

**HAWAII ISLAND HUMANE SOCIETY**  
(A Hawai'i Nonprofit Corporation)

**AUDITED FINANCIAL STATEMENTS**  
(With Independent Auditors' Report)

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

# HAWAII ISLAND HUMANE SOCIETY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of  
Hawaii Island Humane Society  
Holualoa, Hawai'i

***Opinion***

We have audited the accompanying financial statements of Hawaii Island Humane Society (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hawaii Island Humane Society as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Hawaii Island Humane Society 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hawaii Island Humane Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

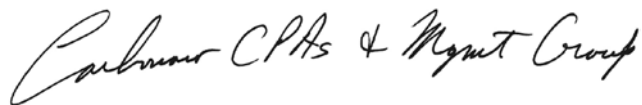
***Auditors' Responsibilities for the Audit of the Financial Statements***

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 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 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 Hawaii Island 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hawaii Island 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.



Kailua-Kona, Hawai'i  
February 24, 2025

HAWAII ISLAND HUMANE SOCIETY

Statements of Financial Position  
As of June 30, 2024 and 2023

**ASSETS**

	<u>2024</u>	<u>2023</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents (Notes 2 and 9)	\$ 3,104,705	\$ 1,110,437
Certificates of Deposit (Notes 2 and 9)	702,100	702,100
Accounts Receivable (Notes 2 and 9)	169,783	63,865
Pledges Receivable (Note 2)	-	74,991
Employee Retention Credits Receivable (Note 6)	-	134,745
Prepaid Expenses	11,607	7,256
Retail Inventory (Note 2)	7,793	17,181
Total Current Assets	<u>3,995,988</u>	<u>2,110,575</u>
LAND, PROPERTY AND EQUIPMENT, NET (Note 2)	18,933,189	16,498,902
<b>OTHER NON-CURRENT ASSETS</b>		
Finance Lease Right-of-Use Assets, Net (Notes 2 and 5)	13,065	24,545
Investments (Notes 2, 4 and 9)	38,472	22,490
Total Other Non-Current Assets	<u>51,537</u>	<u>47,035</u>
<b>TOTAL ASSETS</b>	<u>\$ 22,980,714</u>	<u>\$ 18,656,512</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 37,378	\$ 77,441
Construction Payables	338,045	187,346
Accrued Wages and Taxes	37,524	24,464
Accrued Vacation Payable	-	17,845
Deferred Fundraising Revenue (Note 2)	25,616	34,253
Current Portion of Finance Lease Liabilities (Notes 2 and 5)	4,648	11,380
Total Current Liabilities	<u>443,211</u>	<u>352,729</u>
NON-CURRENT PORTION OF FINANCE LEASE LIABILITIES (Notes 2 and 5)	<u>8,625</u>	<u>13,273</u>
<b>TOTAL LIABILITIES</b>	451,836	366,002
<b>NET ASSETS (Note 2)</b>		
Net Assets Without Donor Restrictions - Board Designated	90,698	90,698
Net Assets Without Donor Restrictions	19,182,666	16,851,136
Net Assets With Donor Restrictions	3,255,514	1,348,676
Total Net Assets	<u>22,528,878</u>	<u>18,290,510</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 22,980,714</u>	<u>\$ 18,656,512</u>

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

HAWAII ISLAND HUMANE SOCIETY

Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2024 and 2023

	2024			2023				
	Without Donor Restrictions	With Donor Restrictions		Totals 2024	Without Donor Restrictions	With Donor Restrictions		Totals 2023
		Temporarily	Permanently			Temporarily	Permanently	
<b>PUBLIC SUPPORT AND REVENUE</b>								
Donations	\$ 664,945	\$ 5,260,276	\$ -	\$ 5,925,221	\$ 219,425	\$ 992,855	\$ -	\$ 1,212,280
Fundraising	459,798	-	-	459,798	677,124	-	-	677,124
Public and Private Grants	368,913	-	-	368,913	318,679	20,000	-	338,679
Donated Fundraising Gifts (Note 7)	134,437	-	-	134,437	113,713	-	-	113,713
Adoption Fees	84,740	-	-	84,740	96,411	-	-	96,411
Veterinary Services	124,036	-	-	124,036	63,114	-	-	63,114
Merchandise, Service and Microchipping Sales	52,907	-	-	52,907	52,207	-	-	52,207
Donated Services (Note 7)	42	-	-	42	20,000	-	-	20,000
Miscellaneous Revenue	13,848	-	-	13,848	16,855	-	-	16,855
Donated Fundraising Services (Note 7)	-	-	-	-	15,364	-	-	15,364
Employee Retention Credits (Note 6)	-	-	-	-	498,701	-	-	498,701
Interest and Dividends	103,814	-	-	103,814	14,100	-	-	14,100
Unrealized Gain on Investments (Note 2)	5,342	-	-	5,342	5,222	-	-	5,222
Net Assets Released from Restrictions	3,353,438	(3,353,438)	-	-	3,226,569	(3,226,569)	-	-
<b>Total Public Support and Revenue</b>	<b>5,366,260</b>	<b>1,906,838</b>	<b>-</b>	<b>7,273,098</b>	<b>5,337,484</b>	<b>(2,213,714)</b>	<b>-</b>	<b>3,123,770</b>
<b>EXPENSES</b>								
Program Expenses	2,598,952	-	-	2,598,952	2,374,121	-	-	2,374,121
Management and General	223,103	-	-	223,103	269,654	-	-	269,654
Fundraising Expenses	212,675	-	-	212,675	298,153	-	-	298,153
<b>Total Expenses</b>	<b>3,034,730</b>	<b>-</b>	<b>-</b>	<b>3,034,730</b>	<b>2,941,928</b>	<b>-</b>	<b>-</b>	<b>2,941,928</b>
<b>CHANGES IN NET ASSETS</b>	<b>\$ 2,331,530</b>	<b>\$ 1,906,838</b>	<b>\$ -</b>	<b>\$ 4,238,368</b>	<b>\$ 2,395,556</b>	<b>\$ (2,213,714)</b>	<b>\$ -</b>	<b>\$ 181,842</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>16,941,834</b>	<b>1,326,302</b>	<b>22,374</b>	<b>18,290,510</b>	<b>14,546,278</b>	<b>3,540,016</b>	<b>22,374</b>	<b>18,108,668</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 19,273,364</b>	<b>\$ 3,233,140</b>	<b>\$ 22,374</b>	<b>\$ 22,528,878</b>	<b>\$ 16,941,834</b>	<b>\$ 1,326,302</b>	<b>\$ 22,374</b>	<b>\$ 18,290,510</b>

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

HAWAII ISLAND HUMANE SOCIETY

Statements of Functional Expenses  
For the Years Ended June 30, 2024 and 2023

	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Totals 2024	Program Services	Management and General	Fundraising	Totals 2023
Salaries and Wages	\$ 1,044,111	\$ 117,316	\$ 11,732	\$ 1,173,159	\$ 1,026,094	\$ 115,291	\$ 11,529	\$ 1,152,914
Employee Benefits	216,053	24,276	2,428	242,757	152,608	17,147	1,715	171,470
Payroll Taxes	142,600	16,023	1,602	160,225	123,340	13,858	1,386	138,584
Total Salaries, Wages and Related Expenses	1,402,764	157,615	15,762	1,576,141	1,302,042	146,296	14,630	1,462,968
Depreciation and Amortization	450,057	-	-	450,057	363,856	-	-	363,856
Legal and Professional Services	137,674	-	-	137,674	65,351	55,488	31,460	152,299
Kennel Supplies, Food and Medicine	133,690	-	-	133,690	198,704	-	-	198,704
In-Kind - Fundraising Gifts (Note 7)	10,493	-	113,713	124,206	-	-	113,713	113,713
Utilities	91,570	5,845	-	97,415	87,406	5,579	-	92,985
Repairs and Maintenance	56,681	30,520	-	87,201	50,582	27,237	-	77,819
Insurance	83,180	-	-	83,180	73,549	4,695	-	78,244
Venue Rental, Event Hosting, Catering and Other	-	-	79,714	79,714	-	-	98,375	98,375
Surgery Programs and Supplies	41,919	3,894	-	45,813	37,159	3,452	-	40,611
Adoption Expense	40,970	-	-	40,970	38,670	-	-	38,670
Cost of Goods Sold (Note 2)	27,864	-	-	27,864	25,470	-	-	25,470
Information Technology Expense	15,241	10,160	-	25,401	15,094	10,063	-	25,157
Meals and Travel	18,145	3,456	-	21,601	13,060	2,488	-	15,548
Advertising and Marketing (Note 2)	21,350	-	-	21,350	14,254	-	33,526	47,780
Bank and Credit Card Fees	19,040	-	389	19,429	27,064	-	552	27,616
Office Supplies	11,935	2,984	-	14,919	23,859	5,965	-	29,824
Dues, Licenses, Subscriptions	6,495	4,899	-	11,394	3,608	2,721	-	6,329
General Excise Tax and Other Taxes	8,121	-	2,853	10,974	6,402	-	2,250	8,652
Staff Meeting and Training	7,675	2,985	-	10,660	10,104	3,929	-	14,033
Auto Expense	6,851	-	-	6,851	8,276	-	-	8,276
Printing	3,165	-	-	3,165	1,489	-	3,415	4,904
Animal Control Equipment	1,385	-	-	1,385	170	-	-	170
Postage and Freight	568	541	244	1,353	540	515	232	1,287
Finance Lease Interest	1,189	-	-	1,189	1,003	-	-	1,003
Other Expenses	930	204	-	1,134	5,584	1,226	-	6,810
Educational	-	-	-	-	825	-	-	825
Total Expenses	\$ 2,598,952	\$ 223,103	\$ 212,675	\$ 3,034,730	\$ 2,374,121	\$ 269,654	\$ 298,153	\$ 2,941,928

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

# HAWAII ISLAND HUMANE SOCIETY

## Statements of Cash Flows For the Years Ended June 30, 2024 and 2023

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Donations	\$ 6,000,212	\$ 2,637,289
Fundraising	451,161	711,377
Public and Private Grants	262,995	286,523
Adoption Fees	84,740	96,411
Veterinary Services	124,036	63,114
Merchandise, Service and Microchipping Sales	52,907	52,207
Miscellaneous Revenue	13,848	16,855
Employee Retention Credits	134,745	363,956
Interest and Dividends	103,814	14,100
Cash Paid to Employees and Vendors	(2,490,005)	(2,438,678)
Net Cash Provided by Operating Activities (Note 10)	4,738,453	1,803,154
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Purchases of Investments	(10,640)	(597)
Net Proceeds of Certificates of Deposit	-	197,900
Cash Used for Purchases of Property and Equipment	(689,839)	(36,952)
Cash Used for Construction in Process	(2,032,326)	(3,214,422)
Net Cash Used by Investing Activities	(2,732,805)	(3,054,071)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Reduction of Finance Lease Liabilities	(11,380)	(14,885)
Net Cash Used by Financing Activities	(11,380)	(14,885)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,994,268</b>	<b>(1,265,802)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,110,437</b>	<b>2,376,239</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,104,705</b>	<b>\$ 1,110,437</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Lease Assets Obtained In Exchange for Lease Obligations:		
Finance Leases (Note 5)	\$ -	\$ 34,512
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Construction Payables	\$ 150,699	\$ 187,346

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



# HAWAII ISLAND HUMANE SOCIETY

## Notes to the Financial Statements June 30, 2024 and 2023

### Note 1. ORGANIZATION

The Hawaii Island Humane Society is a nonprofit animal welfare corporation (the Organization) offering lifesaving programs and community outreach services, incorporated under the laws of the State of Hawai‘i on May 10, 1962. The mission of Hawaii Island Humane Society is to prevent cruelty to animals, eliminate pet overpopulation, and enhance the bond between humans and animals. The Organization’s principal services include lost and found, spay and neuter, community veterinary care, pet rehoming, a community food pantry, microchipping, dog licensing, and end of life services.

The Organization maintains two island locations: the new Animal Community Center (ACC) in Holualoa-Kona which opened in September 2020, and a shelter in Kea‘au, Hawai‘i. The Organization is currently in Phase III expansion plan for its 12-acre ACC campus, consisting of the construction of a 10,000 square foot veterinary hospital to include an intake lane for incoming animals, several surgical spaces, isolation units and diagnostic equipment.

### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Method of Accounting:* The Organization uses the accrual method of accounting for financial statement reporting according to generally accepted accounting principles in the United States of America. Under this method of accounting, revenue is recognized when earned rather than when received, and expenses are recognized when incurred rather than when paid.

*Revenue Recognition:* Contributions and donations revenue is recognized when the gift is received. For grants, revenue is recognized as the applicable requirements are fulfilled. Contributions received are recorded either “With Donor Restrictions” or “Without Donor Restrictions”. Grants and other contributions of cash are reported as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Unconditional promises to give within the next year are reflected as current promises to give and are recorded at net realizable value.

*Cash and Cash Equivalents:* For the purpose of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. The Organization maintains cash balances at financial institutions that may at times exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institutions minimizes such risk. The following is a summary of deposits as of June 30:

	<u>2024</u>	<u>2023</u>
Fully Insured Deposits	\$ 1,581,525	\$ 308,940
Uninsured and Uncollateralized	<u>1,524,157</u>	<u>801,497</u>
	<u>\$ 3,105,682</u>	<u>\$ 1,110,437</u>

HAWAII ISLAND HUMANE SOCIETY

Notes to the Financial Statements  
June 30, 2024 and 2023

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

*Certificates of Deposit:* As of June 30, 2024 and 2023, the Organization had \$702,100 invested in certificates of deposit with original maturities of 12 months. Certificates of Deposit are recorded at cost which approximates fair value. Interest income on the certificates of deposit is recorded as income when earned. The certificates matured and renewed on September 1, 2023 and earned interest at annual rates of 1.0% prior to renewal and 4.0% after renewal. The Organization’s certificates of deposit exceed FDIC insured levels by \$452,100 on June 30, 2024 and 2023.

*Retail Inventory:* Retail inventory is stated at cost. Cost is determined using the first-in, first-out (FIFO) method.

*Accounts Receivable:* Accounts receivable is comprised of grants receivable and other accounts receivable that are due for services provided or costs incurred that have yet to be received.

*Allowance for Credit Losses and Doubtful Accounts:* Management analyzes accounts receivable on a periodic basis to determine if an allowance for credit losses or doubtful accounts is necessary. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management has not recorded an allowance for credit losses or doubtful accounts as of June 30, 2024 or 2023 as it has been determined that all receivables will be received based on the analysis of past history, current economic conditions and the composition of the individual balances due.

*Pledges Receivable:* The Organization has been conducting a fundraising capital campaign for a state-of-the-art veterinary hospital. Towards that end, many generous donors have pledged funds to be received over future fiscal years. Contributions received are recognized as support in the period the written promise is received. The pledges receivable are stated at net estimated realizable value, using a discount rate of 4% to calculate the present value allowance, when applicable to multi-year pledges. Pledges receivable consists of the following as of June 30:

	2024	2023
Capital Campaign - Veterinary Hospital	\$ -	\$ 55,000
Other Non-Restricted	-	19,991
Present Value Allowance	-	-
Net Pledges Receivable	\$ -	\$ 74,991
Amounts due in:		
Less than one year	\$ -	\$ 74,991

*Land, Property and Equipment:* The Organization capitalizes all property and equipment with a useful life greater than one year and a cost greater than \$5,000. Property and equipment are stated at cost or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the assets estimated useful lives of the assets as follows:

Buildings and Building Improvements	10-40 years
Land Improvements	10-40 years
Equipment	5-7 years
Vehicles	5-10 years
Software	3 years

# HAWAII ISLAND HUMANE SOCIETY

## Notes to the Financial Statements June 30, 2024 and 2023

### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

In April 2011, the Organization purchased the 12-acre Holualoa parcel with three existing buildings that required renovation prior to occupancy. Project Phases I and II: the Cat Barn, Dog Dorms 1-3, Welcome Center, and Humane Education Building were placed into service in August 2020. To provide enhanced quality care for animals, the Organization has made various site improvements to properties including a dog park and sidewalks, and improvements to the Kea'au property. Included in construction in progress are costs related to the Phase III development of the veterinary hospital.

Land, Property and Equipment, net consists of the following as of June 30:

	2024	2023
Kea'au Land	\$ 100,000	\$ 100,000
Holualoa Land	452,646	452,646
Buildings and Building Improvements	9,902,695	9,902,695
Vehicles	239,302	239,302
Operating Room Equipment	756,672	66,833
Equipment - Office	23,816	23,816
Software	6,599	6,599
Land Improvements	248,963	248,963
Land Improvements - Dog Park	1,184,222	1,184,222
Accumulated Depreciation and Amortization	(1,979,284)	(1,540,707)
Total	10,935,631	10,684,369
Construction In Progress - Veterinary Hospital	7,959,323	5,780,063
Construction In Progress - Kea'au	38,235	34,470
Net Property and Equipment	\$ 18,933,189	\$ 16,498,902

*Impairment of Long-Lived Assets:* The Organization reviews its property for impairment whenever events or changes indicate that the carrying value of an asset may not be recoverable. The Organization compares the carrying value to its fair value in order to determine whether an impairment loss has occurred. For the years ended June 30, 2024 and 2023, no impairment loss has been recognized.

*Investments:* Investments are carried at fair market value in the statement of financial position. The investment income is recognized when earned. The change in unrealized gains and losses are included in the statements of activities and changes in net assets.

*Leases:* The School calculates operating lease liabilities using a risk-free discount rate consistent with the period of the lease term. Lease payments with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no right-of-use lease asset or lease liability recognized.

*Deferred Fundraising Revenue:* Deferred fundraising revenue consists of special event ticket revenue and sponsorships received for the Putts for Paws charity golf tournament event that will take place in the next fiscal year.

HAWAII ISLAND HUMANE SOCIETY

Notes to the Financial Statements  
June 30, 2024 and 2023

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

*Net Assets:* Net assets, revenues, gains and losses are classified based on the existence of or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions:* Net assets without donor restrictions include all resources that are not subject to donor-imposed stipulations or contributions with donor-imposed restrictions that are met during the same year as the contribution is made. Net assets without donor restrictions denoted as property and equipment represent equity in such property and equipment. The Board of Directors has selected certain net assets without donor restrictions to be identified as Board Designated net assets for the Capital Campaign. Board Designated Net Assets at June 30, 2024 and 2023 was \$90,698.

*Net assets with donor restrictions:* Net assets with donor restrictions include the permanently restricted net assets. Net assets with donor restriction-permanent restriction are endowment funds restricted in perpetuity to continue the purpose of the Organization. Income generated by these assets can be used for activities as specified by the donor. At June 30, 2024 and 2023, respectively, permanently restricted net assets consisted of \$22,374 and \$22,374 for the Spay/Neuter (S/N) program. Net assets with donor restriction represent restricted grants and funds received from foundations and donors for which the restrictions had not yet been fulfilled. The net assets with donor restrictions consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
ACC - Capital Campaign	\$ 2,267,079	\$ 1,053,836
ACC- Operating Expenses	755,022	-
Rich Olazaba - Pet Playground	100,661	-
Purchase of Equipment	31,309	59,918
Mobile Spay/Neuter	22,087	47,909
Equine Fund	19,656	19,656
Michi Haga	13,844	15,144
Disaster Relief Lava Flow	9,485	9,485
Second Chance	7,801	4,139
Education	3,651	3,651
Veterinary Hospital Medical Instruments	2,545	4,085
Kona Designated	-	100,000
Kea'au Kennels	-	8,479
Total - Temporary Restricted	<u>3,233,140</u>	<u>1,326,302</u>
Permanently Restricted	<u>22,374</u>	<u>22,374</u>
Total	<u>\$ 3,255,514</u>	<u>\$ 1,348,676</u>

*Cost of Goods Sold:* Cost of goods sold consists of the cost of inventory merchandise purchased for resale that has been sold. The cost of goods sold for the years ended June 30, 2024 and 2023, were \$27,864 and \$25,470, respectively.

*Advertising and Marketing:* The Organization's advertising expenses are related to fundraising activities and program services. There was a total of \$21,350 and \$47,780 in advertising and marketing costs for the years ended June 30, 2024 and 2023, respectively. Both marketing production costs and direct advertising costs are expensed as incurred.

# HAWAII ISLAND HUMANE SOCIETY

## Notes to the Financial Statements June 30, 2024 and 2023

### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *concluded*

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

*Functional Expenses:* The Organization allocates expenses on a functional basis among three categories: direct program services, fundraising, and management and general. Expenses are allocated to the program and supporting services benefited. Expense allocations are generally computed based on the number of employees or contractors performing program or administrative functions.

*Reclassifications:* Certain accounts on the financial statements have been reclassified to be comparative to the 2024 financial statement presentation. There were no affects to the change in net assets from these reclassifications.

### Note 3. RISK OF CONCENTRATIONS

During the years ending June 30, 2024 and 2023, respectively, a significant amount of donations were provided by a few major contributors. Specifically, for the year ending June 30, 2024, approximately 85% of donations were provided by two (2) separate donors, and for the years ending June 30, 2023, approximately 45% of donations were provided by a single donor. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term.

The Organization is a not-for-profit corporation with locations in Holualoa-Kona and Kea‘au, Hawai‘i, and its future activities include operating a veterinary hospital located in Holualoa-Kona. Due to a nation-wide veterinarian and trained veterinary care staff shortage, the Organization may need to provide significant incentives for procuring and retaining labor to staff the hospital.

### Note 4. INVESTMENTS

The Organization follows *FASB ASC 820-10-50-1* which establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. This fair value hierarchy consists of three broad levels.

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority.
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

HAWAII ISLAND HUMANE SOCIETY

Notes to the Financial Statements  
June 30, 2024 and 2023

Note 4. INVESTMENTS – *continued*

The following table sets forth, by level within the fair value hierarchy, the Organization’s investments measured at fair value on a recurring basis:

Assets	Totals 2024	Quoted Prices:	
		Level 1	Level 1
Cash	\$ 316	\$ 316	\$ -
Money Market Mutual Fund	6,130	6,130	5,819
Marketable Securities	32,026	32,026	16,671
Total	<u>\$ 38,472</u>	<u>\$ 38,472</u>	<u>\$ 22,490</u>

There are no other financial assets or liabilities measured at fair value on a recurring or nonrecurring basis as of June 30, 2024 and 2023.

Note 5. LEASES

The Organization leases a vehicle and office equipment under finance leases in order to fulfill its mission.

*Ford Ranger vehicle* - The term of the lease is 48 months commencing in February 2021 and expiring in January 2025 at an implicit rate of 0.6%. Lease payments are \$582 per month.

*Ricoh-IMC3000 printer* - The term of the lease is 48 months commencing in November 2021 and expiring in October 2025 at an implicit rate of 1.2%. Lease payments are \$200 per month, exclusive of usage fees and consumables.

*Ricoh-IMC4500 printer* - The term of the lease is 48 months commencing in March 2023 and expiring in February 2027 at an implicit rate of 4.3%. Lease payments are \$199 per month, exclusive of usage fees and consumables.

As of June 30, 2024, the finance lease ROU assets for these leases had a balance of \$13,065, net of accumulated amortization of \$11,479, as shown in other noncurrent assets on the statement of financial position; the lease liabilities of \$13,273 are included in current liabilities \$4,648 and long term liabilities \$8,625. The weighted average remaining lease term was 2.5 years, and the weighted average discount rate was 1.9%.

The maturities of finance lease liabilities as of June 30 were as follows:

2025	\$ 8,860
2026	3,395
2027	1,600
Total Lease Payments	13,855
Less: Interest	(582)
Present Value of Lease Liabilities	<u>\$ 13,273</u>

# HAWAII ISLAND HUMANE SOCIETY

## Notes to the Financial Statements June 30, 2024 and 2023

### Note 6. EMPLOYEE RETENTION CREDITS

Section 2301 of the Coronavirus, Aid, Relief and Economic Security Act, as modified by the Consolidated Appropriations Act of 2021 (“CARES Act”), provides employers who have been subject to business closure, or have had a significant decrease in gross receipts due to COVID19, to be eligible for credits covering wages, including certain health care costs (up to \$10,000 per employee), paid to employees during the period operations were suspended or the period of decline in gross receipts, regardless if employees were provided services. The Organization applied for the Employee Retention Credits (ERC) for the years ending June 30, 2021 and 2020 and calculated total credit of \$498,701.

Funds were received during the year ending June 30, 2023 totaling \$363,956, and the remaining balance in Employee Retention Credits Receivable was \$134,745 at June 30, 2023. The Organization received the entire remaining balance related to the receivable during fiscal year 2024.

### Note 7. CONTRIBUTED NON-FINANCIAL ASSETS

The Organization follows Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 985): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. For the years ending June 30, 2024 and 2023, contributed nonfinancial assets included donated fundraising gifts valued at \$134,437 and \$113,713, respectively, donated fundraising services valued at \$0- and \$15,364, respectively, and donated services value at \$42 and \$20,000, respectively.

*Donated Services:* Under *FASB ASC 958*, contributions of donated services that create or enhance non-financial assets or that require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. A number of volunteers have donated significant amounts of their time however no objective basis is available to measure the value of these services.

### Note 8. RETIREMENT PLAN

The Hawaii Island Humane Society maintains a Simplified Employee Pension Plan (SEP) IRA retirement plan for all eligible employees whereby the Organization contributes 5% of each eligible employee’s wages. Employees are considered eligible after they have been employed by the Organization for at least two years. For the years ending June 30, 2024 and 2023, the retirement plan expenses totaled \$36,493 and \$14,843, respectively, recognized in employee benefits in the statements of functional expenses.

HAWAII ISLAND HUMANE SOCIETY

Notes to the Financial Statements  
June 30, 2024 and 2023

Note 9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Management's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial Assets at June 30, 2024	
Cash and Cash Equivalents	\$ 3,104,705
Certificates of Deposit and Investments	740,572
Accounts Receivable	169,783
Less those unavailable for general expenditures:	
Donor permanently restricted in perpetuity	(22,374)
Donor restricted with time or purpose restrictions	<u>(3,233,140)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 759,546</u>

Note 10. RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>2024</u>	<u>2023</u>
Changes in Net Assets	\$ 4,238,368	\$ 181,842
Adjustments to Reconcile:		
Unrealized Gain on Investments	(5,342)	(5,222)
Depreciation and Amortization	450,057	363,856
Change in Operating Assets and Liabilities:		
Change in Accounts Receivable	(105,918)	(52,156)
Change in Pledges Receivable	74,991	1,425,009
Change in Employee Retention Credits Receivable	134,745	(134,745)
Change in Prepaid Expenses	(4,351)	(6,938)
Change in Retail Inventory	9,388	3,034
Change in Accounts Payable	(40,063)	26,478
Change in Accrued Wages and Taxes	13,060	(32,257)
Change in Accrued Vacation Payable	(17,845)	34,253
Change in Deferred Fundraising Revenue	<u>(8,637)</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ 4,738,453</u>	<u>\$ 1,803,154</u>



# HAWAII ISLAND HUMANE SOCIETY

## Notes to the Financial Statements June 30, 2024 and 2023

### Note 11. INCOME TAXES

The Organization is exempt from Federal income taxes under *Section 501(c)(3)* of the Internal Revenue Code, and also from State of Hawai'i income taxes under *Sections 416-19* and *416-20* of the Hawai'i Revised Statutes.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for 2024 and 2023.

The Organization files its *Forms 990* in the U.S. Federal jurisdiction and the office of the State's Attorney General for the State of Hawai'i. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2020.

### Note 12. ADOPTED ACCOUNTING PRONOUNCEMENTS

The Organization adopted ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* this year. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. The Organization adopted ASU 2016-13 effective for the year ending June 30, 2024. The adoption had no material impact on the Organization's financial statements as the Organization has already been analyzing the allowance for credits losses under this method.

### Note 13. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 24, 2025, the date the financial statements were available to be issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the statement of financial position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of financial position date, which are necessary to disclose to keep the financial statements from being misleading.