

**HUMANE SOCIETY OF INDIANAPOLIS**  
Indianapolis, Indiana

**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

HUMANE SOCIETY OF INDIANAPOLIS  
Indianapolis, Indiana

CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Humane Society of Indianapolis  
Indianapolis, Indiana

### ***Opinion***

We have audited the consolidated financial statements of the Humane Society of Indianapolis (Society), which comprise the consolidated statements of financial position as of December 31, 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 financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Society as of December 31, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 the Society's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

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(Continued)

### ***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 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 consolidated 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 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 the 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 the 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.



Crowe LLP

Indianapolis, Indiana  
May 31, 2024

**HUMANE SOCIETY OF INDIANAPOLIS**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,251,609	\$ 1,519,914
Interest receivable	8,066	2,423
Accounts receivable, net	14,924	106,090
Prepaid expenses and other assets	1,956	10,181
Inventory	189,079	243,709
Contributions and bequests receivable, net (Note 2)	-	71,250
Investments (Note 3)	7,491,943	7,105,459
Beneficial interest in trust (Note 4)	158,661	140,058
Property and equipment, net (Note 5)	<u>2,416,931</u>	<u>2,540,669</u>
	<u><u>\$ 11,533,169</u></u>	<u><u>\$ 11,739,753</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 324,639	\$ 189,828
Accrued payroll and related expenses	122,778	145,807
Deferred revenue	-	142,300
	<u>447,417</u>	<u>477,935</u>
Net assets		
Without donor restrictions	3,330,073	3,972,763
With donor restrictions (Note 8 and 10)	<u>7,755,679</u>	<u>7,289,055</u>
	<u><u>11,085,752</u></u>	<u><u>11,261,818</u></u>
	<u><u>\$ 11,533,169</u></u>	<u><u>\$ 11,739,753</u></u>

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See accompanying notes to consolidated financial statements.

**HUMANE SOCIETY OF INDIANAPOLIS**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
Year ended December 31, 2023 (with summary totals for year ended 2022)

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	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>Revenues</b>				
Contributions	\$ 2,094,703	\$ 605,305	\$ 2,700,008	\$ 2,455,258
Contributions of nonfinancial assets	1,838,762	-	1,838,762	1,157,657
Bequests	-	526,952	526,952	1,029,925
Companion animal services	1,532,197	-	1,532,197	1,598,069
Special events, net of expenses of \$187,619 in 2023 and \$140,002 in 2022	121,245	-	121,245	240,851
Investment income, net of fees (Note 3)	8,898	126,635	135,533	93,505
Realized gain on sale of investments (Note 3)	7,612	238,781	246,393	113,253
Net assets released from restrictions (Note 8)	<u>1,463,685</u>	<u>(1,463,685)</u>	<u>-</u>	<u>-</u>
Total revenues	7,067,102	33,988	7,101,090	6,688,518
<b>Expenses</b>				
Program services –				
Shelter operations and customer service	6,300,929	-	6,300,929	5,800,552
Administration	353,720	-	353,720	400,483
Fundraising and development	<u>1,060,435</u>	<u>-</u>	<u>1,060,435</u>	<u>1,073,303</u>
	<u>7,715,084</u>	<u>-</u>	<u>7,715,084</u>	<u>7,274,338</u>
Change in net assets before unrealized gain (loss) on investments and change in beneficial interest in trust	(647,982)	33,988	(613,994)	(585,820)
Net unrealized gain (loss) on investments (Note 3)	5,292	414,033	419,325	(938,557)
Change in beneficial interest in trust (Note 4)	<u>-</u>	<u>18,603</u>	<u>18,603</u>	<u>(34,521)</u>
	<u>5,292</u>	<u>432,636</u>	<u>437,928</u>	<u>(973,078)</u>
Changes in net assets	(642,690)	466,624	(176,066)	(1,558,898)
Net assets at beginning of year	<u>3,972,763</u>	<u>7,289,055</u>	<u>11,261,818</u>	<u>12,820,716</u>
<b>Net assets at end of year</b>	<b><u>\$ 3,330,073</u></b>	<b><u>\$ 7,755,679</u></b>	<b><u>\$ 11,085,752</u></b>	<b><u>\$ 11,261,818</u></b>

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See accompanying notes to consolidated financial statements.

**HUMANE SOCIETY OF INDIANAPOLIS**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
Year ended December 31, 2022

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>
<b>Revenues</b>			
Contributions	\$ 1,819,561	\$ 635,697	\$ 2,455,258
Contributions of nonfinancial assets	1,157,657	-	1,157,657
Bequests	-	1,029,925	1,029,925
Companion animal services	1,598,069	-	1,598,069
Special events, net of expenses of \$140,002 in 2022	240,851	-	240,851
Investment income, net of fees (Note 3)	7,084	86,421	93,505
Realized gain (loss) on sale of investments (Note 3)	(3,583)	116,836	113,253
Net assets released from restrictions (Note 8)	<u>1,970,756</u>	<u>(1,970,756)</u>	<u>-</u>
<b>Total revenues</b>	<u>6,790,395</u>	<u>(101,877)</u>	<u>6,688,518</u>
<b>Expenses</b>			
Program services –			
Shelter operations and customer service	5,800,552	-	5,800,552
Administration	400,483	-	400,483
Fundraising and development	<u>1,073,303</u>	<u>-</u>	<u>1,073,303</u>
	<u>7,274,338</u>	<u>-</u>	<u>7,274,338</u>
Change in net assets before unrealized gain (loss) on investments and change in beneficial interest in trust	(483,943)	(101,877)	(585,820)
Net unrealized gain (loss) on investments (Note 3)	(17,501)	(921,056)	(938,557)
Change in beneficial interest in trust (Note 4)	<u>-</u>	<u>(34,521)</u>	<u>(34,521)</u>
	<u>(17,501)</u>	<u>(955,577)</u>	<u>(973,078)</u>
Changes in net assets	(501,444)	(1,057,454)	(1,558,898)
Net assets at beginning of year	<u>4,474,207</u>	<u>8,346,509</u>	<u>12,820,716</u>
<b>Net assets at end of year</b>	<b><u>\$ 3,972,763</u></b>	<b><u>\$ 7,289,055</u></b>	<b><u>\$ 11,261,818</u></b>

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See accompanying notes to consolidated financial statements.

**HUMANE SOCIETY OF INDIANAPOLIS**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (176,066)	\$ (1,558,898)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	177,660	279,746
Realized gain on sale of investments	(246,393)	(113,253)
Unrealized (gain) loss on investments	(419,325)	938,557
Bad debt expense	28,775	-
Beneficial interest in trust	(18,603)	34,521
Changes in assets and liabilities:		
Accounts receivable	91,166	(57,093)
Prepaid expenses and other assets	8,225	(1,474)
Inventory	54,630	(55,989)
Contributions and bequests receivable	42,475	-
Accounts payable and accrued payroll	111,782	(62,980)
Deferred revenue	<u>(142,300)</u>	<u>52,300</u>
Net cash from operating activities	<u>(487,974)</u>	<u>(544,563)</u>
<b>Cash flows used in investing activities</b>		
Purchases of property and equipment	(53,922)	(128,561)
Purchases of investments	(2,283,077)	(3,137,548)
Proceeds from sale of investments	<u>2,556,668</u>	<u>4,020,102</u>
Net cash from investing activities	<u>219,669</u>	<u>753,993</u>
Net change in cash and cash equivalents	(268,305)	209,430
Cash and cash equivalents at beginning of year	<u>1,519,914</u>	<u>1,310,484</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 1,251,609</u></u>	<u><u>\$ 1,519,914</u></u>
Supplemental disclosure:		
Contributions of nonfinancial assets	\$ 1,838,672	\$ 1,157,657

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See accompanying notes to consolidated financial statements.

**HUMANE SOCIETY OF INDIANAPOLIS**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2023 (with summary totals for the year ended December 31, 2022)

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<b>Expenses</b>	<u>Program Services</u>		<u>Supporting Services</u>		<b>2023</b>	<b>2022</b>		
	Shelter Operations and Customer Service		Fundraising and Development					
	<u>Service</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>				
Salaries and benefits	\$ 2,560,499	\$ 243,466	\$ 310,693	\$ 3,114,658	\$ 3,114,658	\$ 3,323,983		
Professional/outsourced services	486,868	65,054	495,294	1,047,216	1,047,216	942,461		
Animal care supplies	843,176	-	-	843,176	843,176	768,221		
Program supplies	75,104	6,602	8,253	89,959	89,959	172,536		
Occupancy	238,781	9,681	9,680	258,142	258,142	227,902		
Insurance	74,859	6,035	9,210	90,104	90,104	97,024		
Supplies	64,899	5,704	7,132	77,735	77,735	54,895		
Telephone	27,753	2,429	3,068	33,250	33,250	26,251		
Postage	6,294	555	112,999	119,848	119,848	43,283		
Equipment rental and maintenance	40,634	3,611	4,393	48,638	48,638	50,442		
Depreciation	164,336	6,662	6,662	177,660	177,660	279,746		
Administrative	53,560	3,921	64,276	121,757	121,757	176,102		
Pet Shop	26,436	-	-	26,436	26,436	45,948		
Donation of animal care supplies	1,637,730	-	-	1,637,730	1,637,730	1,065,544		
Bad debt	-	-	28,775	28,775	28,775	-		
<b>Total expenses</b>	<b>\$ 6,300,929</b>	<b>\$ 353,720</b>	<b>\$ 1,060,435</b>	<b>\$ 7,715,084</b>	<b>\$ 7,274,338</b>			

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See accompanying notes to consolidated financial statements.

**HUMANE SOCIETY OF INDIANAPOLIS**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2022

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<b>Expenses</b>	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>	
	Shelter Operations and Customer Service		Fundraising and Development			
	<u>Service</u>	<u>Administration</u>	<u>Development</u>			
Salaries and benefits	\$ 2,700,920	\$ 318,422	\$ 304,641	\$ 3,323,983		
Professional/outsourced services	366,375	42,285	533,801	942,461		
Animal care supplies	768,221	-	-	768,221		
Program supplies	143,996	7,784	20,756	172,536		
Occupancy	210,810	8,546	8,546	227,902		
Insurance	80,975	4,377	11,672	97,024		
Supplies	45,814	2,477	6,604	54,895		
Telephone	21,891	1,189	3,171	26,251		
Postage	719	39	42,525	43,283		
Equipment rental and maintenance	42,099	2,275	6,068	50,442		
Depreciation	258,765	10,491	10,490	279,746		
Administrative	48,475	2,598	125,029	176,102		
Pet Shop	45,948	-	-	45,948		
Donation of animal care supplies	<u>1,065,544</u>	<u>-</u>	<u>-</u>	<u>1,065,544</u>		
Total expenses	<u>\$ 5,800,552</u>	<u>\$ 400,483</u>	<u>\$ 1,073,303</u>	<u>\$ 7,274,338</u>		

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See accompanying notes to consolidated financial statements.

HUMANE SOCIETY OF INDIANAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization: The Humane Society of Indianapolis' (Society) mission is to improve animal welfare in central Indiana. The Society is committed to ending the cycle of pet overpopulation providing affordable pet ownership and ensuring the well-being, health, and safety of all animals in its care. The Society strives to promote the human animal bond and the powerful impact this mutually beneficial relationship has on individuals, families, and the Indianapolis community.

The accompanying consolidated financial statements also include the activities of the Mary Powell Crume Trust (Crume Trust), a term endowment which was created for the care and relief of animals, and IndyHumane Endowment, Inc., an endowment created in 2021 for the preservation of funds in perpetuity, the income from which shall be distributed at least annually to the Humane Society of Indianapolis, Inc. for use in its general operations in furtherance of animal protection and welfare. All significant intercompany accounts and transactions have been eliminated. During 2008, the Crume Trust was converted to a Total Return Unitrust with an annual payout of 5% of the fair values of the trust's assets. In addition, during 2008, the court system approved the merger of the Crume Trust and the Julia-Jean Stokes Trust. The Crume Trust was recognized as the surviving trust, and the Society remains as the trustee and sole beneficiary.

In March of 2016, the Society, in partnership with pet supply companies across the state, started a program to rescue slightly damaged goods and redistribute them to over 130 shelters and rescues in Indiana and neighboring states.

Income Taxes: The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Society 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).

The Crume Trust and IndyHumane Endowment are both exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Crume Trust and IndyHumane Endowment both meet the definition of a public charity under 509(a)(3) and are organized and operated to support the Society.

Current accounting principles require the Society to disclose the amount of potential benefit or obligation to be realized as a result of an examination performed by a taxing authority. For the years ended December 31, 2023 and 2022, management has determined that the Society does not have any tax positions that result in any uncertainties regarding the possible impact on the Society's financial statements. The Society does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Society recognizes interest and/or penalties related to income tax matters in income tax expense. The Society did not have any amounts accrued for interest and penalties at December 31, 2023 and 2022.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

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(Continued)

HUMANE SOCIETY OF INDIANAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation: GAAP requires, among other things, the Society to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

*Without donor restrictions net assets* – Represents assets resulting from all activities for which no donor-imposed restrictions were stipulated beyond the general purpose of the Society. Without donor restrictions net assets consist of two categories: undesignated funds and designated funds. Undesignated funds are available for any purpose within the scope of the Society's activities. Designated funds are appropriated by the Board of Directors for a specific activity or group of activities. Such designations could be changed only by action of the Board of Directors. Board designated funds were \$186,326 and \$176,447 at December 31, 2023 and 2022, respectively.

*With donor restrictions net assets* – Represents assets whose use by the Society is limited by donor-imposed stipulations that either expire by the passage of time, or are fulfilled and removed by actions of the Society pursuant to those stipulations, which include but are not limited to the direct care of animals and education. As the restrictions are met, the net assets are released from restrictions and included in without donor restrictions net assets. Contributions for which the restrictions are met in the same period in which the contribution is received are also recorded as with donor restrictions revenues and releases from restriction.

With donor restrictions net assets also represents assets whose use by the Society is limited by donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or otherwise removed by actions of the Society. Uses of investment income and accumulated gains earned on with donor restrictions investments are limited by donor-imposed stipulations which can be fulfilled by actions of the Society.

Cash Equivalents: Cash and cash equivalents consist of bank deposits with original maturity of less than 90 days in accounts that are federally insured up to \$250,000 per financial institution by the Federal Deposit Insurance Corporation (FDIC). At times during the years ending December 31, 2023 and 2022, cash balances exceeded the FDIC limit for an individual financial institution.

Inventory: Inventory consists of pet supplies, merchandise, and wellness center supplies and is stated at the lower of cost or market. Cost is determined by the first-in, first-out method. The valuation of donated inventory is determined by the first in, first out method utilizing retail value.

Contributions and Bequests Receivable: Contributions and bequests receivable represent the remaining balance of unconditional promises to give or bequests that have not yet been paid. Contributions that are expected to be collected within one year or less are recorded at net realizable value. Contributions that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows.

The contributions receivable have been discounted using a rate commensurate with risk applicable during the time the contribution was made. Amortization of the contribution receivable discounts are recognized as contribution revenue each year until the contribution is paid in full. Conditional gifts, with a barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

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(Continued)

HUMANE SOCIETY OF INDIANAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Bequests that the Society is aware of, are irrevocable, and the distribution amount can reasonably be determined, have been recorded as a receivable. The Society is also the beneficiary of other bequests that are in various stages of legal proceedings due to claims against the estates or have not completed the probate process. These bequests are not included in the accompanying statement of activities. They will be recorded in the period that the distribution amount due to the Society can be reasonably determined.

Allowance for Uncollectible Contributions: The allowance for uncollectible contributions is determined by management based upon the Society's historical losses, specific circumstances and economic conditions. Management of the Society has estimated that no allowance for uncollectible contributions is required at December 31, 2023 and 2022.

Investments: GAAP requires that investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value based on quoted market prices or dealer quotes in the consolidated statements of financial position. These investments are initially recorded at cost if they were purchased or at their fair value on the date of the gift if they were received as a donation. Unrealized gains and losses are included in the consolidated statements of activities change in net assets.

The Society's investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amount reported in the accompanying financial statements.

Fair Value of Financial Instruments: Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Society's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The carrying value of the Society's financial instruments, which includes cash and cash equivalents, investments, contributions receivable, accounts receivable, beneficial interest in trust agreements, accounts payable, and notes payable, approximate fair value.

Property and Equipment: Property and equipment are stated at cost or, if donated to the Society, at fair value on the date of acquisition. The Society capitalizes additions and improvements that have a value over \$2,500 and a useful life beyond one year. Expenditures for routine maintenance are charged to operations. Depreciation is recorded over the estimated useful lives of the various classes of assets on the straight-line method. Leasehold improvements and right-to-use lease assets are depreciated or amortized over the shorter of their useful life or the length of the lease. The estimated useful lives are as follows:

Buildings and improvements	5 to 40 Years
Furnishings and equipment	3 to 10 Years

Impairment of Long-Lived Assets: In accordance with GAAP, the Society reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended December 31, 2023 and 2022.

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(Continued)

HUMANE SOCIETY OF INDIANAPOLIS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Support and Revenue:** The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions. When a restriction is met in the same period, the net assets are reclassified to without donor restrictions net assets for that period.

**Contributions of Nonfinancial Assets:** Contributions of services are recorded if the services received a) create or enhance non-financial assets or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Society pays for most services requiring specific expertise. Contributed services meeting the requirements are valued and are reported at an estimated fair value in the financial statements based on current rates for similar services.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Society with specific programs, fund-raising solicitations and various committee assignments. No amounts have been included in the financial statements for these donated services based on GAAP criteria.

The Society reports gifts of land, buildings, equipment, or animal care supplies at the estimated fair value at the time of the donation as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. For animal care supplies and other supplies and equipment, the Society uses the retail value for each type of food or supply to estimate the fair value based on the condition of the supplies received.

Contributions of nonfinancial assets reported in the consolidated statements of activities for 2023 and 2022 included the following:

	<u>2023</u>	<u>2022</u>
Animal care supplies from Chewy.com	\$ 1,637,730	\$ 1,065,544
Other supplies and equipment	137,051	63,113
Contributed services	<u>63,981</u>	<u>29,000</u>
	<u><u>\$ 1,838,762</u></u>	<u><u>\$ 1,157,657</u></u>

**Companion Animal Services Program Revenue:** The Society provides shelter for lost, surrendered and homeless animals. These animals are made available for adoption after extensive behavioral and physical examinations. The Society also provides a dog park and a retail store. Under GAAP, revenue from companion animal services is recorded as revenue at the point in time sales occur or as services are rendered, which is when an adoption or service takes place.

**Donation of Animal Care Supplies Expense:** The Society, through the Chewy.com distribution program, provides animal food and supplies to more than 130 animal rescues and shelters across the state of Indiana and six other states. Animal care supplies received primarily includes bags or cans of dog and cat food, but also includes bags of cat litter, litter boxes, animal treats, storage containers, beds, pads, and various other items. The Society uses the retail value for each type of food or supply to estimate the fair value of the animal care supplies received from Chewy.com as in-kind contributions revenue and the animal care supplies distributed on to other animal rescues and shelters are recorded as donation of animal care supplies expense. Any animal food or supplies used in the Society's operations are recorded as animal care supplies expense.

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(Continued)

HUMANE SOCIETY OF INDIANAPOLIS  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Related Parties: In 2023 and 2022, there were no significant related party transactions reported by management.

Expense Classification: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on headcount, square footage, or allocated directly based on the nature of the transaction.

Reclassifications: The Society has made certain reclassifications of the prior year financial statements in order to conform to the current year presentation. These reclassifications had no effect on net assets or changes in net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2023, to determine the need for any adjustments or disclosures to the financial statements for the year ended December 31, 2023. Management has performed their analysis through May 31, 2024, the date the financial statements were available to be issued.

**NOTE 2 - CONTRIBUTIONS AND BEQUESTS RECEIVABLE**

Contributions and bequests receivable consists of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Contributions and bequests receivable:		
Due within one year	\$ -	\$ 71,250
Less present value discount	- -	- -
Less allowance for uncollectible contributions	- -	- -
	<u>\$ - -</u>	<u>\$ 71,250</u>

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(Continued)

**HUMANE SOCIETY OF INDIANAPOLIS**  
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**NOTE 3 - INVESTMENTS**

Investments are stated at fair value as of December 31, 2023 and 2022, and are summarized as follows:

	<u>2023</u>	<u>2022</u>
Cash management funds	\$ 765,411	\$ 355,999
Corporate bonds	679,587	705,262
Mutual funds - fixed income	1,205,234	1,109,482
Mutual funds - equity	1,286,678	1,115,632
Mutual funds - other	302,315	343,425
Equities	<u>3,252,718</u>	<u>3,475,659</u>
	<u><u>\$ 7,491,943</u></u>	<u><u>\$ 7,105,459</u></u>

Investment return (loss) for the years ended December 31, 2023 and 2022, is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 175,587	\$ 134,808
Net realized gain on sale of investments	246,393	113,253
Net unrealized gain (loss) on investments	<u>419,325</u>	<u>(938,557)</u>
Total investment return (loss)	<u>841,305</u>	<u>(690,496)</u>
Investment related expenses	<u>(40,054)</u>	<u>(41,303)</u>
Net investment return (loss)	<u><u>\$ 801,251</u></u>	<u><u>\$ (731,799)</u></u>

**NOTE 4 - BENEFICIAL INTEREST IN TRUST**

The Society is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, the Society has the irrevocable right to receive 5% of income earned on the trust assets in perpetuity, but will not receive the assets held in trust. The estimated value of the expected discounted future cash flows from the trust is \$158,661 and \$140,058 at December 31, 2023 and 2022, respectively, which represents 5% of the fair value of the trust assets at year end.

The change in value of the Society's beneficial interests in the trust for the years ended December 31, 2023 and 2022 was a gain of \$18,603 and a loss of \$34,521, respectively, which is reflected on the statements of activities.

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**HUMANE SOCIETY OF INDIANAPOLIS**  
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**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2023 and 2022, consist of the following:

	<u>2023</u>	<u>2022</u>
<b>Society:</b>		
Land	\$ 359,747	\$ 359,747
Buildings and improvements	7,266,082	7,212,160
Furnishings and equipment	<u>671,252</u>	<u>671,252</u>
	8,297,081	8,243,159
Less: Accumulated depreciation	<u>(6,102,279)</u>	<u>(5,924,619)</u>
	2,194,802	2,318,540
<b>Crume Trust:</b>		
Land	<u>222,129</u>	<u>222,129</u>
<b>Total</b>	<b><u>\$ 2,416,931</u></b>	<b><u>\$ 2,540,669</u></b>

All of the buildings owned by the Society on the main campus are situated on land owned by the Crume Trust. The Crume Trust does not own those buildings or other improvements, but does have a reversionary interest in those buildings and other improvements.

**NOTE 6 - EMPLOYEE BENEFITS**

The Society has a 401(k) plan through Paychex that allows employees to make pre-tax contributions up to the IRS limit. In addition, as an employee benefit, the Society provides non-elective employer contributions to eligible employees of up to 25% of the first 6% of pay invested in the plan by the employee. Employees must be of age 18 years or older to participate and must be employed by the Society for a year to receive matching contributions. Employer contributions to the employee benefit plan during the years ended December 31, 2023 and 2022 were \$12,815 and \$17,942, respectively.

**NOTE 7 - LEASES**

The Society leases various office and animal equipment under noncancelable operating lease arrangements. These leases expire at various dates through 2024. Rental expense for these leases are included in the statement of activities for the years ended December 31, 2023 and 2022, and were \$22,557 and \$24,007, respectively.

Minimum lease commitments are as follows:

2024	<u>\$ 3,407</u>
Total	<u>\$ 3,407</u>

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(Continued)

**HUMANE SOCIETY OF INDIANAPOLIS**  
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**NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS**

Net Assets with Donor Restrictions: Net assets with donor restrictions are restricted to the following at December 31:

	<u>2023</u>	<u>2022</u>
<b>Purpose restrictions:</b>		
Care and relief of animals	\$ 6,798,366	\$ 6,391,348
Animal care, equipment and other	<u>439,064</u>	<u>370,511</u>
	<u>7,237,430</u>	<u>6,761,859</u>
<b>Time restrictions:</b>		
Contributions and bequests receivable, net	-	71,250
<b>Subject to spending policy or appropriation:</b>		
Beneficial interest in perpetual trust	158,661	140,058
IndyHumane Endowment	<u>359,588</u>	<u>315,888</u>
	<u>518,249</u>	<u>455,946</u>
<b>Total with donor restrictions net assets</b>	<b><u>\$ 7,755,679</u></b>	<b><u>\$ 7,289,055</u></b>

Net Assets Released from Restrictions: Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2023</u>	<u>2022</u>
<b>Purpose restrictions accomplished:</b>		
Care and relief of animals	\$ 328,730	\$ 325,910
Animal care, equipment and other	<u>536,753</u>	<u>614,921</u>
<b>Time restrictions accomplished:</b>		
Contributions and bequests receivable, net	<u>598,202</u>	<u>1,029,925</u>
<b>Total net assets released from restrictions</b>	<b><u>\$ 1,463,685</u></b>	<b><u>\$ 1,970,756</u></b>

**NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability in the Society's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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(Continued)

**HUMANE SOCIETY OF INDIANAPOLIS**  
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**NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of cash management funds, mutual funds, and equities are based on quoted prices in active markets. (Level 1 inputs)

The fair value of corporate bonds is based on inputs that are observable, but not active using the market approach. (Level 2 inputs)

The fair value of the beneficial interest in a perpetual trust is determined using the income approach and is based on a valuation model that calculates the present value of estimated distributed income. The valuation model incorporates assumptions that market participants would use in estimating future distributed income. The Society is able to compare the valuation model inputs and results to widely available published industry data for reasonableness; however, the Society is unable to redeem the assets of the trust and only receives the income earned. The fair value of the beneficial interest in a perpetual trust is determined using the market approach. The corpus of the trust will be held in perpetuity and only an annual distribution of investment returns is available to the Society. (Level 3 inputs)

**Assets Measured on a Recurring Basis:** Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at December 31, 2023 Using					<u>Total</u>	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)				
<b>Assets:</b>							
<b>Investments:</b>							
Cash management funds	\$ 765,411	\$ -	\$ -	\$ -	\$ 765,411		
Corporate bonds	- -	679,587	- -	- -	679,587		
Mutual funds - fixed income	1,205,234	- -	- -	- -	1,205,234		
Mutual funds - equity	1,286,678	- -	- -	- -	1,286,678		
Mutual funds - other	302,315	- -	- -	- -	302,315		
<b>Equities:</b>							
Consumer products	514,872	- -	- -	- -	514,872		
Energy	173,082	- -	- -	- -	173,082		
Financial	610,983	- -	- -	- -	610,983		
Health care	627,058	- -	- -	- -	627,058		
Industrial	287,426	- -	- -	- -	287,426		
Technology	1,022,849	- -	- -	- -	1,022,849		
Telecommunication	16,448	- -	- -	- -	16,448		
Beneficial interest in trust	- -	- -	158,661	- -	158,661		
	<u>\$ 6,812,356</u>	<u>\$ 679,587</u>	<u>\$ 158,661</u>	<u>\$ 7,650,604</u>			

(Continued)

**HUMANE SOCIETY OF INDIANAPOLIS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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**NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

	Fair Value Measurements at December 31, 2022 Using					<u>Total</u>	
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>				
<b>Assets:</b>							
Investments:							
Cash management funds	\$ 355,999	\$ -	\$ -	\$ -	\$ 355,999		
Corporate bonds	-	705,262	-	-	705,262		
Mutual funds - fixed income	1,109,482	-	-	-	1,109,482		
Mutual funds - equity	1,115,632	-	-	-	1,115,632		
Mutual funds - other	343,425	-	-	-	343,425		
Equities:							
Consumer products	401,302	-	-	-	401,302		
Energy	266,765	-	-	-	266,765		
Financial	796,811	-	-	-	796,811		
Health care	685,563	-	-	-	685,563		
Industrial	449,027	-	-	-	449,027		
Technology	762,190	-	-	-	762,190		
Telecommunication	91,593	-	-	-	91,593		
Utilities	22,408	-	-	-	22,408		
Beneficial interest in trust	<u>-</u>	<u>-</u>	<u>140,058</u>	<u>140,058</u>	<u>140,058</u>		
	<u><b>\$ 6,400,197</b></u>	<u><b>\$ 705,262</b></u>	<u><b>\$ 140,058</b></u>	<u><b>\$ 7,245,517</b></u>			

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2023 and 2022:

	<u>(Level 3) Beneficial Interest in Trusts</u>
Beginning balance, January 1, 2023	\$ 140,058
Change in value of beneficial interest in trust	<u>18,603</u>
Ending balance, December 31, 2023	<u><b>\$ 158,661</b></u>
Beginning balance, January 1, 2022	\$ 174,579
Change in value of beneficial interest in trust	<u>(34,521)</u>
Ending balance, December 31, 2022	<u><b>\$ 140,058</b></u>

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(Continued)

**HUMANE SOCIETY OF INDIANAPOLIS**  
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**NOTE 10 - ENDOWMENT COMPOSITION**

The Society considers its endowment to consist of a one trust which is donor-restricted for the care and relief of animals, a beneficial interest in a perpetual trust, a donor-restricted operating endowment, and a fund without donor restrictions that the Board of Directors has designated to function as an endowment.

**Interpretation of Relevant Law:** The Finance Committee, as authorized by the Board of Directors of the Society, has interpreted 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, the Society classifies as with donor restrictions net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in with donor restrictions net assets is classified as with donor restrictions net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization 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 Society and the donor-restricted endowment fund
- (3) General economic conditions and the possible effect of inflation and deflation
- (4) The expected total return from income and the appreciation of investments
- (5) The investment policies of the Society and other resources of the Society

The Society has one perpetual trust recorded as with donor restrictions net assets that it considers as part of the endowment. However, the perpetual trust is not subject to UPMIFA because the Board does not have the ability to control the investments and spending policy of this fund. The Crume Trust is treated as term trust and is included as a donor-restricted endowment since the Society is generally limited to receiving annual distributions from the trust but has the ability to invade the principal in specific instances.

Endowment net asset composition by type of fund as of December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beneficial interest in perpetual trust	\$ -	\$ 158,661	\$ 158,661
IndyHumane Endowment	37,950	359,588	397,538
Crume Trust	-	6,798,366	6,798,366
 Total funds	 <u>\$ 37,950</u>	 <u>\$ 7,316,615</u>	 <u>\$ 7,354,565</u>

Endowment net asset composition by type of fund as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beneficial interest in perpetual trust	\$ -	\$ 140,058	\$ 140,058
IndyHumane Endowment	126,447	315,888	442,335
Crume Trust	-	6,391,348	6,391,348
 Total funds	 <u>\$ 126,447</u>	 <u>\$ 6,847,294</u>	 <u>\$ 6,973,741</u>

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(Continued)

**HUMANE SOCIETY OF INDIANAPOLIS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 10 - ENDOWMENT COMPOSITION** (Continued)

Changes in endowment net assets for year ended December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 126,447	\$ 6,847,294	\$ 6,973,741
Gifts	-	-	-
Investment return:			
Investment income, net	1,702	126,635	127,707
Realized gain on sale of investments	7,612	238,781	246,393
Unrealized loss on investments	<u>2,819</u>	<u>414,033</u>	<u>416,852</u>
Total investment return	11,503	779,449	790,952
Appropriation of endowment assets for expenditure	(100,000)	(328,731)	(428,731)
Change in beneficial interest in trust	<u>-</u>	<u>18,603</u>	<u>18,603</u>
Net assets, end of year	<u>\$ 37,950</u>	<u>\$ 7,316,615</u>	<u>\$ 7,354,565</u>

Changes in endowment net assets for year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 150,229	\$ 7,925,525	\$ 8,075,754
Gifts	-	-	-
Investment return (loss):			
Investment income, net	1,256	86,421	87,677
Realized gain on sale of investments	810	116,836	117,646
Unrealized loss on investments	<u>(25,848)</u>	<u>(921,056)</u>	<u>(946,904)</u>
Total investment return (loss)	(23,782)	(717,799)	(741,581)
Appropriation of endowment assets for expenditure	-	(325,911)	(325,911)
Change in beneficial interest in trust	<u>-</u>	<u>(34,521)</u>	<u>(34,521)</u>
Net assets, end of year	<u>\$ 126,447</u>	<u>\$ 6,847,294</u>	<u>\$ 6,973,741</u>

**Return Objectives and Risk Parameters:** The Society has adopted investment and spending policies for endowment assets that attempts to preserve principal while producing sufficient income to meet the needs of the organization. Under this policy, as approved by the Finance Committee, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the benchmark for similar securities while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. The perpetual trust, which is considered an endowment fund, is under control and administered by an outside party.

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(Continued)

HUMANE SOCIETY OF INDIANAPOLIS  
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**NOTE 10 - ENDOWMENT COMPOSITION** (Continued)

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Society 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). The Society targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Society has a policy of appropriating for distribution each year five percent of its endowment fund's fair value at calendar year-end preceding the fiscal year in which the distribution is planned. However, this percentage may be changed at any time by a majority of the Finance Committee not to exceed six percent or less than four percent. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow in excess of annual distribution amount. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Endowment fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations.

**NOTE 11 - LIQUIDITY AND AVAILABILITY**

The Society's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,251,609	\$ 1,519,914
Interest receivable	8,066	2,423
Accounts receivable, net	14,924	106,090
Contributions and bequests receivable, net	-	71,250
Investments	<u>7,491,943</u>	<u>7,105,459</u>
Total financial assets	8,766,542	8,805,136
Less amounts not available for general expenditure within one year:		
Board designated and donor-restricted endowment funds	<u>(6,836,111)</u>	<u>(6,491,999)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,930,431</u>	<u>\$ 2,313,137</u>

As part of the Society's liquidity management, the Society invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Society's board designated and donor-restricted endowment (Crume Trust and IndyHumane Endowment) is included with cash and cash equivalents and investments, and is subject to the spending policy as described in Note 10. Accordingly, for the purposes of liquidity management, the Society has only included 5% of the endowment balance as of the end of the calendar year in the financial assets available to meet general expenditures within one year.