marin Humane to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2023 and 2022.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, Marin Humane relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Marin Humane targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives of maintaining the purchasing power of the endowment while producing stable income within prudent risk constraints.

Spending policy

Marin Humane has a policy of transferring any investment returns, other than those which are stipulated by the donor to remain in perpetuity, to either net assets with donor restrictions or net assets without donor restrictions. Marin Humane reinvests the interest and gains to allow its investments to grow annually after distributions to fund future operations and has a policy of appropriating 5.0% of the rolling five-year average fair market value of the endowment funds. This is consistent with Marin Humane's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as provide additional real growth through new gifts and investment returns.

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11. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 1,826,318</u>	<u>\$ 1,826,318</u>

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 1,709,815</u>	<u>\$ 1,709,815</u>

Changes in endowment net assets for the fiscal year ended June 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2022	<u>\$ -</u>	<u>\$ 1,709,815</u>	<u>\$ 1,709,815</u>
Investment return			
Investment income, net	-	31,164	31,164
Net appreciation	-	131,879	131,879
Total investment return	-	163,043	163,043
Appropriation of net assets	-	(46,540)	(46,540)
	-	116,503	116,503
Balance, June 30, 2023	<u>\$ -</u>	<u>\$ 1,826,318</u>	<u>\$ 1,826,318</u>

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11. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2021	\$ -	\$ 1,986,272	\$ 1,986,272
Investment return			
Investment income, net	-	22,146	22,146
Net depreciation	-	(252,062)	(252,062)
Total investment return	-	(229,916)	(229,916)
Appropriation of net assets	-	(46,541)	(46,541)
	-	(276,457)	(276,457)
Balance, June 30, 2022	<u>\$ -</u>	<u>\$ 1,709,815</u>	<u>\$ 1,709,815</u>

12. LEASES

Hopalong rents its Oakland program facility and offices under a five-year noncancelable operating lease agreement that expires in December 2024. Marin Humane has a retail space for its Thrift Shop under a non-cancelable operating lease agreement that expires in September 2026. Marin Humane also has copier leases that expire in March 2028.

Marin Humane has various other month-to-month leases that do not qualify for recognition as a right-of-use asset, and are expensed as incurred.

Operating lease costs for the year consisted of the following:

Monthly scheduled rent	\$ 135,725
Month-to-month costs	<u>36,344</u>
	<u>\$ 172,069</u>

The weighted-average remaining lease terms and discount rates are as follows at June 30, 2023:

Weighted-average remaining lease term - operating lease	3.11 years
Weighted-average discount rate - operating lease	2.84%

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12. LEASES (continued)

Future maturities of right-of-use lease liabilities are as follows:

<u>Year ending June 30,</u>	
2024	\$ 149,322
2025	86,275
2026	28,437
2027	8,695
2028	<u>1,538</u>
	274,267
Less: imputed interest	<u>(8,507)</u>
	<u><u>\$ 265,760</u></u>

13. RETIREMENT PLAN

Marin Humane maintains a defined contribution plan (the "Plan") covering all employees who regularly work more than 20 hours per week. The Plan is a 403(b) elective deferral plan which provides for discretionary contributions to be made by eligible employees. Marin Humane provides a 1.5% matching contribution for eligible employees who have completed the service requirement of one year; the Plan also provides for discretionary contributions to be made by Marin Humane on behalf of plan participants. Discretionary contributions are determined annually by the board of directors. Marin Humane made discretionary contributions equal to 3.0% of eligible compensation during the years ended June 30, 2023 and 2022. Participants become fully vested in employer matching and discretionary contributions over a period of five years. Marin Humane made contributions to the Plan totaling \$225,201 and \$201,393 for the years ended June 30, 2023 and 2022, respectively.

14. COMMITMENTS AND CONTINGENCIES

Litigation

Marin Humane is involved in various disputes, claims and litigation matters arising out of the normal course of business. While the outcome of these claims and proceedings cannot be predicted with certainty, after consulting with legal counsel, management does not believe that the outcome of these matters will have a material adverse effect on Marin Humane's accompanying consolidated financial position, results of operations, or cash flows.

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15. CONCENTRATIONS

Since 1979, Marin Humane has contracted with the JPA to provide animal services; the JPA agreement is renewable, generally on a three-year basis, and the current term expires on June 30, 2026. Revenue earned under Marin Humane's agreement for animal services with the JPA comprised 24% and 46% of Marin Humane's total revenue, gains (losses), and other support for the years ended June 30, 2023 and 2022, respectively. If a significant reduction in the revenue earned under the JPA agreement were to occur, it could materially affect Marin Humane's programs and financial position.

16. LIQUIDITY AND FUNDS AVAILABLE

As part of Marin Humane's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due while also striving to maximize the investment of its available funds. As part of this policy, Marin Humane maintains a minimum balance of \$250,000 in cash equivalents and short-term fixed income instruments within its investment accounts which can be readily liquidated for operating needs.

In addition to financial assets available to meet general expenditures over the next twelve months, Marin Humane operates with a balanced budget and anticipates collecting sufficient revenues to cover general expenditures not covered by donor-restricted resources.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2023 to fund general expenditures and other obligations when they become due:

Financial Assets	
Cash and cash equivalents	\$ 1,907,407
Accounts receivable	177,334
Contributions and grants receivable	40,800
Bequests receivable, net	263,686
Investments	<u>16,928,170</u>
	<u>19,317,397</u>
Less: amounts unavailable for general expenditure within one year:	
Bequest receivables, net to be collected in more than one year	(223,686)
Endowment fund	(1,826,318)
Other donor restricted net assets not expected to be released during 2024	<u>(559,243)</u>
	<u>(2,609,247)</u>
	<u>\$ 16,708,150</u>

Marin Humane has financial assets available at June 30, 2023 to cover approximately one year of operating expenses based on its fiscal year 2024 operating budget.

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17. EMPLOYEE RETENTION TAX CREDITS

The Employee Retention Tax Credit ("ERC"), a refundable tax credit against certain employment taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security Act and was subsequently amended through additional legislation. The tax credit is equal to 50% of the qualified wages, up to \$10,000 per employee, and employers whose business has been financially impacted by COVID-19 pays to employees after March 12, 2020, and before January 1, 2022. Marin Humane applied for and received a total ERC of \$1,679,284 for wages paid during the period from March 13, 2020 through June 15, 2021. Marin Humane received the ERC funds totaling \$1,679,284 during December 2022 and May 2023 which \$1,616,871 is reported as employee retention tax credits and \$62,413 is reported as a component of interest and dividend income during the year ended June 30, 2023 on the accompanying consolidated statements of activities.