

MONADNOCK HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2025

AND

INDEPENDENT AUDITORS' REPORT



265 Washington Street, Keene, NH 03431

Phone: 603.352.4500

Fax: 603.352.8558

www.osterwheeler.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Monadnock Humane Society, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Monadnock Humane Society, Inc. (a not-for-profit New Hampshire organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses and cash flows for the year 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 Monadnock Humane Society, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Monadnock Humane Society, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Monadnock Humane Society, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 Monadnock Humane Society, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Monadnock Humane Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Oster & Wheeler, P.C.

Keene, New Hampshire
April 23, 2026

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 724,884
Accounts receivable	2,190
Prepaid expenses	17,708
Inventory	<u>6,486</u>
Total current assets	<u>751,268</u>

PROPERTY AND EQUIPMENT, net:	<u>1,448,144</u>
------------------------------	------------------

OTHER ASSETS:

Beneficial interest in trust	4,989,675
Investments	<u>7,473,728</u>
Total other assets	<u>12,463,403</u>

Total assets	\$ <u>14,662,815</u>
--------------	----------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 61,766
Accrued payroll and related liabilities	76,986
Deferred revenue	<u>66,100</u>
Total current liabilities	<u>204,852</u>

Total liabilities	<u>204,852</u>
-------------------	----------------

NET ASSETS:

Without donor restrictions	8,632,372
With donor restrictions	<u>5,825,591</u>
Total net assets	<u>14,457,963</u>

Total liabilities and net assets	\$ <u>14,662,815</u>
----------------------------------	----------------------

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Revenue:			
Program service revenue	\$ 348,873	\$ -	\$ 348,873
Boarding and daycare revenue	317,011	-	317,011
Training center	216,446	-	216,446
Retail store revenue	<u>10,596</u>	<u>-</u>	<u>10,596</u>
Total revenue from operations	<u>892,926</u>	<u>-</u>	<u>892,926</u>
Support:			
Contributions	752,370	61,204	813,574
Fundraising	310,120	-	310,120
Grants	26,900	-	26,900
Income from trust	<u>152,000</u>	<u>-</u>	<u>152,000</u>
Total support	<u>1,241,390</u>	<u>61,204</u>	<u>1,302,594</u>
Other revenue:			
Rental income	11,191	-	11,191
Miscellaneous revenue	13,370	-	13,370
Change in value of beneficial interest in trust	-	380,553	380,553
Investment income, net of fees	<u>781,768</u>	<u>78,646</u>	<u>860,414</u>
Total other revenue	<u>806,329</u>	<u>459,199</u>	<u>1,265,528</u>
SUPPORT AND REVENUE BEFORE RECLASSIFICATIONS	2,940,645	520,403	3,461,048
NET ASSETS RELEASED FROM RESTRICTIONS	<u>37,788</u>	<u>(37,788)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>2,978,433</u>	<u>482,615</u>	<u>3,461,048</u>
EXPENSES:			
Program services	1,877,515	-	1,877,515
Management and general	95,324	-	95,324
Development/Fundraising	<u>160,547</u>	<u>-</u>	<u>160,547</u>
Total expenses	<u>2,133,386</u>	<u>-</u>	<u>2,133,386</u>
CHANGE IN NET ASSETS	845,047	482,615	1,327,662
Prior period adjustment	-	4,609,121	4,609,121
NET ASSETS, beginning of year	<u>7,787,325</u>	<u>733,855</u>	<u>8,521,180</u>
NET ASSETS, end of year	\$ <u>8,632,372</u>	\$ <u>5,825,591</u>	\$ <u>14,457,963</u>

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

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	Program Services				Management and General	Development/ Fundraising	Total
	Services/ Programs	Boarding/ Daycare	Training Center	Programs Total			
Salaries and wages	\$ 803,712	\$ 235,360	\$ 97,004	\$ 1,136,076	\$ 31,966	\$ 83,044	\$ 1,251,086
Payroll taxes	59,800	17,793	7,090	84,683	2,445	6,234	93,362
Employee benefits	23,661	3,537	5,745	32,943	6,938	3,288	43,169
Depreciation	97,845	24,423	24,423	146,691	1,517	3,489	151,697
Professional fees	89,006	-	-	89,006	1,339	24,394	114,739
Program supplies and expenses	76,246	4,057	11,514	91,817	3,563	72	95,452
Veterinary care	48,189	-	-	48,189	25,375	-	73,564
Repairs and maintenance	58,509	1,759	929	61,197	7,244	416	68,857
Utilities	57,516	-	-	57,516	-	-	57,516
Fundraising	-	-	-	-	-	35,236	35,236
Insurance	37,792	-	-	37,792	-	-	37,792
Bank charges	13,409	12,687	3,823	29,919	178	2,605	32,702
Retirement expense	19,132	-	-	19,132	-	-	19,132
Professional development	4,558	-	369	4,927	10,165	1,016	16,108
Office supplies and expense	7,844	2,218	592	10,654	3,996	246	14,896
Telephone	8,937	-	-	8,937	598	-	9,535
Leased equipment	6,440	-	-	6,440	-	-	6,440
Vehicle expense	5,076	-	-	5,076	-	-	5,076
Cost of retail goods sold	2,360	-	1,584	3,944	-	-	3,944
Postage	1,268	-	-	1,268	-	507	1,775
Fees and licenses	1,308	-	-	1,308	-	-	1,308
	<u>\$ 1,422,608</u>	<u>\$ 301,834</u>	<u>\$ 153,073</u>	<u>\$ 1,877,515</u>	<u>\$ 95,324</u>	<u>\$ 160,547</u>	<u>\$ 2,133,386</u>

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

MONADNOCK HUMANE SOCIETY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,327,662
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	151,697
Realized gains on investments	(311,897)
Unrealized gains on investments	(399,690)
Change in value of beneficial interest	(380,553)
(Increase) decrease in the following assets:	
Accounts receivable	58
Prepaid expenses	4,370
Inventory	(2,968)
Increase (decrease) in the following liabilities:	
Accounts payable	26,704
Accrued payroll and related liabilities	10,313
Deferred revenue	<u>10,882</u>
Net cash flows from operating activities	<u>436,578</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from the sale of investments	918,405
Purchase of investments	(991,766)
Purchase of property and equipment	<u>(215,039)</u>
Net cash flows from investing activities	<u>(288,400)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	148,178
CASH AND CASH EQUIVALENTS, beginning of year	<u>576,706</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u><u>724,884</u></u>

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. Summary of significant accounting policies:

Nature of business – Monadnock Humane Society, Inc. (the Organization) is a New Hampshire nonprofit organization. Its primary purpose is to strengthen the animal human bond by promoting and providing for the well being of animals through humane education, providing shelter, and facilitating adoption for lost, abused or abandoned animals. The organization operates an animal shelter, retail pet supply store, training programs and boarding and daycare service. Major sources of revenue are program fees and donor contributions.

Financial statement presentation – The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 *Not-For-Profit Entities*. The accompanying financial statements have been prepared on the accrual basis of accounting. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Non-cash contributions are recorded at fair market value on the date of donation. Income earned on net assets, including net realized appreciation on investments, is reflected as a change in net assets without donor restrictions or net assets with donor restrictions in accordance with donor stipulations.

Amounts related to the Organization's financial position and activities are reported in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time or purpose restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished. When a donor restriction expires the net assets are reclassified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board-approved spending policy. Restricted contributions that are received and utilized in accordance with donor stipulations in the same year are reported as contributions without donor restrictions. The Organization follows a similar policy for investment return on these funds.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Cash and cash equivalents – For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment. The Organization's cash and cash equivalents was \$724,884 for the year ended June 30, 2025.

Accounts receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Interest is not accrued on past due accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debts and a credit to accounts receivable. At June 30, 2025, management determined that an allowance for credit loss was not considered necessary.

Allowance for credit losses – The Organization's financial assets measured at amortized cost and subject to the allowance for credit losses model consist primarily of pledges receivable. The Organization estimates expected credit losses over the contractual life of receivables using a loss rate methodology based on historical collection experience, adjusted for current conditions and reasonable and supportable forecasts. In evaluating collectability, management considers:

- Historical write-off experience
- Aging of receivables
- Known credit risks of specific donors or customers
- Economic conditions that may affect donors' or customers' ability to pay

Receivables are written off when management determines amounts are uncollectible. Recoveries of amounts previously written off are recorded when received.

Inventory – Inventory consists of retail pet supplies and is stated at the lower of cost or market, using the first-in, first-out costing method.

Property and equipment – Expenditures for acquisitions, renewals and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. It is the Organization's policy to capitalize property and equipment over \$1,000 with an estimated useful life of at least one year. Lesser amounts are expensed. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resulting gain or loss is recognized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost. The Organization charges to expenses annual amounts of depreciation which allocate the cost of fixed assets over their estimated useful lives using the straight-line method.

	<u>Years</u>
Buildings and building improvements	39
Land improvements	10-15
Furniture and fixtures	7
Equipment and vehicles	5

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Investments – Investments consist primarily of exchange-traded funds (ETFs) invested in domestic equity, foreign equity, and fixed income securities. Investments are recorded at fair value in the Statement of Financial Position.

Unrealized gains and losses are included in the change in net assets in the Statement of Activities. Investment income is reported net of related investment expenses.

Contributions – Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present: (1) An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized (2) An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met. Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award. Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability. Grant awards that are exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. There were no grants or awards that were considered exchange transactions during the year ended June 30, 2025.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue and revenue recognition – Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, and expenditures are incurred, respectively. Performance obligations are satisfied at the commencement of the service as it is rendered, and payment terms are due upon receipt. Adoption contract, and clinic deposits are nonrefundable. Training deposits are nonrefundable at the commencement of the service. Boarding deposits are refundable forty-eight hours prior to the service. Daycare fees are non-refundable. All non-refundable deposits are subject to the discretion of management in the case of unforeseen circumstances.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Donations in-kind – Contributions of nonfinancial assets and materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized when they are received if the services (a) create or enhance nonfinancial assets or (b) required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization pays for most services requiring specific expertise. However, some individuals may volunteer their time and perform a variety of tasks that assist the Organization with specific programs and various committee assignments. The Organization had not received any donations in-kind during the year ended June 30, 2025.

Development and fundraising expenses – Total development and fundraising expenses was \$160,547 for the year ended June 30, 2025.

Advertising costs – The Organization’s policy is to expense advertising in the period incurred. Total advertising was \$118 for the year ended June 30, 2025.

Functional allocation of expense – Expenses consist of costs related to program services, management and general, and development/fundraising functions. These costs have been summarized on a functional basis in the Statement of Functional Expenses without donor restrictions. Costs are directly charged to the functions they benefit. Costs incurred in connection with specific events are deferred until the event is completed. Occupancy related expenses are allocated to each function based on the square footage of the department's area. Salaries and wages are allocated to each function based on the department they work in.

Income tax status – The Organization is exempt from Federal and State income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Organization has evaluated its significant tax positions, including their tax-exempt status, and determined that they do not need to recognize a liability for any uncertain tax positions for interest, penalties or potential taxes. Accordingly, no provision for income taxes is required. The Organization’s annual federal return filing (Form 990) and state filing (Form NHCT-12) remain subject to examination by major tax jurisdictions for the standard three-year statute of limitations.

2. Liquidity and availability:

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Financial assets available for general expenditure within one year of the Statement of Financial Position date consist of the following at June 30, 2025:

Financial assets:		
Cash and cash equivalents	\$	724,884
Accounts receivable		2,190
Investments		<u>7,473,728</u>
Total financial assets available within one year		8,200,802
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions		<u>(835,917)</u>
	\$	<u><u>7,364,885</u></u>

Financial assets are considered unavailable when subject to donor-imposed restrictions or board designations that limit their use for general expenditures within one year.

Although the Organization's investments include funds designated by the Board of Directors to function as a quasi-endowment, those amounts remain available for expenditure at the discretion of the Board. Accordingly, board-designated funds are included as available financial assets for purposes of this disclosure.

The Organization's endowment spending policy permits annual appropriations of up to 5% of a rolling twelve-quarter average fair value of the endowment assets unless otherwise approved by the Board of Directors. In the event of an unanticipated liquidity need, the Board could approve additional appropriations from board-designated funds.

The Organization maintains cash and cash equivalents sufficient to cover approximately several months of operating expenses and manages its cash flow through ongoing monitoring of receipts and disbursements. Investment assets are held in liquid, publicly traded securities and could be converted to cash within a short period of time if necessary.

As part of its liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

3. Cash and cash equivalents:

Financial Cash and cash equivalents were comprised of the following at June 30, 2025:

Bank demand deposits	\$	54,998
Money market funds		<u>669,886</u>
Total cash and cash equivalents	\$	<u><u>724,884</u></u>

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

The money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other U.S. government agency.

4. Fair value measurements:

The Organization has financial instruments that are reported at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels are defined as follows:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets that the Organization has the ability to access at the measurement date.

Level 2 – Inputs are observable for the asset, either directly or indirectly, including quoted prices for similar assets in active markets or identical assets in inactive markets.

Level 3 – Inputs are unobservable and significant to the fair value measurement.

The Organization's investments are valued using quoted market prices in active markets and are therefore classified as Level 1 within the fair value hierarchy.

The Organization's beneficial interest in a trust is valued based on information provided by the trustee. Such information is derived from the underlying fair value of the trust assets and the Organization's right to receive distributions of income from the trust. The valuation is dependent on inputs that are not observable in the market and is therefore classified within Level 3 of the fair value hierarchy.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

The following table presents the Organization's investments measured at fair value on a recurring basis as of June 30, 2025:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Fixed income exchange traded funds	\$ 1,919,446	\$ 1,919,446	\$ -	\$ -
Domestic equity exchange traded funds	3,869,351	3,869,351	-	-
Foreign equity exchange traded funds	1,684,931	1,684,931	-	-
Beneficial interest in trust	<u>4,989,675</u>	<u>-</u>	<u>-</u>	<u>4,989,675</u>
Total assets at fair value	\$ <u>12,463,403</u>	\$ <u>7,473,728</u>	\$ <u>-</u>	\$ <u>4,989,675</u>

The Organization's valuation techniques may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions could result in a materially different fair value measurement at the reporting date.

Investment income for the year ended June 30, 2025 consists of the following:

Interest and dividends	\$ 185,228
Realized gains	311,897
Unrealized gains	399,690
Investment expenses	<u>(36,401)</u>
Net investment income	\$ <u>860,414</u>

Net investment income is reported in the Statement of Activities and is classified in accordance with donor restrictions.

5. Endowment fund:

The Organization's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (board-designated or quasi-endowment). As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's endowment funds are invested in accordance with its investment and spending policies as approved by the Board of Directors.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Interpretation of relevant law (UPMIFA) – The State of New Hampshire has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result of this interpretation, the original value of gifts donated to the donor-restricted endowment, the original value of subsequent gifts to the donor-restricted endowment, and accumulations required to be maintained in perpetuity by donor stipulation are classified as net assets with donor restrictions.

The remaining portion of donor-restricted endowment funds that is not required to be maintained in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with UPMIFA.

Endowment net asset composition by type of fund on June 30, 2025 was as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Original donor-restricted gifts in perpetuity	\$ -	\$ 226,350	\$ 226,350
Accumulated investment gains	-	510,152	510,152
Board-designated endowment funds	<u>4,355,989</u>	<u>-</u>	<u>4,355,989</u>
Total	<u>\$ 4,355,989</u>	<u>\$ 736,502</u>	<u>\$ 5,092,491</u>

Changes in endowment net assets for the year ended June 30, 2025 were as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,882,637	\$ 670,186	\$ 4,552,823
Subsequent gift to endowment	-	21,646	21,646
Investment return, net	473,352	78,646	551,998
Assets released from restrictions	<u>-</u>	<u>(33,976)</u>	<u>(33,976)</u>
Endowment net assets, end of year	<u>\$ 4,355,989</u>	<u>\$ 736,502</u>	<u>\$ 5,092,491</u>

Investment and return objectives – The Organization has adopted investment and spending policies designed to provide a predictable stream of funding to programs supported by its endowment while preserving the long-term purchasing power of the endowment assets.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Endowment assets are invested with the objective of generating a total return (income plus capital appreciation) sufficient to:

1. Support the annual spending rate, and
2. Preserve the real value of the endowment over time.

Actual returns in any given year may vary from expectations.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required to be maintained in perpetuity by donor stipulation or UPMIFA. In accordance with U.S. GAAP, deficiencies of this nature are reported as reductions of net assets with donor restrictions.

At June 30, 2025, there were no endowment funds with deficiencies.

Spending policy – The Organization has adopted a spending policy under which annual appropriations from the endowment may not exceed 5% of the rolling average fair value of the prior twelve quarters, unless otherwise approved by the Board of Directors.

In establishing this policy, the Organization considered:

- The duration and preservation of the endowment funds
- The purposes of the donor-restricted funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation
- Other resources of the Organization

Board-designated endowment funds may be appropriated at the discretion of the Board for operational or emergency purposes consistent with Board policy.

Certain donor-restricted endowment funds may permit appropriations beyond the standard spending rate in accordance with specific donor instructions.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

6. Property and equipment:

The original cost and accumulated depreciation of property and equipment is as follows as of June 30, 2025:

Land and improvements	\$ 204,217
Building and improvements	3,276,473
Furniture and equipment	1,221,529
Equipment and vehicles	<u>46,654</u>
	4,748,873
Less: accumulated depreciation	<u>3,300,729</u>
Net property and equipment	\$ <u>1,448,144</u>

Depreciation expense totaled \$151,697 for the year ended June 30, 2025.

7. Beneficial interest in trust:

The Organization is a beneficiary of an irrevocable trust administered by a third-party trustee. Under the terms of the trust agreement, the Organization has irrevocable rights to receive portions of the income earned on the trust assets in perpetuity. Distributions of income earned on the trust are classified as income without donor restrictions. The Organization has no influence over investment decisions or distributions from the trust.

The Organization has recognized its beneficial interest in trust as an asset in the accompanying Statement of Financial Position. The beneficial interest is measured at fair value, which is based on information provided by the trustee. Changes in the fair value of the beneficial interest are reported in the Statement of Activities as changes in the value of beneficial interest in trust.

Distributions received from the trust are recognized as income in the period received. For the year ended June 30, 2025, the Organization received distributions of \$152,000. The Organization's beneficial interest in the perpetual trust, at fair value, totaled approximately \$4,989,675 for the year ended June 30, 2025.

The beneficial interest in trust is classified as net assets with donor restrictions, as the Organization's right to receive income extends over time. Net assets are released from restriction as distributions are received.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

8. Net assets with donor restriction:

Net assets with donor restrictions were restricted for the following purposes at June 30, 2025:

Subject to expenditures for specified purpose:

Beneficial interest in trust	\$ 4,989,675
10K eyes	8,729
Boarding daycare	2,396
Compassion	15,528
Faulkner Fund for dog training	3,540
Jazzeubell Medical Fund for dogs	7,514
Madden Medical Fund for cats	6,575
Rigby Fund for volunteers recognition	55,000
Thank you, employee recognition	<u>132</u>
Total net assets subject to purpose restrictions	<u>5,089,089</u>

Donor designated endowments held in perpetuity:

Donor endowment for the benefit of operations:

Bednar	\$ 128,526
Derby	473,517
Fitch	<u>74,410</u>
Total donor endowment for benefit of operations	676,453

Bell Scholarship Endowment Fund	40,890
Wratchford Family Anti-Cruelty Endowment Fund	<u>19,159</u>
Total net assets subject to donor designated endowment	<u>736,502</u>
Total net assets with donor restrictions	\$ <u><u>5,825,591</u></u>

9. Concentration of credit risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization places its cash and cash equivalents with high credit quality financial institutions. At June 30, 2025 cash deposits did not exceed the federally insured limits of \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

10. Employee benefit plan:

The Organization offers a Simple IRA plan based on voluntary employee contributions and up to a 2% company matching contribution. The Organization's contributions totaled \$19,132 for the year ended June 30, 2025.

11. Subsequent events:

The Organization evaluated events and transactions occurring subsequent to June 30, 2025 as of April 23, 2026; the date the financial statements were available to be issued.

No material events have occurred since June 30, 2025 that require recognition or disclosure in the financial statements that have not already been recognized or disclosed in the financial statements for the year ended June 30, 2025.

12. Prior period adjustment:

During the year ended June 30, 2025, the Organization identified an error related to the accounting for its beneficial interest in an irrevocable trust, for which it is entitled to receive annual distributions of trust income. In prior periods, the Organization had not recognized this beneficial interest as an asset in the Statement of Financial Position, as required by accounting principles generally accepted in the United States of America (U.S. GAAP).

Management evaluated the terms of the trust agreement and determined that the Organization has a beneficial interest that should be recognized at fair value. Accordingly, the Organization recorded the beneficial interest in trust at its estimated fair value of \$4,609,121, based on information provided by the trustee, as of the beginning of the year ended June 30, 2025. The correction of this error also resulted in an increase to beginning net assets with donor restrictions of \$4,609,121 as of July 1, 2024. The adjustment is reflected as a prior period adjustment in the accompanying Statement of Activities.

This correction had no effect on the change in net assets for the year ended June 30, 2025, other than the recognition of changes in the fair value of the beneficial interest in trust during the current year.